

**CITY OF COSTA MESA
PROFESSIONAL SERVICES AGREEMENT
WITH
THE HOWARD E. NYHART COMPANY, INCORPORATED**

THIS AGREEMENT is made and entered into this 10th day of May, 2016 ("Effective Date"), by and between the CITY OF COSTA MESA, a municipal corporation ("City"), and THE HOWARD E. NYHART COMPANY, INCORPORATED, an Indiana corporation (California Entity No. C3500179) ("Consultant").

WITNESSETH:

A. WHEREAS, City proposes to utilize the services of Consultant as an independent contractor to provide biennial actuarial review services for fiscal years ending June 30, 2016, June 30, 2018, and June 30, 2020; and

B. WHEREAS, Consultant represents that it has that degree of specialized expertise contemplated within California Government Code Section 37103, and holds all necessary licenses to practice and perform the services herein contemplated; and

C. WHEREAS, City and Consultant desire to contract for the specific services described in Exhibit "A" (City's Request for Quotation) and desire to set forth their rights, duties and liabilities in connection with the services to be performed; and

D. WHEREAS, no official or employee of City has a financial interest, within the provisions of Sections 1090-1092 of the California Government Code, in the subject matter of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, the parties hereby agree as follows:

1.0. SERVICES PROVIDED BY CONSULTANT

1.1. Scope of Services. Consultant shall provide the professional services described in Exhibit A and Exhibit "B" (Consultant's Response), both attached hereto and incorporated by this reference.

1.2. Professional Practices. All professional services to be provided by Consultant pursuant to this Agreement shall be provided by personnel experienced in their respective fields and in a manner consistent with the standards of care, diligence and skill ordinarily exercised by professional consultants in similar fields and circumstances in accordance with sound professional practices. Consultant also warrants that it is familiar with all laws that may affect its performance of this Agreement and shall advise City of any changes in any laws that may affect Consultant's performance of this Agreement.

1.3. Performance to Satisfaction of City. Consultant agrees to perform all the work to the complete satisfaction of the City and within the hereinafter specified. Evaluations of the work will be done by the City's Chief Executive Officer ("City CEO") or his or her designee. If the quality of work is not satisfactory, City in its discretion has the right to:

- (a) Meet with Consultant to review the quality of the work and resolve the

matters of concern;

- (b) Require Consultant to repeat the work at no additional fee until it is satisfactory; and/or
- (c) Terminate the Agreement as hereinafter set forth.

1.4. Warranty. Consultant warrants that it shall perform the services required by this Agreement in compliance with all applicable Federal and California employment laws, including, but not limited to, those laws related to minimum hours and wages; occupational health and safety; fair employment and employment practices; workers' compensation insurance and safety in employment; and all other Federal, State and local laws and ordinances applicable to the services required under this Agreement. Consultant shall indemnify and hold harmless City from and against all claims, demands, payments, suits, actions, proceedings, and judgments of every nature and description including attorneys' fees and costs, presented, brought, or recovered against City for, or on account of any liability under any of the above-mentioned laws, which may be incurred by reason of Consultant's performance under this Agreement.

1.5. Non-Discrimination. In performing this Agreement, Consultant shall not engage in, nor permit its agents to engage in, discrimination in employment of persons because of their race, religion, color, national origin, ancestry, age, physical handicap, medical condition, marital status, sexual gender or sexual orientation, except as permitted pursuant to Section 12940 of the Government Code.

1.6. Non-Exclusive Agreement. Consultant acknowledges that City may enter into agreements with other consultants for services similar to the services that are subject to this Agreement or may have its own employees perform services similar to those services contemplated by this Agreement.

1.7. Delegation and Assignment. This is a personal service contract, and the duties set forth herein shall not be delegated or assigned to any person or entity without the prior written consent of City. Consultant may engage a subcontractor(s) as permitted by law and may employ other personnel to perform services contemplated by this Agreement at Consultant's sole cost and expense.

1.8. Confidentiality. Employees of Consultant in the course of their duties may have access to financial, accounting, statistical, and personnel data of private individuals and employees of City. Consultant covenants that all data, documents, discussion, or other information developed or received by Consultant or provided for performance of this Agreement are deemed confidential and shall not be disclosed by Consultant without written authorization by City. City shall grant such authorization if disclosure is required by law. All City data shall be returned to City upon the termination of this Agreement. Consultant's covenant under this Section shall survive the termination of this Agreement.

2.0. COMPENSATION AND BILLING

2.1. Compensation. Consultant shall be paid in accordance with the fee schedule set forth in Exhibit B. Consultant's total compensation shall not exceed Thirty-Six Thousand Dollars and Zero Cents (\$36,000.00).

2.2. Additional Services. Consultant shall not receive compensation for any services

provided outside the scope of services specified in the Consultant's Proposal unless the City or the Project Manager, prior to Consultant performing the additional services, approves such additional services in writing. It is specifically understood that oral requests and/or approvals of such additional services or additional compensation shall be barred and are unenforceable.

2.3. Method of Billing. Consultant may submit invoices to the City for approval on a progress basis, but no more often than two times a month. Said invoice shall be based on the total of all Consultant's services which have been completed to City's sole satisfaction. City shall pay Consultant's invoice within forty-five (45) days from the date City receives said invoice. Each invoice shall describe in detail, the services performed, the date of performance, and the associated time for completion. Any additional services approved and performed pursuant to this Agreement shall be designated as "Additional Services" and shall identify the number of the authorized change order, where applicable, on all invoices.

2.4. Records and Audits. Records of Consultant's services relating to this Agreement shall be maintained in accordance with generally recognized accounting principles and shall be made available to City or its Project Manager for inspection and/or audit at mutually convenient times from the Effective Date until three (3) years after termination of this Agreement.

3.0. TIME OF PERFORMANCE

3.1. Commencement and Completion of Work. The professional services to be performed pursuant to this Agreement shall commence within five (5) days from the Effective Date of this Agreement. Consultant's work shall be completed pursuant to a timeline agreed upon by both parties. Failure to commence work in a timely manner and/or diligently pursue work to completion may be grounds for termination of this Agreement.

3.2. Excusable Delays. Neither party shall be responsible for delays or lack of performance resulting from acts beyond the reasonable control of the party or parties. Such acts shall include, but not be limited to, acts of God, fire, strikes, material shortages, compliance with laws or regulations, riots, acts of war, or any other conditions beyond the reasonable control of a party.

4.0. TERM AND TERMINATION

4.1. Term. This Agreement shall commence on the Effective Date and continue for a period of five (5) years, ending on May 9, 2021, unless previously terminated as provided herein or as otherwise agreed to in writing by the parties.

4.2. Notice of Termination. The City reserves and has the right and privilege of canceling, suspending or abandoning the execution of all or any part of the work contemplated by this Agreement, with or without cause, at any time, by providing written notice to Consultant. The termination of this Agreement shall be deemed effective upon receipt of the notice of termination. In the event of such termination, Consultant shall immediately stop rendering services under this Agreement unless directed otherwise by the City.

4.3. Compensation. In the event of termination, City shall pay Consultant for reasonable costs incurred and professional services satisfactorily performed up to and including the date of City's written notice of termination. Compensation for work in progress shall be prorated based on the percentage of work completed as of the effective date of termination in accordance with the fees set forth herein. In ascertaining the professional services actually

rendered hereunder up to the effective date of termination of this Agreement, consideration shall be given to both completed work and work in progress, to complete and incomplete drawings, and to other documents pertaining to the services contemplated herein whether delivered to the City or in the possession of the Consultant.

4.4. Documents. In the event of termination of this Agreement, all documents prepared by Consultant in its performance of this Agreement including, but not limited to, finished or unfinished design, development and construction documents, data studies, drawings, maps and reports, shall be delivered to the City within ten (10) days of delivery of termination notice to Consultant, at no cost to City. Any use of uncompleted documents without specific written authorization from Consultant shall be at City's sole risk and without liability or legal expense to Consultant.

5.0. INSURANCE

5.1. Minimum Scope and Limits of Insurance. Consultant shall obtain, maintain, and keep in full force and effect during the life of this Agreement all of the following minimum scope of insurance coverages with an insurance company admitted to do business in California, rated "A," Class X, or better in the most recent Best's Key Insurance Rating Guide, and approved by City:

- (a) Commercial general liability, including premises-operations, products/completed operations, broad form property damage, blanket contractual liability, independent contractors, personal injury or bodily injury with a policy limit of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence. If such insurance contains a general aggregate limit, it shall apply separately to this Agreement or shall be twice the required occurrence limit.
- (b) Business automobile liability for owned vehicles, hired, and non-owned vehicles, with a policy limit of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence for bodily injury and property damage.
- (c) Workers' compensation insurance as required by the State of California. Consultant agrees to waive, and to obtain endorsements from its workers' compensation insurer waiving subrogation rights under its workers' compensation insurance policy against the City, its officers, agents, employees, and volunteers arising from work performed by Consultant for the City and to require each of its subcontractors, if any, to do likewise under their workers' compensation insurance policies.
- (d) Professional errors and omissions ("E&O") liability insurance with policy limits of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence and aggregate. Architects' and engineers' coverage shall be endorsed to include contractual liability. If the policy is written as a "claims made" policy, the retro date shall be prior to the start of the contract work. Consultant shall obtain and maintain, said E&O liability insurance during the life of this Agreement and for three years after completion of the work hereunder.

5.2. Endorsements. The commercial general liability insurance policy and business automobile liability policy shall contain or be endorsed to contain the following provisions:

- (a) Additional insureds: "The City of Costa Mesa and its elected and appointed boards, officers, officials, agents, employees, and volunteers are additional insureds with respect to: liability arising out of activities performed by or on behalf of the Consultant pursuant to its contract with the City; products and completed operations of the Consultant; premises owned, occupied or used by the Consultant; automobiles owned, leased, hired, or borrowed by the Consultant."
- (b) Notice: "Said policy shall not terminate, be suspended, or voided, nor shall it be cancelled, nor the coverage or limits reduced, until thirty (30) days after written notice is given to City."
- (c) Other insurance: "The Consultant's insurance coverage shall be primary insurance as respects the City of Costa Mesa, its officers, officials, agents, employees, and volunteers. Any other insurance maintained by the City of Costa Mesa shall be excess and not contributing with the insurance provided by this policy."
- (d) Any failure to comply with the reporting provisions of the policies shall not affect coverage provided to the City of Costa Mesa, its officers, officials, agents, employees, and volunteers.
- (e) The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

5.3. Deductible or Self Insured Retention. If any of such policies provide for a deductible or self-insured retention to provide such coverage, the amount of such deductible or self-insured retention shall be approved in advance by City. No policy of insurance issued as to which the City is an additional insured shall contain a provision which requires that no insured except the named insured can satisfy any such deductible or self-insured retention.

