



## City of Key West

RFP #01-016 Pension Benefit Consultant

**Due:** October 14, 2015 by 3:00 p.m. EST



100 Light Street, 9th Floor  
Baltimore, MD 21202

Submitted by:

**Thomas B. Lowman, FSA, EA, MAAA**

tlowman@boltonpartners.com

443-573-3909

**Kristopher Seets, FSA, EA**

kseets@boltonpartners.com

443-573-3911





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October 12, 2015

City Clerk  
City of Key West Florida  
City Hall, 3126 Flagler Ave  
Key West, FL 33040

Re: Request for Proposal –  
RFP #01-016 Pension Benefit  
Consultant

Dear City Clerk:

Enclosed is our proposal in response to the City of Key West's Request for Proposal for a pension benefit consultant. Our firm provides pension actuarial services both locally and nationally. We are particularly well qualified to provide the type of review described in your RFP, in part because of our unique perspective of focusing on pension risk factors, and the appropriate analysis and valuation of these factors, which we will discuss further in our proposal.

Kristopher Seets, FSA, EA will serve as lead actuary. He will ensure the highest level of customer service possible including the accessibility and responsiveness that our clients expect. Kris has significant experience with Florida plans and their corresponding issues such as Chapter 175/185 rules and HB1309. He takes pride in being a strong advocate for his clients always keeping their best interests in mind. In addition, he provides comprehensive consulting services to his clients and is an active member of the GFOA in Florida, Maryland, Virginia, and New Jersey where he provides seminars on topics including GASB 68. He also works directly with our chief actuary, Tom Lowman, FSA, EA, MAAA, FCA. Tom is a recognized expert in the design, funding, and administration of public sector retirement plans. He is sought out as a leader for his advice and input by national actuarial organizations.

Kris' contact information:

Kris Seets, FSA, EA  
100 Light Street, Baltimore, Maryland 21202  
Phone: 443-573-3911  
Email: [kseets@boltonpartners.com](mailto:kseets@boltonpartners.com)

City Clerk  
October 12, 2015  
Page 2

This proposal will remain in effect for ninety (90) days.

Thank you for considering us. We look forward to working with you and your colleagues.

Sincerely,

**BOLTON PARTNERS, INC.**



Thomas B. Lowman, FSA, EA, MAAA  
Vice-President & Chief Actuary



Kristopher Seets, FSA, EA  
Senior Actuary



## SECTION II: TECHNICAL PROPOSAL

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### INTRODUCTORY LETTER

October 12, 2015

City Clerk  
City of Key West Florida  
City Hall, 3126 Flagler Ave  
Key West, FL 33040

Re: Request for Proposal– RFP #01-  
016 Pension Benefit Consultant

Dear City Clerk:

We are pleased to submit our proposal in response to the City of Key West's request noted above. Kristopher Seets, FSA, EA will be the primary person responsible for this project. He has extensive experience performing similar pension review and reform projects in Florida, including review of work performed by the two plan consultants, GRS and DuLaney. His industry insight, responsiveness to client needs, and ability to effectively communicate results have made him successful in these projects. Below is the contact information for our principal office and a brief description of our firm.

Firm's name: Bolton Partners, Inc.

Address: 100 Light Street, 9<sup>th</sup> Floor, Baltimore Maryland, 21202

Phone: 1 (800) 394-0263

Website: [www.boltonpartners.com](http://www.boltonpartners.com)

Email Address: [KSeets@boltonpartners.com](mailto:KSeets@boltonpartners.com)

Bolton Partners is an independent and nationally recognized firm of public pension experts. Since 1981, Bolton Partners has provided actuarial, benefit and investment consulting services to clients throughout the United States. Headquartered in Baltimore, Maryland, we maintain offices for our staff of 100 in Boca Raton, FL; Atlanta, GA; Washington, D.C.; Trenton, NJ; Blue Bell, PA; and Denver, CO. Our success for the last 34

years is based on our relationships with our clients, our technical knowledge and our work product.

Thank you for considering us. We look forward to working with you and your colleagues.

Sincerely,

**BOLTON PARTNERS, INC.**



Thomas B. Lowman, FSA, EA, MAAA  
Vice-President & Chief Actuary



Kristopher Seets, FSA, EA  
Senior Actuary

## APPROACH TO THE PROJECT

Kris Seets has completed projects like those described on page 28 of the RFP for many cities in Florida during the last three years. Our work on these projects has required deep understanding of Chapter 175/185 rules including the constantly changing use of premium revenues. Kris stays in contact with DMS regarding these changes and attends their Trustee training programs. We are currently working with several cities to negotiate a mutual agreement on excess reserves and future premium revenues. We are confident with our ability to assist the City with the projects listed in the RFP.

The RFP contains a mixture of (1) analysis and projections of the existing pension plans without changes and (2) similar work should various alternatives be adopted. Items A through D on page 28 of the RFP focus on the existing plan. We can provide this information and propose a fixed fee for this work. The other items all require discussion of alternatives to be considered. While we are experienced in doing and guiding studies including all of the items included in E through M, it is important to suggest an approach and scope before estimating a fee. Below are some suggestions on how this might be done.

### **Overall approach and methods to achieve a fully functional project**

Our first step will be to meet with the City to understand the current situation and ultimate goals of the projects. With separate plans and bargaining units, it is likely that the City will have different issues, goals and expectations for each plan. The following

points outline our planned approach, but can be adjusted as necessary to meet the City's needs.

- Obtain a copy of the recent participant census for each plan (actuarial reports already provided with this RFP). This is likely to come from the plan Boards / actuary, but can be obtained from the annual State filing.
- Potentially we could set up a working valuation model of each plan. This would allow us to calculate the expected value of benefits and estimate the effect of possible plan changes independent of the plan actuary.
- Determine any possible changes in the benefits provided by the plan that should be under consideration. In many cases, cities have changes in mind based on prior bargaining. In other cases, we can provide tables of possible changes. We have provided a sample report. (See Appendix A) Please note that recent legislation has raised the minimum benefit accrual rate under Chapter 175/185 to 2.75% per year. A fixed fee quote for this step will be determined based on the desired scope and number of changes under consideration. Our background in this work and efficiency with our models reduces our time needed for research and model building and allows us to provide the City with the lowest possible costs.
- Prepare draft results and discuss with the City to ensure the analysis meets expectations. Once approved, we will issue the final analysis signed by a qualified actuary. The primary actuary for these projects will be Kris Seets, FSA, EA. Kris holds the highest actuarial designation and is a qualified actuary under ERISA.
- Review the current methods and assumptions being used by the plan Boards and actuary (GRS and Dulaney). We will identify the assumptions we believe to be overly optimistic and provide more reasonable alternatives.
- At the City's request, we will meet with the plan Boards to discuss the assumptions used and the City's risk of rising contributions if the aggressive assumptions are not met. We have worked with Dulaney plans and found that they generally use aggressive assumptions and side with the labor representatives. We will be able to better represent the City as a stakeholder.
- We can provide benefit surveys of competitiveness. The State already provides survey information of local plans. One issue is that local plans in Florida provide above average benefits compared to those around the country. That means to be competitive locally requires having higher cost

and taking more risks than is true nationally. We will provide national as well as local survey data.

### **Involvement of City staff and Retirement/Pension Boards**

Our work for Cities usually requires interaction with City staff and relatively little interaction with the pension boards or their staff.

Pension Boards and their actuary often provide the most recent participant information. Providing the participant information is likely to be the only involvement of the Boards. City staff involvement usually includes:

1. Providing us with a summary of the work being requested
2. Answering questions as they arise (Generally these are basic questions, e.g. are police officers covered by Social Security)
3. Reviewing our draft reports and providing us with comments
4. Explaining to us any reactions/questions about our work
5. Updating us on actions taken (e.g. changes in benefits)

### **Identification of Actuaries Available for this Assignment**

The lead actuary for this project will be Kristopher Seets. Kris is a Fellow of the Society of Actuaries (FSA), the highest actuarial designation. He is also an Enrolled Actuary (EA) under the provisions of the Employee Retirement Income Security Act of 1974 and a Fellow of the Conference of Consulting Actuaries (FCA). He is fully qualified to perform all of the tasks requested in this RFP.

