



**Cavanaugh Macdonald  
CONSULTING, LLC**

*The experience and dedication you deserve*



**City of Key West**

**RFP # 01-016 For  
Pension Benefit Consultant**

**Due: October 14, 2015**

<b>Name of Firm:</b>	<b>Cavanaugh Macdonald Consulting, LLC</b>
<b>Address:</b>	<b>3550 Busbee Parkway, Suite 250 Kennesaw, GA 30144</b>
<b>Website:</b>	<b><a href="http://www.CavMacConsulting.com">www.CavMacConsulting.com</a></b>
<b>Contact Person:</b>	<b>Jose I. Fernandez, FCA, ASA, MAAA, EA</b>
<b>Contact Person's Email Address:</b>	<b>JoseF@CavMacConsulting.com</b>
<b>Telephone number:</b>	<b>678-388-1700</b>
<b>Fax number:</b>	<b>678-388-1730</b>





## **1. COVER LETTER**

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October 14, 2015

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

### **RE: RFP #01-016 For Pension Benefit Consultant for the City of Key West**

Attn: City Clerk:

Cavanaugh Macdonald Consulting, LLC (CMC) is pleased to offer our proposal to provide benefit consulting services for the City of Key West. In our proposal, we will demonstrate that of all actuarial consulting firms serving the public sector retirement community, we present the best combination of experience and expertise with a fresh approach to client service.

Cavanaugh Macdonald Consulting, LLC (CMC) was founded in 2005 to offer state and local governments actuarial consulting services for their employee pension and benefit plans. Actuarial consulting services are our sole business. To be more specific, public sector actuarial consulting services is our only business.

CMC currently has 31 employees, including 16 credentialed actuaries, all of whom are qualified to issue Public Statements of Actuarial Opinion as members of the American Academy of Actuaries (MAAA). Senior staff of CMC average 25 years of experience – all of those years serving public sector benefit plans. We have chosen to focus our time, talent, and resources solely in one specific area of actuarial practice, working with governmental plans.

The City's proposed Co-Lead actuaries, Jose Fernandez and Todd Green have been serving public sector pension plans since 1980 and 1997 respectively.

The undersigned, hereinafter call the Proposer, declares that the only persons or parties interested in this proposal are those named herein, that this Proposal is, in all respects, fair and without fraud, that it is made without collusion with any official of the Owner, and that the Proposal is made without any connection or collusion with any person submitting another Proposal on this Contract.

The Proposer further declares that we have carefully examined the Contract Documents and that this Proposal is made according to the provisions and under the terms of the Contract Documents, which Documents are hereby made part of this Proposal.

The Proposer hereby acknowledge that we have received Addenda No's 1, 2 and 3.

The Proposer agrees that all addenda issued are hereby made part of the Contract Documents, and the Proposer further agree that this Proposal includes all impacts resulting from said addenda.



## 1. COVER LETTER

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The undersigned are authorized to bind CMC to the provisions of our proposal and to clarify the information provided. This response will remain valid for ninety (90) days from the date of this letter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jose Fernandez'.

Jose Fernandez, FCA, ASA, MAAA, EA  
Cavanaugh Macdonald Consulting, LLC  
3550 Busbee Parkway, Suite 250  
Kennesaw, GA 30144  
678-388-1718 – phone; 678-388-1730 - fax  
JoseF@CavMacConsulting.com  
www.CavMacConsulting.com

A handwritten signature in blue ink, appearing to read 'Todd Green'.

Todd Green, FCA, ASA, MAAA  
Cavanaugh Macdonald Consulting, LLC  
3550 Busbee Parkway, Suite 250  
Kennesaw, GA 30144  
678-388-1705 – phone; 678-388-1730 - fax  
ToddG@CavMacConsulting.com  
www.CavMacConsulting.com



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### 3. TRANSMITTAL LETTER

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**This letter will summarize in a brief and concise manner the Proposer’s understanding of the work to be performed, the commitment to perform the work within the anticipated time period, a statement why the firm believes itself to be best qualified to provide the services, and a statement that the proposal remains in effect for ninety (90) days. An authorized agent of the Proposer must sign the Letter of Transmittal indicating the agent’s title or authority.**

The transmittal letter is provided on the following pages.



# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

## **3. TRANSMITTAL LETTER**

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October 14, 2015

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

### **RE: RFP #01-016 For Pension Benefit Consultant for the City of Key West**

Attn: City Clerk:

Cavanaugh Macdonald Consulting, LLC (CMC) is pleased to offer our proposal to provide benefit consulting services for the City of Key West. In our proposal, we will demonstrate that of all actuarial consulting firms serving the public sector retirement community, we present the best combination of experience and expertise with a fresh approach to client service.

We have the proven ability are willing to perform the services described in the RFP within the anticipated time period. For many of our clients we have performed the required services, including:

- Review of actuarial valuations prepared by other actuarial firms.
- Evaluating plan design alternatives and their impact on funding.
- Communicating with pension boards and other parties on the short and long term benefit and financing effects.
- Proposing options to control pension costs while working with cities and bargaining units.
- Maintaining competitive benefits.

Our strengths include:

- Senior staff of CMC average 25 years of experience serving public sector benefit plans – the expertise and knowledge of our staff regarding public sector actuarial consulting is as great if not greater than any of our competitors.
- Currently serve as the retained pension actuary for statewide retirement systems in Alabama, Colorado, Connecticut, Georgia, Iowa, Kansas, Kentucky, Minnesota, Mississippi, Montana, New Mexico, Ohio, Oklahoma, Virginia, and the District of Columbia

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

Phone (678) 388-1700 • Fax (678) 388-1730

[www.CavMacConsulting.com](http://www.CavMacConsulting.com)

Offices in Englewood, CO • Kennesaw, GA • Bellevue, NE



### 3. TRANSMITTAL LETTER

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- Currently serve as retained actuaries to local municipal Retirement Systems in various states around the Country.
- We are familiar with the provision of Florida Chapters 112, 175 and 185.
- Extensive experience with Florida retirement systems. Currently, we are the actuary for the City of Hollywood Police Officers Retirement System, the City of Miami General Employees and Sanitation Employees Retirement Trust, the City of Pensacola Employees Retirement Plan, the City of Pinellas Park General Employees' Pension Plan and the City of Pompano Beach General Employees' Retirement System. We also serve as the benefit consultant to the City of Fort Lauderdale, the Town of Palm Beach, the City of Palm Beach Gardens, and the City of Winter Garden on pension design and financing issues. We also provide actuarial services for several health plans in Florida.