5.4. Certificates of Insurance. Consultant shall provide to City certificates of insurance showing the insurance coverages and required endorsements described above, in a form and content approved by City, prior to performing any services under this Agreement. The certificates of insurance shall be attached hereto as Exhibit "C" and incorporated herein by this reference.

5.5. Non-Limiting. Nothing in this Section shall be construed as limiting in any way, the indemnification provision contained in this Agreement, or the extent to which Consultant may be held responsible for payments of damages to persons or property.

6.0. GENERAL PROVISIONS

6.1. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to any matter referenced herein and supersedes any and all other prior writings and oral negotiations. This Agreement may be modified only in writing, and signed by the parties in interest at the time of such modification. The terms of this Agreement shall prevail over any inconsistent provision in any other contract document appurtenant hereto, including

exhibits to this Agreement.

6.2. Representatives. The City CEO or his or her designee shall be the representative of City for purposes of this Agreement and may issue all consents, approvals, directives and agreements on behalf of the City, called for by this Agreement, except as otherwise expressly provided in this Agreement.

Consultant shall designate a representative for purposes of this Agreement who shall be authorized to issue all consents, approvals, directives and agreements on behalf of Consultant called for by this Agreement, except as otherwise expressly provided in this Agreement.

6.3. Project Managers. City shall designate a Project Manager to work directly with Consultant in the performance of this Agreement.

Consultant shall designate a Project Manager who shall represent it and be its agent in all consultations with City during the term of this Agreement. Consultant or its Project Manager shall attend and assist in all coordination meetings called by City.

6.4. Notices. Any notices, documents, correspondence or other communications concerning this Agreement or the work hereunder may be provided by personal delivery or mail and shall be addressed as set forth below. Such communication shall be deemed served or delivered: a) at the time of delivery if such communication is sent by personal delivery; and b) 48 hours after deposit in the U.S. Mail as reflected by the official U.S. postmark if such communication is sent through regular United States mail.

IF TO CONSULTANT:

The Howard E. Nyhart Company, Inc.
530 B Street, Suite 900
San Diego, CA 92101-4404
Tel: (619) 810-1690
Attn: Marilyn Jones

IF TO CITY:

City of Costa Mesa
77 Fair Drive
Costa Mesa, CA 92626
Tel: (714) 754-5219
Attn: Asst. Finance Director

Courtesy Copy to:
City of Costa Mesa
77 Fair Drive
Costa Mesa, CA 92626
Attn: Purchasing Department

6.5. Drug-Free Workplace Policy. Consultant shall provide a drug-free workplace by complying with all provisions set forth in City's Council Policy 100-5, attached hereto as Exhibit "D" and incorporated herein by reference. Consultant's failure to conform to the requirements set forth in Council Policy 100-5 shall constitute a material breach of this Agreement and shall be cause for immediate termination of this Agreement by City.

6.6. Attorneys' Fees. In the event that litigation is brought by any party in connection with this Agreement, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in the exercise of any of its rights or remedies hereunder or the enforcement of any of the terms,

conditions, or provisions hereof.

6.7. Governing Law. This Agreement shall be governed by and construed under the laws of the State of California without giving effect to that body of laws pertaining to conflict of laws. In the event of any legal action to enforce or interpret this Agreement, the parties hereto agree that the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California.

6.8. Assignment. Consultant shall not voluntarily or by operation of law assign, transfer, sublet or encumber all or any part of Consultant's interest in this Agreement without City's prior written consent. Any attempted assignment, transfer, subletting or encumbrance shall be void and shall constitute a breach of this Agreement and cause for termination of this Agreement. Regardless of City's consent, no subletting or assignment shall release Consultant of Consultant's obligation to perform all other obligations to be performed by Consultant hereunder for the term of this Agreement.

6.9. Indemnification and Hold Harmless. Consultant agrees to defend, indemnify, hold free and harmless the City, its elected officials, officers, agents and employees, at Consultant's sole expense, from and against any and all claims, actions, suits or other legal proceedings brought against the City, its elected officials, officers, agents and employees arising out of the performance of the Consultant, its employees, and/or authorized subcontractors, of the work undertaken pursuant to this Agreement. The defense obligation provided for hereunder shall apply without any advance showing of negligence or wrongdoing by the Consultant, its employees, and/or authorized subcontractors, but shall be required whenever any claim, action, complaint, or suit asserts as its basis the negligence, errors, omissions or misconduct of the Consultant, its employees, and/or authorized subcontractors, and/or whenever any claim, action, complaint or suit asserts liability against the City, its elected officials, officers, agents and employees based upon the work performed by the Consultant, its employees, and/or authorized subcontractors under this Agreement, whether or not the Consultant, its employees, and/or authorized subcontractors are specifically named or otherwise asserted to be liable. Notwithstanding the foregoing, the Consultant shall not be liable for the defense or indemnification of the City for claims, actions, complaints or suits arising out of the sole active negligence or willful misconduct of the City. This provision shall supersede and replace all other indemnity provisions contained either in the City's specifications or Consultant's Proposal, which shall be of no force and effect.

6.10. Independent Contractor. Consultant is and shall be acting at all times as an independent contractor and not as an employee of City. Consultant shall have no power to incur any debt, obligation, or liability on behalf of City or otherwise act on behalf of City as an agent. Neither City nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement. Consultant shall not, at any time, or in any manner, represent that it or any of its or employees are in any manner agents or employees of City. Consultant shall secure, at its sole expense, and be responsible for any and all payment of Income Tax, Social Security, State Disability Insurance Compensation, Unemployment Compensation, and other payroll deductions for Consultant and its officers, agents, and employees, and all business licenses, if any are required, in connection with the services to be performed hereunder. Consultant shall indemnify and hold City harmless from any and all taxes, assessments, penalties, and interest asserted against City by reason of the independent contractor relationship created by this Agreement. Consultant further agrees to indemnify and hold City harmless from any failure of Consultant to comply with the applicable worker's compensation laws. City shall have the right to offset against the amount of any fees due

to Consultant under this Agreement any amount due to City from Consultant as a result of Consultant's failure to promptly pay to City any reimbursement or indemnification arising under this paragraph.

6.11. PERS Eligibility Indemnification. In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

6.12. Cooperation. In the event any claim or action is brought against City relating to Consultant's performance or services rendered under this Agreement, Consultant shall render any reasonable assistance and cooperation which City might require.

6.13. Ownership of Documents. All findings, reports, documents, information and data including, but not limited to, computer tapes or discs, files and tapes furnished or prepared by Consultant or any of its subcontractors in the course of performance of this Agreement, shall be and remain the sole property of City. Consultant agrees that any such documents or information shall not be made available to any individual or organization without the prior consent of City. Any use of such documents for other projects not contemplated by this Agreement, and any use of incomplete documents, shall be at the sole risk of City and without liability or legal exposure to Consultant. City shall indemnify and hold harmless Consultant from all claims, damages, losses, and expenses, including attorneys' fees, arising out of or resulting from City's use of such documents for other projects not contemplated by this Agreement or use of incomplete documents furnished by Consultant. Consultant shall deliver to City any findings, reports, documents, information, data, in any form, including but not limited to, computer tapes, discs, files audio tapes or any other related items as requested by City or its authorized representative, at no additional cost to the City.

6.14. Public Records Act Disclosure. Consultant has been advised and is aware that this Agreement and all reports, documents, information and data, including, but not limited to, computer tapes, discs or files furnished or prepared by Consultant, or any of its subcontractors, pursuant to this Agreement and provided to City may be subject to public disclosure as required by the California Public Records Act (California Government Code Section 6250 *et seq.*). Exceptions to public disclosure may be those documents or information that qualify as trade secrets, as that term is defined in the California Government Code Section 6254.7, and of which Consultant informs City of such trade secret. The City will endeavor to maintain as confidential all information obtained by it that is designated as a trade secret. The City shall not, in any way, be liable or responsible for the disclosure of any trade secret including, without limitation, those records so marked if disclosure is deemed to be required by law or by order of the Court.

6.15. Conflict of Interest. Consultant and its officers, employees, associates and subconsultants, if any, will comply with all conflict of interest statutes of the State of California applicable to Consultant's services under this agreement, including, but not limited to, the Political Reform Act (Government Code Sections 81000, *et seq.*) and Government Code Section 1090. During the term of this Agreement, Consultant and its officers, employees, associates and subconsultants shall not, without the prior written approval of the City Representative, perform work for another person or entity for whom Consultant is not currently performing work that would require Consultant or one of its officers, employees, associates or subconsultants to abstain from a decision under this Agreement pursuant to a conflict of interest statute.

6.16. Responsibility for Errors. Consultant shall be responsible for its work and results under this Agreement. Consultant, when requested, shall furnish clarification and/or explanation as may be required by the City's representative, regarding any services rendered under this Agreement at no additional cost to City. In the event that an error or omission attributable to Consultant occurs, then Consultant shall, at no cost to City, provide all necessary design drawings, estimates and other Consultant professional services necessary to rectify and correct the matter to the sole satisfaction of City and to participate in any meeting required with regard to the correction.

6.17. Prohibited Employment. Consultant will not employ any regular employee of City while this Agreement is in effect.

6.18. Order of Precedence. In the event of an inconsistency in this Agreement and any of the attached exhibits, the terms set forth in this Agreement shall prevail. If, and to the extent this Agreement incorporates by reference any provision of any document, such provision shall be deemed a part of this Agreement. Nevertheless, if there is any conflict among the terms and conditions of this Agreement and those of any such provision or provisions so incorporated by reference, this Agreement shall govern over the document referenced.

6.19. Costs. Each party shall bear its own costs and fees incurred in the preparation and negotiation of this Agreement and in the performance of its obligations hereunder except as expressly provided herein.

6.20. No Third Party Beneficiary Rights. This Agreement is entered into for the sole benefit of City and Consultant and no other parties are intended to be direct or incidental beneficiaries of this Agreement and no third party shall have any right in, under or to this Agreement.

