



## City of Fort Lauderdale

Actuarial Services – Collective Bargaining, Pension Reform, Budget & Finance

RFP#745-11293

Due: December 9, 2013 by 2:00pm

Submitted by:

Thomas B. Lowman, FSA, EA, MAAA, FCA  
tlowman@boltonpartners.com





December 8, 2013

Procurement Services Division  
City of Fort Lauderdale  
100 North Andrews Avenue, Room 619  
Fort Lauderdale, Florida 33301

Re: Actuarial Services – Collective  
Bargaining, Pension Reform,  
Budget & Finance - RFP#745-  
11293

Dear Evaluation Committee:

Bolton Partners, Inc. (BP) is pleased to present our response for actuarial consulting services for the City of Fort Lauderdale. The hallmarks of our firm are independence, integrity, technical excellence, and a passion for client service. Bolton Partners is a company that communicates well, even under adverse and fluid circumstances such as collective bargaining. We have the specific expertise, professional qualifications, and experienced consultants necessary to provide the services requested, accurately, timely and on budget.

For more than 30 years Bolton Partners has provided actuarial, benefit, and investment consulting services to our clients nationwide. As leaders in the employee benefits consulting arena, Bolton Partners is committed to providing well-rounded actuarial services responsive to today's changing environment. We take pride in keeping our clients informed and prepared.

In addition, Bolton Partners is committed to our many Florida clients including the City of Fort Lauderdale which is a current OPEB valuation client.

Our Chief Actuary, and your Bolton Partners team leader, Tom Lowman, FSA, EA, MAAA, FCA, is a recognized expert in the design, funding, and administration of public sector retirement plans. Tom is also sought out as a leader for his advice and input by national actuarial organizations.

In addition to Tom, we have selected an exceptional actuarial and consulting team with a broad depth of relevant experience. This team includes Ann Sturner, FSA, EA, MAAA, the leader of the firm's Public Sector Actuarial practice. Detailed consultant information and backgrounds are provided in the body of our proposal.

**Bolton Partners, Inc.**

7279 Panache Way • Boca Raton, Florida 33433 • (561) 362-7176 • cell (443) 824-6901  
*Actuarial, Benefit and Investment Consultants*

Bolton Partners certifies that we are technically qualified under state and federal laws and national standards to competently provide all of the services requested. We also represent that all Senior Actuaries assigned to work with your plan are enrolled actuaries and are familiar with Florida Statute Section 112 including having done rate sufficiency certifications required by Section 112.08.

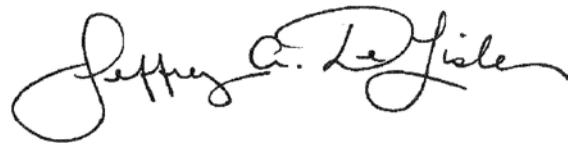
Please contact us with any questions you may have. We look forward to working with you and your colleagues.

Sincerely,

BOLTON PARTNERS, INC.



Thomas B. Lowman, FSA, MAAA, EA



JEFFREY A. DELISIE  
Senior Consultant

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**TAB 1. BID/PROPOSAL SIGNATURE PAGES**

**BID/PROPOSAL SIGNATURE PAGE**

**How to submit bids/proposals:** Proposals must be submitted by hard copy only. It will be the sole responsibility of the Bidder to ensure that the bid reaches the City of Fort Lauderdale, City Hall, Procurement Services Division, Suite 619, 100 N. Andrews Avenue, Fort Lauderdale, FL 33301, prior to the bid opening date and time listed. Bids/proposals submitted by fax or email will NOT be accepted.

The below signed hereby agrees to furnish the following article(s) or services at the price(s) and terms stated subject to all instructions, conditions, specifications addenda, legal advertisement, and conditions contained in the bid. I have read all attachments including the specifications and fully understand what is required. By submitting this signed proposal I will accept a contract if approved by the CITY and such acceptance covers all terms, conditions, and specifications of this bid/proposal.

**Please Note:** All fields below **must** be completed. If the field does not apply to you, please note N/A in that field.

Submitted by: \_\_\_\_\_ 12/6/13  
(signature) (date)

Name(printed)  
Thomas B. Lowman Title: Vice-President \_\_\_\_\_

Company:(Legal Registration)  
Bolton Partners, Inc. \_\_\_\_\_

**CONTRACTOR, IF FOREIGN CORPORATION, MAY BE REQUIRED TO OBTAIN A CERTIFICATE OF AUTHORITY FROM THE DEPARTMENT OF STATE, IN ACCORDANCE WITH FLORIDA STATUTE §607.1501 (visit <http://www.dos.state.fl.us/>).**

Address:  
100 Light Street, 9<sup>th</sup> Floor \_\_\_\_\_

City Baltimore \_\_\_\_\_ State: MD Zip 21202 \_\_\_\_\_

Telephone No. 1(800)394-0263 FAX No. 410-685-1924 Email: info@boltonpartners.com \_\_\_\_\_

Delivery: Calendar days after receipt of Purchase Order (section 1.02 of General Conditions):  
\_\_\_\_\_

Payment Terms (section 1.04): \_\_\_\_\_ Total Bid Discount (section 1.05):  
\_\_\_\_\_

Does your firm qualify for MBE or WBE status (section 1.09): MBE \_\_\_\_\_ WBE \_\_\_\_\_

**ADDENDUM ACKNOWLEDGEMENT** - Proposer acknowledges that the following addenda have been received and are included in the proposal:

Addendum No. \_\_\_\_\_ Date Issued \_\_\_\_\_

**P-CARDS: Will your firm accept the City's Credit Card as payment for goods/services?**

YES \_\_\_\_\_ NO X \_\_\_\_\_

**VARIANCES:** State any variations to specifications, terms and conditions in the space provided below or reference in the space provided below all variances contained on other pages of bid, attachments or bid

pages. No variations or exceptions by the Proposer will be deemed to be part of the bid submitted unless such variation or exception is listed and contained within the bid documents and referenced in the space provided below. If no statement is contained in the below space, it is hereby implied that your bid/proposal complies with the full scope of this solicitation. HAVE YOU STATED ANY VARIANCES OR EXCEPTIONS BELOW? BIDDER MUST CLICK THE EXCEPTION LINK IF ANY VARIATION OR EXCEPTION IS TAKEN TO THE SPECIFICATIONS, TERMS AND CONDITIONS. If this section does not apply to your bid, simply mark N/A in the section below.

Variances:

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revised 11-29-11

**TAB 2. COST PROPOSAL PAGE**



## PART VII - PROPOSAL PAGES – COST PROPOSAL

Hourly Rate:

\$ 325.00 of actuarial services consultant assigned to this account (on an as needed basis).

***This is a blended rate for all of our professional staff we expect to work on this project. Administrative work will be billed at \$30/hour. Rates will increase annually by the CPI.***

Not to exceed 1000 annual hours x Hourly rate (state above) = Not to exceed annual award amount of \$ 325,000.

The obligation of the City for payment to a Contractor is limited to the availability of funds appropriated in a current fiscal period, and continuation of the contract into a subsequent fiscal period is subject to appropriation of funds, unless otherwise authorized by law.

Any related expenses such as supplies, printing, binders, etc. shall be included in Contractor's hourly rate. Related expenses shall also include any postage, telephone toll charges, or other charges incurred in the normal course of business.

The City of Fort Lauderdale does not expect any travel to be required for this contract. If however, the City should request the Contractor to travel, any travel out of the tri-county (Dade, Broward and Palm Beach Counties, Florida) area shall be in accordance with current City per diem rates and travel policy. **No costs for travel, meals, or accommodations shall be charged to the City for travel within the tri-county area unless the Contractor's office assigned to the project is located outside this area.**

Contractor shall incur no travel expenses chargeable to the City without prior approval by an authorized City representative. Contractor shall provide, if required by the City, documentation of all actual travel or related costs.

### **TAB 3. REQUIRED DOCUMENTS**

Non-Collusion Statement

Certificate of Insurance

Local Vendor Preference Form

**NON-COLLUSION STATEMENT:**

By signing this offer, the vendor/contractor certifies that this offer is made independently and *free* from collusion. Vendor shall disclose below any City of Fort Lauderdale, FL officer or employee, or any relative of any such officer or employee who is an officer or director of, or has a material interest in, the vendor's business, who is in a position to influence this procurement.

Any City of Fort Lauderdale, FL officer or employee who has any input into the writing of specifications or requirements, solicitation of offers, decision to award, evaluation of offers, or any other activity pertinent to this procurement is presumed, for purposes hereof, to be in a position to influence this procurement.

For purposes hereof, a person has a material interest if they directly or indirectly own more than 5 percent of the total assets or capital stock of any business entity, or if they otherwise stand to personally gain if the contract is awarded to this vendor.

In accordance with City of Fort Lauderdale, FL Policy and Standards Manual, 6.10.8.3,

3.3. City employees may not contract with the City through any corporation or business entity in which they or their immediate family members hold a controlling financial interest (e.g. ownership of five (5) percent or more).

3.4. Immediate family members (spouse, parents and children) are also prohibited from contracting with the City subject to the same general rules.