We understand the work to include the following which will be completed within 100 days of from award of the contract:

- A) Review and comment on the most recent Actuarial Valuation Reports for the two City defined benefit retirement systems.
- B) Review and evaluate the City's pension ordinance as well as plan amendments, benefits structure changes, collective bargaining agreements and any other factors affecting the costs of the plans and comment on their impact on the short and long term costs of the pension fund.
- C) Provide a five-year projection of the City's required annual contribution for the five fiscal years following the latest actuarial report, based on current benefit levels and actual experience for the most recent preceding five year period and the current assumptions and cost methods of each of the two retirement systems.
- D) Provide a future projection of the City's required annual contribution at ten years, fifteen years, and twenty years following the latest actuarial report based on current benefit levels and current assumptions and cost methods of each of the two retirement systems.
- E) Provide a five-year projection of the City's required annual contribution for various alternatives to the two current retirement systems.
- F) Provide a future projection of the City's required annual contribution at ten years, fifteen years, and twenty years for various alternatives to the two current retirement systems.
- G) Provide an analysis of the effects of changes to the Fire and Police Pension systems on state premium tax revenue received. Provide estimates of anticipated changes.
- H) Provide a projection of future costs, an analysis of labor market competitiveness, and discuss the advantages and disadvantages of defined contribution plans. The projection of future costs is to be comparable to the projections for defined benefit plans to allow for the appropriate comparison and cost benefit analysis.
- I) Provide a comparative analysis of the Florida Retirement system, the current City retirement systems, and the various alternatives studied.





### 3. TRANSMITTAL LETTER

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- J) Include a review and comparative analysis of various alternatives to the Deferred Retirement Option Plan (DROP).
- K) Provide an impact statement and cost estimate of transition to the Florida Retirement System.
- L) When applicable, provide a comparative analysis of alternatives in a manner that considers application of benefits to (1) all eligible employees, and (2) new hires.
- M) Provide suggestions for alternative options, including “hybrid” plans consisting of a combination of defined benefits and defined contributions.
- N) Summarize all of the analysis and information in a report prepared in a manner that allows for understanding by City Commission, City staff and the public. The report shall facilitate the process of deciding the appropriate course of action in regards to retirement benefits of City employees.
- O) Selected firm should plan to meet with City staff at least twice in Key West
- P) Present the report to the City Commission at a Workshop or regular meeting.


CMC has been providing actuarial consulting services to public sector pension plans since its inception in 2005. Jose Fernandez and Todd Green have been serving public sector pension plans since 1980 and 1997 respectively. The email addresses for Jose and Todd are [JoseF@CavMacConsulting.com](mailto:JoseF@CavMacConsulting.com) and [ToddG@CavMacConsulting.com](mailto:ToddG@CavMacConsulting.com) respectively.

As requested, we are enclosing one (1) original and two (2) flash drives with one single PDF file. The undersigned are authorized to bind CMC to the provisions of our proposal. This response will remain valid for ninety (90) days from the date of this letter.

We welcome this opportunity to present our capabilities and look forward to a mutually beneficial working relationship.

Sincerely,

  
Jose L. Fernandez, ASA, FCA, MAAA, EA  
Principal and Consulting Actuary

  
Todd B. Green ASA, FCA, MAAA  
Principal and Consulting Actuary





#### 4. TECHNICAL PROPOSAL

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- **Introduction Letter – a letter introducing the company including the corporate name, address and telephone number of principal office, number of years in business and size of staff. Indicate the primary person responsible for this project.**

The Introduction Letter is provided on the following pages.



**Cavanaugh Macdonald**  
CONSULTING, LLC  
*The experience and dedication you deserve*

**INTRODUCTION LETTER**

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October 14, 2015

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

**RE: RFP #01-016 For Pension Benefit Consultant for the City of Key West**

Attn: City Clerk:

Cavanaugh Macdonald Consulting, LLC, (CMC) was founded in 2005 to provide actuarial consulting services exclusively to public sector entities. CMC currently has 31 employees, including 16 credentialed actuaries, all of whom are qualified to issue Public Statements of Actuarial Opinion as members of the American Academy of Actuaries (MAAA).

Our senior staff average over 25 years of experience working with state and local government retirement systems. Jose Fernandez and Todd Green have been working with Florida municipal pension plans since 1993 and 1997 respectively. The expertise and knowledge of our staff regarding public sector actuarial consulting is as great if not greater than any of our competitors.

Our headquarter office is located at:

3550 Busbee Parkway, Suite 250  
Kennesaw, GA 30144  
Office: 678.388.1700  
Fax: 678.388.1730

Our Kennesaw, Georgia office will provide all services requested in the RFP. We also maintain offices in Omaha, NE and Englewood, CO.



**INTRODUCTION LETTER**

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Jose Fernandez and Todd Green will be the primary persons responsible for this project. Jose and Todd can bind the firm contractually.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jose Fernandez'.

Jose I. Fernandez, ASA, FCA, MAAA, EA  
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to read 'Todd Green'.

Todd B. Green, ASA, FCA, MAAA  
Principal and Consulting Actuary



#### 4. APPROACH TO THE PROJECT

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- **Approach to the Project – Proposal shall include a description of the proposed service, with any essential exhibits or documentation, addressing the following phases of the proposed service:**
  - i) **Overall approach and methods to achieve a fully functional project**

Our understanding of the Consultant’s role is to:

- A) Review and comment on the most recent Actuarial Valuation Reports for the two City defined benefit retirement systems.
- B) Review and evaluate the City’s pension ordinance as well as plan amendments, benefits structure changes, collective bargaining agreements and any other factors affecting the costs of the plans and comment on their impact on the short and long term costs of the pension fund.
- C) Provide a five-year projection of the City’s required annual contribution for the five fiscal years following the latest actuarial report, based on current benefit levels and actual experience for the most recent preceding five year period and the current assumptions and cost methods of each of the two retirement systems.
- D) Provide a future projection of the City’s required annual contribution at ten years, fifteen years, and twenty years following the latest actuarial report based on current benefit levels and current assumptions and cost methods of each of the two retirement systems.
- E) Provide a five-year projection of the City’s required annual contribution for various alternatives to the two current retirement systems.
- F) Provide a future projection of the City’s required annual contribution at ten years, fifteen years, and twenty years for various alternatives to the two current retirement systems.
- G) Provide an analysis of the effects of changes to the Fire and Police Pension systems on state premium tax revenue received. Provide estimates of anticipated changes.
- H) Provide a projection of future costs, an analysis of labor market competitiveness, and discuss the advantages and disadvantages of defined contribution plans. The projection of future costs is to be comparable to the projections for defined benefit plans to allow for the appropriate comparison and cost benefit analysis.
- I) Provide a comparative analysis of the Florida Retirement system, the current City retirement systems, and the various alternatives studied.
- J) Include a review and comparative analysis of various alternatives to the Deferred Retirement Option Plan (DROP).
- K) Provide an impact statement and cost estimate of transition to the Florida Retirement System.
- L) When applicable, provide a comparative analysis of alternatives in a manner that considers application of benefits to (1) all eligible employees, and (2) new hires.
- M) Provide suggestions for alternative options, including “hybrid” plans consisting of a combination of defined benefits and defined contributions.
- N) Summarize all of the analysis and information in a report prepared in a manner that allows for understanding by City Commission, City staff and the public. The report



#### 4. APPROACH TO THE PROJECT

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shall facilitate the process of deciding the appropriate course of action in regards to retirement benefits of City employees.