Kris has extensive experience performing similar pension review and reform projects in Florida, including review of work performed by the two plan consultants, GRS and DuLaney. His industry insight, responsiveness to client needs, and ability to effectively communicate results have made him successful in these projects.

Tom Lowman, FSA, EA, MAAA, FCA will provide peer review of the analysis. This will provide the City with two senior actuaries who are fully current with the plans, our analysis and recommendations. Tom is the Vice President and Chief Actuary of Bolton Partners. His unrivaled experience in governmental pension consulting is a valuable resource for our firm and clients.

The work will be completed in our corporate headquarters in Baltimore. Kris and Tom have access to 40 additional staff members in our Baltimore office, including 10 other credentialed actuaries.

### **Description of Current Work Load**

Kris Seets and Tom Lowman have about three dozen clients but will meet the timelines set for each project. They each have access to additional staff as needed. As a firm that spends very little on advertising, we rely on our reputation for client service. Our consultants are available to answer questions, provide information, and perform requested tasks. Kris is one of our lead senior actuaries and Tom's position as Vice President and Chief Actuary ensures the City's needs will be met.

### **Estimated timeframe for completion of projects**

At the outset of each project we will provide a fixed fee quote and a timeline. Items A through D on page 28 of the RFP can be completed within six weeks. Other items will require time to define their scope (e.g. which alternatives should be studied). Many projects come with timetables of 2-3 weeks.

Sample email fee quote/time line for costing our plan changes:

Client,

Thank you for taking a few minutes to discuss. We can provide the estimated short and long term effects of these changes on the City's required contributions for the Police plan and an analysis of the pros/cons/issues of the employee cost sharing of ARC increases.

The fee for these services will be \$7,000. The majority of the fee is for us to set up a model for the Police plan in order to estimate the effects of the substantial changes (i.e. the 2.75% accrual, the later retirement ages, and the change of pensionable earnings).

In order to meet the quick turnaround [end of following week], please let us know as soon as possible if we may proceed. If you have any questions or would like additional information, I am available at 443-573-3911.

Thank you,

Kris

Kristopher E. Seets, FSA, EA  
Actuary  
Bolton Partners, Inc.

**Methodology intended to implement and accomplish scope of work.**

A detailed outline of our methodology is included in the response to the Approach. With regards to a specific method used to estimate the effect of changes:

We set up a working valuation model of the current plan benefits. We make adjustments for any changes under consideration. This allows us to calculate an estimated immediate effect on the City's annual contributions. We also provide an estimated long term effect by comparing the expected ultimate cost of benefits. This long term effect is not commonly provided by the plan actuary, but is important to understanding changes that are prospective (e.g. only apply to future service or to future hires).

These estimates will be based on the methods and assumptions used by the plan actuary to determine the City's contribution. This allows a consistency between our estimates and the actual effect of any implemented changes. Where we find these current methods/assumptions to be unreasonable, we will provide comments and in some cases provide alternative costs using more reasonable methods and assumptions.

All of our work will comply with the Actuarial Standards of Practice, including documentation of the data we used as well as the assumptions and methods.



## SECTION III: PAST EXPERIENCE

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### 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 and incorporated in Maryland by Mr. Robert G. Bolton, FSA, EA, as an independent actuarial and employee benefits firm. Headquartered in Baltimore, Maryland, Bolton Partners also maintains offices in Philadelphia, Pennsylvania; Trenton, New Jersey; Washington, DC; Atlanta, Georgia; Boca Raton, Florida; and Denver, Colorado.

Our success for the last 30+ years is based on our technical knowledge, our work product and our outstanding client service. Bolton Partners has maintained this success because of our professional depth and expertise; which is not only a strong point of our firm, but also a major asset to our clients. Out of a professional staff of ninety, we have nine Fellows of the Society of Actuaries. In addition, we have eleven Associates of the Society of Actuaries, fifteen Enrolled Actuaries, eight CEBS (Certified Employee Benefit Specialists), one CFA (Chartered Financial Analyst), and six MBAs or MSFs.

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 with these organizations. We speak frequently at professional organizations.

## OUR TEAM

Team Member	Role
Kris Seets, FSA, EA Senior Actuary <a href="mailto:kseets@boltonpartners.com">kseets@boltonpartners.com</a>	Lead Actuary
Thomas B. Lowman, FSA, EA Vice President & Chief Actuary <a href="mailto:tlowman@boltonpartners.com">tlowman@boltonpartners.com</a>	Peer Review
Sam Tsang Senior Analyst <a href="mailto:stsang@boltonpartners.com">stsang@boltonpartners.com</a>	Supporting Analyst

### KRISTOPHER SEETS, FSA, EA, FCA

#### LEAD ACTUARY

**Kris Seets** is a senior actuary with Bolton Partners. He has extensive experience with retirement systems and is the lead actuary for over 20 public sector defined benefit plans. His roles include preparing and reviewing actuarial reports, coordinating tasks with staff and clients, attending trustees' meetings, and reviewing internal valuation methods and procedures.

#### Public Sector Retirement System Experience

Kris has a lead role in the completion of the firm's actuarial valuations and has provided actuarial consulting services for public pension plans in Alaska, California, Delaware, Florida, Maryland, New Hampshire, New York, Pennsylvania, Rhode Island, Virginia, and the District of Columbia. He is responsible for the coordination of tasks and deadlines with staff and clients. This includes client communication and reviewing internal valuation methods and procedures.

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 is an expert on contemporary issues relevant to pensions in the public sector. Kris shares his insight with his clients and the public plan community. He is an active

member of the GFOA in Florida, Maryland, Virginia, and New Jersey. He has provided educational seminars on various employee benefits topics, including the implementation of the new pension accounting standards (GASB68).

### **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.

### **Education & Employment**

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

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

### **PEER REVIEW**

**Thomas B. Lowman** is the Chief Actuary at Bolton Partners. Tom has over thirty-seven 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 (2009). Tom is vice chair of the Conference of Consulting Actuaries (CCA) Public Plans Community.

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, 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's clients include the federal government (PBGC and Treasury), and several local pension valuation clients including: Howard, Anne Arundel, Charles, Harford and St. Mary's Counties. He also has pension clients in Pennsylvania, Virginia, California, Rhode Island, Florida and Delaware. In the past Tom has worked on large plans including the State of New York Retirement plan and the Federal Civil Service and FERS plans.

Tom helped draft the 2014 CCA White Paper on funding. He was interviewed by the SOA Blue Ribbon Panel on Public Plans and in April 2014 presented to the Actuarial Standards Board Pension Committee his thoughts on the difficulties of introducing the Panel's recommendations into actuarial standards of practice. 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.

- 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
- Cash Balance Plans

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).

Tom holds a mathematics degree from the University of Delaware in 1977.

## SAM TSANG

### SENIOR ACTUARIAL ANALYST

**Sam Tsang** is a senior actuarial analyst with Bolton Partners, Inc. Sam has 6 years of actuarial experience working with public sector clients. Prior to joining Bolton Partners in 2013, Sam worked for Segal Consulting's San Francisco office where he worked for Paul Angelo (a well known public pension actuary). Sam has been responsible for initiating and reviewing all aspects of the pension valuation process, including data reconciliation, actuarial software programming, plan document review, pension legislation review, drafting of valuation reports, client communication, and training junior analysts.

Sam has first-hand experience working with large, multiple-tier public sector plans, including: the University of California Retirement Plan, Sacramento County, San Diego County, Fresno County, Kern County, Contra Costa County, Sonoma County, San Bernardino County, Ventura County, the City of Fresno Retirement Systems, the City of Los Angeles Fire and Police Pension Plan, and the Water and Power Employees' Retirement Plan of the City of Los Angeles.

