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DEPARTMENT OF
PERSONNEL

DONNA L. GILES
DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

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DIVISIONS:
ADMINISTRATION
EMPLOYEE SERVICES
PERSONNEL MANAGEMENT
SERVICES
WORKERS'
COMPENSATION

May 3, 1988

APPROVED
BY THE CITY COUNCIL

MAY 03 1988

OFFICE OF THE
CITY CLERK

AG 87260

City Council
Sacramento, California

HONORABLE MEMBERS IN SESSION:

SUBJECT: Resolution Approving Agreement for Actuarial Services
for the Sacramento City Employees' Retirement System
and Authorizing its Execution by the Chairman of the
Administration, Investment and Fiscal Management Board

Summary.

It is proposed that the City Council adopt the resolution included as Attachment 1, which approves an agreement for actuarial services to be provided for the Sacramento City Employees' Retirement System by the firm of Towers, Perrin, Forster and Crosby and authorizes the chairperson of the Administration, Investment and Fiscal Management Board to execute such agreement.

Background.

Section 384, City Charter, authorizes the Administration, Investment and Fiscal Management (AIFM) Board to contract for actuarial services for the Sacramento City Employees' Retirement System.

On February 22, 1988, the AIFM Board selected the firm of Towers, Perrin, Forster and Crosby as its actuary.

The City is required to pay for actuarial services, pursuant to Section 393, City Charter.

Financial Analysis.

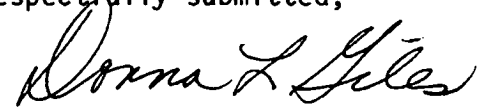
The Agreement for Actuarial Services provides a \$25,000 fee for an annual valuation of SCERS and a \$5,000 fee for routine administrative advice and various retirement system tables. Both fees have been included in the Department of Personnel budget (Object Code: 4258).

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Recommendation.

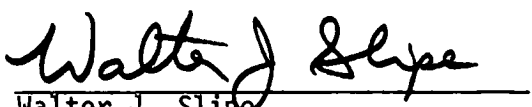
It is recommended that the City Council adopt the attached resolution which approves the agreement with Towers, Perrin, Forster and Crosby and authorizes the chairperson of the AIFM Board to execute such agreement.

Respectfully submitted,



Donna L. Giles
Director of Personnel

APPROVED:



Walter J. Slips
City Manager

RESOLUTION NO. 88-35

Adopted by The Sacramento City Council on date of

APPROVED
BY THE CITY COUNCIL
MAY 03 1988
OFFICE OF THE
CITY CLERK
AG 87260

A RESOLUTION APPROVING AGREEMENT FOR
ACTUARIAL SERVICES TO BE PROVIDED TO THE
SACRAMENTO CITY EMPLOYEES RETIREMENT SYSTEM,
AND AUTHORIZING ITS EXECUTION BY THE
CHAIRMAN OF THE ADMINISTRATION, INVESTMENT
AND FISCAL MANAGEMENT BOARD

WHEREAS, pursuant to City Charter Section 384 the Administration,
Investment and Fiscal Management Board is authorized to
contract for actuarial services for the system; and

WHEREAS, the Board has selected the firm of Towers, Perrin,
Forster & Crosby as its actuary; and

WHEREAS, pursuant to City Charter Section 393 the City is
required to pay for such services;

THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF
SACRAMENTO:

That the agreement attached hereto is approved,
and the Chairperson of the Administration,
Investment and Fiscal Management Board is
authorized to execute it.

MAYOR

ATTEST:

CITY CLERK

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APPROVED
BY THE CITY COUNCIL

MAY 03 1988

OFFICE OF THE
CITY CLERK

AG 87260

AGREEMENT FOR ACTUARIAL SERVICES

THIS AGREEMENT made this 1st day of July, 1988, by and between the Administration, Investment & Fiscal Management Board of the Sacramento City Employees Retirement System, hereinafter referred to as "Board", and Towers, Perrin, Forster and Crosby, an actuarial firm, hereinafter referred to as "Actuary".