- O) Selected firm should plan to meet with City staff at least twice in Key West
- P) Present the report to the City Commission at a Workshop or regular meeting.

Below is our suggested general approach to a pension review project. However, our experience with this type of assignment is that the initial meeting to kick-off the project and interim findings as the assignment progresses often leads to shifts in the project scope. Through our experience with these types of assignments we have developed the flexibility to adjust to changing focus and needs. We believe the key to successful completion of this type of project is the open communication between the City and us, and for us to update the City frequently on progress and findings. For example, in order to develop options to reduce or control pension costs it will be key to have an understanding and information from the City on its forecast of sustainable pension costs.

Upon execution of a formal agreement with the City, work will begin reviewing the actuarial reports. During this period we expect relationships and communication channels with City staff will be established. Once proposed changes are developed and approved by the City, we can provide an estimated range for the impact for most of the changes based on our prior experience with other similar pension plans. The impact for some changes may be difficult to quantify but we should be able to provide at least a magnitude of the impact. However, providing actuarial impact statements based on the census data, assumptions, and methods for the plans will require additional work that is outside the scope of our proposal. We find that our suggested approach is cost effective in developing several options without having to spend the time and money to produce an overwhelming number of scenarios. Once we work with the City to narrow down the viable options we or the plans' actuary would be engaged to develop the more precise cost estimates.

Depending on the situation in surrounding communities, we won't know until the study is completed if a significant cost saving program can be implemented without affecting the relative competitiveness of employment with the City.

##### **ii) Involvement of City staff and pension boards**

Throughout the assignment it may be important for us to have access to administrators, actuaries, attorneys and asset consultants for the pension plan, as well, as the City representatives. In similar projects in the past we have found it is very productive to also work closely with the pension boards, administrators, and plan actuary.



#### 4. APPROACH TO THE PROJECT

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- iii) **Identification of the actuary or actuaries available for assignment. The actuary shall be a Fellow or Associate of the Society of Actuaries and/or Fellow of the Conference of Actuaries in Public Practice and/or Member of the American Academy of Actuaries and/or meet standards of a qualified actuary under the provisions of the Pension Retirement Income Security Act of 1974.**

Jose Fernandez and Todd Green are both Associates of the Society of Actuaries, Members of the American Academy of Actuaries, and Fellows of the Conference of Consulting Actuaries. Jose is also an Enrolled Actuary under ERISA.

Resumes of the key staff to be assigned to the project/study follow. Jose Fernandez will be the project manager. The project manager and key staff will remain assigned to the project/study.





#### 4. APPROACH TO THE PROJECT

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**Jose Fernandez, ASA, FCA, EA, MAAA**  
**Principal and Consulting Actuary**

➤ **Role;**

Lead Actuary

➤ **Areas of expertise;**

Jose has a broad range of experience in actuarial audits, proposed legislation analysis, experience studies, retiree medical valuations, and the design, administration and funding of public retirement plans and health plans.

➤ **Relevant experience;**

Jose has public sector consulting experience since 1980. Jose is the lead consultant for cities in Florida that require similar services, including Fort Lauderdale, Palm Beach, Palm Beach Gardens, and Winter Garden. Jose is the actuary for public systems, including Virginia Retirement Systems, Puerto Rico Electric Power Authority Employees' Retirement System, City of Miami (FL), and Cobb County (GA). Jose has experience providing actuarial consulting services, including actuarial valuations, experience studies, and legislative analysis for state-wide, county, and municipal retirement systems. As such, Jose is very familiar with the specific retirement benefit issues related to the scope of services of this proposal.

➤ **Education;**

- B.S. degree in Mathematics from St. Peter's College

➤ **Professional designations and memberships; and**

- Associate of the Society of Actuaries
- Enrolled Actuary under ERISA
- Member of the American Academy of Actuaries
- Fellow of the Conference of Consulting Actuaries
- 

➤ **Relevant publications, studies, or presentations.**

Jose has been a presenter at several public pension conferences, including:

- Florida Public Pension Trustees Association Conference
- Texas Firefighters Local Retirement Association Conference
- Southeast Employees Pension Conference
- National Council Teacher Retirement Directors meeting



#### **4. APPROACH TO THE PROJECT**

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**Todd Green, ASA, FCA, MAAA**  
**Principal and Consulting Actuary**

➤ **Role;**

Secondary Actuary

➤ **Areas of expertise;**

Todd has experience in the preparation of annual valuations, proposed legislation pricing, experience studies, and other special cost studies for governmental clients for many state and municipal plans. Todd spends 100% of his time on client services.

➤ **Relevant experience;**

Todd has consulting experience providing services to Florida retirement systems (such as the City of Miami, Hollywood Police and Fire, and Pensacola, Pinellas Park and Pompano Beach general employees retirement systems) and to large public clients currently including the Kentucky Retirement System, Montana Teachers' Retirement System and Ohio School Employees' Retirement System 1997.

➤ **Education;**

- B.S. in Mathematics with a concentration in Actuarial Science from Georgia State University

➤ **Professional designations and memberships; and**

- Associate of the Society of Actuaries
- Member of the American Academy of Actuaries
- Fellow of the Conference of Consulting Actuaries

➤ **Relevant publications, studies, or presentations.**

Todd has been a speaker at the North Carolina State Treasurer Conference, North Carolina Government Finance Officers Association, North Carolina Association of County Commissioners, and the North Carolina League of Municipalities Regional Risk Management Workshops relating to the implementation of GASB 43 & 45 for post-employment benefits other than pensions, and National Council on Teacher's Retirement.



