



## Actuarial Services, General Employees' Pension Plan and Retiree Health Insurance Trust Fund

### City of Gainesville, Florida Technical and Price Proposal

RFP No.FPEN-180084-DH

June 25, 2018 | 3:00 p.m.

Segal Consulting  
2018 Powers Ferry Road, Suite 850  
Atlanta, Georgia 30339-7200

**ORIGINAL**

✦ Segal Consulting



2018 Powers Ferry Road, Suite 850  
Atlanta, Georgia 30339-7200

June 22, 2018

City of Gainesville  
General Government Procurement  
200 East University Avenue, Room 339  
Gainesville, Florida 32601

**Re: Actuarial Consulting Services for City of Gainesville, FL – RFP NO. FPEN-180084-DH**

To Whom It May Concern:

Segal Consulting (*Segal*) is pleased to submit this proposal to provide actuarial consulting services for the City of Gainesville General Employees' Pension Plan and Retiree Health Insurance Trust Fund ("Plans"). We understand the actuarial consulting services requested and are committed to performing them for you.

We believe we are the best-qualified firm to provide these services because of our extensive national practice with public sector pension plans, our experience in the State of Florida, and our depth of talented actuaries and consultants across the country from which to draw.

This proposal describes our approach and outlines Segal's general qualifications to perform the requested services. We have also outlined why we are uniquely qualified for this engagement.

Jeffrey S. Williams, Vice President and Consulting Actuary, is authorized to make representations on behalf of Segal. Mr. Williams' office address is the same as the one listed in the header of this letter; his direct phone number is 678-306-3147, his facsimile number is 678-669-1887, and his email address is [jwilliams@segalco.com](mailto:jwilliams@segalco.com). Mr. Williams will be the lead consultant, signing actuary on pension work, and relationship manager for the services requested.

Should you or other staff have questions about the materials contained in this proposal, please do not hesitate to contact me. We would welcome the opportunity to meet with you or a selection committee to answer any questions or to discuss our experience and qualifications in greater detail.

Segal would be privileged to serve as the actuary to the City of Gainesville.

Sincerely,

Mr. Jeffrey S. Williams, FCA, ASA, MAAA, EA  
Vice President and Consulting Actuary

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Technical and Price Proposal  
June 22, 2018

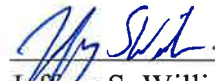
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# Notarization of Technical & Price Proposals

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I attest that I, Jeffrey S. Williams, am an Officer of Segal Consulting and legally authorized to enter into a contractual relationship with the City of Gainesville.

  
\_\_\_\_\_  
Jeffrey S. Williams  
June 22, 2018

Sworn and Subscribed before me  
This 22nd day of June 2018

  
\_\_\_\_\_  
Zandra Halley





# City of Gainesville Forms and Addenda

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## DRUG-FREE WORKPLACE FORM

The undersigned vendor in accordance with Florida Statute 287.087 hereby certifies that

The Segal Company ( Southeast), Inc.

does:

(Name of Business)

1. Publish a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the workplace and specifying the actions that will be taken against employees for violations of such prohibition.
2. Inform employees about the dangers of drug abuse in the workplace, the business's policy of maintaining a drug-free workplace, any available drug counseling, rehabilitation, and employee assistance programs, and the penalties that may be imposed upon employees for the drug abuse violations.
3. Give each employee engaged in providing the commodities or contractual services that are under bid a copy of the statement specified in subsection (1).
4. In the statement specified in subsection (1), notify the employees that, as a condition of working on the commodities or contractual services that are under bid, the employee will abide by the terms of the statement and will notify the employer of any conviction of, or plea of guilty or nolo contendere to, any violation of Chapter 893 or of any controlled substance law of the United States or any state, for a violation occurring in the workplace no later than five (5) days after such conviction.
5. Impose a sanction on, or require the satisfactory participation in a drug abuse assistance or rehabilitation program if such is available in the employee's community, by any employee who is so convicted.
6. Make a good faith effort to continue to maintain a drug-free workplace through implementation of this section.

As the person authorized to sign the statement, I certify that this firm complies fully with the above requirements.

  
\_\_\_\_\_  
Bidder's Signature

June 22, 2018

\_\_\_\_\_  
Date



## CITY OF GAINESVILLE

### CERTIFICATION OF COMPLIANCE WITH LIVING WAGE

**The undersigned** hereby agrees to comply with the terms of the Living Wage Ordinance and to pay all covered employees, as defined by City of Gainesville Ordinance 020663 as amended at 030168 (Living Wage Ordinance), during the time they are directly involved in providing covered services under the contract with the City of Gainesville for

\_\_\_\_\_ a living wage of \$\_\_\_\_\_ per hour to covered employees who receive Health Benefits from the undersigned employer and \$\_\_\_\_\_ per hour to covered employees not offered health care benefits by the undersigned employer.

Name of Service Contractor/Subcontractor: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Name of Local Contact Person \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

\$ \_\_\_\_\_  
(Amount of Contract)

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**LIVING WAGE COMPLIANCE**  
See Living Wage Decision Tree (Exhibit C hereto)

Check one:

- ☒ Living Wage Ordinance does not apply  
(check all that apply)
- ☐ Not a covered service
  - ☐ Contract does not exceed \$100,000
  - ☐ Not a for-profit individual, business entity, corporation, partnership, limited liability company, joint venture, or similar business, who or which employees 50 or more persons, but not including employees of any subsidiaries, affiliates or parent businesses.
  - ☐ Located within the City of Gainesville enterprise zone.
- ☐ Living Wage Ordinance applies and the completed Certification of Compliance with Living Wage is included with this bid.

NOTE: If Contractor has stated Living Wage Ordinance does not apply and it is later determined Living Wage Ordinance does apply, Contractor will be required to comply with the provision of the City of Gainesville's living wage requirements, as applicable, without any adjustment to the bid price.

**PROPOSAL RESPONSE FORM – SIGNATURE PAGE**

(submit this form with your proposal)

TO: City of Gainesville, Florida  
200 East University Avenue  
Gainesville, Florida 32601

PROJECT: Actuarial Services for the City of Gainesville General Employees' Pension Plan and the City of Gainesville Retiree Health Insurance Trust Fund

RFP #: FPEN-180084-DH

RFP DUE DATE: June 25, 2018

Proposer's Legal Name: The Segal Company ( Southeast), Inc.

Proposer's Alias/DBA: Segal Consulting/ The Segal Group

Proposer's Address: 2018 Powers Ferry Road Suite 850

Atlanta, GA 30339

PROPOSER'S REPRESENTATIVE (to be contacted for additional information on this proposal)

Name: Jeffrey S. Williams

Telephone Number 678.306.3147

Date: June 22, 2018

Fax Number 678.669.1887

Email address JWilliams@segalco.com

**ADDENDA**

The Proposer hereby acknowledges receipt of Addenda No.'s #1(June 12) #2(June 19), to these Specifications.

**TAXES**

The Proposer agrees that any applicable Federal, State and Local sales and use taxes, which are to be paid by City of Gainesville, are included in the stated bid prices. Since often the City of Gainesville is exempt from taxes for equipment, materials and services, it is the responsibility of the Contractor to determine whether sales taxes are applicable. The Contractor is liable for any applicable taxes which are not included in the stated bid prices.

**LOCAL PREFERENCE (check one)**

Local Preference requested: ☐ YES ☒ NO

A copy of your Business tax receipt and Zoning Compliance Permit should be submitted with your bid if a local preference is requested.

**QUALIFIED LOCAL SMALL AND/OR DISABLED VETERAN BUSINESS STATUS (check one)**

Is your business qualified as a Local Small Business in accordance with the City of Gainesville Small Business Procurement Program? (Refer to Definitions) ☐ YES ☒ NO

Is your business qualified as a Local Service-Disabled Veteran Business in accordance with the City of Gainesville Small and Service-Disabled Veteran Business Procurement Program? (Refer to Definitions) ☐ YES ☒ No

**SERVICE-DISABLED VETERANS' BUSINESS (check one)**

Is your business certified as a service-disabled veterans' business? ☐ YES ☒ NO

**LIVING WAGE COMPLIANCE**

See Living Wage Decision Tree (Exhibit C hereto)

**Check One:**

- ☒ Living Wage Ordinance does not apply  
(check all that apply)
- ☐ Not a covered service
  - ☐ Contract does not exceed \$100,000
  - ☐ Not a for-profit individual, business entity, corporation, partnership, limited liability company, joint venture, or similar business, who or which employees 50 or more persons, but not including employees of any subsidiaries, affiliates or parent businesses.
  - ☐ Located within the City of Gainesville enterprise zone.
- ☐ Living Wage Ordinance applies and the completed Certification of Compliance with Living Wage is included with this bid.

NOTE: If Contractor has stated Living Wage Ordinance does not apply and it is later determined Living Wage Ordinance does apply, Contractor will be required to comply with the provision of the City of Gainesville's living wage requirements, as applicable, without any adjustment to the bid price.

**SIGNATURE ACKNOWLEDGES THAT: (check one)**

- ☐ Proposal is in full compliance with the Specifications.
- ☒ Proposal is in full compliance with specifications except as specifically stated and attached hereto.

Signature also acknowledges that Proposer has read the current City of Gainesville Debarment/Suspension/Termination Procedures and agrees that the provisions thereof shall apply to this RFP.


ATTEST:

(CORPORATE SEAL)  
PROPOSER:

  
Signature  
By: Jeffrey S. Williams

Title: Vice President and Consulting Actuary

  
Signature  
By: Zandra Halley



Title: Office Manager

## ADDENDUM NO. 1



Date: June 12, 2018

Bid Date: June 25, 2018  
at 3:00 P.M. (Local Time)

Bid Name RFP for Actuarial Services for City of Gainesville  
General Employees' Pension Plan and the City of Gainesville  
Retiree Health Insurance Trust Fund

Bid No.: FPEN-180084-DH

NOTE: This Addendum has been issued only to the holders of record of the specifications.

The original Specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary:

1. Any questions shall be submitted in writing to the City of Gainesville Purchasing Division by 3:00 p.m. (local time), June 18, 2018. Questions may be submitted as follows:  
Email: [holderds@cityofgainesville.org](mailto:holderds@cityofgainesville.org)  
or  
Faxed (352) 334-3163  
Attention: Diane Holder
2. Please find attached:
  - a) Copy of the black out period information (Financial Procedures Manual Section 41-423 Prohibition of lobbying in procurement matters)) distributed during mandatory pre-bid meeting.
  - b) Exhibit A-October 1, 2016 Valuation Report-General Employees Retirement Plan
  - c) Exhibit B-2015 Retiree Health Fund Valuation Report final 7-28-16
  - d) Exhibit C-FY2017 General Employees' Pension GASB 67 Report
  - e) Exhibit D-FY2017 General Employees' Pension GASB 68 Report
  - f) Exhibit E-FY17 Retiree Health Insurance Fund GASB 45 and 74 Report Final

The following are answers/clarifications to questions received:

3. Question: Who is your current provide and can we get the latest copies of your valuation and GASB reports?  
Answer: Conduent currently provides actuarial services for the City of Gainesville General Employees' Pension Plan and the Retiree Health Insurance Trust Fund. Requested Reports attached.
4. Question: Why are you going out to bid?  
Answer: Original Agreement was with Xerox/Buck which was changed to Conduent in 2017. Now Conduent actuarial services business is being sold to H.I.G. Private Equity. Too many firm changes, and actuarial services team turnover.

5. Question: Are there any service issues with your current provider?  
Answer: No
6. Question: What fees do you currently pay for the services covered by the RFP?  
Answer: General Employees' Pension Valuation Report \$28,500  
General Employees' Pension GASB 67 & 68 \$12,500  
General Employees' Pension FL Chapter 112.664 Disclosure \$5,500  
General Employees' Pension Benefit Calculation Review \$250  
Retiree Health Fund Valuation Report/GASB 45 \$25,500  
Retiree Health Fund GASB 74 & 75 \$5,500
7. Question: Can you provide the amount of the total fees paid to the current actuarial vendor in 2015, 2016 and 2017? Was the scope of that work the same as required in this RFP?  
Answer: Most recent/current fees have been provided. Scope of work is the same as required in RFP.
8. Question: Please identify a current actuarial vendor. How long has the current actuarial vendor served the City in that capacity?  
Answer: Prior to 2016, Actuarial Concepts was actuary for referenced City Plans for over 20 years. Through a 2016 RFP process, Xerox/Buck was hired as actuary. In 2017 Xerox/Buck became Conduent, who is current actuary.
9. Question: Is the current actuarial vendor allowed to bid on this assignment?  
Answer: Yes.
10. Question: Has the City been totally satisfied with the current vendor?  
Answer: Yes.
11. Question: Can you provide the copies of the most recent actuarial funding valuation report for Pension and OPEB plans and GASB disclosure reports (if prepared separately)?  
Answer: Previously provided.
12. Question: Will any preference be given to the bidder maintaining an office in the State of Florida?  
Answer: No.
13. Question: Is it mandatory that the successful bidder provides the similar services for public entities in the State of Florida?  
Answer: Preferred.
14. Question: How many live meetings will be required under the terms of the engagement and must be included into the total fees?  
Answer: 1
15. Question: Must our proposal cover all services listed in the RFP or will the City accept proposals only providing the requested GASB Reporting and Biannual Actuarial Valuation Reports Plan and the Retiree Health Insurance Trust Fund?  
Answer: Proposals should cover all services listed in RFP.

16. Question: Please provide the most recent Pension and OPEB actuarial reports and experience study  
Answer: See Attachments, No recent Experience Studies are available.
17. Question: Were any plan changes made since the last valuation reports?  
Answer: The assumed rate of return on investments was lowered from 8.10% in FY2016 to 8.0% in FY2017, and will be lowered to 7.9% in FY2018.
18. Question: Is the OPEB plan fully insured or self-insured?  
Answer: Self-Insured.
19. Question: What is the budget for services being requested in this RFP?  
Answer: The budget will be in line with previous fees paid for actuarial services, with adjustments made for fees quoted in the newly accepted proposal.
20. Question: How long has the current actuary been providing these services?  
Answer: See question #8.
21. Question: Is the current actuary invited to bid on this RFP?  
Answer: See #9
22. Question: Are you open to accepting mutually-agreeable contract terms, which include some limitation of liability on the work performed by the contracting actuarial firm? Also, are there any statutory requirements regarding limitation of liability of which we should be aware?  
Answer: The City will negotiate contract terms with the firm whose proposal is accepted. Limitations of liability are negotiable. There are no statutory requirements regarding limitations of liability.
23. Question: How many full time employees does the municipality currently have?  
Answer: See attached Actuarial Valuations
24. Question: How many retirees currently receiving healthcare benefits does the municipality have?  
Answer: See attached Actuarial Valuations
25. Question: Are you self-insured or fully-insured?  
Answer: Self-Insured
26. Question: Are there different types of plans (high-coverage, low-coverage, etc.) that retirees can choose from? Or is everyone covered by the same plan?  
Answer: The City offers one plan for retirees. When a retiree reaches age 65 Medicare eligibility, they can choose to enroll in a Medicare Supplement sponsored by the employer and billed to the employer. The City's contribution can be applied to the Medicare Supplement and Part D option or the City's Health Plan.