6.21. Headings. Paragraphs and subparagraph headings contained in this Agreement are included solely for convenience and are not intended to modify, explain or to be a full or accurate description of the content thereof and shall not in any way affect the meaning or interpretation of this Agreement.

6.22. Construction. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if drafted jointly by the parties and in accordance with its fair meaning. There shall be no presumption or burden of proof favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

6.23. Amendments. Only a writing executed by the parties hereto or their respective successors and assigns may amend this Agreement.

6.24. Waiver. The delay or failure of either party at any time to require performance or compliance by the other of any of its obligations or agreements shall in no way be deemed a waiver of those rights to require such performance or compliance. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought. The waiver of any right or remedy in respect to any occurrence or event shall not be deemed a waiver of any right or remedy in respect to any other occurrence or event, nor shall any waiver constitute a continuing waiver.

6.25. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable in any circumstance, such determination shall not affect the validity or enforceability of the remaining terms and provisions hereof or of the offending provision in any other circumstance. Notwithstanding the foregoing, if the value of this Agreement, based upon the substantial benefit of the bargain for any party, is materially impaired, which determination made by the presiding court or arbitrator of competent jurisdiction shall be binding, then both parties agree to substitute such provision(s) through good faith negotiations.

6.26. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

6.27. Corporate Authority. The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by doing so the parties hereto are formally bound to the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by and through their respective authorized officers, as of the date first above written.

CITY OF COSTA MESA
A municipal corporation

[Redacted Signature]

Date: 5/25/16

Acting Chief Executive Officer

CONSULTANT

[Redacted Signature]

Date: May 19, 2016

Thomas L. Totten, FSA, Ph.D. / Chief Executive Officer
Name and Title

[Redacted]
Taxpayer ID Number

ATTEST:

[Redacted Signature]

City Clerk

Date: 5/26/16

APPROVED AS TO FORM:

[Redacted Signature]

City Attorney

Date: 5/25/16

APPROVED AS TO INSURANCE:

[Redacted Signature]

Risk Management

Date: 5/24/16

DEPARTMENT APPROVAL

[Redacted Signature]

Assistant Finance Director

Date: 5/23/16

APPROVED AS TO PURCHASING:

[Redacted Signature]

Interim Finance Director

[Redacted Signature]

Date: 5.23.16

EXHIBIT A

CITY'S REQUEST FOR QUOTATION



**CITY OF COSTA MESA
CALIFORNIA
REQUEST FOR QUOTATION**

**This is not an order
QUOTE NUMBER**

C00639-01

INSTRUCTIONS:

1. Read terms and conditions on reverse side.
2. Quotation must be on this form.
3. Complete and sign all pages of the quotation.
4. Return this form plus all Attachments.
5. Quote on each item separately; all or none bids may not be accepted unless otherwise specified.
6. Price alone may not be the final determining factor.
7. Declination - In the event you elect not to quote, please inform us on this form and return by the bid due date indicated.
8. Out of state vendors must include California sales tax permit number.

Date: March 21, 2016

TO

Interested Bidder

BIDS WILL BE RECEIVED UNTIL
10:00 A.M. April 4, 2016
AT THE PURCHASING DIVISION
 77 FAIR DRIVE
 P.O. BOX 1200
 COSTA MESA, CA 92628-1200
 (714) 754-5310
VENDOR MAY FAX BID TO (714) 754-5040
VENDOR MAY EMAIL BID TO
 jennifer.mccoy@costamesaca.gov

QUOTATIONS ARE REQUESTED FOR FURNISHING THE ITEMS DESCRIBED HEREIN IN ACCORDANCE WITH STATED TERMS AND CONDITIONS.

ALL QUOTATIONS MUST BE F.O.B. DESTINATION AND INCLUDE COST OF BOXING AND CARTAGE TO DELIVERY POINT STATED BELOW. BID PRICES ARE TO INCLUDE ANY FREIGHT AND DELIVERY CHARGES.

QUOTE YOUR MOST COMPETITIVE PRICES

FOR: Actuarial Review for OPEB and 1% Supplemental Plans

CONTACT PERSON: Jennifer McCoy (714) 754-5310

VENDOR IS REQUIRED TO PROVIDE A COMPLETED MSDS (MATERIAL SAFETY DATA SHEET) FOR HAZARDOUS SUBSTANCES AS REQUIRED BY LABOR CODE SECTION 6390, GENERAL INDUSTRIAL SAFETY ORDER; SECTION 5194 AND CALIF. ADMINIS. CODE TITLE 8. MSDS SHEET FOR EACH SPECIFIED ITEM SHALL BE SENT TO PLACE OF SHIPMENT, AND A COPY SENT TO THE PURCHASING DIVISION.

**THE CITY OF COSTA MESA RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS.
LOWEST QUALIFIED BID MAY BE SUBJECT TO FURTHER NEGOTIATIONS.**

THE CITY OF COSTA MESA WILL ACCEPT CASH DISCOUNTS FOR PROMPT PAYMENT OF INVOICES IF THE LONGER TERM OFFERED IS FOR TWENTY (20) WORKING DAYS OR LONGER.

The undersigned, as bidder, declares that all documents regarding this bid have been examined and accepted and that, if awarded, will enter into a price agreement with the city of Costa Mesa.

TERMS _____ % _____ DAYS

Company name as it appears on your invoices

PLEASE QUOTE YOUR BEST DELIVERY IN CALENDAR DAYS: _____

Address Telephone

City State Zip

Authorized Signature Title

Federal ID Number Date

RETAIN ONE COPY FOR YOUR FILES

ALL QUOTATIONS MUST BE SIGNED

CONDITIONS. The following standard conditions are always applicable, and the following work order conditions are also applicable when this order provides for performance of any work.

STANDARD CONDITIONS

1. **Law:** This contract is governed by the laws of the State of California. The provisions of the Uniform Commercial Code shall apply except as otherwise set forth in this contract.
2. **Contract:** This order, when accepted by SELLER either in writing or by the shipment of any article or other commencement of performance hereunder, constitutes the entire contract between SELLER and the CITY, no exceptions, alternates, substitutes or revisions are valid or binding on the CITY unless authorized by the CITY in writing. The SELLER acknowledges that he has read and agrees to all terms and conditions of this contract/purchase order. The only terms and conditions that will be applicable to the interpretation of this contract are those issued by the City of Costa Mesa.
3. **Taxes:** Unless otherwise provided herein or by law, price quoted does not include California State sales or use tax. The City is exempt from Federal excise tax.
4. **Delivery:** Time of delivery is the essence of this contract. The CITY reserves the right to refuse any goods and to cancel all or any part of the goods not delivered by the due date and/or not conforming to applicable specifications, drawings, samples or descriptions. Acceptance of any part of the order shall not bind CITY to accept future shipments, nor deprive it the right to return goods already accepted, at SELLER'S expense. Over-shipments and under-shipments shall be only as agreed to by CITY.
5. **Risk of Loss:** Delivery shall not be deemed to be complete until goods have been actually received and accepted by CITY. Payment shall be made after satisfactory acceptance of shipments by the CITY.
6. **Warranty:** SELLER expressly warrants that the goods covered by this order are of merchantable quality, satisfactory and safe for consumer use, and are fit for the particular purpose as set forth in the CITY'S specification. Acceptance of this order shall constitute an agreement upon SELLER'S part to indemnify and hold harmless from liability, loss, damage and expense, including reasonable attorney fees, incurred or sustained by CITY, its officers, employees and agents, by reason of the failure of the goods to conform to such warranties, faulty work performance, negligent or unlawful acts, and noncompliance with any applicable local, State or Federal codes, ordinances, orders, or statutes, including the Occupational Safety and Health Act (OSHA) and the California Industrial Safety Act. Such remedies shall be in addition to any other remedies provided by law. Inspection by the City of Costa Mesa or its agents or employees and acceptance of the articles, materials and work covered by this contract shall not constitute release or waiver of the City of Costa Mesa's rights by reason of failure of Contractor to comply with any of the warranties contained herein. Warranties herein expressed or implied shall be construed as consistent with each other and as cumulative and, where in conflict, the specifications of the City of Costa Mesa shall be paramount.
7. **Infringement:** SELLER shall indemnify and defend CITY, at SELLER'S expense, against all claims, demands, suits, liability and expense on account of alleged infringement of any patent, copyright or trademark, resulting from or arising in connection with the manufacture, sale, normal use or other normal disposition of any article or material furnished hereunder.
8. **Assignment:** Neither this order nor any claim against CITY arising directly or indirectly out of or in connection with this order shall be assignable by SELLER or by operation or law, nor shall SELLER subcontract any obligations hereunder, without CITY'S prior written consent.
9. **Default:** If SELLER or any subcontractor breaches any provision hereof, or becomes insolvent, enters bankruptcy, receivership or other like proceeding (voluntarily or involuntarily) or makes assignment for the benefit of creditors, CITY shall have the right, in addition to any other rights it may have hereunder or by law, to terminate this order by giving SELLER written notice whereupon (a) CITY shall be relieved of all further obligation hereunder, except to pay the reasonable value of SELLER'S prior performance, but not more than the contracted price, and (b) CITY may procure the articles or services from other sources and may deduct from unpaid balance due the vendor or may collect against the bond or surety, or may invoice the vendor for excess cost so paid. The price paid by CITY shall be considered prevailing market price at the time such purchase is made.
10. **Labor Disputes:** Whenever any actual or potential labor dispute delays or threatens to delay the timely performance of this order, SELLER shall immediately give written notice thereof to CITY.
11. **Nondiscrimination:** In the performance of the terms of any contract resulting from this order, SELLER agrees that they will not engage nor permit such subcontractors, where applicable as he may employ, from engaging in discrimination in employment of persons because of the race, color, sex, national origin or ancestry, disability or religion of such person.
12. **Termination:** The CITY reserves the right to terminate this contract without penalty and without cause after 30 days' written notice unless otherwise specified.
13. **Labor Code Section 1771.1 (A):** A contractor or subcontractor shall not be qualified to bid on, be listed in a bid proposal, subject to the requirements of Section 4104 of the Public Contract Code, or engage in the performance of any contract for public work, as defined in this chapter, unless currently registered and qualified to perform public work pursuant to Section 1725.5. It is not a violation of this section for an unregistered contractor to submit a bid that is authorized by Section 7029.1 of the Business and Professions Code or by Section 10164 or 20103.5 of the Public Contract Code, provided the contractor is registered to perform public work pursuant to Section 1725.5 at the time the contract is awarded.