At Bolton Sam has worked on experience studies for Howard County, public sector valuations, and GASB67 disclosures. Sam is currently the lead analyst for 14 multiemployer and public sector clients, in addition to assisting with special projects. As a newer employee, Sam provides a fresh perspective in reviewing the effectiveness of current procedures. Sam understands the importance of providing timely and accurate actuarial services as public sector plans come under increased scrutiny in the current political climate.

Sam's public sector experience includes:

- Performing and reviewing pension plan valuations
- Conducting experience analysis studies
- Studying the cost impact of proposed changes in plan benefits and funding methodology
- Preparing benefit calculations
- Responding to auditors' requests

Sam holds a BA in mathematics from the University of California, Berkeley. Sam has passed SOA exams P, FM, and MFE.



## SECTION IV: CLIENT REFERENCES

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### CITY OF COCOA, FL

John Titkanich  
City Manager  
65 Stone Street  
Cocoa, FL 32922  
(321) 433-8686

[Please see letter of reference at the end of this section.]

Bolton Partners has assisted the City with various projects related to its retirement plans over the last two years. In 2014, Bolton Partners completed a comprehensive audit and review of the City's Firefighters' plan. Bolton Partners also provided the estimated immediate and long term effects of changing the benefits provided by the Firefighters' plan. This analysis is being used by the City during collective bargaining and pension reform. In 2015, the City requested a similar study be performed to calculate the immediate and long term effects of changing the benefits provided by the Police Officers' plan. These changes include changes in the benefit accrual, the requirements for retirement, the COLA, and the definition of pensionable earnings. We also provided the City with a comprehensive analysis of the effect of HB1309 on the required contributions to the pension plans. The City also retained legal counsel to assist with the drafting and review of proposed changes. We provide John Titkanich, City Manager, as a reference to our responsiveness and expertise during the projects and the collective bargaining process (Please see attached letter of reference).

### MARYLAND STATE RETIREMENT AND PENSION SYSTEM

Melody Countess  
Chief Operating Officer  
120 East Baltimore Street  
Baltimore, MD 21202  
(410) 625-5650

Bolton Partners completed the 2014 actuarial audit of the System. Bolton verified the plan actuary's calculations and provided recommendations to improve the methods and assumptions used to determine funding requirements. The System has over \$50 billion in assets and provides benefits to over 400,000 current and former employees. The audit was completed in August through October of 2014. Bolton Partners met all deadlines and delivered the completed recommendations to the Board at the October meeting. This allowed the Board and plan actuary time to review the recommendations and implement changes immediately without having to postpone to a future valuation. We worked cooperatively with the System's consultant, GRS, to identify the issues and allow for revisions to be implemented in the current valuation.

## TOWN OF DAVIE, FL

William Ackerman  
Director of Budget and Finance  
6591 Orange Drive  
Davie, FL 33314  
(954) 797-1050

Bolton Partners has assisted the Town in the collective bargaining of benefits provided by the Town's three pension plans since 2012. These projects range from providing comments regarding the overall level and funding of benefits to 30 year projections of savings for closing the current plans and entering FRS. In 2015, we assisted the Town in analyzing possible savings opportunities by restricting the transfers to the COLA Reserve and changing the definition of pensionable earnings. We have delivered all projects on time and are available to answer further questions that arise during the bargaining process. These projects involved the review of methods and assumptions used by the plan consultant, DuLaney, to value benefit features of the plan.



City Manager's Office  
65 Stone St. | Cocoa, FL 32922  
Phone: (321) 433-8686 | Fax: (321) 433-8690

September 30, 2015

**RE: Letter of Reference**

To Whom It May Concern:

Bolton Partners has assisted the City of Cocoa with various projects related to our public safety retirement plans over the last two years. They have always been professional and extremely responsive to our needs and provided the City with expert analysis for use during collective bargaining and pension reform efforts.

In 2014, Bolton Partners completed a comprehensive audit and review of the City's Firefighters' plan as well as a review of the City's Police plan. With regard to the City's Firefighters' plan, they provided the estimated immediate and long term effects of changing the benefits provided by the plan. This data and analysis was critical in helping the City formulate its collective bargaining strategy to address pension reform.

In 2015, the City requested a similar study be performed to calculate the immediate and long term effects of changing the benefits provided by the Police Officers' plan. These changes include changes in the benefit accrual, the requirements for retirement, the COLA, and the definition of pensionable earnings. Additionally, they provided the City with a comprehensive analysis of the effect of changes in state legislation on the City's annual required contributions and funding levels of the pension plans.

As you are more than well aware, collective bargaining is a very fluid process and Bolton Partners was frequently called upon to review and provide actuarial analysis on proposals and counterproposals for both of our public safety plans concurrently. With each request, Bolton Partners was highly responsive and met our expectations and deadlines! Moreover, they always provided prompt responses to the City's questions and requests for additional information, and they were always available to discuss their analysis and offer alternate considerations.

Sincerely,

A handwritten signature in black ink that reads 'John A. Titkanich, Jr.'.

John A. Titkanich, Jr.  
City Manager

Stay Connected: [www.CocoaFL.org](http://www.CocoaFL.org)





## SECTION V: COST DETAIL

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### PROPOSE A FEE SCHEDULE FOR SERVICES.

Bolton Partners prides itself on the value of the services we bring to our clients. From our experience, a more adequate and cost effective fee can be provided once the details of the scope are determined. We encourage the City to speak with our references in regard to satisfaction with our fees and work.

Our approach is to propose a fixed fee in advance of each project for approval by the City. We would expect most projects to fall in the range of \$5,000 to \$15,000. The largest fees are commonly for the initial set up of the plans, with additional changes or scenarios adding a marginal cost. Items A through D on page 28 of the RFP we can provide the following fixed fee quotes:

Item A,	Review of two Actuarial Valuation Reports:	\$3,500
Item B,	Review of benefits and long term cost:	\$1,750
Item C,	Five year cost projections:	\$6,000
Item D,	10, 15 and 20 year contribution projections: (Assumes Item C is completed)	\$1,000

Our standard hourly rates are shown below but most projects can be quoted on a fixed fee once the scope is established:

Tom Lowman, FSA, EA	\$478
Kris Seets, FSA, EA	\$315
Sam Tsang, Analyst	\$254
Admin. Assistant	\$127

The majority of hours would be completed at the analyst level with supervision and communications by Kris Seets. Tom Lowman will be available as needed if any special situations arise.



## SECTION VI: PAYMENT SCHEDULE

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### PAYMENT SCHEDULE

Bolton Partners invoices on a monthly basis. Invoices will be billed as Items are completed and payment is due upon receipt of invoice.



## SECTION VII: APPENDICES

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APPENDIX A: SAMPLE BENEFIT STUDY

APPENDIX B: REQUIRED FORMS AND RFP ADDENDA



## APPENDIX A

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Sample Benefit Study



# **Sample City Retirement Plan Benefit Study**

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**Date of Report:** Febraury 8, 2015

**Prepared By:**

Bolton Partners, Inc.  
100 Light Street, 9<sup>th</sup> Floor  
Baltimore, MD 21202

BOLTON  PARTNERS



February 8, 2015

Mr. John Doe  
City Manager  
Sample City  
123 Main Street  
City, FL 32922

Re: *Benefit Study Conducted for the  
Sample City Retirement Plan*

Dear John:

The City requested Bolton Partners, Inc. to estimate the effects of possible changes to the benefits provided by the Sample City Retirement Plan. For each proposed change, we provide an estimated immediate effect to the City's required contribution and an estimated ultimate effect to the City's normal cost rate. Since these changes are prospective, there will be emerging savings as more participants are covered by the new terms.

It is important to note that the effects we have provided are only estimates. The future is uncertain and the cost of benefits will be determined by the experience of the plan. In addition, the City's required contributions are set by the plan actuary and are therefore subject to the methods and assumptions used by the plan actuary.

This report was completed for the Sample City to provide the estimated effects of possible changes to the benefits provided by the Sample City Retirement Plan. These estimates are intended to be used by the City, as the City sees fit, for understanding the future costs of benefits for purposes of future collective bargaining or pension reform. The City should seek legal counsel before implementing any changes to plan benefits.