R E C I T A L S

1. On September 5, 1980, the Board selected Actuary as the consulting actuary for the System.
2. On September 23, 1980, the Sacramento City Council approved by resolution the selection of Actuary by the Board.
3. On June 21, 1982, Board and Actuary entered into an "AGREEMENT FOR ACTUARIAL SERVICES", which Agreement was modified by Amendment on June 20, 1983.
4. The Board and Actuary on July 1, 1984 entered into a new contract for actuarial services for the System, to supercede the June 21, 1982 Agreement and the June 20, 1983 Amendment.
5. The Board and Actuary desire to enter into a new agreement for actuarial services to supercede the July 1, 1984 agreement.

A G R E E M E N T

The Board and Actuary agree as follows:

1. SERVICES TO BE PERFORMED BY ACTUARY. Actuary shall provide to the Board the following actuarial services:

(a) (i) If requested by the Board, perform full experience analysis, including but not limited to an actuarial investigation into the mortality, service, salary adjustment, turnover rate, service-connected disability retirements, proportion of retirement at different ages and other experiences under the System, as of June 30 of each year during the term of this agreement, through and including June 30, 1994.

(ii) Prepare an actuarial valuation of the assets of the System and its liabilities, as of June 30 of the applicable year during the term of this agreement, through and including June 30, 1994.

(iii) Recommend contribution rates for members and the City based upon the said actuarial investigation.

(iv) Determine the amount of unfunded liability of the System as of June 30 of the applicable year during the term of this agreement, through and including June 30, 1994, and at the same time, project the amount of unfunded liability as of June 30 of the subsequent year.

(v) Prepare a report covering the valuation including: (a) recommended contribution rates based on the same assumptions used in any immediately preceding evaluation of the costs of the System performed by Actuary; (b) recommended

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contribution rates based on the assumptions used in evaluating the costs of the System for purposes of preparing the current actuarial report; and (c) recommended changes to System's asset allocation process, as may be necessary to meet System's actuarial obligations; and

(vi) Attend two (2) meetings of the Board to explain and answer questions regarding the report referred to in subparagraph (v) above.

It is specifically intended by the parties that the above services shall be performed in such a manner as to achieve full satisfaction of all requirements set forth in Sacramento City Charter Section 384, a copy of which is attached hereto, marked Exhibit "A", and incorporated herein by this reference.

(b) Routine administrative advice and assistance including but not limited to preparation of new tables and factors for options and for calculations of reduction in pensions arising from reduced contributions; calculation of special factors from time to time as requested; calculation of present value of retirement allowances for purposes of applying workers' compensation offsets; verification of calculations from time to time; and attendance at quarterly meetings of the Board, if requested by the Board.

(c) Attend other meetings of the Board and attend meetings with City officials, if requested by the Board.

(d) Provide special consulting services on matters relating to P.E.R.S., if requested.

2. FEEES FOR ACTUARIAL SERVICES.

(a) Fees for Period July 1, 1988 through June 30, 1989

(1) TEN THOUSAND DOLLARS (\$10,000) for the services specified in subparagraph 1(a)(i) above, if such services are requested by the Board and performed by Actuary;

(2) TWENTY-FIVE THOUSAND DOLLARS (\$25,000) for the balance of services specified in subparagraph 1(a) above;

(3) FIVE THOUSAND DOLLARS (\$5,000) for the services specified in subparagraph 1(b) above;

(4) SEVEN HUNDRED DOLLARS (\$700) per half day for the services specified in subparagraph 1(c) above; and,

(5) As agreed in writing in advance by the Board and Actuary for the services specified in subparagraph (1)(d) above.

(b) Fees for Services Rendered During Fiscal Years Subsequent to June 30, 1989

On or before each fiscal year which commences after June 30, 1989, beginning with the year July 1, 1989 - June 30, 1990 and thereafter the remaining term of this agreement, the fees shall be established according to the following procedure:

(1) On or before April 14, 1989, and each April 15 thereafter, Actuary shall deliver a written itemized fee

proposal to the Secretary of the Board for the services specified in paragraph 1 above, plus any additional services specifically theretofore requested in writing by the Board.

(2) Said proposal shall be presented to the Board for action at the next regular Board meeting following receipt of the fee proposal.