#### **4. APPROACH TO THE PROJECT**

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**Beverly Bailey, ASA, EA, FCA, MAAA**  
**Senior Actuary**

➤ **Role;**

Project Manager

➤ **Areas of Expertise;**

Beverly has been in the actuarial profession since 1997 providing services to public and private sector clients. Her background includes preparation of annual pension and other post-employment benefit (OPEB) valuations, as well as, consulting with clients about their plans' valuation results, funding, and accounting and plan design.

➤ **Relevant experience;**

Beverly has managed projects for many public and private clients and has a broad range of experience in pension and retiree medical valuations and the design, administration and funding of public and private retirement plans and health plans.

➤ **Education;**

- Bachelors in Industrial Engineering, with High Honors, from Georgia Institute of Technology
- Masters in Actuarial Science from Georgia State University

➤ **Professional designations and memberships**

- Associate of the Society of Actuaries
- Enrolled Actuary under ERISA
- Fellow of the Conference of Consulting Actuaries
- Member of the American Academy of Actuaries



#### **4. APPROACH TO THE PROJECT**

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##### **Matthew Yonz Actuarial Analyst**

➤ **Role;**

Production

➤ **Current responsibilities;**

Matthew performs actuarial valuations of pension and retiree medical plans, experience studies, legislative analysis and projections of annual actuarial valuations over various time periods.

➤ **Relevant experience;**

Matthew has public sector consulting experience since 2011. Matthew is the Actuarial Analyst for public retirement systems, including Virginia Retirement Systems, Puerto Rico Electric Power Authority Employees' Retirement System, City of Pompano Beach General Employees' Retirement System, Pinellas Park General Employees' Pension Plan, Alabama Peace Officers Annuity and Benefit Fund, Tuscaloosa Police Officers and Firefighters Retirement Plan, Lexington-Fayette Urban County Government Policemen's and Firefighters' Retirement Plan, City of East Point Employees' Retirement Plan.

➤ **Education; and**

- B.S. in Mathematics and Chemistry from Georgia College and State University.

➤ **Professional designations and memberships.**

Matthew is currently pursuing the A.S.A designation of the Society of Actuaries.



#### **4. APPROACH TO THE PROJECT**

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**iv) Description of current work load**

With our current staff we are well-positioned to apply the right level of consulting resources and expertise to perform this project on time. Please see below in previous pages for proposed staffing for the project. We will not use any subcontractors to perform this project.

**v) Estimated timeframe for completion of the report**

We expect to complete the studies within 100 days receiving all the necessary data.

**vi) Methodology intended to implement and accomplish scope of work**

- A) Review and comment on the most recent Actuarial Valuation Reports for the two City defined benefit retirement systems.**
- B) Review and evaluate the City's pension ordinance as well as plan amendments, benefits structure changes, collective bargaining agreements and any other factors affecting the costs of the plans and comment on their impact on the short and long term costs of the pension fund.**

Actuarial Standards of Practice (ASOP) No. 4, Measuring Pension Obligations and Determining Pension Plan Costs, ASOP No. 41, Actuarial Communications provide guidance for measuring pension obligations and communicating the results. These standards list specific elements to be included, either directly or by references to prior communications, in pension actuarial communications. In addition, Florida Statutes Chapters 112 require additional disclosures to be included in actuarial reports. We will review both reports and report whether or not if they comply with the above mentioned Actuarial Standards of Practice and State Law. In order to determine if the actuarial reports comply with ASOP No. 4 we will review the City's pension ordinance as well as plan amendments, benefits structure changes, collective bargaining agreements and any other factors affecting the costs of the plans to determine if their impact on the short and long term costs of the pension fund are reasonably portrayed in the actuarial valuation report. We will also comment on the development of the results and the reasonableness of the actuarial methods and assumptions used to develop the results.

- C) Provide a five-year projection of the City's required annual contribution for the five fiscal years following the latest actuarial report, based on current benefit levels and actual experience for the most recent preceding five year period and the current assumptions and cost methods of each of the two retirement systems.**
- D) Provide a future projection of the City's required annual contribution at ten years, fifteen years, and twenty years following the latest actuarial report based on current**



#### 4. APPROACH TO THE PROJECT

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**benefit levels and current assumptions and cost methods of each of the two retirement systems.**

We will provide a projection of the City's required annual contribution for both the Police Officers' & Firefighters' Retirement Plan and the Retirement Plan for Employees of the City of Key West over five years, ten years, fifteen years and twenty years based on the latest actuarial valuation reports. As of October 1, 2013 the market value of assets of the Employees Plan exceeds the actuarial value of assets by \$1,990,288. As of October 1, 2014 the market value of assets of the Police Officers' & Firefighters' Retirement Plan assets exceed the actuarial value of assets by \$6,277,058. Both these amounts reflect investment gains that have not been recognized in the annual actuarial valuations due to the use of actuarial value of assets for funding purposes which smooth investment gains and losses on the market value basis over a five year period. Recognition of the unrecognized investment gains over the years following the valuation dates will show a reduction in required employer contribution rates.

- E) Provide a five-year projection of the City's required annual contribution for various alternatives to the two current retirement systems.**
- F) Provide a future projection of the City's required annual contribution at ten years, fifteen years, and twenty years for various alternatives to the two current retirement systems.**

We will provide a projection of the City's required annual contribution for both the Police Officers' & Firefighters' Retirement Plan and the Retirement Plan for Employees of the City of Key West over five years, ten years, fifteen years and twenty years based on the latest actuarial valuation reports incorporating various alternatives to the two retirement systems. Proposed changes to current active and retired members will immediately reduce the City's required contribution. Changes that impact future active members only will not immediately impact the current cost of the plans which is primarily represented by each plan's unfunded actuarial accrued liability. In addition, we will incorporate the unrecognized investment gains mentioned above.





#### 4. APPROACH TO THE PROJECT

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- G) Provide an analysis of the effects of changes to the Fire and Police Pension systems on state premium tax revenue received. Provide estimates of anticipated changes.**

State premium tax revenue decrease the City's required contribution for the Police Officers' & Firefighters' Retirement Plan. As of the October 1, 2014 valuation the State premium tax money was anticipated to be \$521,161. Any reduction in this amount will increase the City's required contribution by the corresponding reduction of State premium tax revenue. Our analysis will consider the impact on the use of premium tax revenues as a result of Senate Bill 172 recently enacted by the Florida Legislature.

- H) Provide a projection of future costs, an analysis of labor market competitiveness, and discuss the advantages and disadvantages of defined contribution plans. The projection of future costs is to be comparable to the projections for defined benefit plans to allow for the appropriate comparison and cost benefit analysis.**

A defined benefit (DB) plan provides a guaranteed lifetime benefit at retirement based on a formula that takes into account salary history and service with a covered employer. In contrast, a DC plan does not provide a guaranteed lifetime benefit. A defined contribution (DC) plan is funded by employer (and possibly employee) contributions. These contributions accumulate with actual investment earnings, and the participant's annual retirement income is whatever the accumulated assets can provide over the retiree's lifetime.