#### Data and Methods Used in This Report

The methods, assumptions, and participant data used are provided in the October 1, 2013 valuation report prepared by Foster & Foster. We also relied on additional participant information provided by the City including overtime pay by fiscal year and accrued unpaid leave balances. Changes made to plan benefits and assumptions in order to estimate the effect of changes are described in the respective subsections and summarized in Section 2. All changes are assumed to be made as of October 1, 2013 and to affect the City's required contributions for FY2015.

**Bolton Partners, Inc.**

100 Light Street • 9th Floor • Baltimore, Maryland 21202 • (410) 547-0500 • (800) 394-0263 • Fax (410) 685-1924  
*Actuarial, Benefit and Investment Consultants*

Mr. John Doe  
February 8, 2015  
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Data and Methods Used in This Report (cont.)

We believe the information, methods, and assumptions used to be sufficient to provide a reasonable estimate of the effects of changes to plan benefits. The actual effect of any change will be determined by the methods and assumptions used by the plan actuary to determine the City's required contribution.

I, Kristopher Seets, am a member of the Society of Actuaries and meet the qualification standards set by the American Academy of Actuaries to render the actuarial opinions contained herein. We are not aware of any direct or material indirect conflicts of interest that would impair the objectivity of this work.

If you have any questions or would like additional information, I am available at (443) 573-3911.

Sincerely,

**BOLTON PARTNERS, INC.**

A handwritten signature in black ink, appearing to read "K. Seets", is written over the printed name below.

**Kristopher Seets, FSA, EA**

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## **1. Results**

We provide our estimated effects for each plan change in the respective subsections. Each change is assumed to be prospective in that it will not affect any currently accrued benefits. Specific descriptions are provided for each change.

Our estimates assume that participants who are currently eligible for normal or early retirement will not be affected by the changes. The terms used for these estimates (e.g. which participants and years of service are affected by the changes) are not a determination of the terms to be implemented. We have amortized the estimated change to the unfunded actuarial accrued liability over a period of 20 years for the purpose of this report. While we believe this to be a reasonable period, the amortization method applied to any actual changes would be selected by the plan's trustees.

There may be a small additional savings if the City were to extend changes to include participants who are currently eligible for retirement, but it is also possible that those participants would retire or join DROP in order to avoid the effects of the changes. If the City were to extend the changes only to new participants or non-vested participants, there would be less immediate savings, but similar estimated ultimate savings. The City should seek legal counsel before implementing any changes to plan benefits.

For each change, we provide an estimated immediate effect and an estimated ultimate effect. The immediate effect is our estimate of the change to the City's required contribution in the year of implementation. For all of these changes, there will be emerging savings as more participants have a larger portion of their benefits affected by the new terms. The ultimate effect is our estimate of the change to the City's normal cost rate (including expenses) when all employees have their entire benefit subject to the new terms. This will likely be about 20 years after implementation.

### **Increases to Employee Contribution Rates**

The City can receive immediate savings by increasing the employee contribution rate. This does not decrease plan benefits, but instead shifts more of the cost to the participants.

The amount of savings is also easy to quantify. A 1.00% increase to employee contributions would decrease the City's required contribution by 0.92%<sup>1</sup> of employee payroll. For example, if the employee contributions were increased from 6.50% to 8.50%, the City's required contribution for FY2015 would decrease from 68.13% to 66.29% of participant payroll. This relationship can be extended to estimate the combined effect of an increase to employee contributions with any of the other changes being studied.

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<sup>1</sup> This relationship has been estimated based on the decrease to the City's contribution of 1.00% due to the increased offset for employee contributions combined with an increase of 0.08% for the expected increased cost of refunding employee contributions to participants who terminate non-vested.

## 1. Results (cont.)

### Reductions to Benefit Accrual Rate (Benefit Multiplier)

Changing the benefit accrual rate is a very transparent way to adjust benefits. It is easy for all parties to understand the effects of the change. Our estimates assume the change would affect all participants who are not currently retirement eligible and would only reduce the accrual rates for future service (i.e. service after the effective date). We use the City’s FY2015 annual required contribution (ARC) rate of 68.13% of participant payroll and normal cost (NC) rate of 14.30% as the baseline to measure the effect of the change. We assume the City will continue to receive the \$94,660 State Contribution since the measured changes meet or exceed the minimums defined in Chapter 175.

The ultimate effect was calculated assuming all current participants receive a benefit based on the new benefit accrual rate. This will be fully reflected in about 20 years. We believe the best way to express this effect is by comparing the City’s normal cost (NC) rates. Since this is an estimate of the ultimate effect, we assume no unfunded liabilities and focus on the effect to the City’s cost for benefits – the normal cost (NC) rate. We assume the City’s NC rate includes administrative expenses of 3.32% of participant payroll and is offset by the employee and State contributions.

**Table 1 – Estimated Effects of Changes to Benefit Accrual Rate**

<i>Benefit Accrual Rate Per Year of Service</i>	<i>Immediate Effect</i>		<i>Ultimate Effect</i>	
	<i>City’s ARC Rate</i>	<i>Difference</i>	<i>City’s NC Rate</i>	<i>Difference</i>
3.00%	68.13%	0.00%	14.30%	0.00%
2.75%	66.45%	1.68%	12.66%	1.64%
2.50%	64.77%	3.36%	11.01%	3.29%
2.00%	61.41%	6.72%	7.72%	6.58%

The assumed rate for past service is 3.00% in all scenarios. The rates shown in the first column are only applied to service after the effective date. We did not adjust any of the assumptions to reflect the change in accrual rate (e.g. rates of future retirements and terminations). We calculated the estimated effects of lowering the benefit accrual rate to 2.00% per year for future service. The estimates for other rates have been interpolated. We believe these methods to be sufficient for the scope of this report.

This reduction would be reflected immediately in the normal cost (cost for current year benefits) and would not change significantly over time.

## 1. Results (cont.)

### Increases to Requirements for Retirement Eligibility

Table 2 provides the estimated effects to increase the requirements for retirement eligibility to the minimum required by Chapter 175 for all participants who are not currently eligible to retire.

It is possible that the City could provide benefits below the minimum required by Chapter 175 and still receive the State Contribution. The City should seek legal counsel before implementing any changes to plan benefits.

**Table 2 – Estimated Effects of Changes to Retirement Eligibility**

<i>Normal Retirement Date</i>	<i>Immediate Effect</i>		<i>Ultimate Effect</i>	
	<i>City's ARC Rate</i>	<i>Difference</i>	<i>City's NC Rate</i>	<i>Difference</i>
<i>25 Years of Service or Age 52 with 10 Years of Service</i>	68.13%	0.00%	14.30%	0.00%
<i>Age 52 with 25 Years of Service or Age 55 with 10 Years of Service</i>	66.90%	1.23%	13.54%	0.76%

The plan actuary currently assumes all participants will retire (or join DROP) when they reach normal retirement age. In order to estimate the effects of a change to retirement eligibility, we were consistent with the current assumption and assumed all participants would retire (or join DROP) when they reach the new normal retirement age of 52 with 25 years of service or 55 with 10 years of service.

Participants would be eligible to receive their accrued benefits as of the effective date at their normal retirement date under current provisions. We assumed all participants would wait until the new normal retirement date since the participants who would be most affected did not have significant accrued service (i.e. the participants with the largest adjustments to retirement date do not have many years of service). This assumption does cause a larger immediate savings since there would be a reduction to the accrued liabilities and therefore a reduction to the payment toward unfunded liabilities.

Table 3 provides the estimated combined effect of a reduction to future benefit accrual rates and the change to retirement eligibility.