**Failure of a vendor to disclose any relationship described herein shall be reason for debarment in accordance with the provisions of the City Procurement Code.**

<u>NAME</u>	<u>RELATIONSHIPS</u>
N/A	
_____	_____
_____	_____
	_____
	_____

**In the event the vendor does not indicate any names, the City shall interpret this to mean that the vendor has indicated that no such relationships exist.**



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
4/25/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> PSA Insurance & Financial Services 11311 McCormick Road, Ste 500  Hunt Valley MD 21031-8622		<b>CONTACT NAME:</b> Linda McGahagan <b>PHONE (A/C No. Ext.):</b> (410) 821-7766 <b>FAX (A/C. No.):</b> (410) 828-0242 <b>E-MAIL ADDRESS:</b> lmcgahagan@psafinancial.com															
<b>INSURED</b> BOD Group Inc.  100 Light St 9th Flr Baltimore MD 21202		<table border="1"> <thead> <tr> <th>INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A Hanover Insurance Group</td> <td>22292</td> </tr> <tr> <td>INSURER B Accident Fund</td> <td>10166</td> </tr> <tr> <td>INSURER C Hudson Specialty Ins Company</td> <td>37079</td> </tr> <tr> <td>INSURER D:</td> <td></td> </tr> <tr> <td>INSURER E:</td> <td></td> </tr> <tr> <td>INSURER F:</td> <td></td> </tr> </tbody> </table>		INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A Hanover Insurance Group	22292	INSURER B Accident Fund	10166	INSURER C Hudson Specialty Ins Company	37079	INSURER D:		INSURER E:		INSURER F:	
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INSURER B Accident Fund	10166																
INSURER C Hudson Specialty Ins Company	37079																
INSURER D:																	
INSURER E:																	
INSURER F:																	

COVERAGES CERTIFICATE NUMBER: 2013-14 Master Cert REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INR LTR	TYPE OF INSURANCE	ADDL SUBR (SEE) WVR	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC		DDQ 980016000	1/1/2013	1/1/2014	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/POP AGG \$ 2,000,000
	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input checked="" type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS		AZQ 980012400	1/1/2013	1/1/2014	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ PIP-Basic \$ 2,500
A	UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$ 0		DDQ 980016000	1/1/2013	1/1/2014	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A	WCV 6087351	1/1/2013	1/1/2014	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
C	Professional E&O Actuarial Services		EMP112297	4/10/2013	4/10/2014	Limit/Aggregate \$5,000,000 Retention \$250,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

<b>CERTIFICATE HOLDER</b>  Verification of Coverage	<b>CANCELLATION</b>  SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.  AUTHORIZED REPRESENTATIVE  Linda McGahagan/LIM <i>Linda McGahagan</i>
---	--

**LOCAL BUSINESS PREFERENCE CERTIFICATION STATEMENT**

The Business identified below certifies that it qualifies for the local BUSINESS preference classification as indicated herein, and further certifies and agrees that it will re-affirm it's local preference classification annually no later than thirty (30) calendar days prior to the anniversary of the date of a contract awarded pursuant to this ITB. Violation of the foregoing provision may result in contract termination.

(1) N/A is a **Class A** Business as defined in City of Fort Lauderdale Ordinance No. C-12-04, Sec.2-199.2. A copy of the City of Fort Lauderdale current year Business Tax Receipt **and** a complete list of full-time employees and their addresses shall be provided within 10 calendar days of a formal request by the City.  
Business Name

(2) N/A is a **Class B** Business as defined in the City of Fort Lauderdale Ordinance No. C-12-04, Sec.2-199.2. A copy of the Business Tax Receipt **or** a complete list of full-time employees and their addresses shall be provided within 10 calendar days of a formal request by the City.  
Business Name

(3) N/A is a **Class C** Business as defined in the City of Fort Lauderdale Ordinance No. C-12-04, Sec.2-199.2. A copy of the Broward County Business Tax Receipt shall be provided within 10 calendar days of a formal request by the City.  
Business Name

(4) N/A requests a **Conditional Class A** classification as defined in the City of Fort Lauderdale Ordinance No. C-12-04, Sec.2-199.2. Written certification of intent shall be provided within 10 calendar days of a formal request by the City.  
Business Name

(5) N/A requests a **Conditional Class B** classification as defined in the City of Fort Lauderdale Ordinance No. C-12-04, Sec.2-199.2. Written certification of intent shall be provided within 10 calendar days of a formal request by the City.  
Business Name

(6) N/A is considered a **Class D** Business as defined in the City of Fort Lauderdale Ordinance No. C-12-04, Sec.2-199.2. and does not qualify for Local Preference consideration.  
Business Name

BIDDER'S COMPANY: \_\_\_\_\_

AUTHORIZED	COMPANY	PERSON:
_____	_____	_____
NAME	SIGNATURE	DATE

## **TAB 4. STATEMENT OF QUALIFICATIONS**

This section should contain a statement of understanding of the critical issues and opportunities associated with the project and how the Proposer is uniquely qualified to assist the City in this effort.

Our understanding of the City of Fort Lauderdale's needs involves comprehensive actuarial services including (but not limited to) consulting for collective bargaining, pension reform, budget and finance.

Bolton Partners prides itself on the actuarial consulting services and advice it provides to cities, counties, states and other public employee retirement systems across the country. As independent benefit consultants for over 30 years, Bolton Partners has earned the respect of our clients and peers in the industry by consistently offering informed technical expertise and advice our clients can count on in the very same areas delineated in the City's scope of work.

The increasing cost of providing employee benefits is a nationwide problem. Bolton Partners has worked with major cities including Philadelphia and Baltimore to address this specific issue. Our clients question the affordability of the benefits and rely on us to provide an independent analysis of the true costs and risks. Below is an overview of some of the areas we can assist the City:

### **Collective Bargaining**

Public Sector collective bargaining in the state of Florida is a constitutional right, so preparations to address key management goals are paramount to the City of Fort Lauderdale. Bolton Partners has been involved with many different types of collective bargaining across the country. In Florida, for example, we are currently working with the City of North Miami Beach in bargaining over pension changes with their police unions.

We understand the time pressures, the need for confidentiality, and the need for the City appointed bargaining person to control the flow of information. Through Bolton Partners' experience and expertise, the City will be properly prepared for bargaining by knowing the real cost of benefits. Understanding the true costs and risks of benefits strengthens management's bargaining position. Also, it is important to ascertain how any proposed benefit change or its structure may affect other benefits or other goals of the city.

As stated in our introduction, BP is a company that communicates well under the adverse and fluid circumstances of collective bargaining. Successful bargaining for management rests with solid preparation by the consultant best suited for that purpose. We believe the team we are offering has the right balance to assist the city to achieve its goals.

## **Pension Reform**

Reform is usually driven by local budget pressure. Changing benefits for new hires is common but does not reduce the unfunded liability. We have nationwide experience with reforms for current participants that help balance the share of costs for the employer and employees. We will address specific changes to plan designs that meet the City's fiscal needs. We will also coordinate with an attorney to help define the legal limits and risks associated with possible changes.

Many of our clients have gone through this process or are currently going through it. We consistently track other national and state court decisions to keep current. Recently, we analyzed whether it was worth losing State 175/185 money to make certain plan changes. While the City of Fort Lauderdale has already moved to a defined contribution plan for general employee new hires, we have considerable experience with plan design. In Attachment A, we have included some sample pages from a presentation on design ideas for one of our clients.

## **Budget**

Generally the Board actuary would provide budget projections. However, this is something we can do independent of the Board. We recently did a 30-year contribution projection both with and without benefit changes. Often this is done using a standard "roll forward" method, but other more complicated methods are available depending on the complexity of the change.

## **Finance**

Our roles with Finance (vs. budgeting) have included the following:

- Bolton team leader Tom Lowman and team member Kris Seets have made several presentations in Florida regarding the new GASB accounting rules. We are involved with the FGFOA in reaching out to FRS to discuss how cost sharing plans will be treated.
- Funding decisions are sometimes a mixed role involving the Pension Board, Budgeting and Finance. Tom Lowman is involved with the Conference of Consulting Actuaries Public Plans group looking at funding rules. Based on his national experience Tom can explain to you the issues and choices involved; e.g. what is a best practice vs. an acceptable practice. This discussion is relevant for both of the City's plans, even though one plan is closed to new entrants.

Beyond our pension experience we have actuarial health care experience including Florida 112.08 rate sufficiency certifications. We have over 100 OPEB valuation clients, including the City of Fort Lauderdale. We also complete health care rate reviews for the Centers for Medicaid and Medicare Services (CMS). Attachment B contains an

example of one of our studies (looking at the impact of the Cadillac tax) on future cost sharing.

The City requested that we model costs and be prepared to: (1) aggregate and sort data, (2) provide projections based on alternative plans and (3) evaluate cost savings under tight deadlines. These are all activities we have experience with. We can sort results down to the participant level, but often more common sorts are by plan, age (e.g. pre vs. post 65), dates of hire or department. We work with our clients to establish realistic deadlines and we meet those deadlines consistently. We have various modeling tools. Our valuation system (PROVAL) has forecast abilities. We also have Excel models that the client can change to variable inputs (e.g. plan design, investment returns).

The RFP asks that we “justify the chosen actuarial methods to be used in written narrative form.” Most likely we will use Excel files and “roll forward” results. This is often the most cost effective method. Depending on the specific change we may need to generate liabilities using PROVAL. We will address with the City the most appropriate and cost efficient type of method used for a specific project.

As evidence of our unique qualifications, we have included several client testimonials (on page 16) supporting the high standard of work and results our clients receive. In Tab 5, we provide relevant examples of similar work recently performed by Bolton Partners and in Tab 8 we provide numerous references of clients that can attest to our level of performance.

To the benefit of our clients, we are proactive participants in the actuarial and benefits community. Not only are we members of the Society of Actuaries, the American Academy of Actuaries, the Conference of Consulting Actuaries, the International Foundation of Employee Benefit Plans, International Society of Certified Employee Benefit Specialists (ISCEBS) and Working in Employee Benefits (WEB), but we take significant research and leadership roles within these organizations. Our team’s resumes included in this proposal provide further information.

We are also members of the Florida City County Managers Association (FCCMA) and the Florida Government Finance Officers Association (FGFOA).

We speak frequently at the request of professional organizations and recently presented at two Florida GFOA Education programs (Palm Beach County and Space Coast Chapters) on GASB 67/68 rule changes. We will be speaking again at the Space Coast Chapter in February on 457 plans.

In addition, Bolton Partners is prepared to sign a Business Associate Agreement with the City and is adequately prepared to meet with City officials to discuss your actuarial



service needs. While not needed for pension work, we do have experience with evaluating stop loss coverage and can make recommendations on attachment points.

**Data Security**

Bolton Partners maintains contracts with the Pension Benefit Guaranty Corporation (through our Retirement/Actuarial division) and the Centers for Medicare & Medicaid Services (through our Health Actuarial division). Both agencies require the highest of standards for data security, confidentiality, and privacy. Because of this, all of our clients benefit from the level of data security required by these relationships.