In general, DB plans do a better job of providing retirement income whereas DC plans are better at creating retirement savings. Because of the 2008-2009 market downturn, the current approach in the public sector is to consider *replacing* a DB plan with a DC plan. However, there are compelling funding reasons to view them as complementary vehicles that should be offered together.

The ultimate goal of any retirement program is to provide adequate retirement benefits to career employees when they reach normal retirement age. DB plans are the superior vehicle for achieving this goal, as they provide lifetime benefits, and do so in a more cost-effective manner - for any level of employer contribution, a DB plan will provide a greater benefit to a retiree than will the same employer contribution to a DC plan.



#### 4. APPROACH TO THE PROJECT

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For all pension plans, whether defined benefit or defined contribution, the basic retirement funding equation is:

$$C + I = B + E$$

Where:

- C = employer and member contributions
- I = investment income
- B = benefits paid
- E = expenses paid from the fund, if any.

The underlying message is that dollars in have to equal dollars out. When comparing a DB plan and a DC plan with identical employer contributions (“C”), if investment income (“I”) and expenses (“E”) are the same, then the *total* benefits (“B”) paid from the plans must be equal. However, DC plans are designed to allow members terminating from service prior to retirement to withdraw their account balances which include employer contributions. By contrast when a member terminates prior to retirement under a DB plan with no right to a vested benefit, the employer contributions remain in the system.

Under a DC plan the benefit paid to a member who terminates prior to retirement is higher than under a DB plan. As a result, a DB plan retains a higher proportion of overall contributions as system assets when members terminate and withdraw prior to retirement; and a decision to move from a DB plan to a pure DC plan will provide lower benefits to employees who serve the citizens of the City for their career, and higher benefits for those employees who terminate after a short period of service in the State.

In considering whether to establish a DC plan, there are a number of issues to keep in mind. Foremost is that the current pension benefits may be contractual obligations and may be protected by statute as well as the state constitution. As a result, it may not be possible to cut back or eliminate retirement benefits for existing members. Typically, changes would only apply to new hires. The current unfunded liability will remain unchanged.

The final thing to consider is that the cash flow of the Systems would become progressively more and more negative throughout future years. The effect is due to a greater reduction in contributions in future years relative to the reduction in the amount of future benefit payments. Most all mature, ongoing DB plans experience negative cash flow. However, the degree of negative cash flow is usually limited due to new hires replacing those retiring and maintaining a stable flow of incoming contributions. A concern with negative cash flow is that when the degree of negative cash flow exceeds income attributable to interest and dividends earned on the invested assets, assets must be sold to satisfy the need the cash, further reducing the investment return of the System.



#### 4. APPROACH TO THE PROJECT

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Close monitoring of cash flow is required to maintain the alignment of the investment strategy with the short and long term needs of the System to pay benefits.

Finally, the administrative burden will increase substantially if a DC plan is created. Staffing will have to increase significantly to handle the additional duties of managing the DC plan along with the existing DB plan. DB and DC plans are fundamentally different, so the skill sets that are needed to administer the plan are not the same. In addition, there will be greater communication needs, not only for educational purposes, but also for participant access to the DC plan's account information.

The employee population covered by a DC plan will be very slow in developing. As a result, it will take many years before the City may begin to realize any cost savings anticipated by creating a DC plan. In fact, initially employer costs will increase. As noted in a recent National Conference on Public

Employee Retirement Systems (NCPERS) white paper:

“A DC plan must be designed, vendors must be selected, and its operation must be monitored. In addition, employees must be informed about plan features and available investments. Staff time is spent throughout the process, and the sponsoring government must pay additional legal and consulting fees. If a third-party administrator is not hired to administer the plan, the government must do this as well. Even if a third-party administrator is hired, the government will still have operating costs related to the DC plan, possibly ranging in the millions of dollars. For example, the budget for the State of Florida's DC plan, established in 2000, totaled \$89 million from FY 2001 through FY 2004. This includes \$55 million to educate Florida's 650,000 government employees about the new plan.”

A closed DB plan costs are expected to rise due to the shift in the investment strategy of the remaining asset pool in which benefits will be paid to DB plan participants. On an ongoing basis, there are additional costs that must be paid for either by the employer or the employee. Administrative expenses are greater for the reasons noted above. Investment expenses are much greater in a DC plan. This is due to the higher cost structure of mutual funds, the typical DC investment vehicle, compared to investment management firms used by DB plans. The NCPERS white paper mentioned earlier noted “According to the Investment Management Institute, the operating expense ratio for DB plans averages 31 basis points (31 cents per \$100 of assets) compared with 96 to 175 basis points for DC plans.”



#### 4. APPROACH TO THE PROJECT

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DC plans are not a panacea. They do provide features not usually found in DB plans, such as portability, investment choice, personal responsibility and lump sum payouts. However, DC plans do not offer the many advantages of a DB plan such as pre-retirement death and disability benefits, post-retirement inflation protection, lower expense ratios and higher average investment returns. Establishing a DC plan will increase total employer costs in the future, until the employee population is predominantly covered by the DC plan. In order to possibly create these future cost savings, the State will have to lower retirement benefits for the members in the DC plan. This in turn will lead to degradation in retirement security for the members.

- I) Provide a comparative analysis of the Florida Retirement system, the current City Retirement Systems, and the various alternatives studied.**

We will provide a comparative analysis of the Florida Retirement System to the current City Retirement Systems. We have provided a similar study to the Pensacola General Employees' Retirement Fund and will prepare a similar study for the City of Key West.

- J) Include a review and comparative analysis of various alternatives to the Deferred Retirement Option Plan (DROP).**

We will provide a review and comparative analysis of various alternatives to the DROP which will include a Back DROP and Partial Lump Sum Option.

- K) Provide an impact statement and cost estimate of transition to the Florida Retirement System.**

We will provide an impact statement and cost estimate of transition to the Florida Retirement System. We have done this for the Pensacola General Employees' Retirement Fund, the City of Fort Lauderdale and the City of West Palm Beach Gardens, and we will provide similar information to the City of Key West.

- L) When applicable, provide a comparative analysis of alternatives in a manner that considers application of benefits to (1) all eligible employees, and (2) new hires.**

We will provide a comparative analysis of alternative in a manner that considers application of benefits changes to all eligible employees and new hires only. Proposed changes to current active and retired members will immediately change the City's required contribution. Changes that impact future active members only will not immediately impact the current cost of the plans which is primarily represented by each plan's unfunded actuarial accrued liability.



