

EXHIBIT "A"

SCOPE OF SERVICE



December 7, 2017

Allison Picard
Director of Human Resources
City of Fairfield
1000 Webster Street
Fairfield, CA 94533

Re: Engagement Letter for OPEB Actuarial Valuation Services

Dear Ms. Picard:

We are sending this letter at your request proposing Bickmore's engagement to complete actuarial analysis for GASB 75 reporting and to complete an updated valuation of other postemployment benefits (OPEB) liabilities for City of Fairfield (the City). Specifically:

- Bickmore will prepare GASB 75 information for the City's fiscal year ending June 30, 2018, based on a roll forward and appropriate adjustments to the June 30, 2016 actuarial valuation to a Measurement Date of June 30, 2017.
- Bickmore will prepare a June 30, 2018 actuarial valuation, gathering updated employee, plan and premium information for this process. This report will be applied to develop GASB 75 reporting information for the City's fiscal years ending June 30, 2019 and June 30, 2020, each based on Measurement Dates of 12 months prior to each fiscal year end.
- If requested, Bickmore will work with the City to develop Actuarially Determined Contributions to support an OPEB funding policy designed to prefund the City's OPEB liability, including contributions to an irrevocable OPEB trust.

We are prepared to preparing the GASB 75 report preparation for fiscal year ending June 30, 2018 at your convenience. We anticipate completing the draft report within 30-45 days following discussion and confirmation of discount rate and expected contribution levels.

The attached pages include the fees we propose for this project. Our quote reflects the time required for the additional GASB 75 information. Our quote is also based on the assumptions that retiree medical benefits remain largely the same as they were in your previous valuation.

If you are comfortable with the project as outlined and the fees quoted, please return a signed dated copy back to us by email. We appreciate the opportunity to work with you and the City on this assignment and look forward to hearing back from you.

Cordially,

Catherine L. MacLeod, FSA, FCA, MAAA, EA
Director, Post-Employment Benefits
Actuarial Services

Jeffrey C. Grubbs, CPA, MST
SVP-COO



Bickmore Snapshot

- Established in 1984
- Headquartered in Sacramento, California
- Largest independent risk management consulting firm in Western U. S.
- 105 employees with over 60% holding advanced degrees and professional designations such as:
 - Associate in Risk Management
 - Juris Doctor
 - Master of Business Administration
 - Certified Public Accountant
 - Fellow, Casualty Actuarial Society
 - Fellow, Society of Actuaries
 - Certified Safety Professional
 - Workers' Compensation Claims Specialist
 - Chartered Property Casualty Underwriter

About Us

Bickmore is a leading independent risk management, insurance, and actuarial consulting firm with clients in 33 states.

Formed in 1984, Bickmore is headquartered in California and has a staff of more than 100. Over 60% of our staff holds advanced degrees and professional designations in risk management, law, workers' compensation, accounting, actuarial, and loss and risk control.

Our professionals work together to provide clients with traditional risk management services such as coverage reviews, self-insured retention analysis, and claims consulting and non-traditional services such as data collection, self-insured group administration, program structure evaluation, and underwriting.

Commitment to Service

Bickmore performs more than 250 consulting assignments annually. Our greatest mark of client satisfaction is repeat business, with 95% of clients engaging us for additional projects after completion of initial assignments.

Independence

Bickmore does not sell insurance, nor are we affiliated with any such organization. This independence allows us to perform consulting activities free from actual or perceived conflicts of interest.

We are recognized for:

- Our technical expertise
- Our availability to our clients
- Our assistance is identifying and resolving issues
- Helping our clients understand our analysis and presenting our results in a meaningful way

Risk Consulting Solutions

Claims Auditing and Consulting
Enterprise Risk Management
Risk Cost Management
Risk Finance Program Design
Expert Witness
Risk Management Information Systems

Owner Controlled Insurance Programs
Safety and Risk Control
Employment Practices Risk Management
Insurance Coverage Adequacy
Carve-outs

Actuarial and Risk Finance

Risk Retention Capacity Study
Self-Insurance Reserve Setting
Risk Finance Alternatives Comparison
Risk Cost Allocation System Design
Other Post Employment Benefits (OPEB)

City of Fairfield OPEB Overview as of June 2016

OPEB provided: The City has indicated that the only OPEB provided are subsidized medical, dental and vision coverage for qualifying executive management retirees.