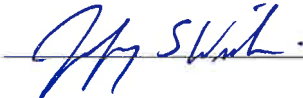


27. Question: Does the plan provide just health insurance, or do you provide dental, vision, life insurance, or any other type?  
Answer: Health Insurance only. There is a separate Group Life Insurance Policy for active employees that has a retiree classification. The retiree benefit reduces at retirement until it reaches a minimum benefit of \$5000.
28. Question: Are there any other post-retirement benefits that need to be included in the valuation?  
Answer: No
29. Question: Will your valuation need to be broken out by different employee departments? If so, how many departments? (Note: this will most likely increase the cost of the valuation)  
Answer: No
30. Question: Does the City have a trust fund which post employments benefits are paid?  
Answer: Yes
31. Question: Subsidized post-employment life insurance is or not provided?  
Answer: Employer paid Life Insurance is provided for active employees - at retirement, the benefit is gradually reduced to \$5000.
32. Question: Are there unit(s) for which costs and liabilities must be separately disclosed?  
Answer: No
33. Question: Does the municipality value life insurance?  
Answer: Employer paid Life Insurance program is not for of the Retiree health Insurance Trust Fund, and is not included in the actuarial valuation of that Fund.

ACKNOWLEDGMENT: Each Proposer shall acknowledge receipt of this Addendum No. 1 by his or her signature below, **and a copy of this Addendum to be returned with proposal.**

CERTIFICATION BY PROPOSER

The undersigned acknowledges receipt of this Addendum No. 1 and the Proposal submitted is in accordance with information, instructions, and stipulations set forth herein.

PROPOSER: 

BY: Jeffrey S. Williams

DATE: June 22, 2018

# CITY OF \_\_\_\_\_ FINANCIAL SERVICES GAINESVILLE PROCEDURES MANUAL

## **41-423      Prohibition of lobbying in procurement matters**

Except as expressly set forth in Resolution 060732, Section 10, during the black out period as defined herein no person may lobby, on behalf of a competing party in a particular procurement process, City Officials or employees except the purchasing division, the purchasing designated staff contact. Violation of this provision shall result in disqualification of the party on whose behalf the lobbying occurred.

Black out period means the period between the issue date which allows for immediate submittals to the City of Gainesville Purchasing Department for an invitation for bid or the request for proposal, or qualifications, or information, or the invitation to negotiate, as applicable, and the time the City Officials and Employee awards the contract.

Lobbying means when any natural person for compensation, seeks to influence the governmental decision making, to encourage the passage, defeat, or modification of any proposal, recommendation or decision by City Officials and Employees, except as authorized by procurement documents.

## ADDENDUM NO. 2



Date: June 19, 2018

Bid Date: June 25, 2018  
at 3:00 P.M. (Local Time)

Bid Name RFP for Actuarial Services for City of Gainesville  
General Employees' Pension Plan and the City of Gainesville  
Retiree Health Insurance Trust Fund

Bid No.: FPEN-180084-DH

NOTE: This Addendum has been issued only to the holders of record of the specifications.

The original Specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary:

1. The deadline for questions was June 18, 2018.
2. Please find attached:
  - a) Copy of the black out period information (Financial Procedures Manual Section 41-423 Prohibition of lobbying in procurement matters)) distributed during mandatory pre-bid meeting.

The following are answers/clarifications to questions received:

3. Question: Please provide the current contracted fees for each of the services outlined in the price proposal section of the RFP.  
Answer: See Addendum No. 1.
4. Question: Please provide a copy of the most recent actuarial valuation reports for each of the services requested (i.e., funding, GASB, 112.664)?  
Answer: See Addendum No. 1.
5. Question: For the Retiree Health Insurance Trust Fund, are the GASB 74/75 valuations prepared annually with updated census data and financial information or is the valuation bi-annual with a rollforward of results for interim years?  
Answer: The valuation is done bi-annually with a roll forward of results for interim years.
6. Question: Are there any service issues with your current actuarial provider?  
Answer: See Addendum No. 1.
7. Question: Are there any areas of concern that should be addressed in the proposal?  
Answer: If there is going to be a fee to perform an initial reproduction of the most recent actuarial valuation, state so clearly.

8. Question: Would the City entertain language that clarifies that the successful bidder may rely on the data provided by the City and is not responsible for data clean up or inaccurate data?  
Answer: The City is willing to discuss such language with the successful bidder, but some data reconciliation is expected.
9. Question: Would the City entertain language that sets out a limitation of liability on asserted negligence or breach of contract, without limiting gross negligence or willful misconduct, to a mutually agreed amount?  
Answer: The City is willing to discuss such language with the successful bidder.
10. Question: Would the City entertain language that clarifies that the indemnity is solely triggered when a claim from a non-party arises against the City that is due to the successful bidder's fault?  
Answer: The City is willing to discuss such language with the successful bidder.
11. Question: Would the City entertain language clarifying that the insurance carried is slightly edited?  
Answer: The City is willing discuss such language with the successful bidder.
12. Question: Would the City entertain a non-solicitation of employment clause that allows exceptions for non-targeted general job recruiting?  
Answer: The City is willing to discuss such language with the successful bidder.
13. Question: Please confirm whether the RFP includes services the successful bidder is expected to perform related to pension plan benefit calculation and/or administration system(s) maintained and operated by the City.  
Answer: The RFP specifies that the successful bidder is expected to perform pension benefit calculations, however there are no responsibilities related to the City's pension administration systems.
14. Question: Section 1 ( C ) Proposal Submission: This section asks that we submit the proposal on a CD or USB Flash Drive and that the electronic document should not be password protected or encrypted. It is Gallagher's policy to encrypt the CD or Flashdrive as a whole. Are we able to submit the flashdrive with a password included? Or can we submit an electronic copy via Sharefile or email?  
Answer: The City will accept a flashdrive with the password included.
15. Question: How will addenda be communicated?  
Answer: Addenda will be posted on Demandstar.
16. Question: Section III (A)(3) Format and Contents of Proposal – Price Proposal: Is the price proposal required to be submitted in a separate sealed envelope?  
Answer: The price proposal is not required to be submitted in a separate sealed envelope.
17. Question: Section III (B) Qualifications/Statement of Qualifications: Is the City looking for a complete client list or just a listing of our references?  
Answer: References are required. A representative list of public pension clients, including Florida public pension clients is preferred.

ACKNOWLEDGMENT: Each Proposer shall acknowledge receipt of this Addendum No. 2 by his or her signature below, **and a copy of this Addendum to be returned with proposal.**

CERTIFICATION BY PROPOSER

The undersigned acknowledges receipt of this Addendum No. 2 and the Proposal submitted is in accordance with information, instructions, and stipulations set forth herein.

PROPOSER:

  
\_\_\_\_\_

BY:

Jeffrey S. Williams  
\_\_\_\_\_

DATE:

June 22, 2018  
\_\_\_\_\_

# CITY OF \_\_\_\_\_ FINANCIAL SERVICES GAINESVILLE PROCEDURES MANUAL

## **41-423      Prohibition of lobbying in procurement matters**

Except as expressly set forth in Resolution 060732, Section 10, during the black out period as defined herein no person may lobby, on behalf of a competing party in a particular procurement process, City Officials or employees except the purchasing division, the purchasing designated staff contact. Violation of this provision shall result in disqualification of the party on whose behalf the lobbying occurred.

Black out period means the period between the issue date which allows for immediate submittals to the City of Gainesville Purchasing Department for an invitation for bid or the request for proposal, or qualifications, or information, or the invitation to negotiate, as applicable, and the time the City Officials and Employee awards the contract.

Lobbying means when any natural person for compensation, seeks to influence the governmental decision making, to encourage the passage, defeat, or modification of any proposal, recommendation or decision by City Officials and Employees, except as authorized by procurement documents.





# Technical Proposal (Section III.A.2.)

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## Overall Project Approach

The goals of any retirement plan should be to provide a meaningful benefit to participants at an affordable and sustainable cost. From the participants' perspective, retirement benefits should provide a reasonable standard of living after retirement.

Any reputable firm will be able to provide the "numbers" for the requested valuations. Segal, of course, would like to be your firm of choice. However, we would ideally like to be your partner, a firm of individuals and teams that you can trust. The only way for that to occur is to discuss not only the requirements of the proposal, but other issues such as long term goals, the perception of your benefits, how your benefits fit into the overall strategy of the City and other items that may be on your mind. A greater understanding of your Plans and the challenges you face will enable our team to exceed your expectations and ultimately earn your trust.

Immediately upon award of this contract, Segal will meet with Plan staff to initiate the relationship. At this meeting, we will:

- Discuss long term goals with respect to benefits and in relation to the City's budgetary structure,
- Review our information request and identify any additional information needed for the engagement,
- Discuss the proposed transition plan and yearly calendar of events,
- Establish procedures and protocols for communication with the prior actuary,
- Confirm key delivery dates and milestones,
- Establish procedures and parameters for communicating with City staff and the Retirement Board of Trustees, and
- Review the format of our valuation reports and GASB deliverables.

During the initial meeting, we will also clarify the roles of each party. We will create and maintain a list of deliverables, open issues to be addressed, responsibilities and deadlines. Confirmation from the staff of our understanding would be the final step. We believe this approach helps both parties to keep a short-term perspective on the day-to-day management of the project while maintaining a longer-term perspective on broader issues that need to be addressed going forward.

As we do with all engagements, Segal will make every effort to foster an open, cooperative, communicative relationship between City staff and our staff members.

## WORK PLAN AND METHODOLOGY FOR INITIATION OF SERVICES

| Task   | Description   | Timing                             |
|--|---|------------------------------------|
| <b>Document and Data Request</b>                                 | Request all participant and financial data used in the last actuarial valuation.<br><br>We will also request any updated plan documents, booklets, governing statutes, ordinances, financial reports, actuarial valuations, annual reports, written policies and procedures, sample actual retirement benefit calculations, as well as pertinent correspondence.  | Within two weeks of contract award |
| <b>Initial Meeting: Identification and Formulation of Issues</b> | Meet with Board staff and administrator to initiate engagement. Establish initial work parameters and expectations for services and work schedules. Briefly review documents and data compiled by Segal pursuant to above requests. Identify and formulate issues to be addressed and priority of objectives. Discuss any preliminary questions or findings resulting from our review of the plans and initial data.  | Within one month of contract award |
| <b>Internal Review and Familiarization</b>                       | General review of the plans based on the data and documents received. The review will include familiarization with the following issues: <ul style="list-style-type: none"> <li>• Participant Data</li> <li>• Actuarial Funding Method</li> <li>• Actuarial Funding Assumptions</li> <li>• Actuarial Value of Assets</li> <li>• Funding Status</li> <li>• Plan Design and Administration</li> <li>• Employee Communications</li> <li>• GASB Issues</li> </ul> | Ongoing                            |
| <b>Programming and Testing</b>                                   | Develop computer models and test on valuation data based on statutory provisions and plan assumptions. Match the prior actuary's valuation results within an acceptable range.  | Ongoing                            |

### Actuarial Valuation Approach

We will perform the Pension Plan's annual valuations and the Retiree Health Fund's biennial valuations in accordance with generally accepted actuarial methods and practices, including standards prescribed by the Actuarial Standards Board, the Governmental Accounting Standards Board, and the actuarial assumptions and methods adopted by the Plans. Actuarial reports shall detail the results of the calculations and provide comparisons with the prior year's results. All correspondence regarding actuarial assumptions and other technical issues related to the Pension Plan will be reviewed, approved and signed by the lead actuary, Jeff Williams. All correspondence regarding actuarial assumptions and other technical issues related to the Retiree Health Fund will be reviewed, approved and signed by David Berger.

In performing an actuarial valuation, Segal has an established protocol that defines the steps, methodology, and quality control procedures. We recognize, however, that our standard work plan may need to be modified in certain areas for Gainesville's Plans. The majority of the work is performed by experienced analysts, and reviewed by both senior actuaries and the lead actuaries.

The following table presents a general work schedule and methodology for the completion of a pension actuarial valuation.

|               |  |
|---------------|--|
| <b>Step 1</b> | <b>Accomplish the Initial Preparation</b><br>Set up files, including previous valuation reports and any other relevant material. Prepare or update a detailed summary of the current benefit and funding provisions, and the present actuarial assumptions and methods. Consult with the Board and staff to confirm that there is complete agreement as to what is expected and a full understanding of the operation of the plans.  |
| <b>Step 2</b> | <b>Prepare Data Request</b><br>Identify all information needed for the valuation, including complete census information on active, inactive and retired participants, as well as a complete statement of plan assets.  |
| <b>Step 3</b> | <b>Review Data When Received</b><br>Run membership data through customized "Data Handler" to verify completeness and reasonableness. Coordinate with the plan administrator regarding any problems and assumptions to be made for data that is not acceptable or complete. Reconcile membership and financial data with the prior year.  |
| <b>Step 4</b> | <b>Customize and Test All Computer Programs</b><br>These programs project all benefit liabilities and discount them to the actuarial valuation date. The programs will be updated and tested every year.   |
| <b>Step 5</b> | <b>Review Assumptions</b><br>Make adjustments to assumptions based on Board and staff input regarding the economic and demographic expectations.   |
| <b>Step 6</b> | <b>Review Experience against Assumptions</b><br>Compare current experience with the actuarially assumed rates once participant and financial data have been finalized. In the second and subsequent years, calculate "expected" experience levels by applying prior year actuarially assumed rates to the active and retired participant data at that time. Count the number of actual terminations, disablements, deaths and new retirements. Derive "actual to expected" ratios to determine extent of experience deviation for investment yield and for turnover, disability, mortality and retirement decrements and salary scale by five year age groups. Compare actual benefit payments and employee contributions to those expected. For the Retiree Health Trust, compare the number enrolled to the Pension Plan data. Assess developing trends and analyze actuarial gains and losses since the prior valuation. Discuss with staff, if necessary, in case of unusual results which may reflect a misinterpretation of the data provided. |
| <b>Step 7</b> | <b>Complete the Actuarial Calculations</b><br>Run final versions of computer valuation programs. Compile results on spreadsheets and worksheets and reconcile with prior year results. Check all calculations for mathematical accuracy.   |
| <b>Step 8</b> | <b>Draft Valuation Reports</b><br>Ensure valuation reports contain sufficient explanatory text, tables and charts to permit reasonable understanding of the actuarial assumptions, cost methods and conclusions  |

|                |  |
|----------------|--|
|                | (including rationale for changes in actuarial basis and results compared to the prior year) by recipients of the reports.  |
| <b>Step 9</b>  | <b>Review the Actuarial Valuations</b><br>These reviews are conducted by a senior actuary and encompass the entire process including participant and financial data preparation, calculations and programs. The reviewing actuary assumes responsibility for the completeness and correctness of the actuarial results |
| <b>Step 10</b> | <b>Final Review of Actuarial Valuation Reports</b><br>This review will be conducted by Mr. Williams for the Pension Plan and Mr. Berger for the Retiree Health Trust. Submit final actuarial valuation reports to Board and staff.   |

We have found these procedures ensure a quality actuarial product and communicate the results in a clear, concise manner. Our process enables Segal not to require a limitation on liability in this contract.

## Data Collection and Process

Our plan is to collect the data via a secure and encrypted file. The file may either be a text file, Excel file or in another format as long as the layout is provided. We will then import the data into our internally developed data management system (called Data Handler) to analyze the data. The Data Handler is a Microsoft Access-based database that will be used to store historical plan data and has built-in queries to analyze the data. The built-in queries provide the analyst with a report of each field and whether or not the data meets Segal's tolerance standards. If data does not meet the tolerance standards, then follow-up questions are asked.

We are fully aware that some data inadequacies cannot be resolved with specific answers because the actual pieces of information have not been collected or maintained. In those circumstances, we will develop reasonable assumptions for the unavailable data to cover the group of employees in question.