## WHAT OUR CLIENTS SAY ABOUT US

*"We were thoroughly impressed and greatly informed by the work that Bolton Partners produced for Council. The firm's analysis of the pre-existing report, which required examining considerable amounts of original data and mastering the City's multiple pension plans, was detailed, comprehensive, and convincing. I think it is especially noteworthy that Bolton Partners established a collegial working relationship with the authors of the first report despite the fact that Bolton Partners discovered several important discrepancies in that report which led to significantly different conclusions concerning the likely cost of Philadelphia's DROP program."*

**Hal Fichandler, Senior Legislative Advisor  
City of Philadelphia, City Council**

*"The assistance provided by Thomas Lowman and his colleagues has been outstanding in every respect. Analytical excellence, broad experience with issues nationwide, clarity of presentations, and responsiveness to the questions and concerns of the Council have made them an invaluable asset to us."*

**Steve Farber, Council Staff Director  
Montgomery County Council**

*"Bolton Partners is an excellent business partner, resource and advisor. They provide timely, up-to-date information on trends and happenings in the industry and are always responsive to the County's needs."*

**Michelle Attreed, Deputy Finance Director  
Prince William County Government**

*"Bolton is the standard that every actuarial contractor should look up to. Their work is accurate and their writing is clear. They responded amiably to...requested changes after each stage of the review process. They delivered work products on or before established due dates and were flexible when..asked...if tasks could be completed sooner"*

**Scott G. Young, Chief Valuation Actuary  
PBGC - BAPD**

## **TAB 5. ACTUARY QUALIFICATIONS & EXPERIENCE**

Proposer must be an actuary. Documentation should be submitted to support experience with various types of actuarial services including any experience in collective bargaining and pension reform. The Actuarial firm's personnel assigned to this project must have firsthand experience in preparing Actuarial Certification and State exhibits required by the Florida Statute 112.08 rate sufficiency certification and the evaluation and assessment of the reserving practices of governmental entities of similar size.

### ACTUARIAL CREDENTIALS

One of the ways Bolton Partners has maintained our success for more than thirty years is because of our professional depth. It is not only a strong point of our firm, but also a major asset to our clients. We have nine Fellows of the Society of Actuaries on staff. In addition, we have eleven Associates of the Society of Actuaries, fifteen EAs (Enrolled Actuaries), eight CEBS (Certified Employee Benefit Specialists), two CFAs (Chartered Financial Analysts), and nine MBAs or MSFs.

Proof of credentials for your Bolton Partners team can be found in Attachment C.

### OUR RELEVANT EXPERIENCE

In addition to the projects performed for the references found in Tab 7, we highlight below other client projects that have included collective bargaining, pension reform, budget and finance.

**North Miami Beach Pension Reform** – We have analyzed the cost for retirement changes impacting both future hires and current police officers. Our analysis included a 30-year contribution projection. Our analysis was materially different than that prepared by another actuary. The main source of the conflict was from differences in the benefit changes that were valued and to a lesser degree changes in the employee population. There was a conference call between the client and both actuaries where it was discovered that the benefit changes priced out by the other actuary were not what was intended by the City.

**Baltimore City** – Tom Lowman spent 17 years as the Plan and City's actuary (1998-2006). In 2008, the City looked to change the plan's COLA. Tom was hired in 2009 and went beyond the COLA change and presented a 6-part plan to the City Council and the local business community dealing with more comprehensive funding reform. Copies are available upon request.

**Philadelphia** – The election of Mayor Nutter in difficult economic times has led to significant tensions between the Mayor and employees and their representatives. We assisted the City Council in rebutting Boston College professors, in the analysis of additional pension cost due to the Deferred Option Retirement Program (DROP). We were able to debunk the large additional cost alleged by Boston College and help the council prepare legislation reducing the cost of DROP to virtually \$0. More recently, we are assisting the Council in their efforts to broker a new agreement between the Mayor's office and employee unions by developing pension plan alternatives including a stacked hybrid plan design that transfers some risk to employees while substantially reducing the adverse effect on employees' retirement income.

**New Hampshire** – Designed plan alternatives to reduce employer pension plan risk while still maintaining sufficient retirement benefits, allowing employees to maintain their pre-retirement standard of living. Prepared cost estimates and long term risk analyses.

**Kentucky** – We assisted the firefighters union in analyzing the current plan's funding and the cost and benefit implications of the proposed cash balance plan (proposed by the Pew Foundation). Our analysis helped the firefighters in their efforts to educate the legislature regarding the pension plan issues, how the new formula failed to address these issues, and the substantial level of benefit reduction inherent in the new cash balance plan design.

**Alaska** – Resulting in a \$500 million settlement, we assisted the Alaska Retirement Management Board (which at the time managed two large state-wide pension plans for general employees and teachers) in analyzing the contribution calculations done by their prior actuary.

## ADDITIONAL EXPERIENCE

The BP team we have selected to work with the City are experts in all aspects of pension consulting. If, in the course of a project, work is expanded to include health and welfare plans and the City requires an actuarial certification as required by Florida Statute 112.08 (rate sufficiency certification), we will add our OPEB Practice Leader, Kevin Binder, FSA, EA, to the team. Kevin has provided this certification for other clients.

## **TAB 6. YEARS OF EXPERIENCE WITH SIMILAR SERVICES**

State number of years experience the proposer has had in providing similar services. If services provided differs from the one presented in your proposal, please delineate such differences. State other relevant experience with non-governmental clients who may demonstrate the scope of services and resources available from the actuarial firm.

### BOLTON PARTNERS

Since 1981, Bolton Partners has provided actuarial, benefit and investment consulting services to clients throughout the United States. Bolton Partners, Inc. (BP) was founded by Mr. Robert G. Bolton, FSA, EA, MAAA, FCA, as an independent actuarial and employee benefits firm. Headquartered in Baltimore, Maryland, Bolton Partners also maintains offices in Boca Raton, Florida; Atlanta, Georgia; Washington, DC; Trenton, New Jersey; Philadelphia, Pennsylvania and Denver, Colorado.

Our 4 divisions are:

- Retirement Actuarial
- Health and Welfare Benefit Consulting
- Investment Consulting
- Health Actuarial Consulting

Since our founding, actuarial and consulting for public sector benefit plans has been a central focus. We also provide actuarial and consulting services to multi-employer plans and the private sector. In addition, our Health Actuarial Division provides health care actuarial consulting services for insurance companies, states and the federal government.

### OTHER RELEVANT EXPERIENCE

**Pension Benefit Guaranty Corporation (PBGC)** – We provide assistance in assessing the actuarial status of individual pension plans covered and of trusteed plans. We are their highest rated actuarial contractor. We have several types of actuarial contracts and have worked on the largest private plans in the country including GM and United Airlines.

**Department of Justice** – We have assisted the Department of Justice in five large cases related to disputes in segment closings and the related pension costs.

**State Department** – Bolton Partner audits the State Department Pension Plan for US Citizens Valuation annually. In that capacity we verify that the actuarial valuation is in

compliance with federal accounting standards and with actuarial standards promulgated by the Actuarial Standard Board. The audit includes a detailed review of the actuarial liabilities determined for a selection of representative participants selected by Bolton as well as the general reasonability of the results. Last year's audit was expanded to include an audit of over 100 plans established for foreign service national employees of the State Department. Liabilities for these plans had never before been included in the State Department's financial statements. These plans were established on a county by county basis based on prevalent local compensation and benefits practice. There is no clear accounting standard for these plans because they do not fall clearly under the rubric of the federal accounting standard or international accounting. Bolton helped the State Department focus on issues to consider in developing an accounting methodology for these plans and in documenting the accounting method and the rationale for that standard.

## RESOURCES AND SERVICES

Pension design studies – Provide estimated changes to costs and funded position for changes to plan benefits and eligibility

Cost projections – Analyze risks and sensitivity to investment performance or future changes using stochastic methods.

FRS transfer studies – Compare costs of joining FRS to current plan or alternatives

Pension surveys – Regional and nationwide surveys of retirement plans

DROP studies – Analyze effects of implementing or revising DROP programs

Plan termination/Risk reduction processing – Guidance for closing a plan or reducing risk through purchasing annuities

GASB 67/68 – Understand the impact of GASB 67 and 68 implementation through pro forma analysis and illustrations

Funding/Investment strategies – Analysis of OPEB Obligation Bonds and Asset Backed Insurance Lending

**TAB 7. BOLTON PARTNERS TEAM**

List those persons who will have a primary responsibility working with the City, if you are awarded the contract. List name, title or position, and project duties. A resume or summary of experience and qualifications must accompany your proposal.

NAME	TITLE	YEARS OF EXPERIENCE	PROJECT DUTIES*
Thomas B. Lowman, FSA, EA, MAAA, FCA <a href="mailto:tlowman@boltonpartners.com">tlowman@boltonpartners.com</a>	Vice-President/Chief Actuary	35+ years	Lead contact for City; project consultant
Ann Sturner, FSA, EA, MAAA <a href="mailto:asturner@boltonpartners.com">asturner@boltonpartners.com</a>	Senior Consultant	25 years	Project management; review work products
Kristopher Seets, ASA, EA <a href="mailto:kseets@boltonpartners.com">kseets@boltonpartners.com</a>	Actuary	5 years	Data analysis, actuarial projections
Jeffery A. DeLisle <a href="mailto:jdelisle@boltonpartners.com">jdelisle@boltonpartners.com</a>	Senior Consultant	32 years	Peer review
Robert G. Bolton, FSA, EA, MAAA, FCA <a href="mailto:rgbolton@boltonpartners.com">rgbolton@boltonpartners.com</a>	President	35+ years	Peer review

\* The project duties are dependent on the exact nature of each request. The duties shown may be expanded and/or modified for each request.



## THOMAS B. LOWMAN, FSA, EA, MAAA, FCA

**Thomas B. Lowman** is the Chief Actuary at Bolton Partners. Tom has over thirty-five years of pension actuarial experience. He is a Fellow of the Society of Actuaries (1982), an Enrolled Actuary (1981), a member of the American Academy of Actuaries (1982), and a Fellow, Conference of Consulting Actuaries.

Tom is recognized as one of the top national experts on public sector plans and is sought out as a resource in this area by the professional actuarial societies, Moody's, GASB, and national journalists. His work with national actuarial organizations is extensive. Tom served a three-year elected term on the Society of Actuaries' Pension Section Council and served as Chair of the Society of Actuaries' Pension Section Research Committee. Tom also served on the Actuarial Standards Board Pension Committee and the Society of Actuaries Enterprise Risk Management Task Force on Pensions. Tom currently is on the steering committee of the Conference of Consulting Actuaries Public Plans group.

