

## AGREEMENT TO FURNISH PROFESSIONAL ACTUARIAL SERVICES

This agreement for professional actuarial services ("Agreement") is made and entered into this 28<sup>th</sup> day of August, 2008 ("Effective Date"), by and between the City of Redlands, a municipal corporation ("City") and Aon Consulting & Insurance Services ("Consultant"). City and Consultant are sometimes individually referred to herein as a "Party" and, together, as the "Parties."

In consideration of the mutual promises contained herein, City and Consultant agree as follows:

### ARTICLE 1 - ENGAGEMENT OF CONSULTANT

- 1.1 City hereby engages Consultant to perform professional actuarial consulting services in connection with City's proposed implementation of Governmental Accounting Standards Board 43 and 45 rules (the "Services"). The specific Services which Consultant shall perform are more particularly described in Exhibit "A," entitled "Scope of Services," which is attached hereto and incorporated herein by this reference.
- 1.2 The Services shall be performed by Consultant in a professional manner, and Consultant represents that it has the skill and the professional expertise necessary to provide the Services to City at a level of competency presently maintained by other practicing professional consultants in the industry providing like and similar types of services.
- 1.3 Consultant shall comply with all applicable Federal, State and local laws and regulations in the performance of its obligations under this Agreement including, but not limited to, the Americans with Disabilities Act and the Fair Employment and Housing Act.

### ARTICLE 2 - RESPONSIBILITIES OF CITY

- 2.1 City shall make available to Consultant information in its possession that may assist Consultant in performing the Services.

### ARTICLE 3 - PAYMENT AND NOTICE

- 3.1 The total compensation for Consultant's performance of the Services shall not exceed the amount of Eighteen Thousand Dollars (\$18,000). City shall pay Consultant on a time and materials basis up to the not to exceed amount, based upon the rates shown in Exhibit "B," entitled "Rate Schedule."
- 3.2 Consultant shall submit monthly invoices to City describing the work performed during the preceding month. Consultant's invoices shall include a brief description of the Services performed, the dates the Services were performed, the number of hours spent and by whom, and a description of reimbursable expenses, if any. City shall pay Consultant no later than thirty (30) days after receipt and approval by City of

Consultant's invoice, provided (1) the Services reflected in the invoice were performed to the reasonable satisfaction of City in accordance with the terms of this Agreement, (2) that the number of hours of Services set forth in the invoice reflects the amount of time ordinarily expended for such Services by members of the profession currently practicing in the same locality under similar conditions, and (3) that all expenses, rates and other information set forth in the invoice are consistent with the terms and conditions of the Agreement.

- 3.3 All notices shall be given in writing by personal delivery or by mail. Notices, sent by mail should be addressed as follows:

City: Tina Kundig, Finance Director  
City of Redlands  
PO Box 3005  
Redlands, CA 92373

Consultant: Bradley J. Au, Senior Vice President  
Aon Consulting & Insurance Services  
707 Wilshire Boulevard, Suite 2600  
Los Angeles, CA 90017

When so addressed, such notices shall be deemed given upon deposit in the United States Mail. Changes may be made in the names and addresses of the person to who notices and payments are to be given by giving notice pursuant to this section.

#### ARTICLE 4 - INSURANCE AND INDEMNIFICATION

- 4.1 All insurance required by this Agreement shall be maintained by Consultant for the duration of its performance of the Services. Consultant shall not perform any Services unless and until all required insurance listed below is obtained by Consultant. Consultant shall provide City with certificates of insurance and endorsements evidencing such insurance prior to commencement of the Services.

- 4.2 Workers Compensation and Employer's Liability.

Consultant shall secure and maintain Workers Compensation and Employer's Liability insurance throughout the duration of this Agreement in accordance with the laws of the State of California, with an insurance carrier acceptable to City.

- 4.3 Hold Harmless and Indemnification. Consultant shall defend, indemnify and hold harmless City and its elected officials, employees and agents from and against any and all claims, losses or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by Consultant's and its officers', employees' and agents' sole negligent acts or sole negligent omissions in performing the Services.

- 4.4 Assignment. Consultant is expressly prohibited from assigning any of the Services without the express prior written consent of City. In the event of agreement by the Parties to assign a portion of the Services, Consultant shall add the assignee as an additional insured and provide City with the insurance endorsements required by this Agreement prior to the performance of any Services by the assignee. Assignment does not include printing or other customary reimbursable expenses that may be provided for in this Agreement.
- 4.5 Comprehensive General Liability Insurance. Consultant shall secure and maintain in force throughout the term of this Agreement comprehensive general liability insurance with carriers acceptable to City. Minimum coverage of One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate for public liability, property damage and personal injury is required. City shall be named as an additional insured. Such insurance shall be primary and non-contributing to any insurance or self-insurance maintained by City.
- 4.6 Professional Liability Insurance. Consultant shall secure and maintain professional liability insurance throughout the term of this Agreement in the amount of One Million Dollars (\$1,000,000) per claim made.
- 4.7 Business Auto Liability Insurance. Consultant shall have business auto liability coverage, with minimum limits of One Million Dollars (\$1,000,000) per occurrence, combined single limit for bodily injury liability and property damage liability. This coverage shall include all Consultant owned vehicles used in connection with Consultant's provision of the Services, hired and non-owned vehicles, and employee non-ownership vehicles. Such insurance shall be primary and non-contributing to any insurance or self insurance maintained by City. City shall be named as an additional insured.