(3) The Board may adopt, reject or propose modification of the fee proposal. If the Board rejects or proposes modification of the fee proposal, Actuary shall have fifteen (15) days within which to submit to the Secretary of the Board a modified fee proposal or its acceptance of the Board's proposed modification.

(4) Actuary's modified proposal or acceptance, as the case may be, shall be presented to the Board for final action at its next regularly scheduled meeting.

(5) If agreement is reached, the Board and Actuary shall execute an addendum to this agreement. If no agreement is reached, this agreement shall terminate on June 30 of the then-current contract year.

(c) Billing of Fees

Actuary shall send its bill for services provided hereunder to the Secretary of the Board.

3. DATA TO BE FURNISHED TO ACTUARY. The Secretary of the Board shall furnish Actuary the data relative to the present and former employees of the Sacramento City Employees' Retirement

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System necessary for the investigation and evaluation of said System referred to in paragraphs 1(a) and (b) above. Said information shall be in the form of punched cards, magnetic tape or other reasonable automated medium which shall be prepared by the Secretary of the Board at no expense to Actuary.

4. TIME FOR PERFORMANCE OF ACTUARIAL SERVICES. Actuary agrees to perform the services specified in paragraphs 1(a) and (b) above within eighty-five (85) days of the date the Board provides Actuary with the data specified in paragraph 3 above. Actuary shall confirm in writing to the Board the date of receipt of data. Time is of the essence in the performance of all services hereunder.

5. OTHER DATA TO BE PROVIDED BY ACTUARY. Actuary agrees to provide the Board with financial data and information which will allow the Board to report in compliance with Financial Accounting Standards Board (FASB) Standard No. 35. Stated information will include, but not be limited to, the following:

(a) Actuarial present value of accumulated plan benefits. Accumulated plan benefits are those future benefit payments that are attributable under the plan's provisions to employees' service rendered to the benefit information date.

(b) Changes in the actuarial present value of accumulated plan benefits.

(c) Significant information related to vested benefits.

6. Except as provided below, Actuary shall, at its sole cost and expense, furnish all facilities and equipment which may

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be required for furnishing services pursuant to this agreement. The Board shall furnish physical facilities such as desks, filing cabinets, and conference space, as may be reasonably necessary for Actuary's use while consulting with City employees and reviewing records and information in their possession. The location, quantity and quality of said physical facilities shall be in the sole discretion of the Board. In no event shall the Board be obligated to furnish any facility which may involve incurring any direct expense, including but not limited to, long-distance telephone or other communication charges, vehicles and reproduction facilities.

7. TERM OF AGREEMENT.

(a) Subject to subsection (b) below, and subject to subsection 2(b) above, this agreement shall terminate on June 30, 1994.

(b) This agreement may be terminated by either party at any time during the term specified in subsection (a) above, in the following manner:

(1) By serving a written "notice of termination" upon the other party at least sixty (60) days prior to the date of termination specified in such notice.

(2) Any such "notice of termination" shall be served upon the Board personally or by registered mail addressed to the Administration, Investment and Fiscal Management Board of the Sacramento City Employees

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Retirement System, 801 Ninth Street, Sacramento, California 95814, or served upon Actuary personally or by registered mail addressed to Towers, Perrin, Forster and Crosby, 1925 Century Park East, Suite 1500, Los Angeles, California 90067-2790.

(3) In the event of termination hereunder, Actuary shall be entitled to receive pro rate payment for all services rendered. Provided, however, that such payment shall in no event exceed the amounts specified in section 2 of this agreement.

8. TITLE TO PAPERS AND DOCUMENTS UPON CANCELLATION.

Upon termination of this agreement, all working papers and other documents prepared by Actuary in connection with the services specified in paragraphs 1(a) and (b) above shall become the property of the Board, and copies thereof shall immediately be delivered by Actuary to the Board.

9. GENERAL PROVISIONS. The general provisions set forth below are part of this agreement. In the event of any inconsistency between said general provisions and any other term or condition of this agreement, the other term or condition shall control insofar as it is inconsistent with the general provisions.