#### 4. APPROACH TO THE PROJECT

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- M) Provide suggestions for alternative options, including “hybrid” plans consisting of a combination of defined benefits and defined contributions.**

Will provide suggestion for alternative options, including “hybrid” plans consisting of a combination of defined benefits and defined contributions.

- N) Summarize all of the analysis and information in a report prepared in a manner that allows for understanding by City Commission, City staff and the public. The report shall facilitate the process of deciding the appropriate course of action in regards to retirement benefits of City employees.**

- O) Selected firm should plan to meet with City staff at least twice in Key West**

- P) Present the report to the City Commission at a Workshop or regular meeting.**

We will summarize all of the analysis and information in a report prepared in a manner that allows for understanding by City Commission, City Staff and the public. The report shall facilitate the process of deciding the appropriate course of action in regards to retirement benefits of City Employees. We will meet with City staff at least twice in Key West. We will present the report to the City Commission at a Workshop or regular meeting.

- vii) All fees and charges.**

Please see Section 7 for a discussion of the fees associated with this project.



#### 4. APPROACH TO THE PROJECT

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**Please provide us with your creative ideas to maintain fiscal responsibility while maintaining or modifying benefits and recommendations to provide additional services, if any.**

Our industry leading experience working with state and local retirement systems, pension boards and staff, government officials and elected officials, and industry groups assures we will provide forward looking ideas tailored to the City's retirement programs. Since the severe market downturn in 2008 we have successfully worked with many state-wide and local government agencies and retirement systems in reforming pension systems to maintain fiscal responsibility and benefit competitiveness.





## **5. PAST EXPERIENCE**

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**Describe experience in pension plan benefits. Provide a minimum of three (3) references for which you provided a similar service within the past five years of the scope and nature required by this RFP (preferably for government clients of a size similar to the City). For each example, provide the following information:**

- **The scope and goals of the project and how success was measured.**
- **A description of your role in the project and, if applicable, a description of the work of other VENDORS.**
- **Provide a reference for the project – client’s name, title, email address and telephone number.**

**Experience as a supervising actuary including consulting services, experience analysis and valuation assignments for major retirement systems, with specific reference to involvement with public retirement systems.**

**Letters of Commendations or recommendations may be included in this section.**

Below we discuss five sample cases for projects with similar scope to the proposed project for the City of Key West. Jose Fernandez worked on the following projects and is familiar with the issues at hand. Our services were provided on a timely basis for all these projects and delivered within the agreed upon schedule. While these cases provide examples of our experience in this area, we provide pension plan design and financing consulting assistance to all of our clients.

### **City of Fort Lauderdale – 2007 to Present**

From 2007 to 2008 we were engaged in a similar project to the scope of work required by the City for the City of Fort Lauderdale. We continue to serve the city in an ongoing advisory role. Our services for the city included reviewing the city’s retirement systems for general employees, fire, and police. Throughout the project we were extensively involved in collective bargaining and pension reform issues. We prepared projections of costs for the current plans and under various alternatives including converting to the Florida Retirement System and defined contribution plans. We also prepared historical reviews of the actuarial assumptions and methods, benefit changes and funded status.

Using methods and assumptions that comply with actuarial standards of practice, Florida pension rules and accounting standards, we prepared 20-year projections for the city’s pension plans to analyze the current and projected financial status and soundness of the plans. We performed analysis on alternatives such as pension bond proposals, joining the Florida Retirement System and converting to defined contribution plans. Our work assisted the city in developing a defined contribution plan for new general employees and in realizing cost savings from previously unrecognized investment gains of approximately \$26 million under the fire and police retirement system.



## **5. PAST EXPERIENCE**

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In this project we demonstrated our responsiveness and success working with many different participants and stakeholders. Specifically we worked with the city manager's office, the finance and human resources departments, the city commission, police and fire chiefs, outside counsel, pension board members and the actuary for the fire and police retirement system.

The contact information for our reference for our work with Fort Lauderdale follows.

Ms. Kristin Tigner  
Talent Manager PHR, IMA-CP  
Human Resources Department  
(954) 828-5251  
KTigner@fortlauderdale.gov  
City of Fort Lauderdale  
100 N. Andrews Avenue  
Fort Lauderdale, FL 33301

### **City of Palm Beach Gardens – 2011 to 2013**

The scope of the work included a review of the City's police and firefighters pension plans, development of cost savings options, and preparation of projections showing detailed information on the estimated amount of cost savings for each option.

We have presented our study findings to the City Council. Our contact for the City of Palm Beach Gardens is:

Mr. Allan Owens, CPA, CGFO  
Finance Administrator  
(561) 799-4163  
aowens@pbgfl.com  
City of Palm Beach Gardens  
10500 N. Military Trail  
Palm Beach Gardens, FL 33410



## **5. PAST EXPERIENCE**

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### **Town of Palm Beach – 2009 to 2012**

The scope of the work included a thorough review of all three of the Town's pension plans, development of cost savings options, preparation of projections showing detailed information on the estimated amount of cost savings for each option and a review of the local government market to measure the impact of the various options on the competitiveness of the Town's benefit package.

We have presented our study findings to each of the pension boards and to Town Council.

In our study we identified numerous alternatives that would result in pension savings to the Town. We are currently working with the Town to finalize alternatives for consideration by Town Council that will eliminate projected deficits throughout the next ten years.

We worked closely with several members of Town management on this project, including:

Mr. Peter B. Elwell  
Town Manager  
(561) 838-5410  
[PElwell@townofpalmbeach.co](mailto:PElwell@townofpalmbeach.co)  
Town of Palm Beach  
360 South County Road  
Palm Beach, Florida 33480

### **City of Winter Garden – 2013 to 2014**

The scope of the work included an analysis of the City's Pension Plan for Firefighters and Police Officers, including replication of the October 1, 2013 actuarial valuation of the plan to review the plan's actuary use of actuarial assumptions and methods and calculation of liabilities and contribution requirements. In addition, we prepared a study for an alternative pension plan that would comply with the State of Florida minimums under Chapters 175 and 185. We also reviewed a study performed by the plan's actuary with respect to various proposed changes.