We follow a series of priorities, which assure that our assumptions are based on the best available data in a given situation. Those priorities (with representative examples) are as follows:

- **Actual data.** Provided by the City and verified through our standard series of edit procedures.
- **Assumptions based on known current data.** Applicable where we have enough information about a participant to estimate the missing data element based on averages for similar participants with known information for that data element.
- **Assumptions based on known historical data.** Used to make current assumptions about a group when we have historical information about a group with similar characteristics.
- **Consultations with City staff.** When no verifiable or attributable form of data is available, we will make assumptions based on the knowledge of staff about the demographic history of the Plans.

## Quality Control Procedures

Segal has quality control principles in place that mandate two levels of review of all actuarial work. Following the completion of the work product by an analyst or a senior analyst, a senior actuary will review it for accuracy, consistency, reasonableness and completeness. Included in this review are the data provided, the plan of benefits, the liability programming, the cost calculations, and the text of the actuarial communications. Sample lives completed and reviewed by the analyst to test the programming are examined as well. After this process is completed, the lead actuary will give the work product another review, ensuring that the conclusions are reasonable, that they correlate appropriately with prior results, and that the results are correctly and clearly stated for the client. This actuary is also responsible for ensuring that all of Segal's processes were followed appropriately in completing the work, and that the Actuarial Standards of Practice mandated by the American Academy of Actuaries have been followed.

In addition to our standard review process for all actuarial results, a member of Segal's Office of the Chief Actuary visits each Segal office annually to complete a technical peer review of the actuarial department's work. This senior actuary will randomly review many of the actuarial files to further ensure that the internal quality procedures have been followed.

## GASB 67/68 Disclosures

Segal was active in the development and implementation of GASB Statements No. 67 and 68. Our consultants worked directly with the GASB during the Statement drafting process. In fact, Segal developed the spreadsheet showing the derivation of the discount rate included as Tables 1, 2, and 3 in Statements 67 and 68. We kept our clients informed of the changes throughout the process through client notices and webinars, and submitted formal comments on statement drafts. Segal has also performed calculations of the NPL (Net Pension Liability) and allocations to employers for cost-sharing multiple-employer pension plans under the new Statements. In addition, several Segal actuaries served on GASB's task force during the drafting stage and in the development of the Implementation Guides.

## GASB Statements 67 and 68 Services

Segal will:

- Calculate the discount rate.
- Determine the Net Pension Liability (NPL) and change in Net Pension Liability. The NPL is equal to the Total Pension Liability (TPL) less the plan assets. The TPL is the actuarial accrued liability, based on the entry age normal actuarial cost method, and the discount rate.
- Determine the pension expense. The new pension expense is the change in NPL, with deferred recognition of certain elements. The components of the new pension expense include:
  - Service cost,
  - Interest on the TPL as of the beginning of the year,
  - Changes in TPL over the year (with certain deferrals),
  - Differences between actual and projected earnings over the year (with certain deferrals),
  - Projected investment returns over the year,

- Employee contributions, and
  - Other changes in plan net position (such as market value of assets).
- Work with the City to gather the data and develop the format for the financial statements, note disclosures, and required supplementary information. Highlights of the required disclosures include:
- Description of the plan and assumptions,
  - Policy for determining contributions,
  - Sensitivity analysis of the impact on NPL of a one percentage point increase and decrease in the discount rate,
  - Historical changes in the NPL,
  - Table of Deferred Inflows and Outflows,
  - Development of long-term earnings assumption, and
  - Annual rates of investment return for past 10 years (plan only).
- If desired, work with the City to develop communications that describe the differences between funding and accounting numbers. In addition, Segal will reconcile the funding contribution to the pension expense and the funded status to the NPL, identifying the reasons for the differences between these figures.

## **GASB Statements 74 and 75 Services**

Segal will:

- Calculate the discount rate, projected claims costs, and health care trends.
- Determine the Net OPEB Liability (NOL) and change in Net OPEB Liability. The NOL is equal to the Total OPEB Liability (TOL) less the plan assets. The TOL is the actuarial accrued liability, based on the entry age normal actuarial cost method, and the discount rate.
- Determine the pension expense. The new pension expense is the change in NPL, with deferred recognition of certain elements. The components of the new pension expense include:
- Service cost,
  - Interest on the TOL as of the beginning of the year,
  - Changes in TOL over the year (with certain deferrals),
  - Differences between actual and projected earnings over the year (with certain deferrals),
  - Projected investment returns over the year,
  - Employee contributions, and
  - Other changes in plan net position (such as market value of assets).
- Work with the City to gather the data and develop the format for the financial statements, note disclosures, and required supplementary information. Highlights of the required disclosures include:
- Description of the plan and assumptions,



- Policy for determining contributions,
  - Develop the Actuarial Determined Contribution (ADC)
  - Sensitivity analysis of the impact on NOL of a one percentage point increase and decrease in the discount rate, and health care trend rate,
  - Historical changes in the NOL,
  - Table of Deferred Inflows and Outflows, and
  - Development of long-term earnings assumption.
- If desired, work with the City to develop communications that describe the differences between funding and accounting numbers.

### **Impact Statements**

We have experience preparing Impact Statements to determine the cost of benefit changes for Florida local law public pension plans.

### **Retiree Benefit Calculations and Pension Buy Back Calculations**

Your Atlanta team has extensive experience in benefit and pension buy-back calculations, including with Florida clients. Our goal is to return your requested calculations within two weeks of the initial request.

### **Plan Design Changes and Forecasting**

We have worked on plan design and forecasting for many southern cities, including Jacksonville, Orlando, Vero Beach, Atlanta, Birmingham, Savannah, Chattanooga, Dallas, and Fort Worth.

### **Presentation of Actuarial Valuation Report**

We will annually attend a meeting to present the results of the actuarial valuation reports. We can attend other meetings as requested. The valuation will contain a glossary of terms and sufficient explanatory text to allow for reasonable understanding of the actuarial assumptions and cost method used, and conclusions.

### **Provide Consultations with City Staff**

We will be happy to provide any consultative services to the City's staff that falls within our areas of expertise. With over 50 consultants dedicated primarily to public sector retirement and/or health plans, a vast array of knowledge and expertise is available within Segal to be called upon if needed.

### **Consultant Availability**

We will provide ongoing consultation and advisory services via telephone calls, written correspondence, emails, and meetings as requested.

When we assign the actuarial team to work with the Plan, we will also provide contact numbers for the primary team members. Our objective is to provide you the ability to get in touch at almost any time. We will establish a key staffing hierarchy for receiving, processing and responding to



possible issues, questions and needs of the client. By assigning more than one senior level actuary to be fully familiar with the Plan's benefits and our work, and by providing ready access to your actuaries when they are out of the office, we are able to reduce any impact from key staff being away from the office and unavailable.

Telephone calls will generally be returned within one business day, and meetings can generally be arranged within a few working days of request since we are located in metro-Atlanta and there are multiple non-stop flights a day departing Atlanta for Gainesville.

Segal's general practice is to keep our client team continually informed of outstanding, current and breaking situations so that inquiries can be addressed in a timely and efficient manner when any individual team member is not immediately available.

We will establish procedures to assure that City staff are kept fully apprised of any developing questions or situation that might require their attention. We schedule regular internal team meetings to work through the current status of deliverables and to identify appropriate staffing for response. This approach also has the benefit of creating staff familiarity with current operational questions along with a resulting increase in efficiency.

Our actuaries and consultants are experienced in working with both large, statewide retirement systems and with local government retirement plans and are familiar with the dynamic of urgency that attends many issues. Where we mutually determine that our physical presence is not required for a particular emerging issue, we will make a variety of different media available to facilitate smooth work with the Plans. For example, we provide instant dial-in conference lines for quick calls with multiple client and Segal team members. In addition, we utilize Live Meeting functions with the dial-in telephone conferences where we all need to review and work on documents interactively. Where neither of these approaches will suffice, we will make ourselves fully available to be present for unplanned meetings, briefings and testimony.

We have found that in most cases, a combination of communications channels works well to provide rapid response to client needs. As we work with you, we will mutually identify the appropriate level of communication for each issue.

### **Assist with Maintaining Plan Compliance**

We are available to assist as needed with plan compliance. Sue Thompson, whose biography is included later in our response, is our Regional Compliance Practice Coordinator and Crosscheck Manager and is located in Segal's Atlanta office.

### **Respond to Inquiries by the State of Florida and/or Federal Government**

Segal will conform to the requirements of all applicable laws and rules according to Chapter 112 of Florida Statutes and Chapter 60 of the Florida Administrative Code, as well as other Florida state and local law plan requirements.

Segal takes a proactive role in keeping clients informed of federal legislative, judicial and regulatory changes and issues that may affect benefit plans. We actively bring issues arising in the market to our clients before the opportunity for change has passed. Our involvement at the highest

levels of the legislative and regulatory process allows us to identify emerging issues to our clients when there is still time to influence the outcome.

Segal's retirement practice provides our public sector clients with the highest level of expertise to cope with these emerging dramatic developments through the strategic design, funding and monitoring of pension plans such as defined benefit plans.

Segal's retirement practice is known for the depth of its knowledge. Many of our consultants are recognized as national experts, testifying before congress, leading professional associations and committees and speaking at national and regional conferences and forums. They are also regular contributors to professional magazines and journals.

However, because Segal does not practice law, if a legal issue arises, clients are advised to supplement the information and observations that we offer by looking to their attorneys for authoritative legal advice. In addition, clients are encouraged to contact Segal staff members who are familiar with their plans, data, and history whenever a question arises about an issue that can affect their plan.

We will be able to respond to inquiries by the State of Florida and/or the federal government resulting from any issues arising from our firm's consulting advice or opinions. We have frequent telephone conversations and email exchanges with actuaries in the State's Bureau of Local Retirement Systems.



## Price Proposal (Section III.A.3.)

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*The price proposal is a presentation of the proposer's total offering price including the estimated cost for providing each component of the required goods or services. Please include pricing for the following specific services:*

### **GENERAL EMPLOYEES' PENSION PLAN**

*Annual GASB 67 & 68 - Starting FY2018*

*Annual Actuarial Funding Valuations - Starting FY2018*

*Florida Statute 112.664 Disclosure - Starting FY2018*

*Experience Study – FY2019 - FY2020*

*Benefit Calculations*

*Hourly Rates*

### **RETIREE HEALTH INSURANCE TRUST FUND**

*Annual GASB 74 & 75 - Starting FY2018*

*Bi-Annual Actuarial Funding Valuations - Starting FY2019*

*Hourly Rates*

*Proposers should indicate the dollar amount which will be attributed to each sub-contractor, if any.*

*If a prescribed format for the price proposal is appended, proposers must use it; otherwise, proposers may use formats of their choice.*

*Provide separate pricing for preparation of all required GASB Reporting and Annual Actuarial Valuation Reports for the General Employees Pension Plan.*

*Provide separate pricing for preparation of all required GASB Reporting and Biennial Actuarial Valuation Reports Plan and the Retiree Health Insurance Trust Fund.*

*Provide separate pricing Florida statute 112.664 Disclosure for the General Employees' Pension Plan.*

*Provide separate pricing for benefit calculation and prior service purchases.*

*Provide separate pricing for Experience Studies.*

*Provide hourly rates for other miscellaneous activities such as verifying retiree benefit calculations, calculating pension buy back costs, etc.*

## Proposed Fees

Our proposed fees for the five-year period proposed by the contract for the annually recurring work of which we are aware are as follows:

| Pension Plan Work   | Annual Fee, Year Beginning October 1 |          |          |          |          |
|---|--------------------------------------|----------|----------|----------|----------|
|   | 2018                                 | 2019     | 2020     | 2021     | 2022     |
| Annual Pension Plan valuation   | \$28,500                             | \$29,400 | \$30,300 | \$31,200 | \$32,100 |
| Annual GASB 67 and 68 disclosures for Pension Plan                                | \$10,000                             | \$10,400 | \$10,800 | \$11,200 | \$11,600 |
| Annual Chapter 112.663 and 112.664 filings for Pension Plan                       | \$5,500                              | \$5,650  | \$5,800  | \$5,950  | \$6,100  |
| Five-Year experience study for Pension Plan<br>(whenever performed during period) | \$30,000                             |          |          |          |          |
| Benefit calculation review/Buyback calculations                                   | \$375                                | \$375    | \$385    | \$385    | \$395    |

| Retiree Health Fund                                  | Annual Fee, Year Beginning October 1 |         |          |         |          |
|--|--------------------------------------|---------|----------|---------|----------|
|  | 2018                                 | 2019    | 2020     | 2021    | 2022     |
| Biennial Retiree Health Fund full valuations         | \$27,000                             | n/a     | \$28,500 | n/a     | \$30,000 |
| Biennial Retiree Health Fund roll forward valuations | n/a                                  | \$7,500 | n/a      | \$8,000 | n/a      |

Our proposed hourly fees for non-recurring work for which there is not a set fee are:

| Position  | Hourly Rates, Year Beginning October 1 |       |       |       |       |
|---|--|-------|-------|-------|-------|
|   | 2018                                   | 2019  | 2020  | 2021  | 2022  |
| Consulting/Signing Actuary                              | \$385                                  | \$395 | \$410 | \$420 | \$435 |
| Associate/Assistant Actuary                             | \$335                                  | \$345 | \$360 | \$370 | \$385 |
| Senior Actuarial Analyst/Senior Health Benefits Analyst | \$275                                  | \$285 | \$300 | \$310 | \$325 |

If Mr. Rocky Joyner or Ms. Sue Thompson are needed to provide services to the Plans, they will be billed at the Consulting/Signing Actuary's rates. These are substantial discounts to the usual rates for Rocky and Sue; in fact, all rates shown for work beginning October 1, 2018 are discounted billable rates for the Gainesville team. Any work related to lawsuits or depositions in which any Segal employee is asked to assist will be billed at true hourly rates.

## Subcontractors/Small and Service-Disabled Veteran Business Participation

Segal will not be using any subcontractors for this assignment. As such, there will not be an opportunity to utilize small and service-disabled veteran businesses.



# Qualifications/Statement of Qualifications (Sections III.A.4. and III.B.)

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*Include a description of the experience, qualifications including any minimum qualifications, financial stability, recent references of the proposer's performance on contracts of similar scope and size required. A specific format may be required of the proposers. Experience may be included as the number of years, level of technical knowledge, educational degrees and certifications required. Financial stability may be determined by requesting the proposers most recent financial statement, certified audit, balance sheet, or evidence of bonding capacity.*

*Include the following:*

- *Actuarial staff experience and certifications.*
- *Client list and references, including experience with Florida local law public pensions.*
- *Recent financial statements if available.*

## **Authorization to do Business in Florida**

The credentials of the responsible staff involved are national credentials, and sufficient for us to do business in Florida. On your pension team, Mr. Williams and Mr. Powell are enrolled actuaries, as required per Chapter 112.63 of the Florida Statutes. We actively provide ongoing Pension Consulting services for three other local governments in Florida and work with other governmental units in the state on an as-needed basis.

## **Actuarial staff experience and certifications**

We have assigned an experienced team of actuaries and consultants to the primary client team, all of whom are based in our Atlanta office. In addition, we will make other top Segal public sector actuaries available as resources to the project team whenever their special skill sets may be required.