(a) Independent Contractor. At all times during the term of this agreement, Actuary shall be an independent contractor and shall not be an employee of the Board. The Board shall have the right to control Actuary only insofar as the

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results of Actuary's services rendered pursuant to this agreement; however, the Board shall not have the right to control the means by which Actuary accomplished services rendered pursuant to this agreement.

(b) Licenses; Permits, Etc. Actuary represents and warrants to the Board that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Actuary to practice its profession. Actuary represents and warrants to the Board that Actuary shall, at its sole cost and expense, keep in effect at all times during the term of this agreement any licenses, permits, and approvals which are legally required for Actuary to practice its profession.

(c) Time. Actuary shall devote such time to the performance of services pursuant to this agreement as may be reasonably necessary for satisfactory performance of Actuary's obligations pursuant to this agreement.

(d) Insurance.

(1) Public Liability. During the term of this agreement, Actuary shall maintain in full force and effect a policy of public liability insurance, including contractual liability, with minimum coverage as follows: \$300,000 single limit per occurrence. Actuary shall cause the Board to be named as an additional assured on said policy and shall obtain a waiver of the insurer's right of subrogation against the Board. In addition, Actuary shall give the Board

thirty (30) days' written notice in the event of cancellation or change of coverage of said policy.

(2) Workers' Compensation. During the term of this agreement, Actuary shall fully comply with the terms of the California Workers' Compensation laws. Said compliance shall include, but not be limited to, maintaining in full force and effect one or more policies of insurance insuring against any liability Actuary may have for workers' compensation.

(3) Errors and Omissions; Malpractice. Actuary shall procure and pay the cost of, and shall keep in full force and effect during the term of this agreement a policy in form and content satisfactory to the Board which shall indemnify the Board against errors and omissions or malpractice by Actuary. Said policy or policies shall provide coverage in an amount specified by the Board.

(e) Actuary Not Agency. Except as the Board may specify in writing, Actuary shall have no authority, express or implied, to act on behalf of the Board in any capacity whatsoever as an agent. Actuary shall have no authority, express or implied, pursuant to this agreement, to bind the Board to any obligation whatsoever.

(f) Assignment Prohibited. No party to this agreement may assign any right or obligation pursuant to this agreement. Any attempted or purported assignment of any right or obligation pursuant to this agreement shall be void.

(g) Personnel. Actuary shall assign only competent personnel to perform services pursuant to this agreement. In the event that the Board, in its sole discretion, at any time during the term of this agreement, desires the removal of any person or persons assigned by Actuary to perform services pursuant to this agreement, Actuary shall remove any such person immediately upon receiving notice from the Board of the Board's desire for the removal of such person or persons.

(h) Standard of Performance. Actuary shall perform all services required pursuant to this agreement in the manner and according to the standards observed by a competent practitioner of the profession in which Actuary practices his profession. All products of whatsoever nature which Actuary delivers to the Board pursuant to this agreement shall be prepared in a substantial, first-class and workmanlike manner and conform to the standards of quality normally observed by a person practicing in Actuary profession.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the date hereinabove first written.

BOARD:

ADMINISTRATION, INVESTMENT & FISCAL
MANAGEMENT BOARD OF THE SACRAMENTO
CITY EMPLOYEES RETIREMENT SYSTEM

By *Armando Delacruz*
Chairperson

ATTEST:

Richard E. Hughes
Secretary to the Board

ACTUARY:

TOWERS, PERRIN, FORSTER AND
CROSBY, an actuarial firm

By *Martin J. Frank*
Its *Vice President*

APPROVED AS TO FORM:

William P. [Signature]
Deputy City Attorney

May 9, 1988

Towers, Perrin, Forster & Crosby
1925 Century Park East, Suite 1500
Los Angeles, CA 90067-2790

Dear Gentlemen:

On May 3, 1988, the Sacramento City Council adopted Resolution No. 88-355 authorizing the execution of City Agreement #87260, Agreement For Actuarial Services to be provided to the Sacramento City Employees Retirement System.

Enclosed, for your records, is one fully certified copy of said agreement and authorizing resolution.

Sincerely,

LORRAINE MAGANA, CITY CLERK

JANICE BEAMAN
Deputy City Clerk

JB/cc/6
Enclosure

cc: Employee Services
Risk Management