Tom has been the Chair of several Society of Actuaries Project Oversight Groups. He was chair of the Pension Assumption and Method Project, studying how assumptions and methods vary depending on the type of plan/plan sponsor – ERISA single employer vs. state/local vs. Federal vs. Social Security. Tom wrote a paper on the issues with applying Financial Economic principals to public pension plans which he presented in 2009 and presented another paper to the 2010 Society of Actuaries' Retirement 2020 Symposium.

He has authored numerous papers that are considered primary actuarial reference documents.

- Cash Balance Plans
- DROP designs, co-authored with Robert Bolton
- Public Sector Gain Sharing designs for the Society of Actuaries, co-authored with Colin England and Ann Sturner

To access Tom's papers, visit Tom's Corner at [www.boltonpartners.com/tom-s-corner.html](http://www.boltonpartners.com/tom-s-corner.html).





## ANN M. STURNER, FSA, EA, MAAA

**Ann Sturner** is a senior actuary with Bolton Partners, Inc. and the firm's Actuarial Public Sector Practice Leader. Ann has 25 years of actuarial experience including 20 years working with public sector clients. Prior to joining Bolton Partners in 2008, Ann worked for Mercer. She is a Fellow in the Society of Actuaries, an Enrolled Actuary and a member of the American Academy of Actuaries.

As Public Sector team leader, Ann is responsible for overall management of public sector client retirement consulting relationships. She directly supervises three actuaries who work primarily with public sector clients. She also works closely with our Chief Actuary to ensure all public sector clients are kept abreast of current regulatory, legislative and economic developments that may affect public sector retirement plans.

Following the release of GASB67 and GASB68, Ann partnered with Tom and Kevin to develop and present seminars on the new accounting rules to the public sector community.

Ann's public sector experience also includes:

- Performing and supervising pension plan valuations
- Conducting experience analysis studies
- Presentation of annual valuation and experience analysis results to trustees
- Studying plan changes to help jurisdictions provide appropriate benefits for employees while working within budgetary constraints. Examples include:
  - Assess viability of transferring to state retirement system
  - DROP – analysis of current costs and potential changes
  - Post-retirement COLAs – analysis of current costs and potential changes
  - Early retirement window costs
- Reviewing and providing comments on calculations performed by current plan actuary
- Supervising and preparing benefit statements
- Consulting on complex plan administration issues

Ann holds a BBA in actuarial science from the University of Wisconsin-Madison. While at Mercer, she was a member of the firm's Actuarial Resource Network which provided guidance and interpretation to consultants within the firm on actuarial issues and policies and worked closely with Mercer's Chief Actuary.



## KRISTOPHER SEETS, ASA, EA

**Kris Seets** has extensive experience with retirement systems and is the lead analyst for over 20 public sector defined benefit plans. He has a strong knowledge of Florida Statutes and the requirements for municipal pension plans under Chapters 112, 175, and 185.

### **Public Sector Retirement System Experience**

Kris has a lead role in the completion of the firm's consulting projects. He is responsible for the tracking and coordination of tasks and deadlines with staff and clients. This includes client communication and reviewing internal valuation methods and procedures.

Kris works closely with Tom Lowman and Ann Sturner for the majority of their plans. Kris is relied on to make sure the actuarial and data programming correctly model the plans and that all tasks are completed accurately and on time. Kris also peer reviews the appropriateness of assumptions and methods used by Tom and other actuaries for special projects.

Kris provides comprehensive services to his clients and understands the importance of clear communication and organization. This is beneficial for all types of projects including plan experience studies, benefit cost analysis, plan design studies, and analyzing effects of legislation. He is involved in the entire valuation process, from data collection to presentation of the final report.

### **Professional Involvement**

Kris stays current on local and national topics and has a strong understanding of the issues relevant to pensions in the public sector. Kris shares his insight with his clients and the public plan community. In October, he gave a presentation to the Space Coast Chapter of FGFOA on the recent changes to pension accounting and funding standards.

### **Retirement Plan Experience Outside the Public Sector**

Kris also has extensive experience assessing the liabilities and funding positions of the largest single employer pension plans in the country. This includes calculating pension related bankruptcy claims and termination liabilities for the PBGC. His work for the PBGC has involved industry wide risk studies and the preparation of actuarial reports related to highly publicized current events and plan terminations.

He has also helped prepare expert witness reports for the United States Department of Justice in pension settlement cases. Kris recently provided information for an article in the Wall Street Journal about the value of executive compensation pension plans. (June, 2013)

### **Education & Employment**

Kris is an Associate of the Society of Actuaries, an Enrolled Actuary, and holds a Bachelor of Science in Mathematics from Towson University. He joined the Bolton Partners team in 2008.



## ROBERT G. BOLTON, FSA, EA

**Robert G. Bolton** is a President and Managing Director of Bolton Partners, Inc. and is a Florida resident.

Bob has over thirty-five years of actuarial consulting experience with public sector and multi-employer pension funds. He is a Fellow of the Society of Actuaries (1981), a Fellow of the Conference of Consulting Actuaries (1982), an Enrolled Actuary (1976), and a member of the American Academy of Actuaries. In addition to his management responsibilities, Bob serves as a senior consultant directing the development of our Florida office. Bob started Bolton Partners, Inc. in 1981.

He is a specialist in the design, valuation and cost analysis of retirement plans and post retirement medical plans. Bob's extensive experience includes annual valuations, funding and experience analysis, projection valuations, benefit design, union negotiations and arbitrations.

Bob is an active member of the Society of Actuaries and the American Academy of Actuaries and has served on the Academy's pension sub-committee. He has served on the Education Committee of the National Society of Pension Professionals. Bob is involved with approximately fifteen other clients. Bob currently serves on the Academy's Multi-employer Plan Task Force.

Bob graduated with a mathematics degree from the University of Maryland, (1970). He taught in the Graduate Actuarial Science program of Loyola College in Baltimore.



## JEFFREY DELISLE

**Jeff DeLisle** is a Senior Consultant for Bolton Partners, Inc. and works out of our Florida office.

As a Senior Consultant, Jeff works in collaboration with company principals, actuaries and other specialized consultants to review, audit, assess and to offer timely and appropriate recommendations to pension plan trustees, labor organizations and public sector management.

An example of past work includes: benefit enhancement, benefit maintenance, simplifying complexities, general plan management, plan structure, collective bargaining agreement restructure, expenditure control, alternative methodologies and various recommendations to assist stakeholders with their fiduciary responsibilities.

Jeff also analyzes comparative compensation and benefits, develops and assists with effective implementation of plan changes, and provides public sector management/labor relations consulting.

Jeff is a graduate of the Trenner Academy, Catonsville College, the Leadership and the Negotiating Institute, with continuing education from the University of Baltimore and Strayer University.

## **TAB 8. REFERENCES**

List clients for whom you have provided similar services in the last three years. Provide agency name, address, telephone number, contact person, email address and date service was provided. If services provided differs from the one presented in your proposal, please delineate such differences.

### REFERENCES

#### **CITY OF POMPANO BEACH, FLORIDA**

100 West Atlantic Boulevard, Pompano Beach, Florida 33060

**Contact:** Brian Donovan, Assistant to the City Manager  
**Telephone:** (954) 786-4607  
**Email:** [brian.donovan@copbfl.com](mailto:brian.donovan@copbfl.com)  
**Service period:** January 2010 to present

#### **Services performed:**

- Actuarial Studies for General Employees' Retirement System and Police and Firefighters' Retirement System
  - Analysis of benefit changes to current plans
  - Comparison of current plans to Florida Retirement System (FRS)
  - Projections of costs comparing current plans and FRS participation
  - Analysis of defined contribution plans and comparison of costs for General Employees
- Actuarial Study – Police and Firefighters' Retirement System
  - Stop-restart analysis for Firefighters
- Analysis of cost of service purchases for General Employees Retirement System

#### **CITY OF SANFORD, FLORIDA**

300 North Park Avenue, Sanford, Florida 32771

**Contact:** Cynthia M. Lindsay, Director of Finance  
**Telephone:** (407) 688-5026  
**Email:** [lindsayc@sanfordfl.gov](mailto:lindsayc@sanfordfl.gov)  
**Service period:** April 2010 to present

#### **Services performed:**

- Actuarial study for Police Officers' Retirement System and Firefighters' Retirement System
  - Projection of current plan contribution rates
  - Study of potential benefit changes
  - Analysis of City's contribution rate goals
- Presentation to Mayor and City Commissioners

## **CITY OF NORTH MIAMI BEACH, FLORIDA**

17011 NE 19<sup>th</sup> Avenue, Second Floor, North Miami Beach, FL 33162

**Contact:** George Vallejo, Mayor  
**Telephone:** (305) 948-2986  
**Email:** [george.vallejo@citynmb.org](mailto:george.vallejo@citynmb.org)

**Service period:** February 2007 to present

### **Services performed:**

- Prepare annual actuarial valuation from 2007 through 2011 for the Police and Fire Retirement System
- Forecast of City's pension contribution
- Analysis of benefit changes
- Actuarial impact statements

## **ANNE ARUNDEL COUNTY, MARYLAND**

Office of Budget & Finance, PO Box 2700, Annapolis, MD 21404

**Contact:** John Hammond, Budget Officer  
**Telephone:** (410) 222-1222  
**Email:** [jhammond@aacounty.org](mailto:jhammond@aacounty.org)

**Service period:** March 2003 to present

### **Services performed:**

- Prepare annual actuarial valuations for four pension plans
- Analysis of benefit changes to current plan including fiscal impact statements
- Consult on alternative funding strategies
- Actuarial experience analysis and recommend assumption changes
- Prepare benefit statements for all employees
- Participate in Trustee meetings and offer advice on plan changes
- GASB 45/OPEB Valuation and Consulting

## **TAB 9. PAST AND/OR CURRENT FORT LAUDERDALE CONTRACTS**

List those City of Fort Lauderdale agencies with which the proposer has had contracts or agreements during the past three (3) years.

City of Fort Lauderdale has been an OPEB client of Bolton Partners since GASB 45 was adopted in 2008. We provide the City with actuarial valuations and have also provided support with collective bargaining issues regarding retiree health subsidies.