## 1. Results (cont.)

### Increases to Requirements for Retirement Eligibility (cont.)

**Table 3 – Estimated Effects of Changes to Benefit Accrual Rate and Retirement Eligibility**

<i>Benefit Accrual Rate Per Year of Service</i>	<i>Immediate Effect</i>		<i>Ultimate Effect</i>	
	<i>City's ARC Rate</i>	<i>Difference</i>	<i>City's NC Rate</i>	<i>Difference</i>
<i>Baseline<sup>2</sup></i>	68.13%	0.00%	14.30%	0.00%
<i>3.00%<sup>3</sup></i>	66.90%	1.23%	13.54%	0.76%
<i>2.75%</i>	65.17%	2.96%	11.95%	2.35%
<i>2.50%</i>	63.43%	4.70%	10.36%	3.94%
<i>2.00%</i>	59.96%	8.17%	7.18%	7.12%

We did not make any additional changes to the assumptions or methods to reflect the combined effect of both changes.

### Reductions to Cost of Living Adjustments (COLAs)

Cost of Living Adjustments (COLAs) provide participants with valuable protection from inflation during retirement. However, COLAs have a significant cost and the City may decide to reduce the annual adjustments in order to control costs.

We provide the estimated effects of reducing or eliminating the COLAs for future service. Benefits based on service earned prior to the effective date would continue to receive the current plan COLA based on CPI up to 3.00% per year. Similar to the other studies, we also assume participants who are currently eligible to retire would not be affected by the change.

**Table 4 – Estimated Effects of Changes to Cost of Living Adjustments (COLA)**

<i>Annual COLA for Future Service</i>	<i>Immediate Effect</i>		<i>Ultimate Effect</i>	
	<i>City's ARC Rate</i>	<i>Difference</i>	<i>City's NC Rate</i>	<i>Difference</i>
<i>CPI up to 3.00%</i>	68.13%	0.00%	14.30%	0.00%
<i>CPI up to 2.00%</i>	67.58%	0.55%	13.74%	0.56%
<i>CPI up to 1.00%</i>	67.13%	1.00%	13.29%	1.01%
<i>No COLA</i>	66.68%	1.45%	12.84%	1.46%

All scenarios assume the continued structure of only providing COLAs once a retiree has reached age 65. In order to be consistent with the current assumptions, we assume future COLAs will be the maximum in all years. For example, in the *CPI up to 2.00%* scenario, we

<sup>2</sup> This scenario assumes the current plan provisions including retirement eligibility. The other scenarios all assume the change to retirement eligibility.

<sup>3</sup> This is the study shown in Table 2, repeated here for convenience.

## 1. Results (cont.)

### Reductions to Cost of Living Adjustments (COLAs) (cont.)

assume future COLAs will be 2.00% per year for benefits based on future service and 3.00% per year for benefits based on past service. While this is consistent for the immediate change to the City’s ARC (i.e. consistent with current assumption), it does overstate the ultimate effect since there will almost certainly be years where the COLA is below the annual limit. The effects for the 1.00% annual limit were interpolated from the other scenarios. We believe these methods and assumptions to be reasonable for the scope of this project.

This reduction would be reflected immediately in the normal cost (cost for current year benefits) and would not change significantly over time.

### Changes to Pensionable Earnings<sup>4</sup>

Compensation used to determine plan benefits currently includes several types of non-regular wages. These non-basic wages include overtime pay and pay received to “cash-out” unused sick and vacation leave balances at retirement. This compensation received at retirement for unused sick and vacation leave can significantly increase the Average Monthly Compensation used to determine plan benefits. The plan’s actuary currently loads benefits by 20% to account for this non-regular pay.

We provide estimated effects of reducing the amount of non-regular compensation that can be included in pensionable earnings. For each limit, we have estimated an adjustment to the current 20% load used to account for non-regular compensation. The actual effect to the City’s required contribution will depend on the adjustment made by the plan’s actuary.

**Table 5 – Estimated Effects of Changes to Pensionable Earnings**

<i>Limit to Non-Regular Compensation</i>	<i>Immediate Effect</i>		<i>Ultimate Effect</i>	
	<i>City’s ARC Rate</i>	<i>Difference</i>	<i>City’s NC Rate</i>	<i>Difference</i>
<i>Current (No Limit)</i>	68.13%	0.00%	14.30%	0.00%
<i>Up to 300 hours per year</i>	67.47%	0.66%	12.00%	2.30%
<i>Up to 200 hours per year</i>	67.21%	0.92%	11.85%	2.45%
<i>Up to 100 hours per year</i>	67.05%	1.08%	11.55%	2.75%
<i>No Non-Regular Comp</i>	66.79%	1.34%	11.24%	3.06%

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<sup>4</sup> The results and comments in this section are draft and subject to verification of how the load for non-regular compensation is applied by the plan actuary. Results shown assume the load is applied to Average Monthly Compensation. The results would differ significantly if the load is applied to a single year of compensation.

## **1. Results (cont.)**

### **Changes to Pensionable Earnings<sup>4</sup> (cont.)**

These estimates are based on assumed adjustments to the current load of 20% used to reflect non-regular compensation. The assumed adjustments for each scenario are included in Section 2. While we believe our methods to be reasonable, the effect to the City's required contribution will depend on the adjustments made by the plan's actuary.

For the immediate effect, we have assumed that all participants would be able to include their current accrued unpaid leave amounts even if they were to exceed the maximum. We also assumed that the restrictions would not apply to participants who are currently eligible for retirement. The estimated ultimate effect does not have these restrictions since this is intended to represent the savings after all current participants have left employment. This creates a significant increase to ultimate savings as the current participants with large balances are replaced by new participants after the effective date. Participants will still accrue leave balances, but the amounts used for pensionable earnings would be restricted.

While similar calculations were not completed for the City's Police Officers' Retirement Plan, we would expect similar (not exact) results. The adjustments made in the Police plan's April 10, 2014 Actuarial Impact Statement prepared by Foster & Foster appear to be consistent with our analysis.

## **2. Summary of Assumptions and Methods**

The baseline figures are based on the methods, assumptions, participant information, and plan provisions provided in the October 1, 2013 actuarial valuation report prepared by Foster & Foster. The estimates provided are based on these same methods, assumptions, participant information, and provisions except as explicitly described within this report. All estimated changes to the plan's unfunded actuarial accrued liability were assumed to be amortized over a period of 20 years at the amortization rate used in the 2013 valuation (i.e. 8.00% interest and 0.00% payroll growth). We believe this to be a reasonable period, but the actual amortization period for any changes would be set by the plan trustees.

While we believe our methods and assumptions to be reasonable for the purpose of this report, the actual effects to the City's required contributions will be determined by the methods and assumptions chosen by the plan's actuary. The true cost of the plan will depend on the future experience of the plan's investments and the plan participants.

### **Adjustments to Expected Future Retirement Rates**

In order to estimate the effect of increased retirement eligibility requirements shown in Tables 2 and 3, we adjusted the assumed rates of future retirements. To be consistent with the current assumption, we assumed all participants would retire (or join DROP) upon reaching eligibility for normal retirement.

We assume that current participants would be able to retire as of the current normal retirement date, but that benefits earned after the effective date would be reduced for early commencement. We did not assume any participants would elect to retire prior to the date they could receive all benefits without reduction. Those currently eligible to retire were not assumed to be effected. Those close to retirement generally did not have significant changes to their normal retirement dates. Those with significant changes to normal retirement dates did not generally have significant amounts of accrued service.

### **Adjustments to Expected Future COLA Rates**

In order to estimate the effect of changes to the COLAs for future service shown in Table 4, we adjusted the assumed COLA rates. In order to be consistent with the current assumption, we assumed all future COLAs would be equal to the limit. This set of assumptions is conservative since it is highly unlikely that the annual change to CPI would exceed the limit in every year; however, we did not want to measure the years below the limit as the effect of the change. While this is consistent for the immediate change to the City's ARC (i.e. consistent with current assumption), it does overstate the ultimate effect since there will almost certainly be years where the COLA is below the annual limit.

## 2. Summary of Assumptions and Methods (cont.)

### Adjustments to Expected Future COLA Rates (cont.)

Our estimates assume the new COLA limits would only apply to benefits based on future service. For example, if a participant had 13 years of service as of the effective date and later retired with 26 years of service, then ½ of his retirement benefit would be subject to the 3.00% annual COLA limit and ½ of his benefit would be subject to the reduced annual COLA limit. A similar proration is assumed for disability benefits that are not based on years of service. The methods used for this study do not determine those to be implemented; however, this application is consistent based on our interpretation of the methods used by FRS. The City should seek legal counsel before making implementing any changes to plan benefits.