Access to coverage: This coverage is available to a closed group of employees who retire with PERS and who meet all of the following eligibility requirements:

- Retire from the City at age 53 or older with 10 or more years of City service *and*
- Provide a minimum of 4 years of service as an executive management employee

Benefits provided: The City pays 100% of the medical, dental, and vision premiums for qualifying retirees and their dependents up to certain applicable “caps”. Coverage and benefits continue for the retiree’s lifetime, ending upon the retiree’s death.

For medical coverage, the applicable cap is the premium for the Kaiser medical plan with the highest co-pay available to the retiree¹. For dental and vision coverage, the applicable cap is the lowest cost plan available to the retiree. As of the valuation date, the applicable cap plans are as follows:

- Medical pre Medicare: Kaiser HMO \$35
- Medical post Medicare: Kaiser Senior Advantage \$35
- Dental: Cigna HMO Dental
- Vision: VSP Basic Vision

Implicit Subsidy Analysis

Retirees (including retired non-executive employees) may continue medical coverage at their discretion. However, both medical insurers (Kaiser and Western Health) confirm that the claims experience of retirees is considered independently of active employees in establishing premium rates. Thus, there is no implicit subsidy of retiree premiums by active premiums and no implicit liability calculated in this valuation.

Note: While current Actuarial Standards of Practice (ASOP 6) do not require separately rated retiree plan premiums to be evaluated for potential differences in There is some discussion related to the Actuarial Standard of Practice which guides most of the OPEB-related actuarial work (ASOP 6) which could, in the future, require that actuaries develop age-based claims even for plans where retiree plans have separate premium rates. Should this change occur, it could create an “implicit subsidy” OPEB liability for the City and would require additional data and analysis not reflected in this proposal.

Application of this valuation report and implications of GASB 75

It is our understanding that the City will be required to implement new GASB Statement 75 not later than its fiscal year ending June 30, 2018. There are significant changes under GASB 75 relative to GASB 45; these changes include moving the unfunded OPEB liability from footnotes to the face of the financial statements, accelerated amortization periods for deferred items, and an annual

¹The subsidies provided to one retiree, currently age 81, are not subject to any caps. Two retirees not covered by a City medical plan receive reimbursement as if they were covered by a City medical plan.

review/updating of results to reflect current discount rates and the market value of OPEB trust assets, if any. Often, however, the actuarial valuation can continue to be applied for two fiscal periods, providing the adjustments described above are made for the interim year between valuations.

It should also be noted that where GASB 45 typically served as the valuation basis for both financial reporting and funding (contribution) development, it is expected that GASB 75 will serve only for financial reporting purposes; separate calculations would be developed to support the development of future prefunding contributions (if any), based on the City's long term funding policy and current funded position.

Professional Service Fees for the Proposed Projects

GASB 75 results for FYE 2018 (measured June 30, 2017): **\$2,000**

Results will be developed as of June 30, 2017 based on a roll forward of the June 30, 2016 valuation results.

June 30, 2018 Actuarial Valuation Report and GASB 75 Information for FYE 2019: \$5,500²

We will gather new employee, plan and premium information to prepare a new actuarial valuation as of June 30, 2018. This assumes analysis will continue to be required only for the closed group of eligible members as in the June 2016 valuation. *Fees for implicit subsidy liability analysis, if required, will be quoted separately.*

GASB 75 results for FYE 2020 (measured June 30, 2019): **\$1,800²**

Results of the June 30, 2018 valuation will be rolled forward to June 30, 2019 and updated using an appropriate discount rate, plan assets and contribution projections to develop the information required for GASB 75 financial reporting purposes as of June 30, 2020.