**City of Fort Lauderdale Contact:**

Linda Logan-Short, Controller



## **TAB 10. SUBCONTRACTORS**

List any and all subcontractors to be used in the performance of this contract.

None.

## **TAB 11. ATTACHMENTS**

Any additional attachments to your proposal.

**Attachment A** – Sample Pages on Plan Design

**Attachment B** – Sample Study

**Attachment C** – Proof of Credentials

# ATTACHMENT A

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Sample Pages from Presentation on Plan Design

# Sample City Council Pension Plan Design Ideas

Presented by:

Colin England, FSA, EA

Tom Lowman, FSA, EA



May 13, 2013

 @BoltonPartners



# We will address the following issues

2

- Issues with the Sample City Municipal Retirement System
- Issues with the Mayor's proposed Plan 10
- Alternative designs to address Plan 10 Issues
- Unaddressed Issues

# Issues with the Sample City Municipal Retirement System

3

## Plan is Poorly Funded

- ▣ 49.7% funded July 1, 2011
- ▣ 48.1% funded July 1, 2012

# Alternative designs to address Plan 10 Issues

4

Goals were to:

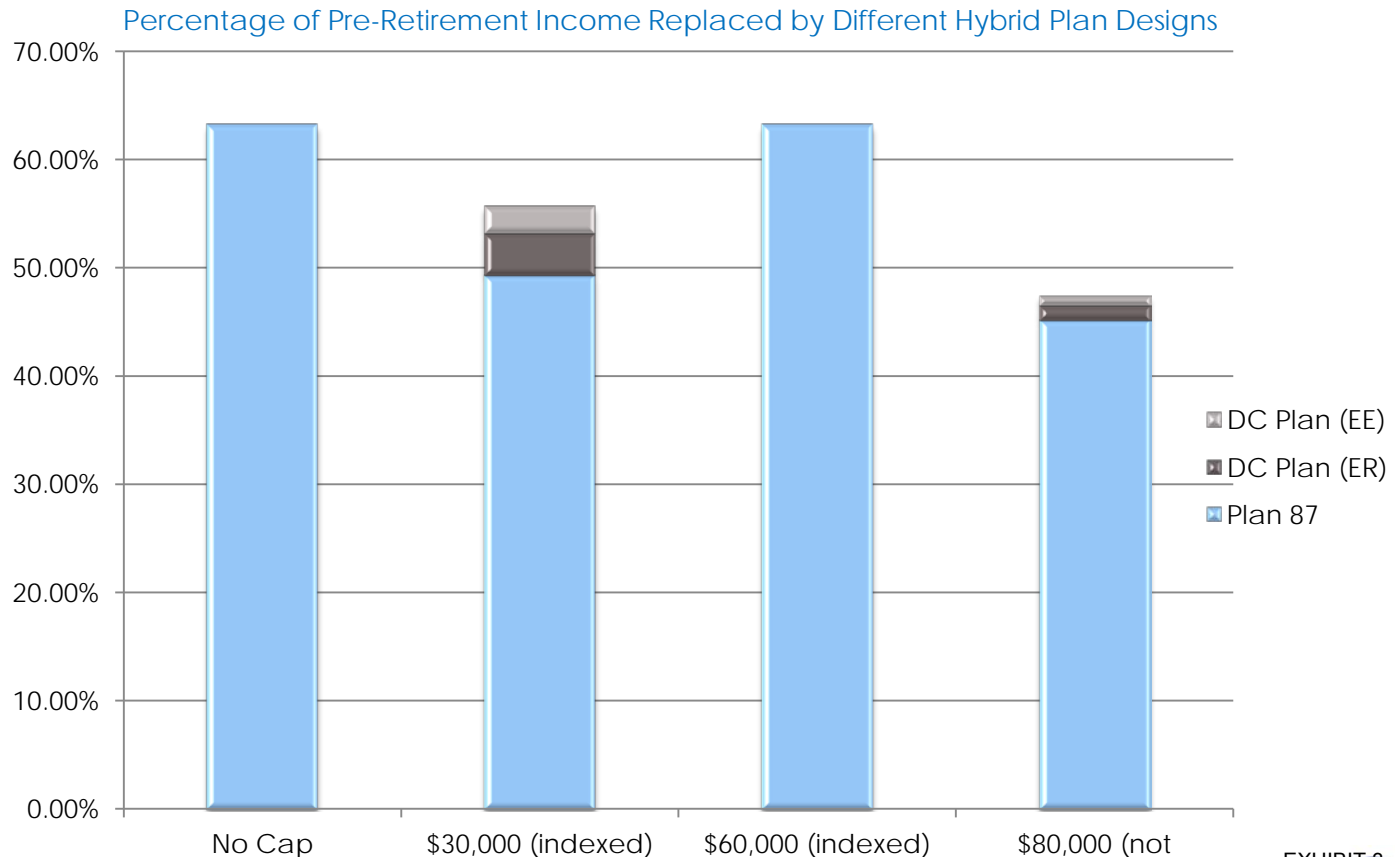
- ❑ Reduce adverse effect on low-paid employees' retirement benefits
- ❑ Reduce overall effect on employees' retirement benefits
- ❑ Transfer some of investment and longevity risk to higher paid employees
- ❑ Cost savings not a consideration

# Stacked Hybrid alternatives considered

Cont'd

5

Municipal Employee hired at age 25, earning \$25,000, retiring at age 58 and electing to contribute to the defined contribution plan





# ATTACHMENT B

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Sample Study

November 25, 2013

John Hammond  
Budget Officer  
Anne Arundel County Government  
P.O. Box 2700  
Annapolis, MD 21404

*Re: OPEB Impact of Cadillac Tax*

Dear John,

Amendment 14 to Bill 85-13 would require the lowest cost plan to satisfy the affordability standards of the ACA. Under the ACA the plan would be required to have an actuarial value of at least 60 percent. The Employees Health Care Coalition amendment 2 would require the lowest cost plan to have an actuarial value of at least 85 percent. Under the employee's proposal the County would have less flexibility to make changes necessary to avoid the ACA excise tax (the Cadillac tax) in the future. The purpose of this letter is to gauge the potential impact of the Cadillac tax under an 85 percent plan and a 60 percent plan under two medical trend scenarios.

The Cadillac Tax is one of the provisions of the Affordable Care Act (ACA) of 2010 and becomes effective in 2018. The Cadillac Tax only applies to plans that cost \$10,200 or more for an individual. There will be a 40 percent excise tax for expenditures over the threshold. The cost thresholds are indexed by general inflation each year after 2018.

### **Results**

The results are presented in the following four tables. Table 1 estimates the Cadillac tax under the 85% actuarial value plan proposed by the employee coalition. Under the SOA baseline trend we estimate that the Cadillac tax would begin in 2021 and cost over \$5,500 per participant by 2040. Under the conservative trend we estimate that the Cadillac tax would begin in 2019 and cost over \$10,000 per participant by 2040.

Table 2 estimates the Cadillac tax under the 60 percent actuarial value plan proposed by the administration. Under the SOA baseline trend we estimate that the Cadillac tax would begin in 2033 and cost over \$1,700 per participant by 2040. Under the conservative trend we estimate that the Cadillac tax would begin in 2027 and cost over \$5,000 per participant by 2040.

Table 3 and 4 show the same information in a different format: Table 3 compares the excise tax under the 85 and 60 percent plan under the baseline medical trend assumption, and table 4 is the same comparison using the conservative medical trend.

Graphs of these tables are also attached.

<i>Anne Arundel County OPEB Plan</i>					
<i>85% Plan – Cadillac Tax- Baseline and Conservative Trend</i>					
<i>Table 1</i>					
<i>Fiscal Year Ending 6/30</i>	<i>Cost Before Tax<sup>1</sup></i>		<i>Excise Tax Threshold</i>	<i>Excise Tax<sup>2</sup></i>	
	<i>SOA Baseline Trend</i>	<i>Conservative Trend</i>		<i>SOA Baseline Trend</i>	<i>Conservative Trend</i>
2013	\$6,847	\$6,847	\$0	\$0	\$0
2014	\$7,395	\$7,395	\$0	\$0	\$0
2015	\$7,913	\$7,987	\$0	\$0	\$0
2016	\$8,427	\$8,626	\$0	\$0	\$0
2017	\$8,933	\$9,311	\$0	\$0	\$0
2018	\$9,465	\$10,050	\$10,200	\$0	\$0
2019	\$10,027	<b>\$10,836</b>	\$10,481	\$0	<b>\$142</b>
2020	\$10,619	\$11,671	\$10,769	\$0	\$361
2021	<b>\$11,244</b>	\$12,559	\$11,065	<b>\$72</b>	\$598
2022	\$11,904	\$13,502	\$11,369	\$214	\$853
2023	\$12,599	\$14,502	\$11,682	\$367	\$1,128
2024	\$13,333	\$15,565	\$12,003	\$532	\$1,425
2025	\$14,106	\$16,692	\$12,333	\$709	\$1,743
2026	\$14,922	\$17,887	\$12,672	\$900	\$2,086
2027	\$15,782	\$19,155	\$13,021	\$1,104	\$2,454
2028	\$16,688	\$20,500	\$13,379	\$1,324	\$2,848
2029	\$17,643	\$21,925	\$13,747	\$1,558	\$3,271
2030	\$18,650	\$23,435	\$14,125	\$1,810	\$3,724
2031	\$19,710	\$25,035	\$14,513	\$2,079	\$4,209
2032	\$20,832	\$26,730	\$14,912	\$2,368	\$4,727
2033	\$22,016	\$28,524	\$15,322	\$2,678	\$5,281
2034	\$23,269	\$30,424	\$15,744	\$3,010	\$5,872
2035	\$24,592	\$32,436	\$16,177	\$3,366	\$6,504
2036	\$25,991	\$34,564	\$16,622	\$3,748	\$7,177
2037	\$27,470	\$36,817	\$17,079	\$4,156	\$7,895
2038	\$29,032	\$39,200	\$17,548	\$4,593	\$8,660
2039	\$30,683	\$41,720	\$18,031	\$5,061	\$9,476
2040	\$32,429	\$44,385	\$18,527	\$5,561	\$10,343

- 1) Cost per Capita
- 2) The excise tax is 40% per capita of extra cost above the threshold [(Cost – Threshold)\*.4]