The following identifies the members of our team, summarizes their qualifications, and describes their respective roles relative to this engagement. Jeff Williams will be Segal's Client Relationship Manager (CRM) and lead consultant for the City of Gainesville and will be responsible for all technical work related to and be the lead actuary for the General Employees' Pension Plan. David Berger will be responsible for all technical work related to and be the lead actuary for the Retiree Health Insurance Trust Fund. We have provided team member resumes in a later section of this proposal.

- **Jeff Williams, FCA, ASA, MAAA, EA**, Vice President and Consulting Actuary, has over 20 years of experience, and will serve as the client relationship manager (CRM) for this engagement, as well as the lead actuary for all pension work related to the Plans. For Segal's Florida plans, Mr. Williams is currently the CRM and lead actuary for the City of Jacksonville's General Employees Retirement Plan, Correction Officers Retirement Plan, and Disability Plan, as well as the City of Orlando Police Officers' Pension Fund.



- **Matthew Powell, ASA, MAAA, EA**, Assistant Actuary, will be responsible for preliminary actuarial analysis of the liability calculations and testing of the new assumptions for both Plans. He is adept at programming and testing plan provisions and actuarial assumptions for a wide range of clients and situations, and is a go-to source for questions related to GASB 67 and 68 disclosures. Matt also works on Jacksonville and Orlando's plans and is familiar with Florida pension law.
- **Bryan Clubb, ASA**, Senior Actuarial Analyst, will perform the technical work related to producing the actuarial valuation for both Plans, including requesting and reconciling the relevant data, programming the valuation system, and preparing the basic actuarial cost calculations. Bryan works on Vero Beach's plan and is familiar with Florida pension law.
- **David Berger, FCA, ASA, MAAA, EA**, Vice President and Actuary, has 30 years of experience and will be the lead actuary and final reviewer for the Retiree Health Insurance Trust Fund. Mr. Berger has experience helping public plans with their retiree health and retirement plans. Currently Mr. Berger leads the Atlanta Office's OPEB team, and is involved in more than 40 OPEB valuations annually. He has been involved in OPEB valuations since 1990.
- **Peter Wang, FCA, ASA, MAAA** Associate Actuary, will assist David by serving as the health reviewer of claims development.
- **Olga Ronsini, ASA**, Senior Health Benefits Analyst, will serve as the analyst for OPEB. She will also provide a variety of actuarial functions, analytics and data management support to the team, and has experience in analyzing plan alternatives, budget projections, rate setting, and discount analysis.

## Team Resources

- **Rocky Joyner, FCA, ASA, MAAA, EA, Vice President and Actuary**, will serve as a technical and consulting resource to Mr. Williams. Rocky has over 40 years of experience in actuarial and pension consulting and is a frequent presenter at pension conferences across the country, including at the International Foundation's CAPPP Program, NCPERS, GFOA, FPPTA, and the Georgia State University's Center for State and Local Finance. Mr. Joyner has extensive experience with Florida plans and regularly presents at the annual conference held by the Florida law firm of Klausner, Kaufman, Jensen & Levinson.
- **Susan Thompson, Vice President**, will provide ongoing and special project compliance services. Sue is the East Region Compliance Practice Coordinator and a member of the East Region Management Team. Ms. Thompson also manages CrosscheckSM, Segal's compliance review service, and has extensive experience with public sector retirement plans.

We believe the strength and knowledge of the team will provide the City and Plans with unmatched service. In our opinion, our availability to the City and staff is critical. We will maintain a staffing hierarchy for receiving, processing and responding to possible issues, questions, and the needs of the Boards and the City. By assigning senior level actuaries and reviewers to be fully familiar with your benefits and our work, and by providing ready access to your actuaries at all times, we are able to reduce any impact from key staff being temporarily away from the office.

We have learned through experience that our clients look to the principal consultants to help provide historical and business perspective on changes being contemplated. Segal's commitment is to involve our best technical specialists in each client project, while maintaining clear account management through seasoned professionals who are directly involved in the day-to-day benefit consulting and actuarial work.

Segal's consultants and actuaries across the country that focus their work heavily on public sector clients regularly call upon one other for advice and information-sharing. Our corporate structure supports the use of the best technical professional for the job, wherever that person may be located.

Following are the resumes for the individuals who will be responsible for your Plans. Every member of the technical teams for both Plans are credentialed actuaries. Proof of credentials are included in **Actuarial Certifications** at the end of the proposal. Please note that Matt Powell recently received his Enrolled Actuary certification a few months ago and that credential is not yet listed in his Actuarial Directory page.

**JEFFREY S. WILLIAMS, FCA, ASA, MAAA, EA**  
**Vice President and Consulting Actuary, Atlanta**

*Expertise*

Mr. Williams is a Vice President and Consulting Actuary in Segal's Atlanta office with over 20 years of retirement consulting experience. His expertise includes actuarial valuations, experience studies, funding strategies, plan redesign, and benefit calculations. Mr. Williams regularly makes presentations to retirement boards and city councils, and has presented at Segal's Technical Actuarial Meetings and moderated a forum at a Conference of Consulting Actuaries session.

Mr. Williams works on all phases of actuarial valuations and consulting issues for a variety of public sector, multiemployer and corporate clients. He is involved in client relationship management as well as technical work, and has worked closely with the Internal Revenue Service (IRS) and Pension Benefit Guaranty Corporation (PBGC) in finding solutions that meet client needs. He has completed all aspects of the State of Florida Section 112.664 and 112.63 filings, including electronic submissions to the Florida Division of Retirement.

*Professional Background*

Prior to joining Segal, Mr. Williams worked for over five years for a firm specializing in corporate retirement plans. Prior to starting in the actuarial profession, he worked in the pension administration department of a Fortune 100 company.

*Education/Professional Designations*

Mr. Williams holds a BS in Business Administration from Auburn University and attended the Masters of Actuarial Science program at Georgia State University in preparation for actuarial exams. He is an Associate in the Society of Actuaries, a Member of the American Academy of Actuaries, a Fellow of the Conference of Consulting Actuaries, and an Enrolled Actuary.

**MATTHEW POWELL, ASA, MAAA, EA**  
**Assistant Actuary, Atlanta**

*Expertise*

Mr. Powell is an Assistant Actuary in Segal's Atlanta office. He works on all phases of actuarial valuations and helps navigate administrative issues for a variety of governmental and multiemployer clients. Mr. Powell has experience working on GASB disclosures, IRS and PBGC filings, and expense and contribution projections, including deterministic forecasting. He has completed all aspects of the State of Florida Section 112.664 and 112.63 filings, including electronic submissions to the Florida Division of Retirement.

*Education/Professional Designations*

Mr. Powell graduated from Georgia Institute of Technology in December 2005 with a BS in Discrete Mathematics. He is an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary.

**BRYAN M. CLUBB, ASA**  
**Senior Actuarial Analyst, Atlanta**

*Expertise*

Mr. Clubb is an Actuarial Analyst in Segal's Atlanta office. He works on all phases of actuarial valuations and helps navigate administrative issues for a variety of governmental and multiemployer clients. Mr. Clubb has experience with IRS filings, benefit calculations and expense and contribution projections, including deterministic forecasting.

*Education/Professional Designations*

Mr. Clubb is a cum laude graduate of Wake Forest University where he received a BS in Mathematical Economics. He is currently taking exams given by the Society of Actuaries (SOA) and recently received his ASA designation.

**DAVID A. BERGER, ASA, MAAA, FCA, EA**  
**Vice President and Associate Actuary, Atlanta**

*Expertise*

Mr. Berger is a Vice President and Associate Actuary in Segal's Atlanta office with more than 30 years of experience helping clients with their retiree health and retirement plans. Mr. Berger leads the Atlanta Office's OPEB team, and reviews more than 40 OPEB valuations annually. His pension background has helped him provide a smooth transition to GASB 74 and 75 for his clients. He has been involved in OPEB valuations since 1990. He regularly presents to municipal Boards, and is on the Segal team of OPEB experts.

*Professional Background*

Prior to Segal, Mr. Berger worked for several major consulting firms. Most recently, he served as a Retirement Consultant at Aon Hewitt, where he served as the lead retirement consultant for several large corporate plan sponsors.

*Education/Professional Designations*

Mr. Berger holds a MA in Economics from the University of South Florida and a BS in Economics and Management and Applied Mathematics from Centre College of Kentucky. He is an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, a Fellow of the Conference of Consulting Actuaries and an Enrolled Actuary.

**PETER WANG, FCA, ASA, MAAA**  
**Assistant Actuary, Atlanta**

*Expertise*

Mr. Wang is an Assistant Actuary in Segal's Atlanta office with over 21 years of actuarial consulting experience. He provides retiree health and related consulting services (including SOP 92-6 valuations and GASB OPEB valuations) to clients.

*Professional Background*

Prior to joining Segal, Mr. Wang served as a Consulting Actuary for Cuni, Rust and Strenk, where he was responsible for reviewing and co-signing valuation reports for single employer and multiemployer pension and health and welfare funds (including both funding and accounting reports). Mr. Wang also served as a Consulting Actuary for United Actuarial Services, Inc. where he was responsible for the firm's post-retirement medical valuation practice and worked with several multiemployer pension funds.

*Education/Professional Designations*

Mr. Wang received a BS in Mathematics from Fudan University (Shanghai, China). He received a PhD in Statistics from Purdue University. Mr. Wang is an Associate of the Society of Actuaries (ASA), a Fellow of the Conference of Consulting Actuaries (FCA), and a Member of the American Academy of Actuaries (MAAA).



## **OLGA RONSINI, ASA** **Senior Health Benefits Analyst, Atlanta**

### *Expertise*


Ms. Ronsini joined as an Actuarial Analyst in Segal's Atlanta office. Her past, and current, responsibilities include performing technical work and review for actuarial valuations, actuarial assumptions studies and related projects, including:

- Retiree Medical (OPEB) Valuations;
- Expense and revenue projections for self-funded health plans;
- Estimating IBNR reserves;
- Conducting Actuarial Attestations in support of Retiree Drug Subsidy applications; and
- Processing and analyzing health claims data.

### *Professional Background*

Prior to joining Segal, Ms. Ronsini was a Sales Coordinator at Gallaher Liggett-Ducat (Russia), where she provided operational support for a local branch of an international tobacco company.

### *Education/Professional Designations*



Ms. Ronsini graduated with an MA in Applied Mathematics from Yaroslavl State University (Russia). She is an Associate of the Society of Actuaries (ASA).



**LEON F. (ROCKY) JOYNER, JR., ASA, MAAA, FCA, EA**  
**Vice President and Consulting Actuary, Atlanta**

*Expertise*

Mr. Joyner is a Vice President and Actuary in Segal's Atlanta office. He has over 40 years of actuarial consulting experience with all types of pension plans. Mr. Joyner is the consulting actuary for many city and county government clients.

*Education/Professional Designations*

Mr. Joyner is a cum laude graduate of Washington and Lee University (Lexington, VA), where he earned a BS in Mathematics and Physics-Engineering. He has also completed graduate work in Actuarial Science at Georgia State University. Mr. Joyner is an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, a Fellow in the Conference of Consulting Actuaries and an Enrolled Actuary.

*Publications/Speeches*

Mr. Joyner has been a conference speaker on public sector funding issues for numerous organizations, including the International Foundation for Employee Benefits, the Government Finance Officers Association (GFOA), The National Conference on Public Employee Retirement Systems (NCPERS), the Conference of Consulting Actuaries (CCA), the Advisory Committee for the Certificate in Public Financial Management program, and the Society of Actuaries (SOA). He has testified before legislative committees in Texas, Kentucky, and Georgia, and has published articles on Deferred Retirement Option Program (DROP) issues and plan design.

**SUSAN R. THOMPSON****Vice President, Regional Compliance Practice Coordinator and Crosscheck Manager, Atlanta***Expertise*

Ms. Thompson is a Vice President and the Regional Compliance Practice Coordinator in Segal's Atlanta office. Ms. Thompson also manages CrosscheckSM, Segal's compliance review service, and is a member of the firm's East Region Management Team.

Ms. Thompson drafts plan documents for compliance with federal legislation and employee descriptive literature, and prepares government filings. She has extensive experience in reviewing plan procedures and preparing administrative manuals and training personnel in plan administration. In addition, she provides research support in various matters pertaining to employee benefit programs. Ms. Thompson is a member of Segal's Compliance Leadership Group, which meets regularly to set policy and standards for Segal's Compliance Practice.

*Education/Professional Designations*

Ms. Thompson is a graduate of The State University of New York at Buffalo and from the Institute for Paralegal Training in Philadelphia with a certificate in Employee Benefits Training.

## Track Record of Success

The last several years have been challenging for sponsors of public sector defined benefit and defined contribution plans. The downturn of the market during the late 2000s and early 2010s resulted in lowered funding levels, increasing required contributions. At the same time, the recessionary economic environment lowered revenues for public sector entities in nearly every part of the country. Just as the need for more contributions to retirement plans has risen, the availability of additional contributions has decreased. Public sector retirement plans are often further subject to additional benefit protections for active participants, making changes to the plan for current employees difficult or legally impossible.

Segal works with many clients in exploring different options to help improve the long-term stability of their retirement and other postemployment benefits (OPEB) plans. In some cases, we have worked with clients to make changes that generate cost savings, such as increasing the age/service requirements for unreduced early retirement. In other cases, we have worked with clients on projecting the effect of increased contributions.

In some situations, a complete redesign of the benefit plans has been warranted. Segal's experience with defined benefit plans, defined contribution plans, hybrid retirement plans, OPEB, and retiree health plans has allowed us to help our clients find innovative solutions to meet their goals within the constraints of their financial situations.

A sampling of recent projects in which Jeff Williams, Matt Powell, Rocky Joyner, and David Berger, along with other Atlanta consultants, have been involved in over the past few years include:

- In 2016 and 2017, Mr. Williams led Segal's efforts in an 18-month long process to assist the multi-billion dollar Dallas Police and Fire Pension System, which was projected to go insolvent within 15 years, to redesign their benefit structure in a manner that is affordable for the City and still provides a benefit that will sustain members in retirement. The System is now projected to become 100% funded in the future. Throughout the course of the plan redesign, Jeff flew to Texas over a dozen times to consult with the Board of Trustees and the plan design Task Force, as well as to present the dozens of long-term projections that were completed. The City and System ultimately agreed to changes that affected the benefit multiplier, COLA, DROP, and retirement age, among others.
- Mr. Williams and Mr. Powell have both worked with the City of Jacksonville for the duration of their relationship (eight years) with Segal. A few of their accomplishments during that time include: performing the first ever multi-year experience study for the System, facilitating the lowering of their discount rate from 8.25% to 7.20%, completing seven impact statements, performing numerous plan design studies, and helping implement a new funding structure that went into effect October 1, 2016 in conjunction with the redesign of the City's plans.
- Mr. Williams and Mr. Joyner have worked and continue to work with the City of Birmingham on a plan design that will enable the City to continue providing a sustainable benefit structure while working within the confines of a statutorily dictated contribution rate.