Optional services:

Breakout of results by Employee Group	\$250 per group for each fiscal year needed
Meetings in person	\$850 each
Prefunding scenarios	\$350 each; quote if full report needed
Preparation of required CERBT forms	\$600 (if joining the trust)
GASB 75 Crossover test (if required)	Hourly rates (\$1,000 estimated fee)

Out-of-Scope Services: We do not anticipate any out-of-scope work related to the valuation which could result in additional charges, with the possible exception of the following:

- **Data:** The basic fee above includes 6 hours for analysis and organization of employee and plan data to prepare it for our actuarial coding. If additional time is needed before we can begin our valuation, we reserve the right to charge for this time at the hourly rates shown below.
- If benefits or eligibility are significantly different than described to us for this proposal or if implicit subsidy analysis is required, fees for these calculations will be quoted separately.
- Consulting or actuarial projections relating to possible plan redesign or experience studies, for a GASB 75 "crossover" test should the City begin prefunding but at a level less than Actuarially Determined Contributions, or for prior period restatements under GASB 75 except 6.30.2017.

Should they be needed, our 2017 hourly rates are:

Consultant	2017 Hourly Rates
Senior Actuarial Staff	\$285 - 330
Actuarial Analysts	145 - 185
Administrative Staff	95

If the terms above are acceptable to the City, please sign and date below.

Accepted: _____ Date: _____

Printed Name: _____ Title: _____

² Excludes (a) detail by sub-group, (b) implicit subsidy liability analysis, should ASOP 6 be revised to require such analysis for separately rated retirees; and (c) GASB 75 entries split between implicit and explicit subsidy components and any prior period restatements under GASB 75 other than as needed for FYE 2018 reporting. See optional services and/or hourly rates for out-of-scope services.

EXHIBIT "B"

PAYMENT

1) The total contract price for services rendered by CONSULTANT under this Agreement shall not exceed \$9,300.

2) Payment shall be made to CONTRACTOR on a time and materials basis, and CONTRACTOR shall submit monthly invoices to the City of Fairfield for the same at the address listed below.

City of Fairfield

1000 Webster Street, 4th Floor

Fairfield, CA 94533-4883

EXHIBIT "C"

GENERAL PROVISIONS

1) INDEPENDENT CONSULTANT. At all times during the term of this Agreement, CONSULTANT shall be an independent contractor and shall not be an employee of CITY. CITY shall have the right to control CONSULTANT only insofar as the results of CONSULTANT's services rendered pursuant to this Agreement; however, CITY shall not have the right to control the means by which CONSULTANT accomplishes services rendered pursuant to this Agreement.

2) LICENSES; PERMITS; ETC. CONSULTANT represents and warrants to CITY that CONSULTANT has all licenses, permits, qualifications, and approvals of whatsoever nature which are legally required for CONSULTANT to practice CONSULTANT's profession. CONSULTANT represents and warrants to CITY that CONSULTANT shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any licenses, permits, and approvals which are legally required for CONSULTANT to practice his profession.

3) TIME. CONSULTANT shall devote such services pursuant to this Agreement as may be reasonably necessary for satisfactory performance of CONSULTANT's obligations pursuant to this Agreement. CONSULTANT shall adhere to the Schedule of Activities as described in their Executive Summary.

4) CONSULTANT NOT AN AGENT. Except as CITY may specify in writing, CONSULTANT shall have no authority, express or implied, to act on behalf of CITY in any capacity whatsoever as an agent. CONSULTANT shall have no authority, express or implied, pursuant to this Agreement, to bind CITY to any obligation whatsoever.

5) ASSIGNMENT PROHIBITED. No party to this Agreement may assign any right or obligation pursuant to this Agreement. Any attempted or purported assignment of any right or obligation pursuant to this Agreement shall be void and of no effect.

6) PERSONNEL. CONSULTANT shall assign only competent personnel to perform services pursuant to this Agreement. In the event that CITY, in its sole discretion, at anytime during the term of this Agreement, desires the removal of any person or persons assigned by CONSULTANT to perform services pursuant to this Agreement, CONSULTANT shall remove any such person immediately upon receiving notice from CITY of the desire of CITY for the removal of such person or persons.