<i>Anne Arundel County OPEB Plan</i>					
<i>60% Plan – Cadillac Tax- Baseline and Conservative Trend</i>					
<i>Table 2</i>					
<i>Fiscal Year Ending 6/30</i>	<i>Cost Before Tax<sup>1</sup></i>		<i>Excise Tax Threshold</i>	<i>Excise Tax<sup>2</sup></i>	
	<i>SOA Baseline Trend</i>	<i>Conservative Trend</i>		<i>SOA Baseline Trend</i>	<i>Conservative Trend</i>
2013	\$4,833	\$4,833	\$0	\$0	\$0
2014	\$5,220	\$5,220	\$0	\$0	\$0
2015	\$5,585	\$5,638	\$0	\$0	\$0
2016	\$5,948	\$6,089	\$0	\$0	\$0
2017	\$6,305	\$6,572	\$0	\$0	\$0
2018	\$6,681	\$7,094	\$10,200	\$0	\$0
2019	\$7,078	\$7,649	\$10,481	\$0	\$0
2020	\$7,496	\$8,239	\$10,769	\$0	\$0
2021	\$7,937	\$8,865	\$11,065	\$0	\$0
2022	\$8,403	\$9,531	\$11,369	\$0	\$0
2023	\$8,894	\$10,237	\$11,682	\$0	\$0
2024	\$9,412	\$10,987	\$12,003	\$0	\$0
2025	\$9,957	\$11,782	\$12,333	\$0	\$0
2026	\$10,533	\$12,626	\$12,672	\$0	\$0
2027	\$11,140	<b>\$13,521</b>	\$13,021	\$0	<b>\$200</b>
2028	\$11,780	\$14,470	\$13,379	\$0	\$437
2029	\$12,454	\$15,476	\$13,747	\$0	\$692
2030	\$13,164	\$16,542	\$14,125	\$0	\$967
2031	\$13,913	\$17,672	\$14,513	\$0	\$1,263
2032	\$14,705	\$18,868	\$14,912	\$0	\$1,582
2033	<b>\$15,541</b>	\$20,135	\$15,322	<b>\$87</b>	\$1,925
2034	\$16,425	\$21,476	\$15,744	\$272	\$2,293
2035	\$17,359	\$22,896	\$16,177	\$473	\$2,688
2036	\$18,347	\$24,398	\$16,622	\$690	\$3,111
2037	\$19,390	\$25,988	\$17,079	\$925	\$3,564
2038	\$20,493	\$27,670	\$17,548	\$1,178	\$4,049
2039	\$21,659	\$29,449	\$18,031	\$1,451	\$4,567
2040	\$22,891	\$31,331	\$18,527	\$1,746	\$5,122

- 1) Cost per Capita
- 2) The excise tax is 40% per capita of extra cost above the threshold  $[(\text{Cost} - \text{Threshold}) \times .4]$

<i>Anne Arundel County OPEB Plan            Comparison of 85% and 60% Plan using SOA Baseline Trend            Table 3</i>					
<i>Fiscal            Year            Ending            6/30</i>	Cost Before Tax <sup>1</sup>		Excise Tax Threshold	Excise Tax <sup>2</sup>	
	85% Plan	60% Plan		85% Plan	60% Plan
2013	\$6,847	\$4,833	\$0	\$0	\$0
2014	\$7,395	\$5,220	\$0	\$0	\$0
2015	\$7,913	\$5,585	\$0	\$0	\$0
2016	\$8,427	\$5,948	\$0	\$0	\$0
2017	\$8,933	\$6,305	\$0	\$0	\$0
2018	\$9,465	\$6,681	\$10,200	\$0	\$0
2019	\$10,027	\$7,078	\$10,481	\$0	\$0
2020	\$10,619	\$7,496	\$10,769	\$0	\$0
2021	<b>\$11,244</b>	\$7,937	\$11,065	<b>\$72</b>	\$0
2022	\$11,904	\$8,403	\$11,369	\$214	\$0
2023	\$12,599	\$8,894	\$11,682	\$367	\$0
2024	\$13,333	\$9,412	\$12,003	\$532	\$0
2025	\$14,106	\$9,957	\$12,333	\$709	\$0
2026	\$14,922	\$10,533	\$12,672	\$900	\$0
2027	\$15,782	\$11,140	\$13,021	\$1,104	\$0
2028	\$16,688	\$11,780	\$13,379	\$1,324	\$0
2029	\$17,643	\$12,454	\$13,747	\$1,558	\$0
2030	\$18,650	\$13,164	\$14,125	\$1,810	\$0
2031	\$19,710	\$13,913	\$14,513	\$2,079	\$0
2032	\$20,832	\$14,705	\$14,912	\$2,368	\$0
2033	\$22,016	<b>\$15,541</b>	\$15,322	\$2,678	<b>\$87</b>
2034	\$23,269	\$16,425	\$15,744	\$3,010	\$272
2035	\$24,592	\$17,359	\$16,177	\$3,366	\$473
2036	\$25,991	\$18,347	\$16,622	\$3,748	\$690
2037	\$27,470	\$19,390	\$17,079	\$4,156	\$925
2038	\$29,032	\$20,493	\$17,548	\$4,593	\$1,178
2039	\$30,683	\$21,659	\$18,031	\$5,061	\$1,451
2040	\$32,429	\$22,891	\$18,527	\$5,561	\$1,746

- 1) Cost per Capita
- 2) The excise tax is 40% per capita of extra cost above the threshold  $[(\text{Cost} - \text{Threshold}) \times .4]$

<i>Anne Arundel County OPEB Plan</i>					
<i>Comparison of 85% and 60% Plan using Conservative Trend</i>					
<i>Table 4</i>					
<i>Fiscal Year Ending 6/30</i>	<i>Cost Before Tax<sup>1</sup></i>		<i>Excise Tax Threshold</i>	<i>Excise Tax<sup>2</sup></i>	
	<i>85% Plan</i>	<i>60% Plan</i>		<i>85% Plan</i>	<i>60% Plan</i>
2013	\$6,847	\$4,833	\$0	\$0	\$0
2014	\$7,395	\$5,220	\$0	\$0	\$0
2015	\$7,987	\$5,638	\$0	\$0	\$0
2016	\$8,626	\$6,089	\$0	\$0	\$0
2017	\$9,311	\$6,572	\$0	\$0	\$0
2018	\$10,050	\$7,094	\$10,200	\$0	\$0
2019	<b>\$10,836</b>	\$7,649	\$10,481	<b>\$142</b>	\$0
2020	\$11,671	\$8,239	\$10,769	\$361	\$0
2021	\$12,559	\$8,865	\$11,065	\$598	\$0
2022	\$13,502	\$9,531	\$11,369	\$853	\$0
2023	\$14,502	\$10,237	\$11,682	\$1,128	\$0
2024	\$15,565	\$10,987	\$12,003	\$1,425	\$0
2025	\$16,692	\$11,782	\$12,333	\$1,743	\$0
2026	\$17,887	\$12,626	\$12,672	\$2,086	\$0
2027	\$19,155	<b>\$13,521</b>	\$13,021	\$2,454	<b>\$200</b>
2028	\$20,500	\$14,470	\$13,379	\$2,848	\$437
2029	\$21,925	\$15,476	\$13,747	\$3,271	\$692
2030	\$23,435	\$16,542	\$14,125	\$3,724	\$967
2031	\$25,035	\$17,672	\$14,513	\$4,209	\$1,263
2032	\$26,730	\$18,868	\$14,912	\$4,727	\$1,582
2033	\$28,524	\$20,135	\$15,322	\$5,281	\$1,925
2034	\$30,424	\$21,476	\$15,744	\$5,872	\$2,293
2035	\$32,436	\$22,896	\$16,177	\$6,504	\$2,688
2036	\$34,564	\$24,398	\$16,622	\$7,177	\$3,111
2037	\$36,817	\$25,988	\$17,079	\$7,895	\$3,564
2038	\$39,200	\$27,670	\$17,548	\$8,660	\$4,049
2039	\$41,720	\$29,449	\$18,031	\$9,476	\$4,567
2040	\$44,385	\$31,331	\$18,527	\$10,343	\$5,122

- 1) Cost per Capita
- 2) The excise tax is 40% per capita of extra cost above the threshold [(Cost – Threshold)\*.4]

### Assumptions

The medical trend assumption was developed using the Society of Actuaries medical trend model last updated in 2012. The input variables into this model were:

	<u>SOA Baseline</u>	<u>Conservative</u>
	<u>Trend</u>	<u>Trend</u>
Rate of Inflation	2.8%	2.8%
Rate of Growth in Real Income / GDP per capita	1.5%	1.5%
Income Multiplier for Health Spending	1.3	1.7
Extra Trend due to Technology and other factors	1.1%	2.4%
Health Share of GDP Resistance Point	23.0%	40.0%
Year for Limiting Cost Growth to GDP Growth	2060	2075
Aggregate Factor	6.0%	8.0%

We assumed that the excise tax threshold would increase by 2.75 percent per year.

We assumed that the per capita cost of the 85 percent actuarial value plan was equal to 85/90 of the current weighted average premium, and that the per capita cost of the 60 percent actuarial value plan was equal to 60/90 of the current weighted average premium. We did not model additional reductions in cost due to behavioral changes in the form of decreased demand for medical services which could delay and dampen the impact of the tax.

### Actuarial Certification

This letter has been prepared for the Anne Arundel County Government for the purposes of estimating the impact of Cadillac Tax to the County assuming the health trend continues with the SOA Baseline Trend. It is neither intended nor necessarily suitable for other purposes. Bolton Partners is not responsible for the consequences of any other use.

The actuarial methods and assumptions used in this letter comply with the actuarial standards of practice promulgated by the American Academy of Actuaries. Bolton Partners is completely independent of Anne Arundel County, its programs, activities, and any of its officers or key personnel. We and anyone closely associated with us does not have any relationship which would impair our independence on this assignment. Kevin Binder is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this letter.

Please let us know if you have any questions concerning this letter.