WORK ORDER CONDITIONS

14. **Performance:** SELLER shall perform all work diligently, carefully, and in a good and workmanlike manner; shall furnish all labor, supervision, machinery, equipment, materials and supplies necessary therefor; shall obtain and maintain all building and other permits and licenses required by public authorities in connection with performance of the work; and, if permitted to subcontract, shall be fully responsible for all work performed by subcontractors. SELLER shall conduct all operations in SELLER'S own name and as independent contractor, and not in the name of, or as an agent for CITY.
15. **Indemnification:** The Contractor hereby agrees to defend at his own cost and to indemnify and hold harmless the City of Costa Mesa, its officers, agents and employees, from and against any and all liability, damages, costs, losses, claims and expenses, howsoever caused, resulting directly or indirectly from or connected with the performance of the contract (including but not limited to such liability, costs, damage, loss, claim, or expense arising from the death or injury to an agent or employee of the Contractor, subcontractor, or the City of Costa Mesa or loss of, damage to, or destruction of the property of Contractor, subcontractor, or of the City of Costa Mesa, or of any agent or employee of the Contractor, subcontractor, or of the City of Costa Mesa), except where such liability, damages, costs, losses, claims or expenses are caused solely by the negligent or wrongful acts of the City of Costa Mesa or any of its agents or employees other than negligent omission or commissions of the City of Costa Mesa, its agents or employees, in connection with the general supervision or direction of the work to be performed hereunder. The Contractor, in addition to the foregoing, specifically shall indemnify and save harmless the City of Costa Mesa, any and all of the City of Costa Mesa's officers, agents, and employees, from any liability by reason of California safe place statutes or similar provisions pertaining to the workplace or safety of materials or equipment supplied by the City of Costa Mesa or others at the direction of the City of Costa Mesa and used in the performance of the work hereunder.
16. **Insurance:** SELLER shall maintain in full force during the term of this contract the following insurances, in a form and with companies as approved by the CITY, with limits not less than those specified: (a) Worker's Compensation and Employer's Liability complying with any statutory requirements; (b) Commercial General Liability insurance including broad form property damage, products/completed operations and contractual liability coverage, with a \$1,000,000 combined single limit each occurrence; Endorsements to the Commercial General Liability insurance shall be obtained by contractor, adding the following three provisions: (1) Additional insureds: "The City of Costa Mesa and its elected and appointed boards, officers, agents, and employees are additional insureds with respect to the subject project and agreement." (2) Notice: "Said policy shall not terminate, nor shall it be cancelled nor the coverage reduced, until thirty (30) days after written notice is given to City." (3) Other insurance: "Any other insurance maintained by the City of Costa Mesa shall be excess and not contributing with the insurance provided by this policy." (c) Comprehensive Auto Liability (including the owned, non-owned and hired automobile hazards) with \$1,000,000 combined single limit each occurrence. If the CITY so desires, these limits may be increased or decreased.
17. **Bills and Liens:** SELLER shall pay promptly all indebtedness for labor, materials and equipment used in performance of the work. SELLER shall not permit any lien or charge to attach to the work or the premises, but if any does so attach, SELLER shall promptly procure its release and indemnify CITY against all damages and expense incident thereto.
18. **Bonds:** If the CITY so desires, SELLER shall provide payment and performance bonds as required.
19. **Changes:** SELLER shall make no change in the work or perform any additional work without the CITY'S specific written approval.

MISCELLANEOUS CONDITIONS

20. All plants and materials must be free of pests and disease. If any are found, the material will be rejected and refused. Vendor will pick up at no cost to the CITY.
21. Vendor is required to provide a completed MSDS (Material Safety Data Sheet) for hazardous substances as required by Labor Code Sections 6390; General Industrial Safety Order, Section 5194; and Title 8, California Admins. Code. MSDS sheet for each specified item shall be sent to place of shipment, and a copy sent to the Purchasing Division.

DEFINITION

Whenever used herein, "CITY" shall mean, City of Costa Mesa, a political subdivision of the State of California.

(5146-22)

City of Costa Mesa Insurance Requirements

If a vendor will be performing work on city premises, the vendor will need to furnish insurance certificates to the City prior to beginning work. The insurance that is required is the general liability with a separate endorsement page (detailed description below), automobile insurance and workers compensation.

A purchase order will not be issued until, insurance certificates are provided and the insurance is approved by Risk Management. It will be the responsibility of the department requesting the work to obtain the insurance certificates prior to submitting the purchase requisition to the Finance Department. Any questions about insurance dollar limits for select projects are to be directed to Risk Management prior to the bid process.

The following language is added to bids, price agreement/ contracts and purchase orders for technical and mechanical services:

Insurance

Contractor shall not commence work under this price agreement until he has obtained all insurance required under this section and the insurance has been approved by City as to form, amount, and carrier, nor shall contractor allow any subcontractor to commence any work until all required insurance has been similarly obtained by the subcontractor and approved by City.

Neither the failure of contractor to supply specified insurance policies and coverage, nor the failure of City to approve same shall alter or invalidate the provisions of this price agreement.

Contractor shall obtain and maintain during the life of this contract the following insurance coverage:

General Liability Insurance Coverage

Commercial General Liability, including coverage for premises-operations, products/completed operations hazard, blanket contractual, broad form property damage, independent contractors, and personal injury.

The above insurance coverage shall have limits of not less than one million dollars (\$1,000,000) combined single limit, per occurrence and aggregate.

General Liability Endorsement Page (* A separate policy endorsement must be provided)

Endorsements to the policies providing the above insurance shall be obtained by contractor, adding the following three provisions:

a) Additional insureds:

"The City of Costa Mesa and its elected and appointed boards, officers, agents, and employees are additional insureds with respect to the subject project and agreement.

b) Notice:

"Said policy shall not terminate, nor shall it be canceled nor the coverage reduced, until thirty (30) days after written notice is given to City.

c) Other Insurance:

Any other insurance maintained by the City of Costa Mesa shall be excess and not contributing with the insurance provided by this policy."

All insurance carriers utilized by the contractor or any subcontractor under this agreement shall be approved by the California Department of Insurance to transact business in the State of California. The types of services provided under this agreement may further require contractor's insurance carrier(s) to be admitted insurers in the State of California.

Workers' Compensation Insurance

Contractor shall obtain and maintain during the life of this contract workers' compensation insurance in statutory amount and, if any work is sublet, contractor shall require all subcontractors to obtain workers' compensation insurance in statutory amount.

Contractor agrees to waive, and to obtain endorsements from its workers' compensation insurer waiving subrogation rights under its workers' compensation insurance policy against the City, its officers, agents, employees, and volunteers arising from work performed by Consultant for the City and to require each of its subcontractors, if any, to do likewise under their workers' compensation insurance policies.

All workers' compensation insurance policies shall provide that the insurance may not be canceled without thirty (30) days advance written notice of such cancellation to City.

Contractor is aware of the provision of Section 3700 of the Labor Code which requires every employer to be insured against liability for Workers' Compensation or undertake self-insurance in accordance with the provisions of that Code, and will comply with such provisions before commencing the performance of the work of this contract.

Automobile Insurance

Automobile insurance including owned, hired, and non-owned vehicles.

The above insurance coverage shall have limits of not less than one million dollars (\$1,000,000) combined single limit, per occurrence and aggregate.

Proof of Insurance

Prior to award of the price agreement/contract, contractor shall furnish the department requesting the service proof of compliance with the above insurance requirements.

The insurance certificates must be approved by the Risk Management Division and a copy needs to be sent to the Finance Department with the purchase requisition. It is ultimately the responsibility of the department requesting the service, to obtain the required insurance.

If purchase requisition is received without appropriate insurance certificates, Purchasing may return the requisition to the department or contact the contractor and request the appropriate insurance certificates.

**CITY OF COSTA MESA, CALIFORNIA
SCOPE OF SERVICES**

A. Project Purpose

The City of Costa Mesa, California (City) is seeking a biennial actuarial review of the City’s post-employment benefits packages for retired employees under our Council Policy 300-1 and our Police Officer Separation Incentive Program (1% Police Supplemental). The review will allow the City to meet the following requirements from the Governmental Accounting Standards Board (GASB): (1) GASB 43 and 45 rules regarding accounting for Other Postemployment Benefits (OPEB); (2) GASB 68 and 71 rules regarding accounting for the Police Officer Separation Incentive Program (1% Police Supplemental). The City is required to obtain estimates of the outstanding and future liabilities associated with providing its post-employment benefit package under these plans for the fiscal years ending June 30, 2016, June 30, 2018 and June 30, 2020.

B. Background

Under Council Policy 300-1, all full-time employees hired before January 1, 2004 are eligible for retirement health care and life insurance coverage under a defined benefits plan. Employees who are eligible to receive these benefits must have participated in the City’s group medical plan for a minimum of five (5) consecutive years at any time during employment, they are enrolled in the medical plan immediately prior to retirement and immediately receive retirement allowance from PERS after separation/retirement from the City. The amount of postemployment benefits paid to the retiree is based on their years of service and when they were hired and retired.

The City’s last biennial actuarial studies of both postemployment benefits were conducted for the fiscal year ending June 30, 2014. The OPEB plan actuarial valuation report can be found at:
<http://www.costamesaca.gov/modules/showdocument.aspx?documentid=15394>.

The 1% Police Supplemental plan actuarial valuation report can be found at:
<http://www.costamesaca.gov/modules/showdocument.aspx?documentid=15345>.

Currently, the City uses a pay-as-you-go approach for retiree health insurance under Council Policy 300-1 for OPEB. The following table shows the amounts paid for retiree health insurance:

Fiscal Year	Active	Retired	Amount Paid
2014 – 2015	376	381	\$1,828,896
2013 – 2014 *	395	362	\$1,728,740
2012 - 2013	413 (estimated)	362 (estimated)	\$1,727,148
2011 – 2012 *	434	352	\$1,609,565

*** Actuarial Valuation Performed**

Our other postemployment benefit is the Police Officer Separation Incentive Program (1% Police Supplemental). On July 1, 1993, the City agreed to provide a 1% retirement supplement to our police officers’ retirement package. This retirement supplement was a financial vehicle to achieve a 3% at 50 benefit. To be eligible for the benefit, the employee must be vested in the retirement plan (10 years) and, must meet normal service retirement requirements (similar to Council Policy 300-1). The City is the Plan Administrator for eligible employees who retired from the police department before July 1, 1999.