7) STANDARD OF PERFORMANCE. CONSULTANT shall perform all services required pursuant to this Agreement. Services shall be performed in the manner and according to the standards observed by a competent practitioner of the profession in which CONSULTANT is engaged in the geographical area in which CONSULTANT practices his profession. All products which CONSULTANT delivers to CITY pursuant to this Agreement shall be prepared in a workmanlike manner, and conform to the standards of quality normally observed by a person practicing in CONSULTANT's profession. CITY shall be the sole judge as to whether the product of the CONSULTANT is satisfactory.

8) CANCELLATION OF AGREEMENT. This Agreement may be canceled at any time by the CITY at its discretion upon written notification to CONSULTANT. CONSULTANT is entitled to receive full payment for all services performed and all costs incurred up to and including the date of receipt of written notice to cease work on the project. CONSULTANT shall be entitled to no further compensation for work performed after the date of receipt of written notice to cease work. All completed and incomplete products up to the date of receipt of written notice to cease work shall become the property of CITY.

9) PRODUCTS OF CONSULTING. All products of the CONSULTANT provided under this Agreement shall be the property of the CITY.

10) INDEMNIFY AND HOLD HARMLESS.

a) If AGREEMENT is an agreement for design professional services subject to California Civil Code § 2782.8(a) and CONSULTANT is a design professional, as defined in California Civil Code § 2782.8(c)(2), to the fullest extent allowed by law, CONSULTANT shall hold harmless, defend and indemnify the CITY, its officers, agents, employees, and volunteers from and against all claims, damages, losses, and expenses including attorneys' fees arising out of, or pertaining to, or relating to the negligence, recklessness, or willful misconduct of the CONSULTANT, except where caused by the active negligence, sole negligence, or willful misconduct of the CITY.

b) If AGREEMENT is not an agreement for design professional services subject to California Civil Code § 2782.8(a) or CONSULTANT is not a design professional as defined in subsection (a) above, to the fullest extent allowed by law, CONSULTANT shall indemnify, defend, and hold harmless the CITY, its officers, agents, employees and volunteers from all claims, suits, or actions of every name, kind and description, brought forth on account of injuries to or death of any person or damage to property arising from or connected with the willful misconduct, negligent acts, errors or omissions, ultra-hazardous activities, activities giving rise to strict liability, or defects in design by CONSULTANT or any person directly or indirectly employed by or acting as agent for CONSULTANT in the performance of this Agreement, including the concurrent or successive passive negligence of the CITY, its officers, agents, employees or volunteers.

It is understood that the duty of CONSULTANT to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code.

Acceptance of insurance certificates and endorsements required under this Agreement does not relieve CONSULTANT from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply whether or not such insurance policies are determined to be applicable to any such damages or claims for damages.

CONSULTANT'S responsibility for such defense and indemnity shall survive termination or completion of this agreement for the full period of time allowed by law.

11)PROHIBITED INTERESTS. No employee of the CITY shall have any direct financial interest in this agreement. This agreement shall be voidable at the option of the CITY if this provision is violated.

12)LOCAL EMPLOYMENT POLICY. The CITY desires wherever possible, to hire qualified local residents to work on city projects. Local resident is defined as a person who resides in Solano County. The CITY encourages an active affirmative action program on the part of its contractors, consultants, and developers. When local projects require, subcontractors, contractors, consultants and developers will solicit proposals from qualified local firms where possible.

As a way of responding to the provisions of the Davis-Bacon Act and this program, contractor, consultants, and developers will be asked, to provide no more frequently than monthly, a report which lists the employee's name, job class, hours worked, salary paid, city of residence, and ethnic origin.

13)CONSULTANT NOT A PUBLIC OFFICIAL. CONSULTANT is not a "public official" for purposes of Government Code §§ 87200 et seq. CONSULTANT conducts research and arrives at his or her conclusions, advice, recommendation, or counsel independent of the control and direction of the CITY or any CITY official, other than normal contract monitoring. In addition, CONSULTANT possesses no authority with respect to any CITY decision beyond these conclusions, advice, recommendation, or counsel.