The results shown in Table 4's *CPI up to 1.00%* scenario are interpolated as the arithmetic average of the results shown for the *CPI up to 2.00%* and *No COLA* scenarios.

### Adjustments to the Load for Non-Regular Compensation

The estimated effects of changes to pensionable earnings shown in Table 5 are based on assumed adjustments to the 20% load currently used to account for non-regular compensation.

**Table 6 – Loads Used to Estimate Changes to Non-Regular Earnings**

<i>Limit to Non-Regular Compensation</i>	<i>Immediate Load<sup>5</sup></i>	<i>Ultimate Load</i>
<i>Current (No Limit)</i>	20.00%	20.00%
<i>Up to 300 hours per year</i>	19.00%	5.00%
<i>Up to 200 hours per year</i>	18.00%	4.00%
<i>Up to 100 hours per year</i>	18.00%	2.00%
<i>No Non-Regular Comp</i>	17.00%	0.00%

The load was set for each scenario based on analysis of overtime pay during FY2011-FY2013 and current unpaid sick and vacation balances provided by the City. Each participant's assumed non-regular compensation at retirement was estimated based on current service and balances projected to retirement. These estimated projected balances were assumed to be consistent with the current 20.00% load.

For each scenario, the projected balances were restricted by the limit. The restricted projected balances were compared to the unrestricted projected balances in order to estimate an adjustment to the Ultimate Load (the load applied to estimate the ultimate effect). The Immediate Loads (the loads applied to estimate the immediate effect) were determined by comparing to the current

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<sup>5</sup> For each scenario (other than *Current (No Limit)*), the load shown is the average for the vested participants. The average for the participants with five or more years of service was 14% for the 300 hour limit scenario. Loads were set by individual in order to more accurately model the relationship between service and accrued leave balances.

## **2. Summary of Assumptions and Methods (cont.)**

### **Adjustments to the Load for Non-Regular Compensation (cont.)**

balances under the assumption that the unpaid leave balances accrued prior to the effective date would not be subject to the limits. We also assumed that participants who are currently eligible to retire would not be affected. These immediate loads were set by individual in order to more accurately model the relationship between service and accrued leave balances.

No adjustments were made to reduce the annual earnings used for valuation purposes by the overtime pay (which would also decrease contributory payroll). The effects of the change were only estimated by reducing the current 20% load for non-regular compensation. We believe this method to be reasonable for these purposes.

### **3. Actuarial Certification**

This report sets forth our estimates of the effects to the Sample City's (the City) annual required contributions due to possible changes in benefits provided by the Sample City's Retirement Plan (the Plan).

These calculations are deterministic in that they are based on a single set of assumptions. This set of assumptions is only one possible basis for these calculations. Other assumptions may be equally valid. The future is uncertain and the Plan's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between assumptions. We may consider that some factors are not material to these calculations and may not provide a specific assumption for those factors. We have used the methods and assumptions as described in the October 1, 2013 actuarial valuation report prepared by Foster & Foster. We have adjusted the methods and assumptions as we deemed appropriate in order to model the potential changes to plan benefits. We believe these adjustments to be reasonable based on the information provided to us by the City as of the date of this report. If similar work is completed at a future date, assumptions and methods will be selected based on the then current information and may differ from the assumptions and methods used in this report.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A sensitivity analysis shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilized in this report. We have not been engaged to perform such a sensitivity analysis and thus the results of such an analysis are not included in this report. At the City's request, Bolton Partners, Inc. is available to perform such a sensitivity analysis.

The City could reasonably ask how the results would change if we used a different assumption set or if plan experience exhibited variations from our assumptions. This report does not contain such an analysis. This type of analysis would be a separate assignment.

The cost of this plan is determined by the benefits promised by the plan, the plan's participant population, the investment experience of the plan and many other factors. As the experience of the plan evolves, it is normal for the level of contributions to the plan to change. The plan sponsor is responsible for funding the cost of the plan.

We make every effort to ensure our calculations are accurately performed. These calculations are complex. Despite our best efforts, we may make a mistake. We reserve the right to correct any potential errors by amending the results of this report or by including the corrections in a future report.

### 3. Actuarial Certification (cont.)

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of the results provided.

This report is based on plan provisions, participant information, and actuarial reports provided by the City. We have relied on this information for purposes of preparing this report, but have not performed an audit. The accuracy of the results presented in this report is dependent on the accuracy and completeness of the underlying information. The plan sponsor is solely responsible for the validity and completeness of this information.

The information in this report was prepared for internal use of the City for understanding the future costs of benefits for purposes of future collective bargaining or pension reform. It is neither intended nor necessarily suitable for other purposes. Bolton Partners, Inc. is not responsible for the consequences of any other use.

The City should notify Bolton Partners, Inc. promptly after receipt of this report if the City disagrees with anything contained in the report or is aware of any information that would affect the results of the report that has not been communicated to Bolton Partners, Inc. or incorporated therein. The report will be deemed final and acceptable by the City unless the City promptly provides such notice to Bolton Partners, Inc.

The undersigned credentialed actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. He is currently compliant with the Continuing Professional Development requirement of the Society of Actuaries. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest that would impair the objectivity of our work.

I am available to answer questions on the material in this report to provide explanations or further details as appropriate.

**BOLTON PARTNERS, INC.**



**Kristopher Seets, ASA, EA**



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## Required Forms and RFP Addenda

Required Forms - Total Cost, Subcontractors, Proposer, Corporation  
Anti-Kickback Affidavit  
Sworn Statement – Public Entity Crimes  
Indemnification Form  
Local Vendor Form  
Equal Benefits for Domestic Partners Affidavit  
Cone of Silence Affidavit  
Addendum No. 1  
Addendum No. 2  
Addendum No. 3  
Florida Business Certificate  
Certificate of Insurance

**THE FOLLOWING WILL BE SUBMITTED WITH THE PROPOSAL**

List items to be performed by CONSULTANT'S own forces and the estimated total cost of these items. (Use additional sheets if necessary.)

See Section V of Proposal (page 18) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**SUBCONTRACTORS**

The Proposer further proposes that the following subcontracting firms or businesses will be awarded subcontracts for the following portions of the work in the event that the Proposer is awarded the Contract:

N/A  
Name \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

PROPOSER

The name of the Proposer submitting this Proposal is

**Bolton Partners, Inc.** \_\_\_\_\_ doing business at

**7279 Panache Way** \_\_\_\_\_, **Boca Raton** \_\_\_\_\_, **FL** \_\_\_\_\_, **33433** \_\_\_\_\_  
Street City State Zip

which is the address to which all communications concerned with this Proposal and with the Contract shall be sent.

The names of the principal officers of the corporation submitting this Proposal, or of the partnership, or of all persons interested in this Proposal as principals are as follows:

**Robert G Bolton - President** \_\_\_\_\_

**Thomas B. Lowman – VP Secretary** \_\_\_\_\_

\_\_\_\_\_

If Sole Proprietor or Partnership

IN WITNESS hereto the undersigned has set his (its) hand this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

\_\_\_\_\_  
Signature of Proposer

\_\_\_\_\_  
Title

If Corporation

IN WITNESS WHEREOF the undersigned corporation has caused this instrument to be executed and its seal affixed by its duly authorized officers this 12th day of October 2015.

(SEAL)



**Bolton Partners, Inc.**

Name of Corporation

By [Signature]

Title Vice President

Attest [Signature]

Secretary

**ANTI – KICKBACK AFFIDAVIT**

STATE OF Maryland )  
 : SS  
COUNTY OF Baltimore City )

I, the undersigned hereby duly sworn, depose and say that no portion of the sum herein bid will be paid to any employees of the City of Key West as a commission, kickback, reward or gift, directly or indirectly by me or any member of my firm or by an officer of the corporation.