Sincerely,

**BOLTON PARTNERS, INC.**

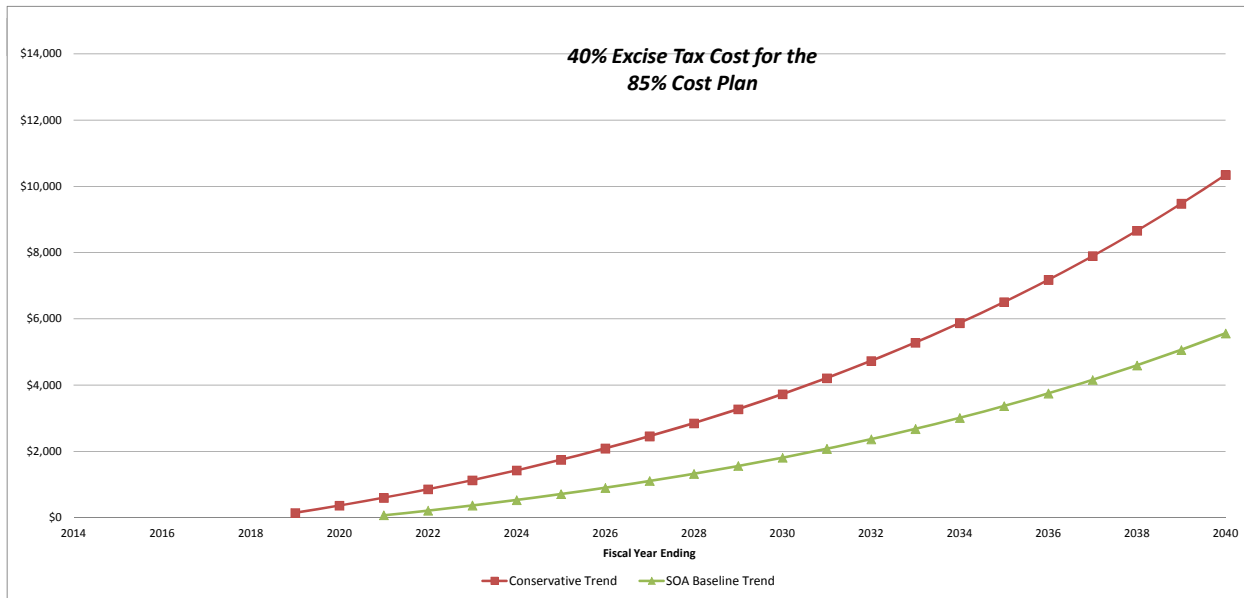
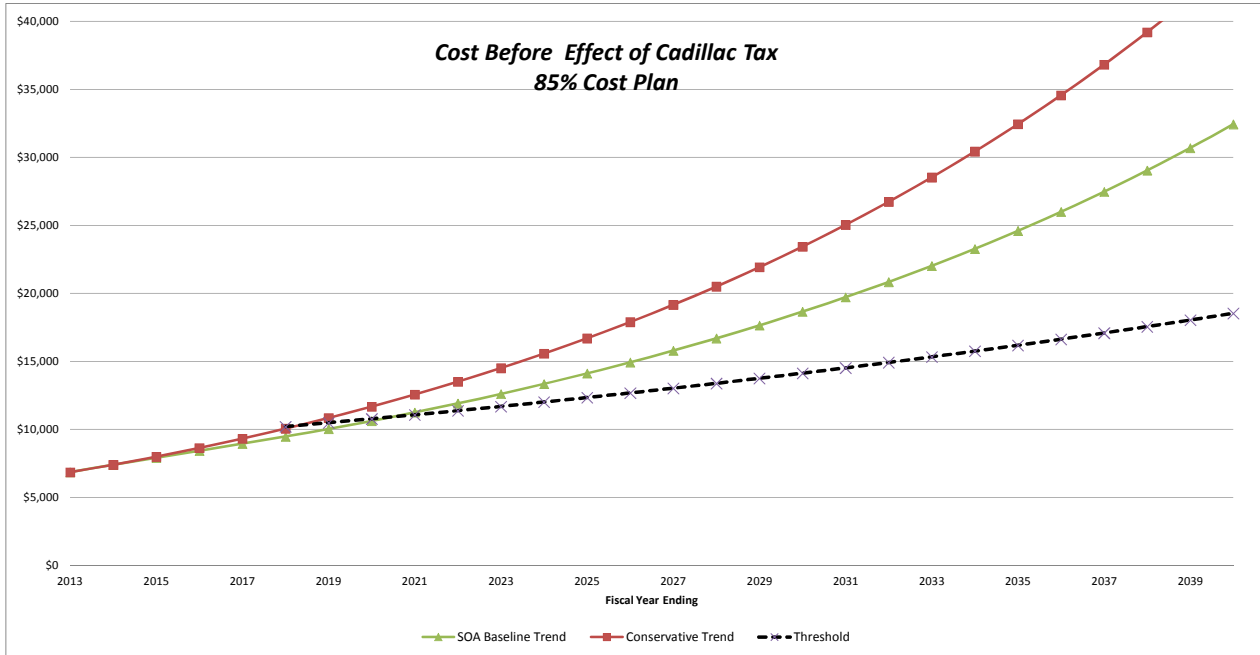


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Anne Arundel County  
 "Impact of Cadillac Tax" Projection

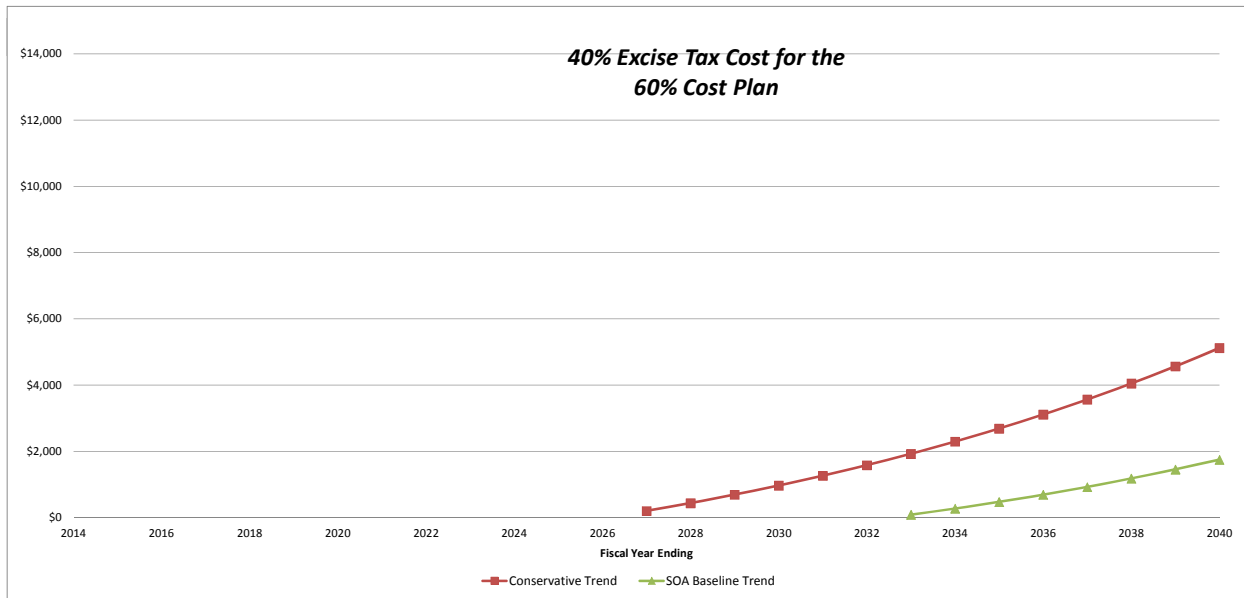
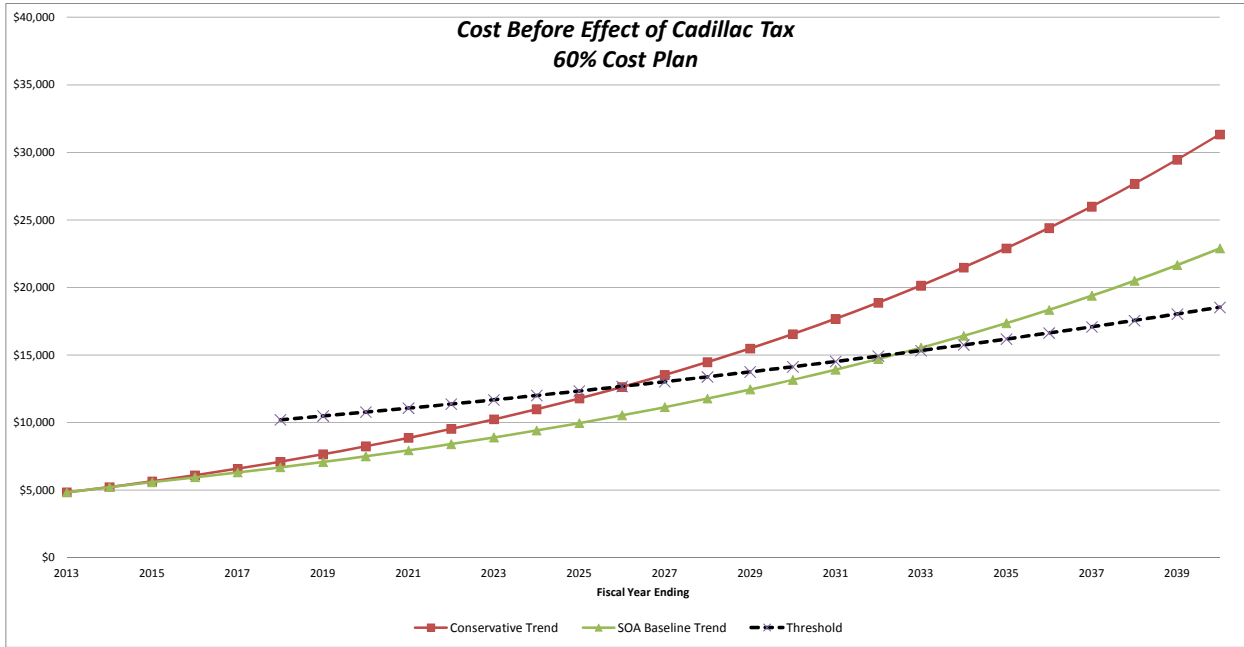
**Comparison of SOA Baseline and Conservative Trend**  
 85% Cost Plan  
 TABLE 1