- Mr. Williams and Mr. Joyner worked with the City of Chattanooga Fire and Police Pension Fund to help develop a benefit structure, that included plan changes for current and new active employees, as well as current annuitants, that would be affordable for the City on an ongoing basis. Mr. Williams also recently assisted implementing changes to the amortization structure to be consistent with a recent change in Tennessee law, as well as developed a manner in which the System can convert from a 10-year to 5-year asset smoothing method.
- Mr. Joyner worked with a large Georgia county to restore state funding for grants withheld due to perceived non-compliance with state funding standards. Segal collaborated with the County's finance department and Pension Board to formulate responses to state auditors demonstrating compliance. Part of our work involved interpreting minimum funding standards under State code sections governing pensions and developing financial exhibits showing compliance. Additionally, we collaborated with the County to develop an early retirement program that allowed the County to provide necessary services to its constituents without increasing the millage rate. The program was successful as the County was able to meet its goal of reducing its workforce by 700 employees without laying off employees.
- Mr. Berger has worked with the City of Atlanta, which had a large portion of their retiree population that was over age 65 and not enrolled in Medicare. David helped to identify the problem, and the City has developed a plan to encourage current retirees to enroll in Medicare Part B. The City is requiring future retirees to enroll in Part B to be eligible for coverage.
- Mr. Berger has also recently consulted with the City of Houston's OPEB Plan, which is studying a variety of cost-sharing alternatives to their current plan and looking at changing benefits for shorter-service and future hires.

### Defined Benefit Public Pension Actuarial Clients

Segal services approximately 800 defined benefit clients; 108 of those defined benefit clients are public sector retirement clients for whom actuarial valuations, experience analysis reviews, and general consulting services are performed. Some of these entities also administer defined contribution and retiree health care plans. A representative list of the retirement plans serviced out of the Atlanta office are as follows:

| Client  | Total Membership | Years as Client |
|---|------------------|-----------------|
| City of Jacksonville General Employees Retirement Plan                      | 10,800           | 8               |
| City of Jacksonville Corrections Officers Retirement Plan                   | 900              | 8               |
| City of Savannah Employees' Retirement Plan                                 | 3,700            | over 40         |
| Dallas Police and Fire Pension System                                       | 10,000           | 2               |
| City of Orlando Police Officers' Pension Fund                               | 1,400            | over 25         |
| City of Chattanooga Fire and Police Pension Fund                            | 1,500            | 20              |
| City of Birmingham Retirement and Relief System                             | 6,900            | over 40         |
| City of Birmingham Retirement and Relief System Health Department Employees | 50               | over 40         |

| <b>Client</b>   | <b>Total Membership</b> | <b>Years as Client</b> |
|---|-------------------------|------------------------|
| <b>City of Birmingham Unclassified Employees' Pension &amp; Relief System</b>               | <b>25</b>               | <b>over 40</b>         |
| <b>City of Birmingham Firemen's and Policemen's Supplemental Pension System</b>             | <b>1,800</b>            | <b>over 40</b>         |
| <b>City of Vero Beach General Employee Retirement Plan</b>                                  | <b>775</b>              | <b>over 20</b>         |
| Georgia Municipal Employees Benefit System (over 280 individual plans)                      | 32,700                  | 13                     |
| City of Atlanta General Employees' Pension Fund   | 7,000                   | 24                     |
| City of Atlanta General Employees' Pension Fund Employees of the Atlanta Board of Education | 3,400                   | 24                     |
| DeKalb County Pension Plan  | 10,600                  | 20                     |
| The Fulton-DeKalb Hospital Employee Authority Employees' Retirement Plan                    | 6,300                   | 7                      |
| Fire and Police Pension Fund, San Antonio   | 6,100                   | 14                     |
| Memphis Light, Gas and Water Division Retirement and Pension System                         | 5,100                   | 18                     |
| Government of the Virgin Islands Retirement System  | 18,600                  | over 40                |
| Retirement Plan for Employees of The Water Works and Sewer Board of the City of Birmingham  | 900                     | 9                      |
| City of Gainesville, GA Retirement Plan A   | 700                     | 12                     |

Of the clients listed, Mr. Williams is the CRM/co-CRM and lead or reviewing actuary for Jacksonville, Savannah, Dallas, Orlando, Chattanooga, and Birmingham, and was the prior lead actuary and co-CRM for Vero Beach (those shown in bold).

## References

Our experience with government plans is unique and provides Segal with an unmatched perspective. Our work goes beyond just performing “routine” actuarial valuations for our clients. We have been involved with plan design work for the City of Jacksonville, determined the cost to Orlando Police of implementing chapter benefits, and assisted Vero Beach General Employees’ Pension Fund with transitioning to a new retirement model. We also assisted with plan design studies for other Florida plans. Many of our clients have multiple plans such as General Employees, Fire, Police, Disability and Retiree Health. Therefore, we understand the unique nature of the groups and the impact they have on retirement needs. We are keenly aware of the impact on local economies that retirement plans can have and the impact they have on the City’s demand for resources. We also understand the importance of the Plans to participants’ retirement security and their role in meeting human resources objectives.

Segal believes it is exceedingly qualified for this engagement. The requested services will be performed out of Segal’s Atlanta office. We have provided a sample of those clients where we perform actuarial consulting and valuation services on the prior pages.

We have provided a list of Florida client references for whom we currently perform ongoing actuarial services. Additional references are available upon request.

### **City of Jacksonville, Florida**

**Mr. Patrick (Joey) Greive**

*City Treasurer*

117 West Duval Street, Suite 302

Jacksonville, FL 32202

904-630-5940

[pgreive@coj.net](mailto:pgreive@coj.net)

Segal works with the Board and Staff of the System to provide annual actuarial valuations for the General Employees and Corrections Officers funds, and periodic valuations for the Disability Plan. In addition, we prepare periodic experience studies, value potential plan changes, perform IRC 415 calculations and buyback calculations, prepare impact statements, and consult with the City and Board as needed.

Number of Participants: 10,900

Segal Years of Service: Eight (8)

### **City of Orlando, Florida**

**Ms. Katrina Laudeman**

*City Treasurer/Executive Director of Pension Fund*

100 South Orange Avenue, 4th Floor Orlando, FL 32801

407-246-2685

[katrina.laudeman@cityoforlando.net](mailto:katrina.laudeman@cityoforlando.net)

**Mr. Jay Smith**

*Board Chair*

100 South Orange Avenue, 4th Floor Orlando, FL 32801

407-246-2110

[jay.l.smith@cityoforlando.net](mailto:jay.l.smith@cityoforlando.net)

Segal performs annual actuarial valuations, pension consulting and assorted benefit studies. We also perform regular five-year experience studies and prepare impact statements.

Number of Participants: 1,350

Segal Years of Service: Twenty-five (25)

### **City of Vero Beach, Florida**

**Ms. Cindy Lawson**

*Finance Director*

1053 20<sup>th</sup> Place

Vero Beach, FL 32960

772-978-4771

[clawson@covb.org](mailto:clawson@covb.org)

Segal performs annual actuarial valuations, pension consulting and assorted benefit studies. We have also performed five-year experience studies and impact statements, and assisted with the Plan's transition to a new retirement model.

Number of Participants: 800

Segal Years of Service: Twenty (20)

In addition to the Florida pension clients listed, the following two clients are ones for which Mr. Berger performs OPEB valuations (and for which Mr. Williams also performs pension valuations).

### **City of Birmingham, Alabama**

**Mr. J. Thomas Barnett, Jr.**

*Director of Finance*

City Hall-1<sup>st</sup> Floor Street

Birmingham, AL 35203

205-254-2205

[tom.barnett@birminghamal.gov](mailto:tom.barnett@birminghamal.gov)

Segal performs annual actuarial valuations for pension, biennial actuarial valuations for OPEB, pension and OPEB consulting and assorted benefit studies. We also perform regular five-year experience studies.

Number of Participants: 8,800

Segal Years of Service: Forty (40)

### **City of Savannah, Georgia**

**Mr. David Maxwell**

*Chief Financial Officer*

City of Savannah

2 East Bay Street

Savannah, GA 31401

912-651-6434

[dmaxwell@savannahga.gov](mailto:dmaxwell@savannahga.gov)

Segal performs annual actuarial valuations for pension and OPEB, pension and OPEB consulting, benefit calculation review, and assorted benefit studies. We also perform five-year experience studies.

Number of Participants: 3,700

Segal Years of Service: Forty (40)

## **Financial Statements**

The Segal Group, parent company of Segal Consulting, is a privately held company that has been profitable throughout its history, dating back to its founding in 1939. As an actuarial and consulting firm that serves many public sector clients, we understand the Procurement Office or selection committee may wish to review our financial status. If so, we can provide our most recent financial statement at the appropriate time. Any information provided will be appropriately redacted in accordance with Section 1.L. of the Request for Proposal and asked to be held as confidential information not subject to public release.



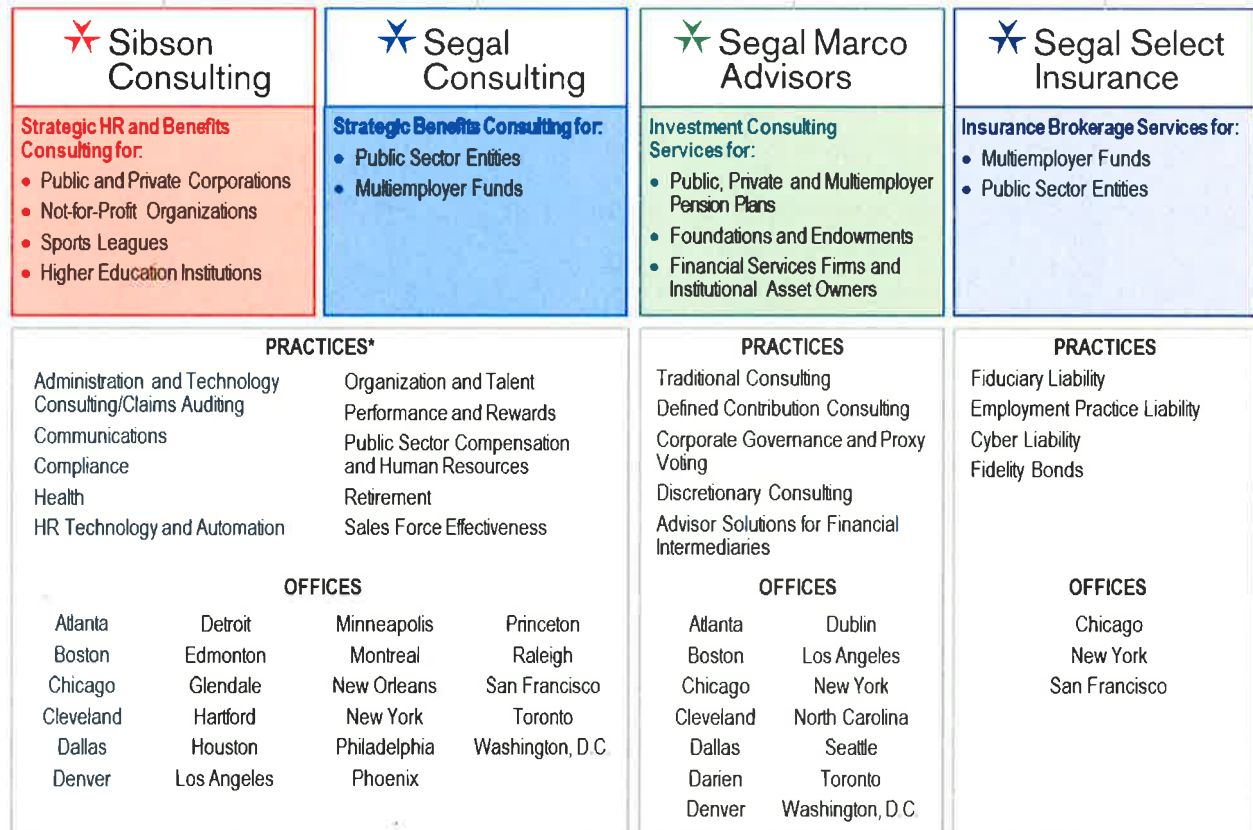


# Overview of Segal Consulting

The Segal Group, founded in 1939 in New York by Martin E. Segal as The Segal Company (www.segalco.com) is an independent, privately held corporation.



## CEO and Executive Leadership Team



\* Our legislative expertise and research functions are headquartered in the Washington, D.C. office.

This organizational chart demonstrates the specialized service offerings and market-specific expertise of subsidiaries and divisions of The Segal Group. Additional details about the dates of incorporation of our subsidiaries and the relation to parent company The Segal Group can be provided upon request.

Your account will be serviced under Segal Consulting.

## Brief History of our Firm

The Segal Group ([www.segalco.com](http://www.segalco.com)) was founded in 1939 in New York by Martin E. Segal. The company is an independent, privately held consulting firm. It has been employee-owned by its officers since 1978. As a privately held corporation with approximately 1,100 employees throughout the U.S. and Canada, there are currently 245 employee owners. An 11-member Board of Directors sets policy and governs the organization. Implementation of policies, development of strategies and day-to-day operations are the responsibilities of the Chief Executive Officer. As an employee-owned consulting firm, we provide only unbiased counsel for our clients. We are not affiliated with any insurance company, third-party administrative agency or provider network. Segal is one of only a few consulting and actuarial firms that can truly provide unbiased actuarial opinions, choosing not to consult with managed care organizations or other third parties who could potentially bias our work with clients.

## Company Wide

Segal is headquartered in New York City and has 24 offices throughout the United States and Canada. Our offices are located in **Atlanta**, Boston, Calgary, Chicago, Cleveland, Dallas, Denver, Detroit, Glendale, Hartford, Houston, Los Angeles, Minneapolis, Montreal, New Orleans, New York, Philadelphia, Phoenix, Pittsburgh, Princeton, Raleigh, San Francisco, Toronto, and Washington, DC.

Segal employs approximately 160 credentialed actuaries, including 18 in the Atlanta office.

Approximately 25% of Segal's annual revenue is derived from providing services to the governmental market. In the East region, of which Atlanta is a part, the percentage is closer to 40%. All of Atlanta's actuarial staff works with clients in the public sector. The Atlanta office is Segal's East Region public sector hub.

Segal's retirement practice provides our public sector clients with the highest level of expertise to cope with these emerging dramatic developments through the strategic design, funding and monitoring of pension and related deferred compensation plans.

Segal's retirement practice is known for the depth of its knowledge. Many of our consultants are recognized as national experts, testifying before congress, leading professional associations and committees and speaking at national and regional conferences and forums. They are also regular contributors to professional magazines and journals.

Segal was a driver in the early development of employee benefit plans in American industry. Consultants with broad experience and extensive knowledge of the public sector employee benefits field provide comprehensive services.

Our company's sole business is consulting and actuarial work for all phases of employee benefits, compensation, and human resources. Working with hundreds of public sector clients gives us the depth and breadth of experience to help clients make their decisions in the broader context of what other jurisdictions are doing. We focus our energy and creativity on ways to serve clients better by providing value based consulting.

## Segal Capabilities and Resources

Being an independent, privately held consulting firm, the strategic decisions we make not only affect our 1,000+ clients, but the long-term sustainability and reputation of our firm. With this in mind, we go far beyond other firms in making sure our staff stays relevant and informed. We make sure we have expertise assigned to each practical subject matter. We also develop and purchase a variety of tools and resources for our consultants. This seems like a very simple initiative, but it involves a large investment by our Firm and requires support and directives from our Board of Trustees and Senior Management Team, which we have.

The resources we make available to the Client Relationship Manager, and in turn, the Plan are concentrated in four main areas:

- Segal's Depth and Breadth of Services
- Technology and Tools
- Required Training
- Research and Development

## Compliance

We have special expertise in advising retirement systems regarding the rapidly changing structure of public sector retirement and retiree health plans. Melanie Walker, Segal's Public Sector National Compliance Practice Leader, has vast experience in public policy and retirement plan developments. Virtually every state and hundreds of local governments have revamped their retirement plans since 2010. In addition, federal legislation and/or regulations, ranging from the Security and Exchange Commission's actions related to pension liability disclosure in bond documents, to proposed legislation requiring reporting specific information to the U. S. Treasury, suggest an active interest by federal government agencies in state and local government retirement systems. We will provide our legislative and regulatory updates and governmental publications to the plan and staff, and any other interested personnel, and we will keep you aware of developments as they occur and their potential impact.