#### ARTICLE 5 - CONFLICTS OF INTEREST

- 5.1 Consultant covenants and represents that it does not have any investment or interest in real property and shall not acquire any interest, direct or indirect, in the geographical area covered by this Agreement or any other source of income, interest in real property or investment which would be affected in any manner or degree by the performance of Consultant's Services. Consultant further covenants and represents that in the performance of its duties hereunder, no person having any such interest shall perform any Services under this Agreement.
- 5.2 Consultant agrees it is not a designated employee within the meaning of the Political Reform Act because Consultant:
- A. Does not make or participate in:

- (i) the making or any governmental decisions regarding approval of a rate, rule or regulation, or the adoption or enforcement of laws;
- (ii) the issuance, denial, suspension or revocation of permits, licenses, applications, certifications, approvals, orders or similar authorizations or entitlements;
- (iii) authorizing City to enter into, modify or renew a contract;
- (iv) granting City approval to a contract that requires City approval and to which City is a party, or to the specifications for such a contract;
- (v) granting City approval to a plan, design, report, study or similar item;
- (vi) Adopting, or granting City approval of, policies, standards or guidelines for City or for any subdivision thereof.

B. Does not serve in a staff capacity with City and in that capacity participate in making a governmental decision or otherwise perform the same or substantially all the same duties for City that would otherwise be performed by an individual holding a position specified in City's Conflict of Interest Code under Government Code section 87302.

- 5.3 In the event City officially determines that Consultant must disclose its financial interests by completing and filing a Fair Political Practices Commission Form 700, Statement of Economic Interests, Consultant shall file the subject Form 700 with the City Clerk's office pursuant to the written instructions provided by the Office of the City Clerk.

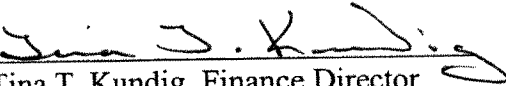
#### ARTICLE 6 - GENERAL CONSIDERATIONS

- 6.1 In the event any action is commenced to enforce or interpret any of the terms or conditions of this Agreement the prevailing Party shall, in addition to any costs and other relief, be entitled to the recovery of its reasonable attorneys' fees, including fees for use of in-house counsel by a Party
- 6.2 Consultant shall not assign any of the Services to be performed under this Agreement, except with the prior written approval of City and in strict compliance with the terms, provisions and conditions of this Agreement.
- 6.3 All documents, records, drawings, designs, cost estimates, electronic data files, databases, and other documents developed by Consultant pursuant to this Agreement, and any copyright interest in such documents, shall become the property of City and shall be delivered to City upon completion of the Services, or upon the request of City. Any reuse of such documents and any use of incomplete documents will be at City's sole risk.

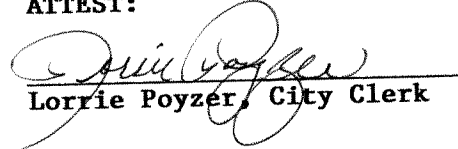
- 6.4 Consultant is for all purposes an independent contractor. Consultant shall supply all tools and instrumentalities required to perform the Services. All personnel employed by Consultant are for its account only, and in no event shall Consultant or any personnel retained by it be deemed to have been employed by City or engaged by City for the account of, or on behalf of City.
- 6.5 Unless earlier terminated, as provided for below, this Agreement shall terminate upon completion and acceptance of the Services by City.
- 6.6 This Agreement may be terminated by either party, in its sole discretion and without cause, by providing thirty (30) business days' prior written notice to the other party (delivered by certified mail, return receipt requested) of intent to terminate.
- 6.7 If this Agreement is terminated by City, an adjustment to Consultant's compensation shall be made, but (1) no amount shall be allowed for anticipated profit or unperformed services, and (2) any payment due Consultant at the time of termination may be adjusted to the extent of any additional costs to City occasioned by any default by Consultant.
- 6.8 Upon receipt of a termination notice, Consultant shall immediately discontinue all services affected, and within five (5) business days of the date of the termination notice, deliver or otherwise make available to City, copies (in both hard copy and electronic form, where applicable) of any data, design calculations, drawings, specifications, reports, estimates, summaries and such other information and materials as may have been accumulated by Consultant in performing the Services required by this Agreement. Consultant shall be compensated on a pro-rata basis for work completed up until notice of termination.
- 6.9 Consultant shall maintain books and accounts of all payroll costs and expenses related to the Services. Such books shall be available at all reasonable times for examination by City at the office of Consultant.
- 6.10 This Agreement, including the Exhibits incorporated herein by reference, represents the entire agreement and understanding between the Parties as to the matters contained herein, and any prior negotiations, written proposals or verbal agreements relating to such matters are superseded by this Agreement. Any amendment to this Agreement shall be in writing, approved by City and signed by City and Consultant.
- 6.11 This Agreement shall be governed by and construed in accordance with the laws of the State of California.
- 6.12 The liability of Consultant (including officers, directors, employees, agents, affiliates, and parent companies) for damages resulting from a breach of Consultant's obligation to perform the Services shall be limited to the amount of fees paid pursuant to City in the calendar year in which the breach occurred.