Currently, the City uses a pay-as-you-go approach for retiree pension enhancement under the 1% Police Supplemental Plan. The following table shows the amounts paid to retiree for the 1% enhancement to their retirement plan:

Fiscal Year	Number of Retirees	Amount Paid
2014 – 2015	19	\$211,751
2013 - 2014	19	\$211,983
2012 - 2013	19	\$219,252

C. Scope of Services

The objective of this project is to provide relevant information about the actuarial accrued liabilities and annual required contributions for OPEB and pension benefits. Specifically, the selected firm will provide:

1. A determination of the City's actuarial accrued liability and the unfunded actuarial accrued liability for our retiree medical and life insurance benefits under Council Policy 300-1 and under the City's 1% Police Supplemental Plan as of June 30, 2016.
2. A breakdown of OPEB liabilities allocated to past and current services as of valuation date compared to the last actuarial study.
3. The components of the annual required contribution and net OPEB or pension obligation determined in accordance with applicable GASB Statements.
4. All necessary actuarial information to comply with current GASB reporting and disclosure requirements for the City's financial statements (including actuarial methods and assumptions, Schedule of Funding Progress, Schedule of Employer Contributions and Historical Annual OPEB/Pension Cost).
5. A summary of the benefit plan provisions.
6. A schedule indicating the projected number of retirees and benefits payable over the next 30 years for OPEB and 10 years for 1% Police Supplemental based on the current pools of retiree and active participants.
7. A summary of participant demographic information including coverage, age-service distribution for OPEB and average age-benefit for 1% Police Supplemental.
8. For the 1% Police Supplemental, a summary of actuarial accrued liability and annual required contribution assuming conversion to a pension trust with conservative investments or aggressive investments.
8. An executive summary of the results of the analysis.

The contracted firm shall perform the following activities to complete the actuarial funding studies for the City's OPEB and 1% Police Supplemental programs:

1. Meet with City Staff to determine appropriate actuarial methods and formulate assumptions.
2. Prepare a written report summarizing conclusions and recommendations and documenting the analysis.
3. Attend one or more meetings with City officials and possibly with an external auditor to discuss the report.

D. Term of Agreement and Project Deadlines

The term of the Agreement is five years. The City, may, at its option, renew the Agreement with the same or more limited scope of required services for up to two (2) additional one-year terms. Please note that the renewal of the Agreement beyond the initial five-year contract will also be contingent upon funding approval by the City Council.

*Bidder is encouraged to provide additional proposal/company information and references, (not required)

RFQ C00639-01 Biennial Actuarial Review for OPEB and 1% Supplemental Plans

Not to Exceed Bid Total: _____

Bidder acknowledges by signing below that bidder has read, understands, and agrees to the conditions contained herein and on all of the attachments and addenda.

TO THE CITY OF COSTA MESA:

The Undersigned hereby offers and shall furnish the material or service in compliance with all terms, scope of work, conditions, specifications, and amendments in the Request for Bids which is incorporated by reference as if fully set forth herein.

For clarification of this offer, contact:

Company Name

Name: _____

Address

Title: _____

City State Zip

Phone: _____

Signature of Person Authorized to Sign

Fax: _____

Printed Name

E-mail: _____

Title

EXHIBIT B
CONSULTANT'S RESPONSE



**Quotation to Provide
Actuarial Reviews
(Quote Number C00639-01)
For
The City of Costa Mesa**

April 2016

Submitted By:
Marilyn K. Jones
Consulting Actuary
marilyn.jones@nyhart.com

Nyhart
530 B Street, Suite 900
San Diego, CA 92101
(619) 239-0831
www.nyhart.com

· Indianapolis · Chicago · Kansas City · Atlanta ·
· St. Louis · San Diego · Houston · Denver ·

An Alliance Benefit Group Licensee



530 B Street, Suite 900
San Diego, CA 92101
(p) 619-239-0831
(f) 619-239-0807
www.nyhart.com

April 1, 2016

VIA E-MAIL

PRIVATE

The City of Costa Mesa
Attn: Jennifer McCoy, Buyer
77 Fair Drive
Costa Mesa, CA 92626
jennifer.mccoy@costamesaca.gov

RE: Quotation for Actuarial Reviews: Quote Number C00639-01

Dear Ms. McCoy:

The San Diego Office of The Howard E. Nyhart Company, Inc. (Nyhart) is pleased to submit our quotation to provide actuarial services for the City of Costa Mesa (the "City"). The City is seeking biennial actuarial reviews of the City's retiree healthcare (& life) program and the 1% Police Supplemental pension plan. Each actuarial review will provide the information necessary to comply with applicable standards (and amendments) issued by the Government Accounting Standards Board (GASB). The biennial valuations need to provide the necessary information to ensure proper financial reporting for the City's audited financial statements. A completed quotation follows this letter along with our proposal.

Nyhart is an actuarial, benefits and compensation consulting firm that has been in business since 1943. Headquartered in Indianapolis, IN, Nyhart has over 118 employees with offices in Denver, Chicago, Kansas City, Atlanta, St. Louis, Houston and San Diego. Our firm is an ESOP company. We are 100% employee owned, a unique factor that makes the success of our clients personally important to every one of our employee-owners. We believe the benefits the City would receive by selecting Nyhart for actuarial services include the following:

- **Experience.** Nyhart has provided actuarial services to more than 420 defined benefit plans and more than 450 retiree healthcare plans around the United States. Our clients include 6 state capitals, the State of Indiana, 50+ learning institutions, and over 175 cities, towns, and counties.
- **Dedicated Team.** You and your colleagues will have direct access to a team of professionals who know the specifics of all the postretirement benefit plan designs.
- **Technology & Education.** Nyhart invests in technology to ensure effective, timely service and administration. From having the newest tools, to continually training our staff, we stay ahead of the issues so that we confidently can handle or assist you with any benefit issues that arise.
- **Clarity and Transparency.** We know our work products are used by many non-actuaries and therefore intentionally design our reports to be clearer and less technical than our competition.

We look forward to the opportunity to continue to work with the City. If you should have any questions regarding our proposal or qualifications please feel free to contact us.

Sincerely,
Nyhart


Marilyn K. Jones
Principal & Actuary

**Quotation to Provide
Actuarial Reviews
(Quote Number C00639-01)
For
The City of Costa Mesa**

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**CITY OF COSTA MESA
CALIFORNIA
REQUEST FOR QUOTATION**

This is not an order

QUOTE NUMBER

C00639-01

INSTRUCTIONS:

1. Read terms and conditions on reverse side.
2. Quotation must be on this form.
3. Complete and sign all pages of the quotation.
4. Return this form plus all Attachments.
5. Quote on each item separately; all or none bids may not be accepted unless otherwise specified.
6. Price alone may not be the final determining factor.
7. Declination - in the event you elect not to quote, please inform us on this form and return by the bid due date indicated.
8. Out of state vendors must include California sales tax permit number.

Date: March 21, 2016

TO

Interested Bidder

BIDS WILL BE RECEIVED UNTIL
10:00 A.M. April 4, 2016
AT THE PURCHASING DIVISION
 77 FAIR DRIVE
 P.O. BOX 1200
 COSTA MESA, CA 92628-1200
 (714) 754-5310
VENDOR MAY FAX BID TO (714) 754-5040
VENDOR MAY EMAIL BID TO
 jennifer.mccoy@costamesaca.gov

QUOTATIONS ARE REQUESTED FOR FURNISHING THE ITEMS DESCRIBED HEREIN IN ACCORDANCE WITH STATED TERMS AND CONDITIONS.

ALL QUOTATIONS MUST BE F.O.B. DESTINATION AND INCLUDE COST OF BOXING AND CARTAGE TO DELIVERY POINT STATED BELOW. BID PRICES ARE TO INCLUDE ANY FREIGHT AND DELIVERY CHARGES.

QUOTE YOUR MOST COMPETITIVE PRICES

FOR: Actuarial Review for OPEB and 1% Supplemental Plans

CONTACT PERSON: Jennifer McCoy (714) 754-5310

VENDOR IS REQUIRED TO PROVIDE A COMPLETED MSDS (MATERIAL SAFETY DATA SHEET) FOR HAZARDOUS SUBSTANCES AS REQUIRED BY LABOR CODE SECTION 6390, GENERAL INDUSTRIAL SAFETY ORDER; SECTION 5194 AND CALIF. ADMINIS. CODE TITLE 8. MSDS SHEET FOR EACH SPECIFIED ITEM SHALL BE SENT TO PLACE OF SHIPMENT, AND A COPY SENT TO THE PURCHASING DIVISION.

**THE CITY OF COSTA MESA RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS.
LOWEST QUALIFIED BID MAY BE SUBJECT TO FURTHER NEGOTIATIONS.**

THE CITY OF COSTA MESA WILL ACCEPT CASH DISCOUNTS FOR PROMPT PAYMENT OF INVOICES IF THE LONGER TERM OFFERED IS FOR TWENTY (20) WORKING DAYS OR LONGER.

TERMS NA % NA DAYS

PLEASE QUOTE YOUR BEST DELIVERY IN CALENDAR DAYS: 30 days

The undersigned, as bidder, declares that all documents regarding this bid have been examined and accepted and that, if awarded, will enter into a price agreement with the city of Costa Mesa. (San Diego

The Howard E. Nyhart Company, Incorporated Office)

Company name as it appears on your invoices

530 B Street, Suite 900 (619) 239-0831

Address

Telephone

San Diego

CA

92101-4404

City

State

Zip

Principal & Actuary

Authorized Signature

Title

April 1, 2016

Federal ID Number

Date

RETAIN ONE COPY FOR YOUR FILES

ALL QUOTATIONS MUST BE SIGNED

RFQ C00639-01 Biennial Actuarial Review for OPEB and 1% Supplemental Plans

Not to Exceed Bid Total: \$12,000 for biennial full valuation/\$3,500 for interim valuation if required*

Bidder acknowledges by signing below that bidder has read, understands, and agrees to the conditions contained herein and on all of the attachments and addenda.

TO THE CITY OF COSTA MESA:

The Undersigned hereby offers and shall furnish the material or service in compliance with all terms, scope of work, conditions, specifications, and amendments in the Request for Bids which is incorporated by reference as if fully set forth herein.