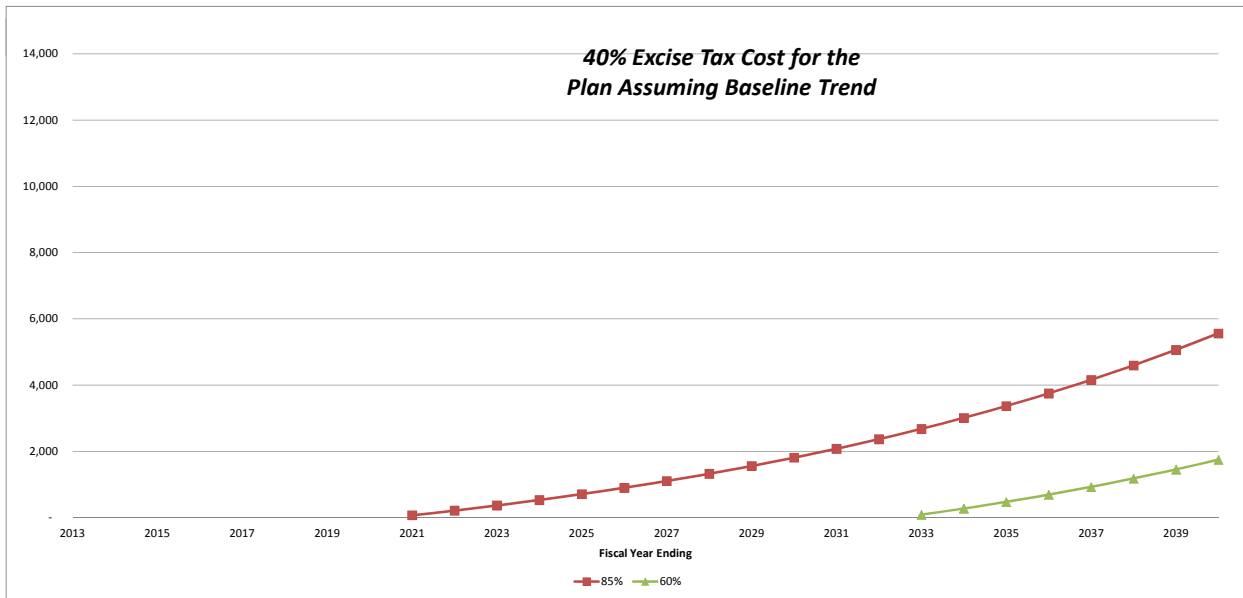
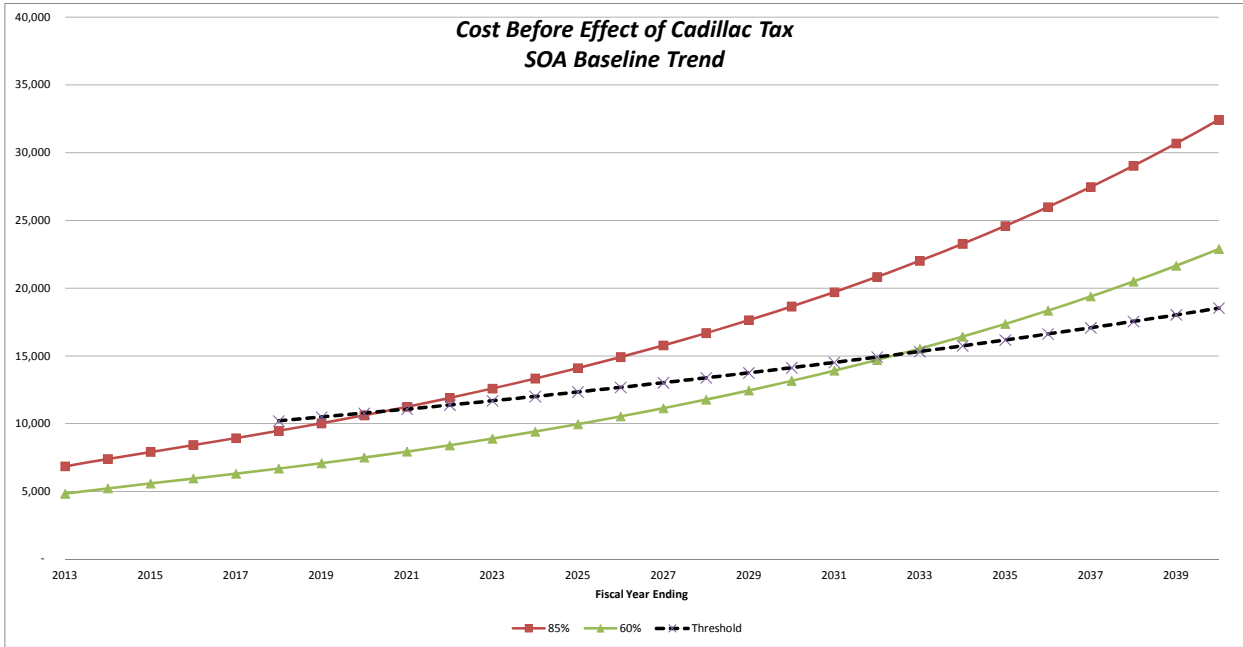
Anne Arundel County  
 "Impact of Cadillac Tax" Projection

**Comparison of SOA Baseline and Conservative Trend**  
 60% Cost Plan  
 TABLE 2



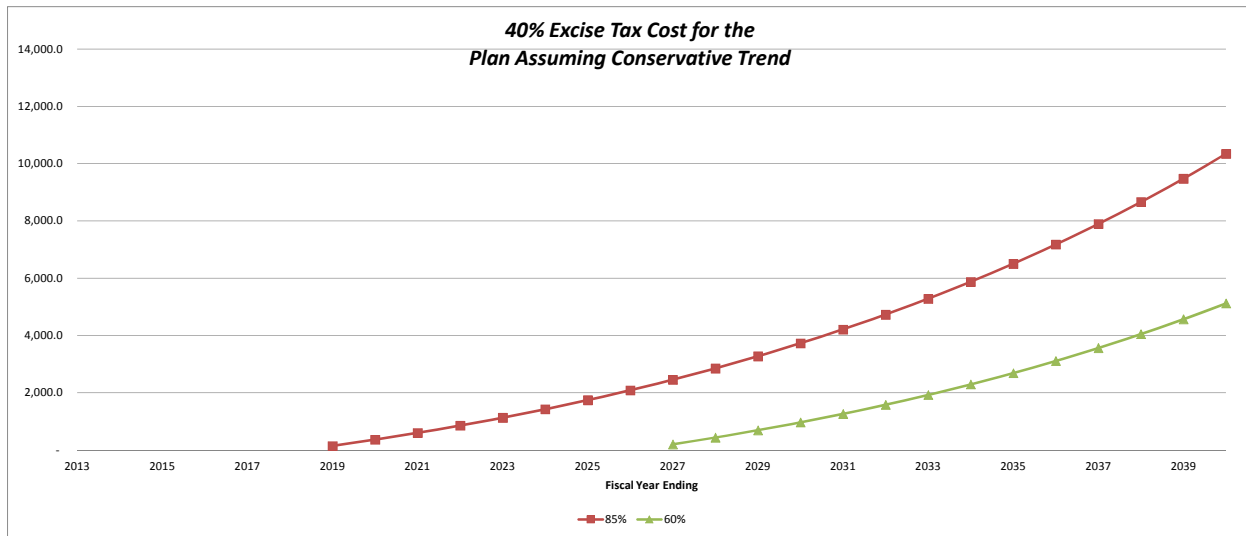
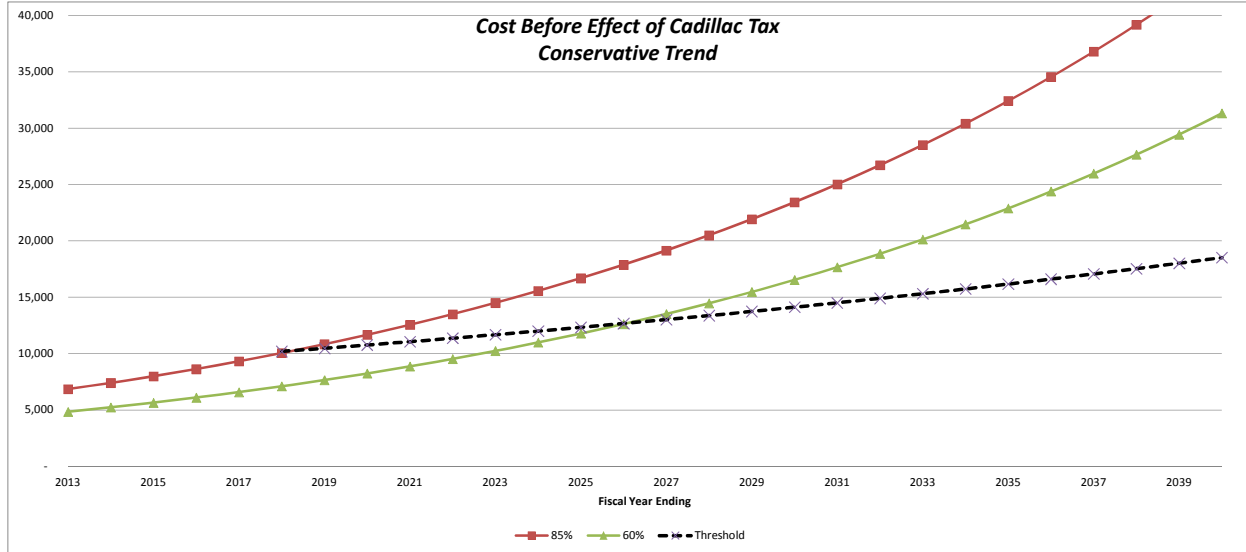
Anne Arundel County  
 "Impact of Cadillac Tax" Projection

**Comparison of 85% and 60% Actuarial Value Plan**  
 SOA Baseline Trend  
 TABLE 3



Anne Arundel County  
 "Impact of Cadillac Tax" Projection

**Comparison of 85% and 60% Actuarial Value Plan**  
 Conservative Trend  
 TABLE 4



# ATTACHMENT C

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Proof of Credentials

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**Society of Actuaries Sections**

Pension