Segal will help Gainesville identify and monitor pertinent federal, legal and regulatory developments through daily review of specialized trade publications and research of critical state and local regulatory matters as necessary. We monitor the release of relevant government materials and have prompt access to all official documents, such as proposed and final regulations, Revenue Rulings, and bills introduced or acted on in Congress.

Segal produces a wide array of public sector plan-specific publications to ensure our clients are informed and prepared, including:

- *Public Sector Letter*, periodic publications that discuss creative benefit planning options for employers and plan sponsors. Past Public Sector Letters include:
  - Operational Risk Is the Achilles' Heel of DC Plans

- Helping Participants Manage ‘Longevity Risk’ in Light of the Increasing Importance of Defined Contribution Plans: New Rules Make Qualifying Longevity Annuity Contracts a Small First Step
  - Actuarial Funding Policy Guidance: Comparison of Recommendations Reveals Considerable Consensus – and a Few Notable Differences
- *Update*, a newsletter that summarizes important developments affecting plan compliance. Past *Updates* include:
- Benefits and Related Provisions in the New Tax Law
  - Certain IRS Dollar Limits and Social Security Figures Will Increase for 2018
  - Trump Administration’s Latest Executive Actions on Health Care; Bipartisan Senate Plan to Stabilize the Individual Market
  - Congress and Federal Agencies Help Plan Sponsors Respond to Hurricanes Harvey, Irma and Maria
  - DOL Investigating Timely Payment of Pensions to Terminated Vested Participants Nationwide
- *Data*, surveys and studies of interest to sponsors of public sector plans. Past *Data* include:
- 2018 Segal Health Plan Cost Trend survey
  - 2017 State Employee Health Benefits Survey

Segal’s experts frequently discuss our publications and studies in complimentary webinars.

There are no additional fees associated with these publications and services.

See **Segal Publications**.

## **Computer System Capabilities**

The state-of-the-art actuarial valuation system has been designed internally to maintain control and flexibility to allow for modifications to best meet the unique needs of our clients. The PC-based actuarial valuation system is comprised of the following major components:

- **Segal Data Handler.** Interactive processing of the participant data to generate a unified database that becomes the single source for all actuarial processing needs.
- **STAR.** A multi-decrement actuarial valuation program that produces a comprehensive set of liability calculations associated with a wide range of benefit plans. The modular structure of the program allows for improvements to be implemented with a high degree of ease, speed and accuracy.
- **Costs and Report Generator.** The set of demographic and liability calculations produced by STAR are automatically imported into an integrated costs and report generator program. This program produces actuarial calculations associated with the liabilities to meet regulatory, legislative and client requirements. The results of these calculations are electronically linked to a report generator that creates the valuation report including tables and graphs.

- **Experience Study Software.** Aggregates experience over survey period and compiles summary tables and charts comparing expected to actual to recommended data.
- **Actuarial Utility Programs.** These user-friendly tools are readily available to our actuaries for use in performing various actuarial calculations such as Section 415 limitations, Social Security calculations and generation of annuity values.
- **Asset-Liability Modeling.** Segal's capabilities include our proprietary Forecast dynamic real-time modeling tool that accommodates deterministic projections to increase understanding and facilitate decision-making by allowing plan sponsors to view and assess emerging retirement plan finances. Segal's Asset Liability Modeling (ALM) tool is used for stochastic asset/liability modeling studies to make sound decisions regarding plan assets and liabilities while measuring actuarial funding risks.

## Pulse

Segal is also unique in its ability to provide Segal Pulse, a web-based forecasting tool that dynamically generates financial and actuarial deterministic projections. Segal Pulse helps public sector benefits decision-makers perform their own “what if” projections and see the impact of changing financial and demographic variables in real-time. Segal Pulse provides public sector benefits decision-makers with information that can help them make informed decisions based on their plan's current and projected economic status, as well as demographic trends. Segal Pulse's functionalities are comprehensive and include:

- Fluctuation in future investment returns
- Variation of future contributions
- Change in active population and salary growth assumptions
- Adjustment to amortization methods and periods
- Modification to plan design

While many of our clients prefer that our experts assist them with real-time modeling, some of our clients enjoy exploring the technology and their options on their own. Segal Pulse offers decision-makers an easy-to-use interface to increase their understanding of the direction their plans are heading, and to make real-time projections — including a review of funding issues and plan designs — to learn what factors could change that direction.



## Other Services

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Segal has expertise in all aspects of benefit planning. We help our clients manage their programs and understand their liabilities. Below we list some of our other services:

- Health Benefits Advisors Services
- Human Resources Consulting Services
- Compensation Consulting Services
- Administration and Technology Consulting
- Work/Life Benefits Consulting Services
- Employee Communications Services

### Communications

Employee communication strategies are critical in facilitating not only plan design changes, but also behavioral changes for employees making retirement decisions. Segal's National Communications team of more than 30 professionals has extensive experience in managing complex benefits communications initiatives, branding, and projects that leverage multiple media for clients across the public, multiemployer, and private sectors. Our diverse public sector client list includes the State of Tennessee, the Chicago Transit Authority, County of Alameda, Pennsylvania Public School Employees' Retirement System, the Universities of Oklahoma and Alaska, Iowa Public Employees' Retirement System, the Cities of Chicago, Tempe, Arizona, and Springfield, Missouri and many more. Our experiences with these clients and many others provide us with the subject matter expertise, lessons learned and technology to ensure flawless execution of our project work.

Examples of project work include communication pieces on new plan design, benefit statements, Summary Plan Descriptions, and designing and developing content for our clients' Internet and Intranet sites.

### Compensation and Collective Bargaining Consulting

Segal's Public Sector Compensation Practice offers consulting services dedicated to our public sector clients including:

- Total compensation market studies
- Total compensation system design and implementation
- Job classification analyses
- Employee engagement surveys
- Cost modeling
- Collective bargaining support



Our consulting philosophy is to work closely with our clients to develop customized approaches to their specific needs. We do not use “off-the-shelf” solutions. The primary theme of our consulting approach is to maximize the value of total rewards by encouraging employee participation in the projects. This is crucial to a successful outcome.

### **Administrative and Technology Consulting (ATC)**

Segal’s ATC Practice provides clients with meaningful alternatives to their administration, human resources and technology needs. We help our clients make informed decisions that will improve the efficiency and effectiveness and manage the cost of their benefits administration functions. Our consulting team offers practical solutions for improving operations, using revised processes, better technology or outsourcing assistance. Some areas of expertise include:

- Review of strategic initiatives and business objectives
- Assessment of administrative processes, organizational structure, and operational technology
- Feasibility studies of administrative alternatives
- Process re-engineering
- Technology assessment, acquisition, and implementation

### **Asset and Liability Modeling**

Segal performs asset/liability modeling (ALM) in one of three ways:

- Deterministic (pre-set assumptions)
- Blended stochastic (random variables) and deterministic
- Fully stochastic

The deterministic ALM “pre-determines” the assumptions for assets and liabilities. Plan sponsors may choose to perform a number of scenarios to test the elasticity of their projected contribution rate or funded ratios. Results in a deterministic ALM are given as single numbers (rather than probabilities- as are given in a stochastic ALM).

Stochastic ALMs use a probabilistic approach to forecasting by employing a variable return assumption based on historical results and expectations for the future in an effort to simulate real-world investment market behavior. Under this approach, probability distributions are defined for investment returns and this variable is allowed to fluctuate in the projection. The model is run thousands of times to develop a distribution of results, which, in turn, can be grouped according to the likelihood of obtaining a given result. For example: “there is a 25% chance that the contribution amount in five years will be greater than a certain amount (or percentage of payroll), which means that in 25% of the simulations, the contribution requirement in the fifth year of the projections exceeded that amount. We will also be able to determine the likelihood of other plan characteristics, such as the Plan’s funded ratio.

### Stochastic modeling:

- Allows a view of the overall long term financing of the Plan by obtaining estimates of the financial metrics (be it recommended contributions, funded status or unfunded liabilities) for the next 15-20 years and to help understand the range of variation around these metrics.
- Provides a platform for decision-making that will show how changing the investment allocation strategy and/or funding strategy could affect the financial metrics.
- Helps measure actuarial funding risks - not simply the variability of portfolio returns, as is done with asset allocation studies.
- Provides an even deeper understanding of pension issues, particularly the factors that drive costs and what can be done to manage them.

Our ALM reports are individualized to fit each client situation. Our results-oriented approach combines actuarial and investment expertise with a clear, accurate, objective focus on each client's needs. We can provide sample reports that we have prepared.

### **Fiduciary Insurance**

Segal Select Insurance is a specialized, national “niche” retail insurance broker. While our client base is national, our marketing is centralized in New York City to maximize our insurer leverage and access to senior product managers and executive management. Our proprietary software provides a virtual file with essentially full current and historical information.

We have expertise in gathering annual benchmarking data to provide an independent, objective measure for measuring limits of liability and premiums. Our specialized staff handles Taft-Hartley and Public Sector plans on a daily basis. Our specialization is further focused on our core products.

Both insurers and legal counsel recognize our expertise in this specialized insurance area. For example, insurers frequently ask us to conduct educational webinars on new federal regulations. In addition, client legal counsel calls us to discuss “hypothetical” claims.



# Exceptions to Terms and Conditions

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We have attached an annotated agreement with our exceptions to your terms and conditions.

## L. CONFIDENTIAL AND/OR EXEMPT INFORMATION

### *Bidder to Defend, Indemnify, and Hold City Harmless in the Event of a Public Records Request*

Bidders should be aware that the designation of information as confidential and/or exempt may be challenged in court by any person or entity. By designating information as confidential and/or exempt, the bidder agrees to defend the City, its employees, agents and elected and appointed officials ("Indemnified Parties") against all claims and actions (whether or not a lawsuit is commenced) related to a bidder's designation of information as confidential and/or exempt, and to hold harmless the Indemnified Parties for any award to a plaintiff for damages, reasonable and documented costs and attorneys' fees, and for reasonable and documented costs and attorneys' fees (including those of the City Attorney's office) incurred by the City by reason of any claim or action arising out of or related to a bidder's designation of information as confidential and/or exempt.

## U. RECORDS/AUDIT

Contractor shall maintain records sufficient to document their completion of the scope of services established by this Contract. These Subject to any applicable privileges or other legally binding obligations of confidentiality and upon advance written request, these records shall be subject at all reasonable time to review, inspect, copy and audit by persons duly authorized by the City during the regular business hours of the Contractor and at the Contractor's place of business. These records shall be kept for a minimum of three (3) years after completion of the Contract. Records which relate to any litigation, appeals or settlements of claims arising from performance under this Order shall be made available until a final disposition has been made of such litigation, appeals, or claims.

## SECTION V – GENERAL PROVISIONS

### B. GENERAL TERMS AND CONDITIONS

4. Indemnification. The Contractor shall agree to indemnify and save harmless the City, its officers, agents, and employees, from and against any and all liability, claims, demands, fines, fees, reasonable and documented expenses, penalties, suits, proceedings, actions and costs of action, including attorney's fees for trial and on appeal, of any kind and nature arising or growing out of or in any way connected with the to the extent that it is judicially determined that these are the direct result of the negligent performance of the contract whether by act or omission or negligence of by the Contractor, its agents, servants, employees or others, or because of or due to the mere existence of the Contract between the parties.



## SECTION VI – TECHNICAL SPECIFICATIONS

### A. SCOPE


The City is seeking actuarial services for the City of Gainesville General Employees' Pension Plan and City of Gainesville Retiree Health Insurance Trust Fund. Services to be provided include all required GASB reporting, actuarial funding valuations, actuarial impact statements, experience studies as needed, retiree benefit calculation verifications, and such financial and statistical information as may be required to prepare financial statements under generally accepted accounting principles. The City also requires actuarial services associated with plan design modifications, plan liability projections, funding forecasts and funding policy development.

In order to provide the services described in this Section VI, Contractor will prepare a detailed information and data request outlining what is necessary to perform the requested actuarial services. The City shall provide the Contractor on a timely basis with any and all information included in such request, along with any other information that the Contractor reasonably requests, e.g., financial data required and any other data or information needed to perform the objectives of the City as stated in this request for proposals. The City also agrees to instruct its staff, legal counsel and other service providers ("Other Professionals") to provide the Contractor with the requested information and data. Data will be requested in a computer format that is compatible with the computer system of the Contractor. Upon receiving the requested data and information, the Contractor will examine it for missing information and internal inconsistency. Notwithstanding the Price Proposal as set forth in Section VII of this request for proposals, the Contractor may charge the City at its normal hourly rates if it is necessary to convert data that is not presented in the format requested and for the additional processing time required to reconcile data that contains errors, duplicate records or missing information. the City agrees and acknowledges that the Contractor shall have the right to rely on the accuracy of the data and information provided by the City and the Other Professionals and shall have no responsibility for independently verifying this data and information, except that the Contractor shall have the duty to advise the City if the data and information appears to be abnormal, unusual, or incorrect. The City agrees that it will promptly notify the Contractor (and require the Other Professionals to do so as well) upon gaining knowledge of any material change to any of the information or data provided to the Contractor.

If any of the information or data provided to the Contractor contains protected health information as that term is defined in the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA") and the regulations promulgated thereunder (the HIPAA Rules"), the Contractor and the City shall enter into a business associate contract that comports in all material respects with the HIPAA Rules. The business associate contract shall be annexed (as an attachment) to any future contract that results from this request for proposals. In the event of any inconsistency between such contract and the business associate contract, the business associate contract shall govern and control with respect to the use and disclosure of protected health information.



# Actuarial Certifications

|   |                       |   |           |  |  |
|---|-----------------------|---|-----------|--|--|
| The Actuarial Directory   |                       | Page 1 of 1   |           |  |  |
| The Actuarial Directory   |                       |   |           |  |  |
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| MAAA 2006   |                       |   |           |  |  |
| FCA 2008  |                       |   |           |  |  |
| ASA 2009  |                       |   |           |  |  |
| Academic degrees  |                       | Industry  |           |  |  |
| B.S.  |                       | Consulting  |           |  |  |
| Primary area of practice  |                       | Society of Actuaries Sections   |           |  |  |
| Retirement  |                       | Retirement  |           |  |  |
| <a href="https://www.actuarialdirectory.org/?searchon=Last_name&amp;searchvalue=williams">https://www.actuarialdirectory.org/?searchon=Last_name&amp;searchvalue=williams</a> |                       |   | 6/14/2018 |  |  |

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**Specializations**

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## Primary area of practice

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## Society of Actuaries Sections

Actuary of the Future

Retirement

Social Insurance &amp; Public Finance



# Segal Publications

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Segal produces a wide array of public sector plan-specific publications that are provided to our clients. This section includes a few samples.

We have also included a one-page marketing piece about Segal Pulse.



## Benefits and Related Provisions in the New Tax Law

On December 22, 2017, President Trump signed a far-reaching overhaul of the Internal Revenue Code (IRC) (New Tax Law<sup>1</sup>). The New Tax Law significantly cuts the tax rates for corporations and partnerships permanently and temporarily modifies the individual income tax brackets, standard deduction and exclusions.