By:   
**Thomas B. Lowman**

Sworn and subscribed before me this 12th day of October, 2015.

NOTARY PUBLIC, State of Maryland at Large

My Commission Expires:





**SWORN STATEMENT UNDER SECTION 287.133(3)(A)**  
**FLORIDA STATUTES, ON PUBLIC ENTITY CRIMES**

**THIS FORM MUST BE SIGNED IN THE PRESENCE OF A NOTARY PUBLIC OR OTHER OFFICER AUTHORIZED TO ADMINISTER OATHS.**

1. This sworn statement is submitted with Bid or Proposal for **RFP # 01-016**

\_\_\_\_\_

**Pension Benefit Consultant**

2. This sworn statement is submitted by **Bolton Partners, Inc.**

\_\_\_\_\_ (Name of entity submitting sworn statement)

whose business address is **7279 Panache Way, Boca Raton, FL 33433**

\_\_\_\_\_

and (if applicable) its Federal Employer Identification Number (FEIN) is **52-1231144**

\_\_\_\_\_

(If the entity has no FEIN, include the Social Security Number of the individual signing this sworn statement \_\_\_\_\_)

3. My name is **Thomas B. Lowman**

\_\_\_\_\_ (Please print name of individual signing)

and my relationship to the entity named above is **VP - Secretary**

4. I understand that a “public entity crime” as defined in Paragraph 287.133(1)(g), Florida Statutes, means a violation of any state or federal law by a person with respect to and directly related to the transaction of business with any public entity or with an agency or political subdivision of any other state or with the United States, including but not limited to, any bid or contract for goods or services to be provided to any public or an agency or political subdivision of any other state or of the United States and involving antitrust, fraud, theft, bribery, collusion, racketeering, conspiracy, material misrepresentation.

5. I understand that “convicted” or “conviction” as defined in Paragraph 287.133(1)(b), Florida Statutes, means a finding of guilt or a conviction of a public entity crime, with or without an adjudication guilt, in any federal or state trial court of record relating to charges brought by indictment information after July 1, 1989, as a result of a jury verdict, nonjury trial, or entry of a plea of guilty or nolo contendere.
  
6. I understand that an “affiliate” as defined in Paragraph 287.133(1)(a), Florida Statutes, means
  - a. A predecessor or successor of a person convicted of a public entity crime; or
  
  - b. An entity under the control of any natural person who is active in the management of the entity and who has been convicted of a public entity crime. The term “affiliate” includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in the management of an affiliate. The ownership by one person of shares constituting controlling interest in another person, or a pooling of equipment or income among persons when not for fair market value under an arm’s length agreement, shall be a prima facie case that one person controls another person. A person who knowingly enters into a joint venture with a person who has been convicted of a public entity crime in Florida during the preceding 36 months shall be considered an affiliate.
  
7. I understand that a “person” as defined in Paragraph 287.133(1)(8), Florida Statutes, means any natural person or entity organized under the laws of any state or of the United States with the legal power to enter into a binding contract and which bids or applies to bid on contracts for the provision of goods or services let by a public entity, or which otherwise transacts or applies to transact business with public entity. The term “person” includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in management of an entity.
  
8. Based on information and belief, the statement which I have marked below is true in relation to the entity submitting this sworn statement. (Please indicate which statement applies).

  X   Neither the entity submitting this sworn statement, nor any officers, directors, executives, partners, shareholders, employees, members, or agents who are active in management of the entity, nor any affiliate of the entity have been charged with and convicted of a public entity crime subsequent to July 1, 1989, AND (Please indicate which additional statement applies.)

       There has been a proceeding concerning the conviction before a hearing of the State of Florida, Division of Administrative Hearings. The final order entered by the hearing officer did not place the person or affiliate on the convicted VENDOR list. (Please attach a copy of the final order.)

\_\_\_\_\_The person or affiliate was placed on the convicted VENDOR list. There has been a subsequent proceeding before a hearing officer of the State of

Florida, Division of Administrative Hearings. The final order entered by the hearing officer determined that it was in the public interest to remove the person or affiliate from the convicted VENDOR list. (Please attach a copy of the final order.)

\_\_\_\_\_The person or affiliate has not been put on the convicted VENDOR list. (Please describe any action taken by or pending with the Department of General Services.)



\_\_\_\_\_  
(Signature)

**October 12, 2015**

\_\_\_\_\_  
(Date)

STATE OF Maryland

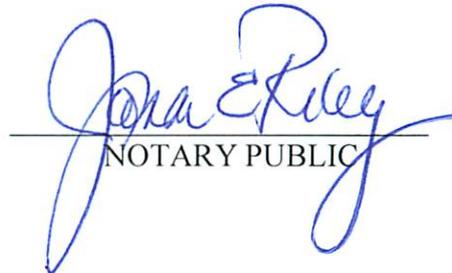
COUNTY OF Baltimore City

PERSONALLY APPEARED BEFORE ME, the undersigned authority,

**Thomas B. Lowman** who, after first being sworn by me, affixed his/her  
(Name of individual signing)

Signature in the space provided above on this 12th day of October, 2015.

My commission expires:



\_\_\_\_\_  
NOTARY PUBLIC



**CITY OF KEY WEST INDEMNIFICATION FORM**

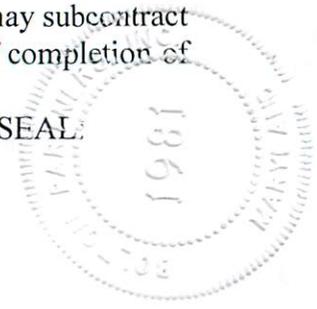
To the fullest extent permitted by law, the CONSULTANT expressly agrees to indemnify and hold harmless the City of Key West, their officers, directors, agents and employees (herein called the "indemnitees") from any and all liability for damages, including, if allowed by law, reasonable attorney's fees and court costs, such legal expenses to include costs incurred in establishing the indemnification and other rights agreed to in this Paragraph, to persons or property, caused in whole or in part by any act, omission, or default by CONSULTANT or its subcontractors, material men, or agents of any tier or their employees, arising out of this agreement or its performance, including any such damages caused in whole or in part by any act, omission or default of any indemnitee, but specifically excluding any claims of, or damages against an indemnitee resulting from such indemnitee's gross negligence, or the willful, wanton or intentional misconduct of such indemnitee or for statutory violation or punitive damages except and to the extent the statutory violation or punitive damages are caused by or result from the acts or omissions of the CONSULTANT or its subcontractors, material men or agents of any tier or their respective employees.

Indemnification by CONSULTANT for Professional Acts. CONSULTANT hereby agrees to indemnify the City of Key West and each of its parent and subsidiary companies and the directors, officers and employees of each of them (collectively, the "indemnitees"), and hold each of the indemnitees harmless, against all losses, liabilities, penalties (civil or criminal), fines and expenses (including reasonable attorneys' fees and expenses) (collectively, "Claims") to the extent resulting from the performance of CONSULTANT'S negligent acts, errors or omissions, or intentional acts in the performance of CONSULTANT'S services, or any of their respective affiliates, under this Agreement. If claims, losses, damages, and judgments are found to be caused by the joint or concurrent negligence of the City of Key West and CONSULTANT, they shall be borne by each party in proportion to its negligence.

The indemnification obligations under this Agreement shall not be restricted in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for the CONSULTANT under Workers' Compensation acts, disability benefits acts, or other employee benefits acts, and shall extend to and include any actions brought by or in the name of any employee of the CONSULTANT or of any third party to whom CONSULTANT may subcontract a part or all of the Work. This indemnification shall continue beyond the date of completion of work.