For clarification of this offer, contact:

The Howard E. Nyhart Company, Incorporated
Company Name

Name: Marilyn Jones

530 B Street, Suite 900
Address

Title: Principal & Actuary

San Diego CA 92101
Zip

Phone: (619) 810-1690


Signature of Person Authorized to Sign

Fax: (619) 239-0807

Marilyn Jones
Printed Name

E-mail: marilyn.jones@nyhart.com

Principal & Actuary
Title

* Our fees include one on-site meeting for each biennial valuation cycle and are based on the City's current plan and current accounting requirements (GASB 43, 45, 74 & 75 for OPEB plans and GASB 67, 68 & 71 for funded pension plans and GASB 73 for unfunded pension plans). Future plan and accounting changes that would materially impact the valuation would be considered out-of-scope.

SECTION 1. ABOUT NYHART

Nyhart is a professional actuarial, benefits and compensation consulting firm that has been in business since 1943. Incorporated in Indiana and headquartered in Indianapolis, IN, we have over 118 employees. In addition to Indianapolis, we have offices in Denver, Chicago, Kansas City, Atlanta, St. Louis, Houston and San Diego. Our firm is an ESOP company. We are 100% employee owned as a privately-held corporation, a unique factor that makes the success of our clients personally important to every one of our employee-owners. In 2009, our firm was selected as a "Company to Watch" by the Indiana Economic Development Corporation. We have also been chosen a "Best Places to Work" company every year since 2009.

In addition to providing GASB actuarial valuation services for pension and healthcare benefit plans around the United States, Nyhart provides actuarial, consulting and administrative services for defined benefit, defined contribution and both active and retiree health plans, consulting and administrative services for Flexible Spending Accounts (FSA), Health Reimbursement Arrangements (HRA), Health Savings Accounts (HSA) and COBRA, as well as human resource and compensation consulting to more than 1,000 clients in 48 states.

Service Location and Headquarters

The office servicing the City will be our San Diego based office, formerly operating as The Epler Company for over 40 years in California. The office specializes in providing actuarial, benefits and compensation consulting services for both private and public sector clients throughout California and the Western U.S. The San Diego office has 13 consultants and specialists. Their expertise includes measuring retirement plan and retiree health plan liabilities, providing required accounting information under FASB and GASB and consulting on the design and funding options for these plans. The primary contact for the City will be Marilyn Jones. Marilyn, a Consulting Actuary, leads our actuarial consulting practice in the San Diego office. Marilyn's contact information is as follows:

530 B. Street
Suite 900
San Diego, CA 92101
Website: www.nyhart.com

Phone: (619) 239-0831
Direct: (619) 810-1690
Fax: (619) 239-0807
E-mail: marilyn.jones@nyhart.com

The headquarters for Nyhart is as follows;
8415 Allison Pointe Boulevard
Suite 300
Indianapolis, IN 46250
(317) 845-3500/(800) 428-7106

Certification / Education / Training

In addition to participation in related professional organizations, all professional staff are required to annually meet continuing education requirements. All of our employees that deal with our clients are required to have or be working towards a certification. We use ASPPA (American Society of Pension Professionals & Actuaries) to train and keep our employees up-to-date by the continued taking of exams to earn their designations. In addition, we provide internal training sessions to help our new professionals grow in their career that cover detailed actuarial topics to consulting skills.

For our credentialed actuaries, we also provide monthly training sessions sponsored by the Conference of Consulting Actuaries and attendance at an annual conference. Our investment in this national training ensures that our actuaries are in touch with the latest trends, thinking, etc. Our commitment to training is demonstrated by our participation including coordination and presentations at annual conferences sponsored by organization such as the Society of Actuaries and the Conference of Consulting Actuaries.

Related Technology and Security

Nyhart invests annually in technology to ensure effective, timely service and administration. From having the newest tools, to responding to your needs, to continually training our administration, consulting and legal staffs, we stay ahead of the issues so that we confidently can handle or assist you with any benefit issues that arise. Our IT department is staffed with four full-time employees. Please note, our use of technology is a major differentiator from our competition. Our fees are lower than our main competitors because of the automated and efficient use of technology. Our modeling tools are designed to be interactive to speed up our response time in meeting our client's needs. Also, between our actuaries and IT staff, we can meet almost any technology requirement of our clients.

Nyhart's technology capabilities include the following:

- **Pension Plans:** Proval (the leading actuarial software in the industry), Lynchval and Relius software programs are our main valuation programs. We use ProAdmin for our internal and online pension administration clients. In addition, Nyhart has internally developed two proprietary interactive modeling tools (Pension Financial Modeler and Pension Design Modeler) to assist clients in managing their pension plans.
- **OPEB Plans:** Proval and Lynchval software program are our main valuation programs.
- **Health Care Benefits:** We use HealthMAPS which is an actuarial and underwriting software program used for health plan designs and rate setting. The software is leased from Towers Watson.

Nyhart's data security process includes the following:

- **Client Connect:** Individual census information is transferred to and from Nyhart using our secure website and password protected data transfer system.
- **Password Protection Protocol:** Our networks are password protected and require updated passwords every six months
- **Secured Website:** Nyhart has a secure data transfer website for receiving and sending confidential personal information or HIPPA- protected data.

Insurance and Other Requirements

Our firm carries the appropriate business insurance coverage including professional/liability coverage and legally required coverage such as workers compensation, disability and unemployment insurance. Our firm also maintains an error and omission policy standard to our business.

What Differentiates Our Company from Other Actuarial Consulting Firms?

We have re-designed our services over the last 10 years to be able to compete with the multinational actuarial firms at a lower cost point. As we have mentioned, a number of our actuaries cut their teeth working with the Fortune 500 while working at Hewitt, Towers, Aon and Ernst & Young. We have utilized our backgrounds and applied the same concepts and tools to a government and non-Fortune 500 client base.

We believe this means our clients receive high-end actuarial consulting at a reasonable cost. We pride ourselves on our ability to communicate the most difficult subjects in layman's terms. Most of our clients would say that we do not sound at all like actuaries. We also believe we bring a high level of technology to bear to our clients.

SECTION 2. OUR QUALIFICATIONS & EXPERIENCE

Our depth of actuarial services rivals the services prevalent at international actuarial consulting firms, but at a more competitive fee. Nyhart currently employs 22 accredited actuaries and collectively maintains the following professional designations:

- Enrolled Actuary
- Member, Society of Actuaries
- Member, American Academy of Actuaries
- Member, Conference of Consulting Actuaries
- Member, Western Pension & Benefits Conference
- Group Insurance License

Pension Related

Nyhart currently serves more than 420 defined benefit plans. The total number of participants exceeds 220,000 and the assets exceed \$14,000,000,000. We have extensive experience working with all types of pension plans – public, religious, single employer, multi-employer, and multiple employer plans. We work with clients in the manufacturing business, the education field, the religious sector, public entities, cooperatives, etc. Nyhart's pension actuarial services are supported by a staff of 40 which includes 20 consulting actuaries. We also have 6 benefit consultants and 2 ERISA attorneys.

We work with over 40 public pension plans across the county including California. The size of the plans range from \$1 million to \$9 billion in plan assets. Our San Diego office currently provides pension actuarial, administration and/or consulting services to 11 California based public entities. We are able to perform pricing analysis of proposed legislation, complete with actuarial certificate showing assumptions, pricing base, actuarial implications on total program, cost and alternative funding techniques.

OPEB Related

Nyhart currently serves more than 450 OPEB clients around the United States, including over 150 in California. In 2005, our San Diego office was selected to be one of three preferred actuarial firms to provide GASB actuarial consulting services to members of the California Community College League. In 2006, our San Diego office was named the sole recommended actuary to provide GASB 43 & 45 consulting services to all public schools within the San Diego County Office of Education. In 2008, Nyhart was selected as a preferred vendor for the Iowa State Association of Counties and Iowa Public Agency Investment Trust. In this capacity, Nyhart provides actuarial GASB 45 and healthcare services to more than 60 separate entities. In addition to OPEB actuarial services, we also provide the following types of health care actuarial services:

- COBRA Pricing
- Premium Rate Setting
- Incurred By Not Reported Reserves
- Funding Sufficiency Certifications
- Multiple Employer Welfare Arrangements Funding Certifications
- Multiemployer Reserve Calculations
- Medicare Part D Certifications
- GASB 45 Services in 33 States
- FASB 106 Services
- SOP 92-6 Services

References for pension and OPEB actuarial clients are provided in **Section 4**.

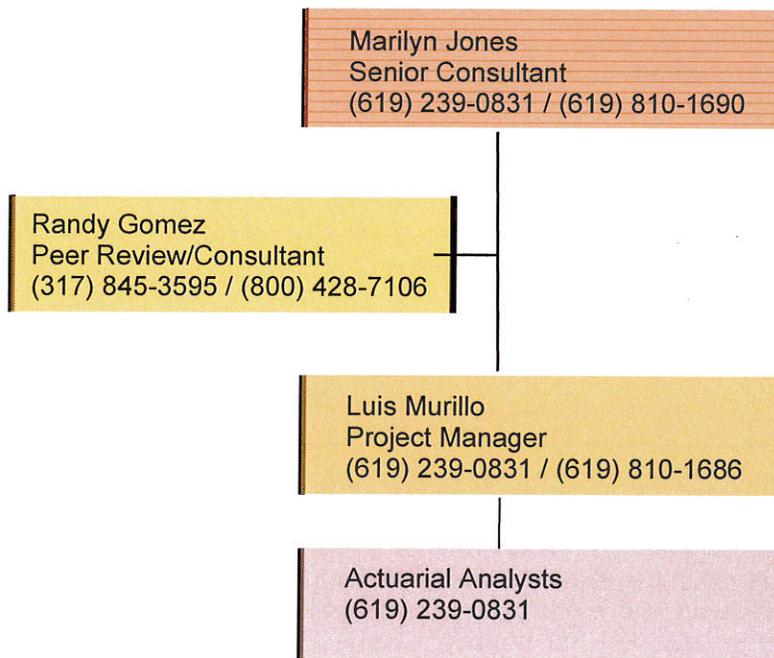
SECTION 3. PROJECT TEAM & QUALIFICATIONS

We have assigned a team of full-time experienced professionals to work on the City's account delivering the requested services. The assigned team for the City will be available to the extent necessary to complete the assignment. Due to the breadth and depth of our firm's actuarial personnel, we would not be subcontracting for any of the proposed work. Additional resources will be utilized, if necessary, for the completion of the engagement.