In the benefits area, it effectively repeals the individual shared responsibility penalty of the Affordable Care Act by making it zero and eliminates the ability of employers to deduct many employment-related fringe benefits. The New Tax Law also modifies the deduction rules for public companies with respect to executives earning over \$1 million and creates a new 21 percent excise tax on nonprofits that pay compensation in excess of \$1 million.

Earlier versions of the proposed new tax legislation included numerous provisions affecting employer-sponsored health and retirement plans and individual retirement accounts (IRAs). The New Tax Law, as enacted, does not include most of those provisions, but some of the eliminated provisions could reappear in future legislation.

Most of the New Tax Law's provisions are effective in 2018. A notable exception is the effective elimination of the Affordable Care Act individual shared responsibility penalty, which is not effective until 2019.

This *Update* discusses the employee-benefit related provisions and next steps for plan sponsors.

### Retirement Provisions

#### DC Plan Loan Repayment on Separation or Plan Termination

Many plans require a participant to repay the full outstanding balance of a plan loan immediately on separation from service or termination of the plan. If the participant does not repay the full outstanding balance, the unpaid balance is treated as a taxable distribution from the plan ("deemed distribution"). Prior to the New Tax Law, the participant would have had to roll over an equal amount into an individual retirement account (IRA) within 60 days of the deemed distribution to avoid being immediately taxed on the deemed distribution. The New Tax Law gives a participant more time to roll over an equal amount — until the date (including extensions) the participant has to file the income tax return for the year in which the deemed distribution occurred. The new rule applies to plan loan amounts that are treated as distributed from qualified retirement plans, 403(b) plans and governmental 457(b) plans by reason of



the termination of the plan or the participant's failure to meet the repayment terms of the loan because of severance from employment. The new rule is effective for amounts that are treated as distributions in taxable years beginning after December 31, 2017.

### **Recharacterization of Roth Conversions**

Prior to the New Tax Law, an individual who elected to convert a traditional IRA to a Roth IRA (to pay taxes immediately rather than upon distribution) had until the individual's tax filing deadline to undo the election. This allowed an individual to avoid paying tax on a high stock price if the price later dropped. The New Tax Law eliminates the last step: the ability to recharacterize a Roth IRA back to a traditional IRA after having previously converting it to a Roth IRA. Earlier versions of the New Tax Law would have prevented the initial conversion also, but the final New Tax Law dropped that portion of the provision. The provision is effective for taxable years beginning after December 31, 2017.

### **Length-of-Service Award Programs for Bona Fide Public Safety Volunteers**

The New Tax Law increases the aggregate amount of length of service awards for bona fide volunteers with respect to any year of service to \$6,000, adjusted, effective for taxable years beginning after December 31, 2017.

### **Tax Relief for 2016 Disaster Areas**

The New Tax Law provides tax relief for certain retirement plan and IRA distributions taken on or after January 1, 2016 and before January 1, 2018 by an individual whose principal place of abode was located in a presidentially declared disaster area at any time in 2016 and who sustained economic loss in that year.<sup>2</sup> The provision is effective on the date of enactment. The relief is from the 10 percent premature distribution tax and, if a 401(k), 403(b) or 457(b) plan so provides, from in-service distribution restrictions. A plan amendment is not required until the last day of the first plan year beginning on or after January 1, 2020.

### **Proposed Retirement Plan Changes *Not* Included in the New Tax Law**

Several retirement plan provisions were considered in the legislative process, but were not included in the New Tax Law. They include provisions that would have substantially accelerated the taxation of non-qualified deferred compensation; eliminated pre-tax 401(k) and other "catch-up" contributions while allowing increased catch-up contributions on a Roth after-tax basis; reduced the age for in-service distributions from certain plans to age 59½; modified rules for closed defined benefit plans; modified the rules for hardship distributions; subjected public pension plans to the unrelated business taxable income tax (UBIT) rules that currently apply to other not-for-profit entities; and limited special rules that allow participants in 403(b) and 457(b) plans to make additional contributions.

## **Health Provisions**

### **Individual Mandate Penalty**

The New Tax Law changes the amount of the Affordable Care Act's individual shared responsibility penalty for individuals who do not obtain health coverage to zero, effective in 2019. The elimination of the penalty is expected to save the government money because some low and moderate income workers would not buy health coverage; thus, they would not receive federal premium assistance tax

credits. However, if fewer individuals obtain health insurance, uncompensated care costs could rise, leading indirectly to higher costs for employer plans as they subsidize these costs. In addition, the Congressional Budget Office (CBO) estimates that three million individuals could drop employer-sponsored health plans if they are not required to have coverage. The provision applies on or after December 31, 2018. Consequently, individuals who do not maintain coverage are subject to the individual shared responsibility penalty in 2018.

### **Proposed Health Changes *Not* Included in the New Tax Law**

Although the individual shared responsibility penalty is effectively repealed, the New Tax Law does not repeal the employer shared responsibility penalty or any of the employer or health plan reporting obligations. Consequently, employers and health plans must continue to send Forms 1094-B and 1095-B to employees and participants, and to file copies with the Internal Revenue Service. The New Tax Law does not change the Affordable Care Act's excise tax on high-cost health plans (commonly referred to as the Cadillac tax). Previous proposals as part of health reform would have delayed the Cadillac tax until 2026. Consequently, the Cadillac tax will still take effect in 2020. Other Affordable Care Act taxes that would have been repealed or delayed as part of health reform are also not addressed in the New Tax Law. These include the health insurance tax, medical device tax, cap on employee contributions to health Flexible Spending Arrangements (FSAs), and requirement that over-the-counter drugs be paid only with a prescription. The Tax Law also makes no changes to Health Savings Accounts or Archer Medical Savings Accounts (MSAs). We expect that some of these items, particularly the health insurance tax, may be addressed in spending legislation in 2018.

### **Cost-of-Living Indexing**

Current law uses the Consumer Price Index for All Urban Consumers (CPI-U) as the measure for inflation adjustments of certain annual thresholds. The New Tax Law changes the measure of inflation adjustments to the Chained Consumer Price Index for All Urban Consumers (C-CPI-U). C-CPI-U is a different measure of inflation than the CPI-U, and it generally results in slightly smaller annual indexing increases each year. Among the items that would be subject to the Chained-CPI-U are income tax brackets, IRAs, Health Savings Accounts (HSAs), Archer Medical Savings Accounts (MSAs), health Flexible Spending Arrangements (FSAs), the Cadillac tax and the Affordable Care Act's premium assistance tax credits. (This change does not apply to cost-of-living increases based on IRC §415(d), which means that the CPI increase for most retirement plan limits are not reduced.)

### **Fringe Benefits**

#### **Qualified Transportation Fringe Benefits**

Individuals may still elect to defer salary on a pre-tax basis for qualified transportation benefits. However, the employer deduction for expenses for qualified transportation benefits (parking, transit passes and vanpools) is repealed. Employers may still deduct expenses if they are necessary to ensure employee safety. Tax-exempt entities will be taxed on the value of providing qualified transportation benefits by treating the funds used to pay for the benefit as unrelated business taxable income (UBTI). The provision applies to amounts paid or incurred after December 31, 2017.

#### **Qualified Bicycle Commuting Reimbursement**

The New Tax Law repeals the exclusion for bicycle commuting expenses through 2025. Unlike the transportation benefit, employees cannot pay for bicycle commuting expenses on a pre-tax basis. The provision applies to taxable years beginning after December 31, 2017; it sunsets after 2025.

### **Employee Achievement Awards**

Employers can currently deduct the cost of employee achievement awards up to a certain dollar amount. The amount is also excluded from the employee's income. The New Tax Law modifies the definition of "tangible personal property" that can be considered a deductible employee achievement award. Consequently, cash, cash equivalents, gift cards, gift coupons or certificates, vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds and similar items cannot be deducted. However, arrangements conferring only the right to select and receive property from a limited array of such items pre-selected or pre-approved by the employer may still be deductible. The provision applies to amounts paid or incurred after December 31, 2017.

### **Business-related Entertainment**

The New Tax Law prohibits employer deductions for entertainment, amusement or recreation activities, and membership dues relating to a business, with certain exceptions. The provision applies to amounts incurred or paid after December 31, 2017.

### **Employer-provided Moving Expenses**

The New Tax Law repeals the employer deduction and employee exclusion from income for employer-provided qualified moving expenses, but provides an exception for members of the U.S. Armed Forces on active duty who move pursuant to a military order. The provision is effective for taxable years beginning after December 31, 2017; it sunsets after 2025.

### **Proposed Fringe Benefit Changes *Not* Included in the New Tax Law**

Previous versions of the bill would have eliminated Dependent Care Assistance Programs (DCAPs) and employer-provided child care credits. However, the New Tax Law did not change either program. Adoption assistance benefits and educational assistance plan benefits were also not changed.

### **New Employer Credit for Paid Family and Medical Leave**

The New Tax Law creates a new employer tax credit for employers that pay employees who are on a leave under the Family and Medical Leave Act (FMLA), effective for wages paid in taxable years beginning in 2018 or 2019.

Eligible employers can claim a general business credit equal to 12.5 percent of the amount of wages paid to qualifying employees on FMLA leave. Employers must provide at least two weeks of leave and pay at least 50 percent of salary during the leave. The tax credit increases if employers pay a higher rate of wage replacement during the leave.

Employers must have a written policy to provide such leave. Any paid family leave required by state or local law, or provided as vacation, personal, or other medical or sick leave, would not qualify for the credit. For 2018, the credit can only be taken with respect to leave provided to employees who earn less than \$72,000 annually (60 percent of the compensation threshold for highly compensated employees under IRC Section 414(g)).

## How Segal Can Help

Segal works with plan sponsors and their attorneys on compliance and design issues. Segal can also assist plans and employers to understand the impact of the new tax rules on their existing employee benefits and fringe benefit offerings. Employers may wish to discuss potential withholding changes with their payroll services providers and prepare employees for potential changes. Employers that offer a paid family leave benefit should review it to determine whether they can take advantage of the new tax credit and if so assure that written policies are in place.

## Questions?

For more information about how the New Tax Law may affect you, please contact your Segal consultant or the Segal office nearest you (<http://www.segalco.com/about-us/locations/#PublicSector>).

<sup>1</sup> The official name is "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018." You might see it referred to in the press and other articles as the "Tax Cuts and Jobs Act." This was its short title until final passage when the short title had to be dropped to conform with Senate rules.

<sup>2</sup> The law only deals with distributions related to 2016 losses.

 [Download PDF \(http://www2.segalco.com/PS-Update-1-19-18\)](http://www2.segalco.com/PS-Update-1-19-18)

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## **New Law Highlights:**

The New Tax Law effectively eliminates the Affordable Care Act individual shared responsibility penalty, but not until 2019.

Some changes were made to retirement plan rules, but many changes that were initially proposed did not make it into the final law.

The New Tax Law suspends from 2018 through 2025 the ability of an employer to deduct, and in some cases the employee to exclude from income, a number of fringe benefits.

A new employer tax credit was created for certain employers who provide paid leave under the Family and Medical Leave Act (FMLA).

**NEW! On January 23, 2018 President Trump signed into law a continuing resolution to fund the federal government through February 8, 2018. That law delays the Affordable Care Act's tax on high-cost health plans (the Cadillac tax) until January 1, 2022.**





## Health and Retirement Plan Provisions in the Bipartisan Budget Act of 2018

Although many benefit-related issues discussed in the run-up to the federal budget were not included in the final law, the interim Bipartisan Budget Act of 2018 (the Act) includes several noteworthy employee benefit health and retirement plan provisions.<sup>1</sup> For group health plans covering Medicare retirees, the most significant changes are the accelerated closing of the coverage gap (“donut hole”) in the Medicare Part D prescription drug program and further increases in the amount that certain high-income Medicare beneficiaries will have to pay for their Part D and Part B premiums. Significant provisions affecting retirement plans include an expanded ability to receive hardship distributions.

This *Update* provides an overview of these and other noteworthy provisions in the Act.

### Medicare Part D Provisions

The most important changes for group health plans covering Medicare retirees affect the Part D prescription drug coverage gap and the income-adjusted premiums paid by Medicare beneficiaries for Part D and Part B coverage.<sup>2</sup>

#### Donut Hole

The Act increases the amount that manufacturers of brand-name drugs must pay during 2019 and beyond when Medicare beneficiaries are in the coverage gap. Currently, manufacturers of brand-name drugs pay 50 percent of costs during the coverage gap. The Act increases that share to 70 percent starting in 2019.<sup>3</sup> It also closes the coverage gap one year earlier, at the end of 2018 instead of the end of 2019. Starting in 2019 (instead of 2020), Medicare beneficiaries will be responsible for 25 percent of their brand drug costs during the coverage gap — the same percentage that they must pay now before they reach the coverage gap. The Act does not affect payment for generic drugs during the coverage gap.

The Affordable Care Act made significant changes to the Medicare program, including for Medicare beneficiaries enrolled in a Part D prescription drug plan (PDP). Based on these changes, coverage of brand and generic drugs in the coverage gap has been increasing annually, with seniors paying less out of pocket each year until the coverage gap is eliminated. The Affordable Care Act eliminated the coverage gap for brand and generic drugs in 2020. The Bipartisan Budget Act of 2018 eliminates it for brand-name drugs in 2019, by reducing the percentage individuals will pay in 2019 for brand-name drugs to 25 percent, as shown in the table below.

## Individual's Responsibility for Prescription Drug Costs in the Coverage Gap

| Year | Brand-Name Drugs | Generic Drugs* |
|------|------------------|----------------|
| 2017 | 40%              | 51%            |
| 2018 | 35%              | 44%            |
| 2019 | 25%              | 37%            |
| 2020 | 25%              | 25%            |

\* These percentages are unchanged.

### Biosimilars

According to the Food and Drug Administration (FDA), a biosimilar is a biological product that is highly similar to and has no clinically meaningful differences from an existing FDA-approved reference product. Beginning in 2019, biosimilars will be included in the same manner as other brand-name drugs in the Part D coverage gap discount program.

### Income-Adjusted Premiums

The Act increases Medicare Part B and D income-based premiums for individuals with adjusted gross income of at least \$500,000 (or \$750,000 for married couples filing jointly) starting in 2019. Before the Act, individuals at these income levels were treated the same as individuals with incomes of at least \$160,000 (or \$320,000 for couples). The Act will create a new income-based band. Individuals in this new income band (at least \$500,000 for individuals or \$750,000 for couples) will have to pay higher premiums.

### Additional Medicare Changes

The Act includes the Creating High-Quality Results and Outcomes Necessary to Improve Chronic (CHRONIC) Care Act, which implements Medicare changes such as expanding the ability of Medicare Advantage plans to offer telehealth services. Other Medicare changes include expanded coverage for physical therapy, speech-language pathology and occupational therapy and increased payment rates for certain Medicare providers.

### Other Health Provisions

Other provisions affecting the health care system more broadly include:

- Funding for the Children's Health Insurance Program (CHIP)<sup>4</sup> for an additional four years, through fiscal year 2027;

- Two years of funding for community health centers serving low-income patients;



Funding for treatment of mental health problems and opioid addiction;

Repeal of the Medicare Independent Payment Advisory Board, which was created by the Affordable Care Act and charged with controlling Medicare spending, but which has not met (or had any members appointed to it) because Medicare spending has not reached certain triggering thresholds;

Disaster aid funding including two years of federal reimbursements for Puerto Rico's Medicaid program; and

Funding for the National Institutes of Health

## **Implications of the Health Provisions for Plan Sponsors**

Plan sponsors that provide coverage through a Part D Employer Group Waiver Plan (EGWP) should expect these changes to have a positive impact on plan costs. In 2018, the coverage gap included a brand discount program where the beneficiaries paid 35 percent, the plan paid 15 percent, and the manufacturer covered 50 percent of brand drug costs. Under this law, both the beneficiary and the plan will pay less in 2019, one year earlier than originally proposed. In addition, to the extent that biosimilars are available, they will be included in the discount program.