CONSULTANT: **Bolton Partners, Inc.**

SEAL



**7279 Panache Way, Boca Raton, FL 33433**

Address

Signature

**Thomas B. Lowman**

Print Name

**VP - Secretary**

Title

DATE: **October 12, 2015**

**LOCAL VENDOR CERTIFICATION PURSUANT TO  
CITY OF KEY WEST ORDINANCE 09-22 SECTION 2-798**

The undersigned, as a duly authorized representative of the VENDOR listed herein, certifies to the best of his/her knowledge and belief, that the VENDOR meets the definition of a "Local Business." For purposes of this section, "local business" shall mean a business which:

- a. Principle address as registered with the FL Department of State located within 30 miles of the boundaries of the city, listed with the chief licensing official as having a business tax receipt with its principle address within 30 miles of the boundaries of the city for at least one year immediately prior to the issuance of the solicitation.
- b. Maintains a workforce of at least 50 percent of its employees from the city or within 30 miles of its boundaries.
- c. Having paid all current license taxes and any other fees due the city at least 24 hours prior to the publication of the call for bids or request for proposals.
  - Not a local VENDOR pursuant to Ordinance 09-22 Section 2-798
  - Qualifies as a local VENDOR pursuant to Ordinance 09-22 Section 2-798

If you qualify, please complete the following in support of the self-certification & submit copies of your County and City business licenses. Failure to provide the information requested will result in denial of certification as a local business.

Business Name Not Applicable Phone: \_\_\_\_\_

Current Local Address: \_\_\_\_\_ Fax: \_\_\_\_\_  
(P.O Box numbers may not be used to establish status)

Length of time at this address: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_  
Signature of Authorized Representative

STATE OF \_\_\_\_\_ COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

By \_\_\_\_\_, of \_\_\_\_\_  
(Name of officer or agent, title of officer or agent) (Name of corporation acknowledging)

or has produced identification \_\_\_\_\_ as identification  
(Type of identification)

\_\_\_\_\_  
Signature of Notary

\_\_\_\_\_  
Print, Type or Stamp Name of Notary

\_\_\_\_\_  
Title or Rank

Return Completed form with  
Supporting documents to:  
City of Key West Purchasing

**EQUAL BENEFITS FOR DOMESTIC PARTNERS AFFIDAVIT**

STATE OF Maryland )  
: SS  
COUNTY OF Baltimore City )

I, the undersigned hereby duly sworn, depose and say that the firm of Bolton Partners, Inc. provides benefits to domestic partners of its employees on the same basis as it provides benefits to employees' spouses per City of Key West Ordinance Sec. 2-799.

By: 

Sworn and subscribed before me this  
12th Day of October, 2015.

  
NOTARY PUBLIC, State of Maryland at Large  
My Commission Expires: June 5, 2018



**CONE OF SILENCE AFFIDAVIT**

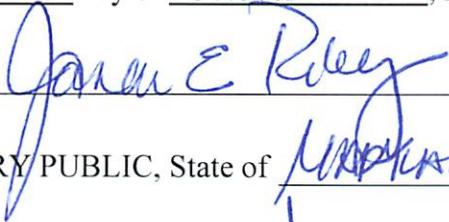
STATE OF Maryland )  
: SS  
COUNTY OF Baltimore City )

I the undersigned hereby duly sworn depose and say that all owner(s), partners, officers, directors, employees and agents representing the firm of Bolton Partners, Inc. have read and understand the limitations and procedures regarding communications concerning City of Key West issued competitive solicitations pursuant to City of Key West Ordinance Section 2-773 Cone of Silence (attached).



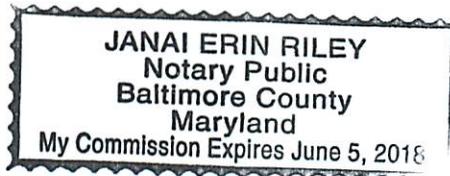
Sworn and subscribed before me this

12th Day of October, 2015.

  
\_\_\_\_\_

NOTARY PUBLIC, State of MARYLAND at Large

My Commission Expires: June 5, 2018





THE CITY OF KEY WEST

P. O. BOX 1409  
KEY WEST, FLORIDA 33041-1409  
www.keywestcity.com

ADDENDUM NO. 1

To All Proposers:

The following change is hereby made a part of RFP #01-016 as fully as completely as if the same were fully set forth therein:

The following is a list of addenda that shall govern all other contract documents to the extent specified.

**Addendum No. 1**

The following revision is hereby made a part of the Contract Documents as fully as completely as if the same were fully set forth therein:

The latest actuarial valuation reports for both the General Employees Pension Plan and the Firefighters and Police Officers Pension Plan

All Proposers shall acknowledge receipt and acceptance of this Addendum No.1 by acknowledging Addendum in their proposal or by submitting the addendum with the proposal package. Bids submitted without acknowledgement or without this Addendum may be considered non-responsive.

  
\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Name of Business

## ADDENDUM NO. 2

To All Proposers:

The following change is hereby made a part of RFP #01-016 as fully as completely as if the same were fully set forth therein:

The following is a list of addenda that shall govern all other contract documents to the extent specified.

### **Addendum No. 2**

The following revision is hereby made a part of the Contract Documents as fully as completely as if the same were fully set forth therein:

1. Are either or both of the current actuaries providing a response to this RFP?

Answer: We do not know.

2. Are you open to proposals where the actuarial services are delivered by out-of-state offices?

Answer: The City of Key West accepts all proposals that comply with the requirements stipulated in the request for proposal.

3. For each plan, please provide a copy of the most recent actuarial valuation reports that provide accounting disclosure determinations and recommended funding.

Answer: These reports are already provided as Addendum 1, which can be found on DemandStar and the City's website.

4. For each plan, please provide copies of any prior benefit studies relating to proposed changes to the pension plan, and analyses, if any, of a proposed transition to the Florida Retirement System.

Answer: There are none.

All Proposers shall acknowledge receipt and acceptance of this Addendum No.2 by acknowledging Addendum in their proposal or by submitting the addendum with the

proposal package. Bids submitted without acknowledgement or without this Addendum may be considered non-responsive.



Signature



Name of Business

ADDENDUM NO. 3

To All Proposers:

The following change is hereby made a part of RFP #01-016 as fully as completely as if the same were fully set forth therein:

The following is a list of addenda that shall govern all other contract documents to the extent specified.

**Addendum No. 3**

The following revision is hereby made a part of the Contract Documents as fully as completely as if the same were fully set forth therein:

Question: We are the actuaries for the General Employees Plan Pension Board. As such, are we precluded from consideration by the City? If not, our procedure is to communicate to our client we are considering bidding on this work. Is communication with the General Employees Plan Pension Board acceptable under the *cone of silence*?

Answer: No, you are not precluded from consideration. Under the Cone of Silence, certain written communication is permitted. Please refer to the Cone of Silence ordinance (attached to the RFP) for details.

All Proposers shall acknowledge receipt and acceptance of this Addendum No.3 by acknowledging Addendum in their proposal or by submitting the addendum with the proposal package. Bids submitted without acknowledgement or without this Addendum may be considered non-responsive.

  
Signature

  
Name of Business

# *State of Florida*

## *Department of State*

I certify from the records of this office that BOLTON PARTNERS, INC. is a Maryland corporation authorized to transact business in the State of Florida, qualified on April 8, 1999.

The document number of this corporation is F99000001831.

I further certify that said corporation has paid all fees due this office through December 31, 2015, that its most recent annual report/uniform business report was filed on January 13, 2015, and its status is active.

I further certify that said corporation has not filed a Certificate of Withdrawal.

*Given under my hand and the  
Great Seal of the State of Florida  
at Tallahassee, the Capital, this  
the Thirteenth day of January,  
2015*



*Ken Detjmer*  
*Secretary of State*

Authentication ID: CU7345321558

To authenticate this certificate, visit the following site, enter this ID, and then follow the instructions displayed.

<https://efile.sunbiz.org/certauthver.html>



## COMMENTS/REMARKS

\$5,000,000 E & O retro date 1/1/81  
\$6,000,000 E & O retro date 4/1/15

## Additional Named Insureds

### Other Named Insureds

BOD Group, Inc

Bolton Health Actuarial, Inc

Bolton Partners Inc

Bolton Partners Investment Consulting Group, Inc

Bolton Partners Northeast Inc

Bolton Partners, DC Inc.