Organizational Structure of Primary Staff

The project team assigned to the City is our strongest actuarial team with all team members having both pension and retiree health actuarial experience. The key actuaries are Marilyn Jones (29 years of experience in pension and healthcare) as the lead actuary, Randy Gomez (30 years of experience in pensions and healthcare) as consultant / actuary, and Luis Murillo (8 years of experience in pension and healthcare) as project manager. Marilyn and her team will be supported by a team of actuarial analysts. Marilyn will be the principal actuary for the City. An organizational chart along with the experience and qualifications for the City's actuarial team is provided below:

Name	Role	Credentials*	Experience
Marilyn Jones	Senior Consultant	ASA, FCA, EA, MAAA	+29 Years of Experience
Randy Gomez	Peer Review / Consultant	FSA, MAAA	+30 Years of Experience
Luis Murillo	Project Manager		+8 Years of Experience



From the onset of the engagement, the City will have direct access to the most senior management of the firm to ensure that quality and timely services are delivered and to address any issues that arise during the course of the engagement. Marilyn Jones will be the principal actuary and consultant working with the City on the project. Her contact information is as follows:

Contact: Marilyn K. Jones, Principal & Actuary
 Address: 530 B Street, Suite 900, San Diego, CA 92101-4404
 Phone: (619) 239-0831
 Fax: (619) 239-0807
 Email: Marilyn.jones@nyhart.com

The qualifications for Marilyn and the other key project team members are listed in brief resumes below and documentation of membership of the American Academy of Actuaries can be found in the Online Directory of Actuarial Memberships at <https://actuarialdirectory.org>.

The team roles on the assignment are as follows:

<u>Team Member</u>	<u>Roles & Responsibilities</u>
Marilyn Jones	Consulting Actuary: Marilyn will be the account manager and consulting actuary who will ensure that the project objectives, deliverables and time requirements are well defined & met. Marilyn will work directly with the City to ensure and certify that the valuations reflect the appropriate plan provisions and OPEB requirements.
Randy Gomez	Peer Review/Consultant: Randy will be responsible for peer review of the valuation results and along with Marilyn will review the the City valuations. In addition Mr. Gomez will be available as a consulting resource to the the City.
Luis Murillo	Mr. Murillo will oversee the actuarial valuation process and manage the day-to day operations of the valuations.

Key Project Team Members Resumes

Marilyn K. Jones
Consulting Actuary

San Diego, CA (619) 810-1690
marilyn.jones@nyhart.com

Marilyn has over 29 years of actuarial experience in both the pension and healthcare areas. She has extensive experience working with both private and public sector clients. Her role is to provide account management and consulting for the pension and healthcare services provided to her clients. Prior to joining The Nyhart Company (formerly operating as The Epler Company in San Diego), Marilyn managed the local healthcare actuarial practice of a large international consulting firm and a pension practice at one of the Big Four accounting firms. Marilyn is an active participant in several actuarial and employee benefits organizations. She 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 under the Employee Retirement Income Security Act (ERISA). Marilyn received a B.S. and M.S. in Mathematics & Statistics from the University of Illinois.

Randy Gomez
Consulting Actuary

Indianapolis, IN (317) 845-3595
randy.gomez@nyhart.com

Randy is the Chief Health Care Actuary and manager for the health care consulting practice of Nyhart. His responsibilities include consulting for public and private employers, design and cost analysis for benefit plans, technical research, speaking engagements, expert testimony, and training (internal and external). He has more than 30 years of experience in benefits consulting of which the last 17 years have been with Nyhart. Prior to joining Nyhart, Randy was with a national consulting firm for 8 years as a pension and group health actuary and a regional pension firm for 5 years. Randy is an active participant in several actuarial and employee benefits organizations. He is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries and a Fellow of the Conference of Consulting Actuaries. Randy received a B.S. and M.S. in Actuarial Science from Georgia State University.

Luis Murillo
Manager, Actuarial Support Services

San Diego, CA (619) 810-1686
luis.murillo@nyhart.com

Luis has over 8 years of experience in the actuarial field and works as an actuarial consultant on retiree medical and defined benefit valuations. Luis was graduated with a B.A. degree in Joint Mathematics and Economics from the University of California, San Diego. He is currently pursuing credentials in the Society of Actuaries and has successfully completed the actuarial exams for associateship in the Society of Actuaries.

SECTION 4. REFERENCES

Nyhart currently serves more than 420 defined benefit plans, including over 40 public pension plans across the country. The total number of participants exceeds 220,000 and the assets exceed \$14,000,000,000. A representative list of our public pension plans include the following:

Client	Participants	Assets
City of Miami Fire Fighters and Police Officers' Retirement System, FL	3,962	\$987,000,000
City of Baton Rouge / Parish of East Baton Rouge Employees' Retirement System, LA	6,562	\$887,000,000
City of Orlando Firefighter Pension Fund, FL	906	\$270,000,000
City of Daytona Beach Police and Fire Retirement System, FL	657	\$122,000,000
City of Decatur Employees' Retirement System, GA	269	\$28,000,000
City of Ocala Firefighters' Retirement System, FL	195	\$26,000,000
City of Baton Rouge Police Guarantee Trust	408	\$21,000,000
Austell Gas Systems	150	\$10,000,000
Indiana State Teachers' Retirement Fund	140,233	\$9,077,059,225
St. Clair County, MI	1,587	\$165,524,828
Lansing Board of Water and Light, MI	489	\$79,141,709
Town of Narragansett, RI	435	\$55,787,601
Hendricks Community Hospital	2,127	\$48,677,784
Vanderburgh County Police Pension Plan	210	\$32,565,619
West Warwick, RI	674	\$26,527,591
Alliance Benefit Group of Illinois	88	\$20,043,747
Town of Lincoln, RI	211	\$15,428,896
Town of Thomaston, CT	160	\$10,817,024
Town of Cumberland, RI	110	\$9,000,000
Turlock Irrigation District, CA	836	\$131,025,618
SunLine Transit Agency, CA	532	\$28,368,132
Orange County Transit Authority, CA	1,992	\$10,100,000
Cucamonga Valley Water District, CA	119	\$4,400,000
Valley Medical Center, WA	2,345	\$191,610,561
County of SD IHSS Public Authority, CA	52	\$2,030,834
Desert Hospital, CA	323	\$3,522,125
Pompano Beach Police & Firefighters' Retirement System, FL	593	\$160,000,000
South Bend Public Transportation Corp.	134	\$6,603,411
City of Miami Staff Plan	5	\$1,500,000

In total, Nyhart provides GASB 43 & 45 actuarial and related consulting services to more than 400 clients around the United States including over 150 in California. Below is a representative list of California-based cities, counties, colleges, community colleges, schools and other public agencies for whom we have recently completed GASB OPEB actuarial valuation services similar to those requested by the City.

- | | | |
|--|--|--|
| Alpine Union School District | Coast Community College Dist. | Orange County Fire Authority |
| Alvord Unified School District | Coronado Unified School Dist. | Orange County Transit Auth. |
| Atascadero Unified School Dist. | County of Lassen | Palisades Charter High School |
| Beaumont Union School District | County of Plumas | Parlier Unified School District |
| Birmingham Charter School | County of Salt Lake | Poway Unified School District |
| Bonita Fire Protection District | County of San Benito | Raisin Elem. School District |
| Bonsall Union School District | County of Trinity | Ramona Municipal Water Dist. |
| Borrego Springs USD | Cucamonga Valley Water Dist. | Rancho California Water District |
| Cardiff School District | Del Mar Union School District | Riverside County Office of Edu. |
| Cajon Valley USD | Downey Unified School District | Rowland Water District |
| Carlsbad Unified School District | Eastern Municipal Water District | Sacramento Public Library |
| Center School District | East Valley Water District | San Diego County Office of Edu. |
| Chula Vista Elementary SD | Encina Wastewater Authority | San Diego County Water Auth. |
| City of Arcadia | Escondido Union School District | San Dieguito Union School Dist. |
| City of Avalon | Fallbrook Unified HS District | San Jose Community College Dist. |
| City of Bell Garden | Gavilan College | San Luis Obispo County Office of Education |
| City of Calexico | Grossmont Healthcare District | San Marcos Unified School Dist. |
| City of Carson | Grossmont UHSD | San Miguel Fire District |
| City of Claremont | Helix Water District | San Ramon Valley USD |
| City of Coronado | Heritage Ranch CSD | San Ysidro Unified School Dist. |
| City of Costa Mesa | Inland Empire Utilities Agency | SANDAG |
| City of Cotati | Imperial County Office of Educ. | Santa Fe Irrigation District |
| City of Encinitas | Indian Wells Valley Water Dist. | Scotts Valley Water District |
| City of Fillmore | Julian Union School District | SCAG |
| City of Fontana | Jurupa Unified School District | Solana Beach Unified School Dist. |
| City of La Mesa | Lake Elsinore USD | Soquel Creek Water District |
| City of Lomita | Lakeside Fire Protection District | South Bay Union School District |
| City of Montebello | Lakeside Union School District | South Orange County College |
| City of Monterey | La Puente Valley County Water District | South Orange County Wastewater Turlock Irrigation District |
| City of Murietta | Lemon Grove School District | Twenty-nine Palms Water District |
| City of National City | Leucadia Wastewater District Main | University of San Diego |
| City of Newport Beach | San Gabriel Municipal Water | Valley Center Water District |
| City of Palm Desert | Metropolitan Transit System | Vallecitos Water District |
| City of Pasadena | MiraCosta Community College | Valley Center Municipal Water Dis |
| City of Pomona | Mojave Water Agency | Vista Irrigation District |
| City of Redlands | Montebello Unified School Dist. | Vista Unified School District |
| City of Ridgecrest | Moulton Niguel Water District | Walnut Valley Water District |
| City of Riverside | Mt. Diablo USD | Whittier Trust |
| City of San Gabriel | Mountain Empire USD | William S. Hart UHSD |
| City of Scottsdale | Napa Valley CCD | |
| City of Upland | National School District | |
| City of Yorba Linda | North County Transit District | |
| Coachella Valley Mosquito Vector Control | Novato Fire Protection District | |

We have provided below references the City may contact. The work performed was similar to the work being requested by the City and was performed by our proposed project team.