IN WITNESS WHEREOF, duly authorized representatives of the City and Consultant have signed in confirmation of this Agreement.

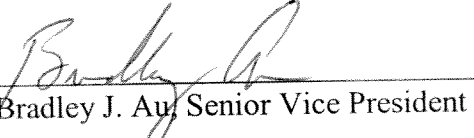
CITY OF REDLANDS

By:   
Tina T. Kundig, Finance Director

**ATTEST:**

  
Lorrie Poyzer, City Clerk

AON CONSULTING & INSURANCE SERVICES

By:   
Bradley J. Au, Senior Vice President



## A. Proposal Summary

Aon Consulting is uniquely qualified to provide the services you outlined in the Request for Proposal. We are known for our expertise as actuaries, the quality of our consulting, and the high level of service we provide. Our team has been involved in analysis of GASB 43 and 45 since before the Statement was issued in 2004, and our team is on top of the latest breaking developments in this area. We are currently performing actuarial projects for many other government entities, including a number of California municipalities.

We distinguish ourselves from our competitors by including both Retirement consultants and Health and Welfare consultants on each retiree healthcare engagement in order to address specific issues as they arise. Aon's team has considerable experience in all of the relevant areas of concern for the City, including actuarial expertise, retirement consulting, group medical underwriting for all group sizes, GASB implementation, funding strategies, and firsthand knowledge of California's laws and healthcare issues. We have assisted clients in addressing the aspects of GASB OPEB in all phases, including liability documentation and analysis, plan design, plan and trust documentation, administration, trust formation, and investment consulting.

Aon Consulting will perform an actuarial study that will provide information that satisfies the new GASB disclosure requirements for OPEB plans. The calculations of the actuarial liabilities and cost projections for the OPEB plans will be in accordance with GASB 43 & 45. However, we view these tasks as only the basis of the services we provide.

More important than simply providing information, Aon Consulting will help the City understand the OPEB liability and accrual costs for its medical insurance coverage to its retirees. This will include an analysis of funding level options for the liability as a basis for understanding ways to manage future liabilities and plan costs. The postretirement liabilities will be provided separately for active and retired participants and by bargaining units or other classifications to assist in this analysis. Plan liabilities and costs, including the ARC, AOC and NOO, can also be provided by bargaining units or other employee classifications. We will also include cash flow projections showing expected annual expenditures on plan benefits.

### Contact Information

Bradley Au will be Aon Consulting's lead actuary and primary contact related to this proposal and scope of work and can be reached as follows:

Bradley J. Au  
Aon Consulting  
707 Wilshire Boulevard, Suite 2600  
Los Angeles, CA 90017  
Tele: 213-996-1729 (direct)  
Fax: 213-996-1762 (fax)  
e-mail: brad\_au@aon.com

## E. Proposal Costs

Aon Consulting charges for services on an hourly basis. Project costs are estimated based on our best and most realistic estimate for plans of this size, our understanding of the scope of the work, and our experience with similar projects.

Our estimated fee for the initial valuation is \$18,000. If actual costs are lower, we will charge actual costs.

These fees assume participant data is relatively clean and free from internal inconsistencies and is provided in electronic form. We also assume information is provided in a reasonably timely fashion and that the City's personnel are available to discuss issues pertinent to Aon progressing on the projects.

The GASB study fee includes results on two scenarios or assumption sets – additional scenarios could cost approximately \$1,000 - \$1,500 each. We would be pleased to discuss any projects that are outside the scope of this proposal. Fees for any out-of-scope services will be charged at our standard hourly rates. Examples of these services include additional plan cost projections or alternative assumption scenarios. We will notify you of estimated fees before we perform any out-of scope services.

The fee includes an in-person meeting to discuss progress and results of the project.

We will invoice for our fees on a monthly basis as progress is made toward completion of the project.

### Hourly Rates

The hourly rates by staff level for the scope of services in this proposal are as follows:

|                                            | <i>Hourly Rate</i> |
|--------------------------------------------|--------------------|
| <i>Sr. Vice President / Vice President</i> | \$390 – \$460      |
| <i>Assistant Vice President</i>            | \$280              |
| <i>Consultant</i>                          | \$200              |
| <i>Analyst</i>                             | \$120 – \$160      |

Typically, the majority of hours are charged at the lower rates such that the average billing rate is approximately \$200.

# tkundig

 **Exhibit A B.pdf**  
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