## **How Segal Can Help**

Segal works with plan sponsors to address issues related to Medicare Part D, including quantifying the savings associated with introducing an insured or self-insured EGWP over the amount received from the retiree drug subsidy (RDS).

In addition, we help plan sponsors select Medicare Advantage plans that offer the best fit based on their current and future objectives. With our guidance, you can make informed decisions about which vendors offer the best value and the most competitive premium rates or self-funded financial terms.

## **Retirement Provisions**

The Act was not as far-reaching as some had hoped it would be with regard to retirement-related issues. There are, however some important changes to note.

### **Hardship Distributions: Six-Month Rule and Available Loans**

The Act instructs the Treasury Department to revise its regulations on 401(k) and 403(b) hardship distributions to eliminate the requirement, in certain situations, that a participant who takes a hardship distribution may not make elective contributions for six months. The Act also appears to eliminate the requirement that participants take all available plan loans before being eligible to take a hardship distribution. The changes apply for plan years beginning after December 31, 2018.

### **Expansion of Sources for Hardship Distributions**

The Act now allows 401(k) plans to make hardship distributions from amounts attributable to earnings on elective contributions, effective for plan years beginning after December 31, 2017.

## **Disaster Relief**

The Act provides relief from certain plan loan and distribution limitations for victims of California wildfires in 2017, subject to specified conditions and limitations.

## Implications of the Retirement Provisions for Plan Sponsors



Implementation of the changes to hardship distributions will require changes to administrative practice and could require plan amendments.

## How Segal Can Help

Segal can help with the analysis, documents and communication of the needed changes.

## Questions?

For more information, please contact your Segal consultant or the Segal office nearest you ([/about-us/locations/](#)).

<sup>1</sup> The  Act (<https://www.congress.gov/115/bills/hr1892/BILLS-115hr1892enr.pdf>) was signed into law on February 9, 2018 as Public Law 115-123. It funded the federal government through March 23, 2018. The subsequently passed Consolidated Appropriations Act, 2018, which was signed into law on March 24, 2018 as Public Law 115-141, does not include any provisions affecting employee benefits. When Public Law 115-123 and Public Law 115-141 are available online, they will be accessible from the  U.S. Government Printing office website (<https://www.gpo.gov/fdsys/browse/collection.action?collectionCode=PLAW>).

<sup>2</sup> Part B generally covers physician and outpatient services.

<sup>3</sup> Medicare beneficiaries will pay 25 percent and the Part D plan will pay 5 percent.

<sup>4</sup> CHIP provides coverage to almost nine million children who are not eligible for other sources of coverage, such as Medicaid or employer-sponsored insurance.

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## **New Law Highlights:**

Participants in certain defined contribution retirement plans will have expanded ability to take hardship distributions.

The coverage gap ("donut hole") in the Medicare Part D prescription drug program will close faster resulting in lower out-of-pocket costs for retirees.

There are additional increases in the amount that certain high-income Medicare beneficiaries will have to pay for their Part D and Part B premiums.





# Changing DC Plan Recordkeepers Can Be Complex

## Steps for a Smooth and Successful Transition

The process of procuring defined contribution (DC) plan services is a significant undertaking that may result in a plan sponsor selecting a new recordkeeper as a means to improving service, cost-effectiveness or both. Although DC plan services have become more standardized over the years, the process of moving from one recordkeeper to another is complex. Risks associated with a conversion include the potential for unexpected disruption to participant accounts, lengthy blackout periods, lost data, costly reconciliations and misunderstood communications.

Consequently, the transition needs to be carefully managed. Risks associated with the conversion can be effectively managed under a well-developed transition plan as part of a plan's overall approach to managing operational risk. An additional benefit of the transition process is that it presents an opportunity to review plan operations and processes with an eye toward improvement.

### The Big Picture

Risks associated with transitioning to a DC plan recordkeeper, also known as vendor management risk, are a type of operational risk. Plan sponsors can manage vendor risk through the steps and tools outlined in this article.



Source: Segal Consulting, 2018

## Steps for Successful Implementation and Management of Risks

In Segal Consulting's experience, it is important to consider the key areas that will drive success before undertaking a service transition:

**Sponsor Involvement and Commitment** — The DC plan sponsor should have a clearly articulated vision for the transition. Knowledgeable and experienced staff should be part of the transition team.

**"Meeting of the Minds"** — A service transition is, in its simplest terms, an exchange of information and data with the newly selected recordkeeper. As part of this process, care must be taken to ensure that the parties are "speaking the same language." Because terminology is unlikely to be uniform and the individuals representing the new and former recordkeepers will have different points of reference, it is critical to have thorough conversations, define concepts and ask clarifying questions.

**Reasonable Timeline with Critical Milestones** — A transition period that is too short increases the likelihood of errors as the parties will be rushed to meet unrealistic deadlines. For large DC plans, a typical timeline may span from six to nine months. This allows for a deliberate process. Timelines in that range have room to deal with both complexity and slippage in deadlines. Allowing for even more time may be helpful if plan changes are being made, such as introducing auto-enrollment, adding new services (like managed accounts) or instituting a highly customized communications campaign. The timeline should have critical milestones, responsible parties assigned to the specific tasks and progress dates to ensure the parties meet each requirement by its deadline.

**Participant Communications** — Most service providers have conducted hundreds, if not thousands, of transitions and have a general process and timeline for communicating with plan participants. That said, your input is critical in developing a communication plan that will work best for your participants. As the plan sponsor, you play a pivotal role in identifying key audiences, messages and communication channels. You also need to ensure that all key stakeholders are aware of and understand the transition process as it will be communicated to participants.

**The Blackout Period** — Given today's expectation of instant information, the blackout period that will occur in any transition period can be unsettling for participants. Nonetheless, selecting a blackout period that ensures adequate transition time is better than being too aggressive. If the transition work is completed faster than expected, the plan can go live early. That is infinitely better than not taking enough time and missing the go-live date communicated to participants. For large plans, a three or four-day blackout is typical. It can usually be arranged over a weekend to minimize the impact on participants' ability to change their investments.

## **Major Transition Action Items**

### **Data Conversion:**

Create a conversion guide for "mapping" data from the outgoing recordkeeper's system to the incoming recordkeeper's system.

Ensure security for all data transmissions.

Determine investment mapping and account transfer or retitling (if applicable).

Perform a test conversion.

### **Plan Administration:**

Reach agreement on services, such as handling Qualified Domestic Relations Orders (QDROs).

Create a new (or transfer an existing) website address.

Establish processes for various participant transactions, such as contribution elections, investment designations, loans, withdrawals and beneficiary changes.

**Participant Communications:**

Announce the coming recordkeeper change, any plan design changes, the rationale for the changes and how participants will be affected (including the blackout period).

Promote the changes by explaining how they will enhance the participant experience.

Market the plan to non-participants by explaining the enhancements.

Include a variety of communications vehicles, such as direct mail, electronic communications, video, onsite and online (webinar) educational sessions and a dedicated phone line.

Source: Segal Consulting, 2018



### **Three Critical Components of Painless Recordkeeper Transition**

Every recordkeeper transition must have a project plan, an experienced team and a participant communications campaign. These core components are described briefly below.

#### **Transition Plan: Typically, the New Recordkeeper Takes the Lead**

As alluded to above, the transition plan is critically important. Generally, the incoming service provider,



in consultation with the plan sponsor, prepares the transition plan. A thorough transition plan will:

Outline the roles and responsibilities of the various parties involved. These include the plan sponsor staff (including human resources, benefits administration and payroll) and its consultant, as well as representatives from the outgoing and incoming recordkeeper. As one would expect the outgoing “de-conversion” team is significantly smaller, but no less important, than the incoming service provider’s local and home office teams.

Define the many tasks that are involved and assign responsibilities for each task along with targeted time frames for completing each task.

Set the schedule for meetings and calls, including the kick-off meeting. A typical schedule will involve an ongoing weekly conference call of all parties to ensure the plan transition remains on track. Although weekly conference calls are important to keeping the process moving, periodic face-to-face meetings can add greatly to the future success of the client/service provider relationship.



#### **Starting Off on the Right Foot: What to Cover in the Kick-Off Meeting**

Segal recommends an in-person kick-off meeting that covers the following:

Review the plan documents and guidelines.

Review the proposed transition plan.

Confirm custom processes.

Identify issues any of the parties have.

Ensure complete buy-in from all of the internal parties involved.

Agree on how much time and what resources are needed for testing.

Source: Segal Consulting, 2018

**The Transition Team: Expect a Deep Bench from the New Recordkeeper;  
Be Prepared to Provide Administrative Support; and Include a De-Conversion Specialist**

Because the incoming service provider is the primary driver for the transition process, at a minimum its team should include:

- A primary plan contact or client relationship manager,
- A conversion specialist and various IT personnel,
- A communications manager, including a website specialist, and
- A field services manager.

For a large plan's transition, these core team members will lead various sub-teams. The DC plan sponsor should expect to meet, either in person or via conference calls, all of the team leaders and many members of the full team.

The DC plan sponsor needs to appoint at least one day-to-day administrative contact who will be designated as the plan's "go-to" person. The responsibilities of that person or people are noted in the box below.

As the implementation process nears completion, the plan sponsor can expect to see new additions to the team. For example, field services may be covered initially by a home office or regional person. Later, that person might be supplemented by a local representative.

A DC plan recordkeeper transition requires a total team effort. The team must be flexible and fluid enough to address unexpected obstacles.

The outgoing service provider should provide a de-conversion specialist to aid in the successful transition. Typically, a de-conversion specialist focuses on "transitions out" and provides the central source of contact for all of the data, test files and plan documentation that the new recordkeeper will need. As you might expect, the outgoing recordkeeper will not be happy about losing your plan to a competitor. Do not expect them to drop everything to respond to "rush" requests for data files and other reports or information. This is why Segal recommends the use of the timeline and ongoing calls with all parties.

## **Responsibilities of the Day-to-Day Contact or Team**

- Provide transition oversight.
- Represent the plan sponsor in all planning calls.
- Review all planned participant communications.
- Assist in scheduling on-site transition meetings.
- Coordinate with payroll personnel and IT staff.

Source: Segal Consulting, 2018



### **Participant Communications Campaign: One Message and One Medium Are Not Enough**

Changing to a new service provider provides an opportunity not only to convey needed information to participants. It also can promote the plan and build participation. Be sure to take advantage of this chance to invigorate your communications and convey your plan's advantages.

Successful communications should deliver a clear, consistent message. No two participants learn the same way. Be sure to use multiple channels to ensure you reach all participants. Work with the incoming service provider to develop a communications strategy that will resonate with each audience (stakeholders, participants, and retirees) and drive desired behaviors.

### **Content Checklist for a Plan Transition Communications Campaign**

- ☐ Introduce the incoming recordkeeper.
- ☐ Highlight the plan changes and service enhancements.
- ☐ Explain the reasons for the changes.
- ☐ Promote the plan's advantages.
- ☐ Review the new investment lineup and explain any fund mapping that will take place.
- ☐ Provide a timeline of critical events, including the blackout period, that lets participants know they generally do not need to take any specific action.
- ☐ Summarize the on-site educational transition seminar schedule, including availability for individual appointments with local service staff and informational videos or webinars.

Source: Segal Consulting, 2018

### **Common Transition Challenges**

When considering a recordkeeper transition, every DC plan sponsor faces unique challenges. Nonetheless, it is not unusual for sponsors of DC plans to have to deal with issues like:

Payroll complexities, such as auto-enrollment and/or escalation, loans, Roth contributions and multiple locations;

Data limitations, highly customized service requirements, beneficiary designations, and required minimum distributions; and


Custom investment funds, managed accounts and brokerage windows.

## Smooth and Successful Transition Is Possible

DC plan recordkeeper transitions require care, commitment, cooperation among the parties and clear communications. With thorough advance planning, diligent follow-through and quick action to correct course, as needed, a transition can be smooth and successful.

This *Public Sector Letter* is the second in a series on managing operational risk in DC plans. The first part of the series, "Operational Risk Is the Achilles' Heel of DC Plans: A Framework for Managing It," and all subsequent pieces can be accessed from the following page on Segal's website: [www.segalco.com/operational-risk](http://www.segalco.com/operational-risk) (<http://www.segalco.com/operational-risk>).

## Questions? Contact Us

For more information about managing operational risk or other risks DC plans face, contact your Segal (/) benefits consultant and your  Segal Marco Advisors (<http://www.segalmarco.com/>) investment consultant or the following authors:

### Wendy Carter

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(<mailto:wcarter@segalco.com>)

### Julian Regan

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Segal's consulting services for state and local governments that sponsor DC plans include the following:

(<mailto:jregan@segalmarco.com>)

Plan design,

Plan assessment studies,

Participant communications,

Compliance consulting,

Vendor searches for TPAs and other service providers, and

Administration and technology consulting.

Segal Marco Advisors, the SEC-registered member of  The Segal Group

(<http://www.segalgroup.net/#all>), provides the following investment solutions for DC plan sponsors:

- Fiduciary oversight and training,
- Creation and ongoing review of investment policy statements,
- Ongoing monitoring and performance analysis,
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- Selection of best-in-class investment managers and options,
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✎ Segal Select Insurance Services, Inc. (<http://www.segalselect.com/>), the member of The Segal Group that provides brokerage services for a wide range of insurance coverage, can help plan sponsors obtain fiduciary liability, cyber liability insurance and crime insurance.

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## Our Services for the Public Sector



Public sector entities face tough decisions. We understand those challenges as well as options for meeting them. Having worked with hundreds of public sector clients for more than 50 years, Segal Consulting (/) has insight into the spectrum of design characteristics and features of all types of compensation and benefit plans throughout all levels of government. We provide the following services:

- Health and welfare plan consulting for active and retiree coverage, including pharmacy benefit management,
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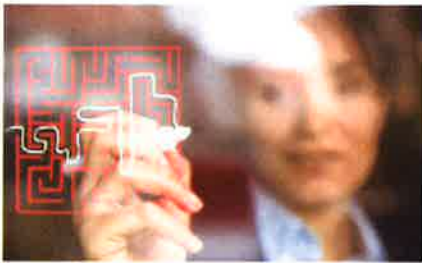
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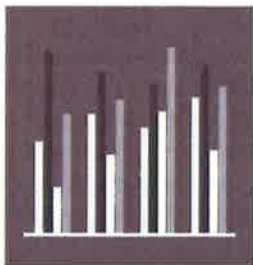
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**Segal Pulse® is Segal's new, web-based version of our popular Forecast modeling tool that dynamically generates financial and actuarial deterministic projections. Segal Pulse helps public sector benefits decision-makers perform their own "what if" projections and see the impact of changing financial and demographic variables in real-time. Segal Pulse provides public sector benefits decision-makers with information that can help them make informed decisions based on their plan's current and projected economic status, as well as demographic trends.**

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- Fluctuation in future investment returns
- Variation of future contributions
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- Adjustment to amortization methods and periods
- Modification to plan design



## SEGAL PULSE ADVANTAGE

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- **We employ a variety of tools and modeling** to measure, monitor and predict the costs of retirement programs.
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