City of Coronado

Scope of Work: Biennial OPEB valuations & PARS funding
Contact: Ms. Leslie Suelter, Director Administrative Services
1825 Strand Way
Coronado, CA 92118
Phone: (619) 522-7309
E-mail: lsuelter@coronado.ca.us

City of San Gabriel

Scope of Work: Biennial OPEB valuations & CERBT funding
Contact: Mr. Thomas Marston
425 S. Mission Drive
San Gabriel, CA 91776
Phone: (626) 308-2800
E-mail: tmarston@sqch.org

City of Newport Beach

Scope of Work: Biennial OPEB valuations & CERBT funding
Contact: Ms. Susan Giangrande
One Civic Center Drive
Newport Beach, CA 92660
Phone: (949) 644-3128
E-mail: sgiangrande@newportbeachca.gov

San Diego Association of Governments

Scope of Work: Biennial OPEB valuations; special project (pension funding, flexible benefit plan & compensation services)
Contact: Melissa Coffelt, Human Resource Manager
401 B Street, Suite 800, San Diego, CA 92101-4231
Phone: (619) 699-1955
E-mail: melissa.coffelt@sandag.org

Turlock Irrigation District

Scope of Work: Ongoing pension actuary since 1990s, implement GASB 67 & 68; biennial OPEB valuations since 2007
Contact: Mr. Martin Purdy, Director of Human Resources
P.O. Box 949, Turlock, CA 95381
Phone: (209) 883-8252
E-mail: mjpurdy@tid.org

Orange County Fire Authority

Scope of Work: Biennial OPEB valuations, special studies and GASB 67 & 68 for Part-Time Employee Pension Plan
Contact: Ms. Tricia Jakubiak, Treasurer
1 Fire Authority Road, Building C
Irvine, CA 92602
Phone: (714) 573-6000
E-mail: tricia.jakubiak@ocfa.org

SCAG

Scope of Work: Biennial OPEB valuations and pension studies
Contact: Mr. Basil Panas, Chief Financial Officer
818 W. 7th St., 12th Floor
Los Angeles, CA 90017
Phone: (213) 236-1817
E-mail: panas@scag.ca.gov

Quality Control and Management Procedures

Nyhart's internal quality control and project management procedures are described below. Adherence to these procedures is how we are able to produce results that are consistent, accurate, and of the highest quality.

1. **Project Definition:** An accurate understanding of the work to be done is critical to a successful project. Therefore, the projection definition phase is included in our procedure. Nyhart and the client will discuss the work to be done, what has been done before, expectations for the current project, and project deadlines.
2. **Data Quality:** The census information provided by the City will be reviewed for quality and completeness.

Data problems will be identified and resolved with the client. Examples of data tests include:

- Missing dates of birth and hire or changes in dates from those reported earlier
 - Salary increases or decreases outside of a standard range
 - Unusual changes in the total number of active or inactive participants
3. **Assumption Setting:** Prior actuarial assumptions will be reviewed for appropriateness and reasonableness. Any assumptions outside of this standard will be discussed and recommendations for new assumptions made.
 4. **Programming:** Plan provisions and actuarial assumptions are coded in our valuation system by the actuarial analyst assigned to the project. The initial programming is reviewed and changed as necessary by the project manager to be consistent with the substantive plan provisions.
 5. **Calculations and Report Drafting:** All calculations and actuarial reports are initially done by the actuarial analyst and then reviewed by the project manager and technical actuary. The project principal actuary will also review the final report for clarity and adherence to client expectations.

Our review process typically culminates with joint signatures including the peer review on actuarial reports.

SECTION 5. OUR APPROACH & TIMELINE

The City is seeking biennial actuarial reviews of the City's retiree healthcare (& life) program and 1% Police Supplemental pension plan. Each actuarial review will provide the information necessary to comply with applicable standards (and amendments) issued by the Government Accounting Standards Board (GASB).

Our Approach

Project planning is what Nyhart does best. In order to efficiently manage our clients, understanding what needs to be done and when is critical. Our approach for providing actuarial valuation services typically involves the steps listed below which are modified to meet the client objectives established at the onset of any engagement. The entire process typically takes four (4) to six (6) weeks from receipt of complete data.

- Submit data request to the City
- Meeting or conference call with the City to discuss engagement objectives & deliverables, confirm our understanding of plan design, funding/investment policy and to discuss & set assumptions and methods for the valuation process. In addition, this meeting will be utilized to confirm the GASB disclosure sources and timing requirements with the City including measurement date.
- Receive, review, reconcile participant data & confirm population to include for valuation.
- Receive & review required data from the City including information to determine rate subsidy associated with the retiree health benefits provided.
- Submit for the City's approval, a summary of plan provisions, data statistics and actuarial assumptions including the discount rate for compliance with GASB. We encourage the City to involve its auditor prior to approval of actuarial assumptions and methods.
- Discuss and receive approval of final actuarial assumptions and method.
- Program, test & perform actuarial valuation using the City's specific plan design and actuarial assumptions and methods.
- Draft actuarial valuation reports.
- Send via email draft actuarial valuation reports to the City for review.
- Meeting or conference call to discuss reports with the City & other interested parties as determined by the City.
- Issue pdf and bound copies (optional) of final actuarial valuation reports.

The objective setting meeting or conference call will be used to ensure that our firm understands the current program, requirements and expectation of the City. The engagement will have a project plan identifying the roles and responsibilities for each step in the process which will be designed to meet the timing needs of the City. In addition, during the engagement, the City will have direct access to its project team to ensure that its needs are being met.

Our goal in the assumption and method setting process is to recommend appropriate assumptions that are founded on actual employer experience and can be substantiated with reliable data. On a periodic basis, the actuarial assumptions will be re-evaluated for reasonableness and future expectations using a comparison of expected and actuarial experience as well as discussions with the City staff. If studying the impact of a method or assumption change, preliminary results are often provided in advanced to assist in the decision making process. Sensitivity analysis for key assumptions is always provided in the valuation report.

Deliverables

The actuarial valuations will be performed using generally accepted actuarial procedures and our experience with similar assignments, current census data, and actuarial assumptions and methods determined through discussions with the City. The results will be determined based on a closed-group valuation method, meaning that only current active (but not future hires) and retired employees will be included. After completion of the actuarial valuation, we will provide the City with a report setting forth all liabilities and expense estimates for the retiree healthcare and 1% supplemental pension benefit required under the applicable GASB standard and any amendments to the standards. Our actuarial valuation report(s) will be customized to meet the requirements for the City but will typically contain the following minimum information:

- Executive Summary;
- The terminal liability (actuarial present value) of each benefit (retiree healthcare and 1% supplemental pension);
- Disclosure of the actuarial accrued liability and the unfunded actuarial accrued liability determined in accordance with the applicable standard for each benefit (terminology under GASB 67 & 68 is pension liability and net pension liability);
- The components the annual required contribution and annual expense determined in accordance applicable GASB standards. The City will need to adopt GASB 75 for its fiscal year ending June 30, 2018;
- Sensitivity analysis of key assumptions including the healthcare trend rate & applicable discount rate;
- Projected annual pay-as-you-go expenditures for the next 20 years (an excel file with all years can be provided, if required by the City);
- Funding analysis to pre-fund the City's obligations;
- A summary of each benefit's plan provisions;
- A summary of actuarial assumptions and methods and any variations for each benefit;
- Age and service distributions of employee population included in the valuation; and
- Actuarial certification.

Timeline

We will work with the City to ensure that the project is completed within your required time constraints. A sample timeline is provided in the table below. The timing is contingent on when the City makes a decision on the consultant to provide the actuarial valuation services as well as the City's ability to provide the required data and give its approval of assumptions and methods to be used in the valuations within a set timeframe. Your actual schedule can be adapted to meet the actual time needed to gather the required data and to facilitate any required approvals based on discussions during the kick-off meeting or conference call.

Date/Timing	Key Milestone	Responsibility
April	Decision on Consultant	City
TBD	Kick-off meeting or conference call <ul style="list-style-type: none"> • Discuss Objectives & Requirements • Confirm Current Design & Cost Sharing • Confirm GASB Requirements, Timing & Information Sources & Pre-funding Policy • Discuss Valuation Assumptions & Methods • Review Data Requirements • Establish the City's Timing Requirements 	City/Nyhart
Week One	Submit Required Plan Design, Rate, Census & Asset Information	City
Week One & Two	Data Reconciliation & Confirmation of Population(s) to be Included in Actuarial Valuations*	Nyhart
Week Three	Send Plan Provision, Valuation Data Tables & Proposed Actuarial Assumptions & Methods Summary to the City for Approval	Nyhart
Week Four	Discuss & Approve Actuarial Assumptions & Methods for Valuations	City/Nyhart
Week Five	Perform Actuarial Valuation & Draft Valuation Reports	Nyhart
Week Six	Email Draft Valuation Reports to the City	Nyhart
Week Seven	Conference call or meeting to discuss reports	City/Nyhart
Week Eight	Issue Bound Copies & PDF Version of Actuarial Valuation Reports	Nyhart
TBD	Presentation of Final Reports (Optional)	Nyhart

* Because of the unique GASB provisions applicable to the retiree healthcare benefit and the 1% supplemental pension benefit, we are proposing two separate reports.

SECTION 6. FEES & EXPENSES

Our fees are based on the projected number of hours spent by each consultant on the project, multiplied by a billable rate that varies according to the experience and credentials of the consultant. We make every effort to hold down the costs incurred for the actuarial valuation, but not to the point of jeopardizing the successful conclusion of the assignment. Our fee, including expenses, for a full biennial actuarial review for both the retiree healthcare (& life) program and for the 1% Police Supplemental Plan is **\$12,000**. If interim disclosures are required, the additional fee is **\$3,500** using a roll-forward valuation. The fee quote assumes the City is able to provide us complete and accurate census data in electronic format and includes the following:

- Kick-off meeting or conference call.
- Separate reports are assumed for the retiree healthcare program and the 1% Police Supplemental Plan and fees include transmittal of pdf copy of final report(s).
- On-site presentation or conference call to review the draft or final report(s).
- Measurement for retiree healthcare benefit and ARBA described in the Request for Quotation C00639-01.
- Measurement using one set of assumptions and one cost method, for each benefit, approved by the City and in compliance with applicable GASB standard; also includes applicable sensitivity analysis.

Our fees include one on-site meeting for each biennial valuation cycle and are based on the City's current plan and current accounting requirements (GASB 43, 45, 74 & 75 for OPEB plans and GASB 67, 68 & 71 for funded pension plans and GASB 73 for unfunded pension plans). Future plan and accounting changes that would materially impact the valuation would be considered out-of-scope.