14)EMPLOYMENT DEVELOPMENT DEPARTMENT REPORTING REQUIREMENTS. When the CITY executes an agreement for or makes payment to CONSULTANT in the amount of \$600 (six hundred dollars) or more in any one calendar year, CONSULTANT shall provide the following information to CITY to comply with Employment Development Department (EDD) reporting requirements:

a) Whether CONSULTANT is doing business as a sole proprietorship, partnership, limited liability partnership, corporation, Limited Liability Corporation, non-profit corporation or other form of organization.

b) If CONSULTANT is doing business as a sole proprietorship, CONSULTANT shall provide the full name, address and social security number or federal tax identification number of the sole proprietor.

c) If CONSULTANT is doing business as other than a sole proprietorship, CONSULTANT shall provide CONSULTANT'S federal tax identification number.

EXHIBIT "D"

INSURANCE REQUIREMENTS

CONSULTANT shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the CONSULTANT, its agents, representatives, or employees.

1) MINIMUM SCOPE AND LIMITS OF INSURANCE

a) Commercial General Liability coverage (occurrence Form CG 00 01) with minimum limits of \$1,000,000 per occurrence for bodily injury, personal injury, products and completed operations, and property damage. If Commercial General Liability or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

b) Automobile Liability coverage (Form CA 00 01 with Code 1 – any auto) with minimum limits of \$1,000,000 per accident for bodily injury and property damage.

c) Workers' Compensation insurance as required by the State of California and Employers' Liability insurance, each in the amount of \$1,000,000 per accident for bodily injury or disease.

2) INDUSTRY SPECIFIC COVERAGES

If checked below, the following insurance is also required.

Professional Liability Insurance / Errors and Omissions Liability in the minimum amount of \$1,000,000 per occurrence.

3) INSURANCE PROVISIONS

a) DEDUCTIBLES AND SELF-INSURED RETENTIONS. Any deductibles or self-insured retentions must be declared to and approved by the CITY. At the option of the CITY, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the CITY, its officers, officials, employees and volunteers; or the CONSULTANT shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

b) The general and automobile liability policies (and if applicable, pollution liability, garage keepers liability and builder's risk policies) are to contain, or be endorsed to contain, the following provisions:

i) The CITY, its officers, officials, employees and volunteers are to be covered as insureds as respects: liability arising out of work or operations performed by or on behalf of the CONSULTANT; products and completed operations of the CONSULTANT; premises owned, occupied or used by the CONSULTANT; and

automobiles owned, leased, hired or borrowed by the CONSULTANT. The coverage shall contain no special limitations on the scope of protection afforded to the CITY, its officers, officials, employees or volunteers.

- ii) For any claims related to this project, the CONSULTANT'S insurance coverage shall be primary insurance as respects the CITY, its officers, officials, employees and volunteers. Any insurance or self-insured maintained by the CITY, its officers, officials, employees or volunteers shall be excess of the CONSULTANT'S insurance and shall not contribute with it.
- iii) Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the CITY, its officers, officials, employees or volunteers.
- iv) 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.
- v) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the CITY.
- vi) The policy limits of coverage shall be made available to the full limits of the policy. The minimum limits stated above shall not serve to reduce the CONSULTANT'S policy limits of coverage. Therefore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified in this agreement, or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured, whichever is greater.

c) ACCEPTABILITY OF INSURER. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the CITY.

d) VERIFICATION OF COVERAGE. CONSULTANT shall furnish the CITY with original endorsements effecting coverage required by this Exhibit D. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. The endorsements are to be on forms provided by the CITY or on forms equivalent to CG 20 10 11 85 subject to CITY approval. All insurance certificates and endorsements are to be received and approved by the CITY before work commences. At the request of the CITY, CONSULTANT shall provide complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications.

e) SUB-CONTRACTORS. CONSULTANT shall require all subcontractors to procure and maintain insurance policies subject to the requirements of Exhibit D. Failure of CONSULTANT to verify existence of sub-contractor's insurance shall not relieve CONSULTANT from any claim arising from sub-contractors work on behalf of CONSULTANT.