Our contact for the City of Winter Garden is:

Ms. Laura Zielonka  
Finance Director  
(407) 656-4111  
[lzielonka@wintergarden-fl.gov](mailto:lzielonka@wintergarden-fl.gov)  
City of Winter Garden  
Winter Garden City Hall  
300 West Plant Street  
Winter Garden, FL 34787



## **5. PAST EXPERIENCE**

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### **Cobb County, Georgia – 2008 to Present**

Cobb County in the State of Georgia was facing significant challenges – like many other retirement systems after the market downturn - in controlling pension and retiree health care costs. The workforce, including general employees and public safety employees, was very vocal in its opposition to benefit changes. We worked with the pension board, human resources, and finance departments, outside consultants and the county managers and commissioners to implement pension and retiree health benefit changes, and a schedule of contribution sharing with employees to control costs. In 2011 the County’s Board of Commissioners adopted a major pension restructuring - including a hybrid plan (combination of defined benefit and defined contribution) – based on the results of our analysis. The pension restructuring is projected to save the County millions of dollars in pension costs and to preserve valuable pension benefits for its employees. We provide ongoing actuarial consulting services to Cobb County.

Our reference for the services we provide Cobb County is:

Mr. Jim Pehrson  
Chief Financial Officer  
(770) 528-1505  
jpehrson@cobbcounty.org  
Cobb County Government Employees’ Pension Plan  
100 Cherokee Street, Suite 500  
Marietta, GA 30090-9679



## 6. CLIENT REFERENCES

Provide a minimum of three (3) client references.

The following is a list of our pension clients for which we perform actuarial services:

System	Work Performed	Total # of Participants Total Assets (\$)	Contact Information
1. Alabama Peace Officers Annuity & Benefit Fund	1996 – Present Annual actuarial valuations, legislation	5,200 \$19.3 Million	Mr. John E. Hixon, Jr. Executive Director Alabama Peace Officers' Annuity & Benefit Fund 514 South McDonough Street Montgomery, AL 36102-2186 334.242.4079 John.Hixon@apoabf.alabama.gov
2. Charlotte Firefighters Retirement System	2000 – Present Annual actuarial valuations and experience studies	1,300 \$291.2 Million	Ms. Sandra Thiry Administrator Charlotte Firefighters' Retirement System Charlotte National Building 428 East Fourth Street, Suite 205 Charlotte, NC 28202 704.336.4431 sthiry@ci.charlotte.nc.us
3. Cobb County (GA)	2007 – Present Annual actuarial valuations, experience studies and benefit statements	6,100 \$330 Million	Mr. James Pehrson Chief Financial Officer 100 Cherokee Street Marietta, GA 30090-9679 770.528.1505 jpehrson@cobbcounty.org
4. City of East Point Employees Retirement Plan	2013 – Present Annual actuarial valuations and experience studies	820 \$72.9 Million	Ms. Charlotte Cagle, Chairperson City of East Point Employees Retirement Plan P.O. Box 90129 East Point, Georgia 30364 770.780.1117 chaircharlottecagle@gmail.com
5. Gwinnett County Board of Education's Retirement System	2005 – Present Annual actuarial valuations and experience studies	19,800 \$687.3 Million	Mr. Tom Daymude Director Gwinnett County Board of Education's Retirement System P.O. Box 343 Lawrenceville, GA 30046 678.377.7369 tom_daymude@gwinnett.k12.ga.us
6. Gwinnett County Retirement Systems	2006 – Present Actuarial valuations and experience studies	5,000 \$806 Million	Mr. Bill Rodenbeck Pension/Finance Manager Gwinnett County Department of Financial Services Risk Management Division 75 Langley Drive Lawrenceville, GA 30045 770.822.7882 bill.rodenbeck@gwinnettcounty.com



## 6. CLIENT REFERENCES

System	Work Performed	Total # of Participants Total Assets (\$)	Contact Information
7. City of Hollywood Police Officers' Retirement System	2008 – Present Annual actuarial valuations	550  \$160.5 Million	Mr. Dave Williams Plan Administrator City of Hollywood Police Officers' Retirement System 4205 Hollywood Boulevard, Suite 4 Hollywood, FL 33021 954.967.4395 davew@hollywoodpensionfund.com
8. Kentucky Retirement Systems: <ul style="list-style-type: none"> <li>• Kentucky Employees</li> <li>• County Employees</li> <li>• State Police</li> </ul>	2006 – Present Actuarial valuations, experience studies, legislation	355,000  \$10.8 Billion	Mr. Bill Thielen Executive Director Kentucky Retirement Systems 1260 Louisville Road Frankfort, KY 40601 502.696.8455 bill.thielen@kyret.ky.com
9. Lexington-Fayette Urban County Government Policemen's and Firefighters' Retirement Fund	2006 – Present Actuarial valuations	1,800  \$370.8 Million	D. Chad Hancock Financial Administrator Lexington-Fayette Urban County Government 200 East Main Street Lexington, KY 40507 859.258.3300 chancock@lexingtonky.gov
10. Miami General Employees' and Sanitation Employees' Retirement Trust	2008 – Present Actuarial valuations	3,600  \$694.3 Million	Ms. Sandra Elenberg Pension Administrator City of Miami General Employees' and Sanitation Employees' Retirement Trust (GESE) 2901 Bridgeport Avenue Coconut Grove, FL 33133-3607 305.441.2300 Sandra@gese.org
11. Montana Teachers Retirement System	2009 – Present Annual actuarial valuations, experience studies, legislation	44,000  \$2.9 Billion	Mr. Shawn Graham Executive Director Montana TRS 1500 Sixth Avenue Helena, MT 59620 406.444.3376 ShawnGraham@mt.gov
12. Ohio School Employees Retirement System	2008 – Present Annual actuarial valuations, experience studies, legislation	204,000  \$10.3 Billion	Ms. Michele L. Marra, CPA Director of Finance School Employees Retirement System 300 East Broad Street, Suite 100 Columbus, OH 43215 614.222.5890 mmarra@ohsers.org
13. Pensacola General Employees' Retirement Fund	1990 – Present Annual actuarial valuations and experience studies	1,100  \$104.4 Million	Mr. Richard Barker, Jr. Pension Administrator Pensacola General Employees' Retirement Fund P.O. Box 12910 475 East Strong Street Pensacola, FL 32521-0061 850.435.1823 rbarker@ci.pensacola.fl.us





## 6. CLIENT REFERENCES

System	Work Performed	Total # of Participants Total Assets (\$)	Contact Information
14. Pinellas Park General Employee's Pension Plan	2010 – Present Annual actuarial valuations and experience studies	496  \$43.1 Million	Ms. Denise Cowdrick City of Pinellas Park General Employees' Pension Plan Human Resources 5141 – 78 <sup>th</sup> Avenue Pinellas Park, FL 33781 727.541.0700 Ext. 1307 retirement_services@pinellas-park.com
15. City of Pompano Beach General Employees' Retirement System	2010 – Present Annual actuarial valuations and experience studies	509  \$99.1 Million	Ms. Madelene L. Klein Executive Director City of Pompano Beach General Employees' Retirement System 555 South Andrews Avenue, Suite 106 Pompano Beach, FL 33069 954.782.2660 pomppers@aol.com
16. Employees' Retirement System of the Puerto Rico Electric Power Authority	2008 – Present Actuarial valuations, experience studies, legislation	20,000  \$1.5 Billion	Mr. Rafael Gómez Irizarry Administrator Employees' Retirement System of the Puerto Rico Electric Power Authority Juan Ruiz Vélez Building 1110 Ponce de León Avenue San Juan, Puerto Rico 00908 787.521.4746 r-gomez-sret@aeep.com
17. Tuscaloosa Police Officers and Firefighters Retirement Plan	1997 – Present Annual actuarial valuations and experience studies	300  \$63.4 Million	Mr. John Willett Chairman Tuscaloosa Police Officers and Firefighters Retirement Plan P.O. Box 1447 Tuscaloosa, AL 35403 205.242.7312 jwillett@ci.tuscaloosa.AL.US
18. University of Puerto Rico Retirement System	2013 - Present Annual actuarial valuations, experience studies, legislation	27,000  \$1.28 Billion	Ms. Maria del Carmen Lopez Executive Director University of Puerto Rico Retirement System 1019 Ponce de Leon Avenue Rio Piedras, PR 00915 787.751.4550 maricarmen@retiro.upr.edu



## 6. CLIENT REFERENCES

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System	Work Performed	Total # of Participants Total Assets (\$)	Contact Information
19. Virginia Retirement System	2007 – Present Annual actuarial valuations, experience studies, legislation	523,000  \$52.1 Billion	Ms. Patricia S. Bishop Director Virginia Retirement System 1200 E. Main Street Richmond, VA 23219 804.771.7332 <a href="mailto:pbishop@varetire.org">pbishop@varetire.org</a>



## 7. HOURLY RATES / FEE STRUCTURES

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**Provide hourly rates or other fee structures for the services listed in Scope of Services, of this RFP.**

Our fee for this project will be based on our current hourly rate schedule and the actual time spent by staff. Jose Fernandez and Todd Green (Consulting Actuaries) will serve as the lead actuaries for the project but other staff members will have significant roles. Our hourly rate structure is as follows:

Senior/Consulting Actuary	\$320 - \$396
Consultant/ Senior Consultant/ Actuary	\$240 - \$320
Actuarial Analyst	\$180 - \$240
Other	\$116

We guarantee our hourly rates will not increase during the initial contract period and extensions.

With respect to the scope of work outlined in the RFP and in Section 4 of this proposal we expect our fees shall not exceed \$25,000, plus reasonable travel expenses, if any, at cost.

As discussed in Section 4 it is difficult to provide specific fees for an open-ended project such as this one. An important aspect as to the end cost of the proposed services is the degree that CMC will perform the analyses by providing estimates based on the information in the valuation reports of the plans or by relying on calculations prepared by the actuary for the plans. We suggest working with the plans' actuary as the most efficient and cost effective approach. Of course, the City should weigh the cost effectiveness of using the plans' actuary to do the cost calculations versus the independence provided by a separate actuary. At request we will provide a not-to-exceed fee quote for approval before proceeding with additional work outside of the scope of services in this proposal.

Any related expenses such as supplies, printing, binders, etc. shall be included in our fees above. Related expenses shall also include any postage, telephone toll charges, or other charges incurred in the normal course of business.



## **8. PAYMENT SCHEDULE**

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**Provide payment schedule for services.**

We submit invoices on a monthly basis.



## **9. REQUIRED ATTACHMENTS**

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**All required attachments listed in Instructions to proposer.**

The completed required attachments are provided on the following pages.

**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.)

_____	_____
_____	_____
_____	_____

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

Cavanaugh Macdonald Consulting, LLC doing business at  
3550 Busbee Parkway, Suite 250, Kennesaw, GA, 30144  
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:

Jose Fernandez, Principal and Consulting Actuary  
Todd B. Green, Principal and Consulting Actuary



If Sole Proprietor or Partnership

IN WITNESS hereto the undersigned has set his (its) hand this 12 day of October 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 9 day of October 2015.

(SEAL)

Cavanaugh Macdonald Consulting, LLC

Name of Corporation



By Joe Fenady  
Title Principal and Consulting Actuary  
Attest Courna Macdonald  
Secretary

**ANTI – KICKBACK AFFIDAVIT**

STATE OF Georgia )  
 ) : SS  
COUNTY OF Cobb )

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: 

Sworn and subscribed before me this 9 day of October, 2015.

  
NOTARY PUBLIC, State of Georgia 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 Pension Benefit Consultant

\_\_\_\_\_

\_\_\_\_\_

2. This sworn statement is submitted by Cavanaugh Macdonald Consulting

\_\_\_\_\_

(Name of entity submitting sworn statement)

whose business address is 3550 Busbee Parkway, Suite 250; Kennesaw, GA 30144

\_\_\_\_\_

and (if applicable) its Federal Employer Identification Number (FEIN) is 61-1489078

\_\_\_\_\_

(If the entity has no FEIN, include the Social Security Number of the individual

signing this sworn statement \_\_\_\_\_

3. My name is Jose Fernandez

\_\_\_\_\_

(Please print name of individual signing)

and my relationship to the entity named above is Principal and Consulting Actuary

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 of 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 a 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).
- 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.)

*Jose Fernandez*  
(Signature)  
October 9, 2015  
(Date)

STATE OF Georgia

COUNTY OF Cobb

PERSONALLY APPEARED BEFORE ME, the undersigned authority,

Jose Fernandez who, after first being sworn by me, affixed his/her  
(Name of individual signing)

Signature in the space provided above on this 9 day of October, 2015.

My commission expires:



*Kathryn K. Caspar*  
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: Cavanaugh Macdonald Consulting

SEAL:

3550 Busbee Parkway, Suite 250; Knnesaw, GA 30144

Address

Signature

Jose Fernandez

Print Name

Title

Principal and Consulting Actuary

DATE:



**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 N/A 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

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

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



**EQUAL BENEFITS FOR DOMESTIC PARTNERS AFFIDAVIT**

STATE OF Georgia )  
 : SS  
COUNTY OF Cobb )

I, the undersigned hereby duly sworn, depose and say that the firm of Cavanaugh Macdonald Consulting 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

9 Day of October, 2015.

  
NOTARY PUBLIC, State of Georgia at Large

My Commission Expires: \_\_\_\_\_



