

SUBJECT: APPROVAL TO CONTRACT WITH TOTAL COMPENSATION SYSTEMS, INC.
FOR GASB 45 – OPEB ACTUARIAL VALUATION SERVICES

SOURCE: FINANCE DEPARTMENT

COMMENT: Governmental Accounting Standards Board Statement No. 45 (GASB 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, requires the City to perform actuarial valuations of its other postemployment benefits (OPEB) every 2 years. Under GASB 45, the City must account for, and report, the annual required contribution (ARC) for OPEBs in the same way pension benefits are reported. The City must use actuarial valuations to determine the final accounting and reporting amounts expected in the future. The information provided in financial statements must include the funding, costs and provisions in an OPEB plan. While GASB 45 does not require that OPEB plans be funded, it requires disclosure of net OPEB obligations.

Since the implementation of GASB 45 in 2009, Total Compensation Systems, Inc. (TCS) has provided the City actuarial consulting services and the information necessary to comply with the requirements of GASB 45 related to retiree health benefits. The last valuation of the City's OPEB was done in 2013. A new valuation is required to be completed for the current fiscal year.

TCS has submitted a new proposal to provide actuarial consulting services to the City for the valuation of retiree health benefits for a fee of \$5,600, which does not include any on-site meetings. An additional fee of \$1,600 per meeting is proposed to attend meetings related to the consulting services. It has not been necessary for TCS to travel to the City to conduct the valuation in the past.

Funds in the Finance Department's FY2014-15 operating budget is the funding source for the GASB 45 actuarial valuation services.

RECOMMENDATION: That the City Council:

1. Authorize the Finance Director to enter into an agreement with Total Compensation Systems, Inc. for GASB 45 – OPEB actuarial valuation services for \$5,600 for the current fiscal year.
2. Authorize the Finance Director to negotiate future contracts with TCS for GASB 45 – OPEB actuarial valuation services for a fee not exceeding a 10% increase from the previous agreement.

ATTACHMENTS: Consulting Services Agreement

D.D. MB Appropriated/Funded MB C.M. J

Item No. 6

CONSULTING SERVICES AGREEMENT

This Agreement is entered into effective the 9th day of January, 2015 by and between Total Compensation Systems, Inc. ("Consultant"), a California corporation with principal offices located at 5655 Lindero Canyon Road, Suite 223, Westlake Village, California, 91362 and City of Porterville ("Customer").

The following shall govern the provision of consulting services by Consultant to Customer.

1. Consulting Services. Consultant shall provide the consulting services described on Schedule 1 attached hereto.
2. Compensation to Consultant. Customer shall pay Consultant for the consulting services described on Schedule 1 attached hereto the compensation set forth on Schedule 2 attached hereto.
3. Term and Termination. (a) Term. This Agreement shall commence on the date first written above and shall continue in effect until June 30, 2015, or until all consulting services described on Schedule 1 have been performed, whichever occurs first, unless sooner terminated in accordance with the provisions of this Agreement. (b) Termination Without Cause. This agreement may be terminated at any time by either party upon sixty (60) days prior written notice to the other party. (c) Termination With Cause. Either party shall have the right to terminate this Agreement upon the failure of either party to observe any of the covenants and agreements required to be observed by it under this Agreement, and such failure continues for a period of thirty (30) days after written notice thereof. (d) Rights and Obligations after Termination. Termination of this agreement shall not relieve either party of any rights or obligations arising out of the Agreement prior to termination, with the exception that the amount of the final payment that shall be made by Customer shall be based solely upon the percentage of work that was completed by Consultant.
4. Customer Will Provide Information. Customer shall provide Consultant with the information necessary for Consultant to provide the consulting services described on Schedule 1 attached hereto.
5. Authorization to Acquire Information. Customer hereby authorizes Consultant to acquire the necessary information reasonably required by Consultant to provide the consulting services described on Schedule 1 attached hereto from any agency, agencies, source or sources.
6. Customer's Right to Provide Information. Customer represents and warrants to Consultant that it has the right to provide the information that will be given by Customer to Consultant, or which will be acquired by Consultant pursuant to paragraphs 4 and 5 above.
7. Limitation on Services. Customer understands that Customer retains sole authority and responsibility for the operation and design of all Customer's employee benefit plans.
8. Ownership of Systems and Materials. All systems, programs, operating instructions, forms and other documentation prepared by or for Consultant shall be and remain the property of Consultant. All data source documents provided by Customer shall remain the property of Customer.
9. Indemnification. (a) By Customer. Customer hereby agrees to defend and indemnify Consultant and hold Consultant harmless against any claims, injury, costs or damages (including actual attorneys' fees incurred) resulting from Customer's gross negligence or willful misconduct. (b) By Consultant. Consultant hereby agrees to defend and indemnify Customer and hold Customer harmless against any claims, injury, costs or damages (including actual attorneys' fees incurred)

resulting from Consultant's gross negligence or willful misconduct.

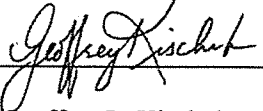
10. General.

- a. Relationship of the Parties. The relationship between Consultant and Customer established by this Agreement is that of independent contractors. Consultant and Customer shall each conduct its respective business at its own initiative, responsibility, and expense, and shall have no authority to incur any obligations on behalf of the other.
- b. Force Majeure. No party shall have liability for damages or non-performance under this Agreement due to fire, explosion, strikes or labor disputes, water, acts of God, war, civil disturbances, acts of civil or military authorities or the public enemy, transportation, facilities, labor, fuel or energy shortages, or other causes beyond that party's control.
- c. Entire Agreement. This Agreement and the Schedules attached hereto contain the entire agreement between the parties and supersedes all previous agreements and proposals, oral or written, and all negotiations, conversations, or discussions between the parties related to the subject matter of this Agreement. This Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived in whole or in part, except by written amendment signed by both of the parties hereto.

11. Confidentiality. Consultant recognizes that its work will bring it into close contact with confidential information of Customer, including personal information about employees of Customer. Consultant agrees not to disclose anything that is the confidential information of Customer, or that is proprietary to Customer, including its software, its legacy applications, and its databases, to any third party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as set forth below.

"CONSULTANT"
TOTAL COMPENSATION SYSTEMS, INC.

Signed: 

By: Geoffrey L. Kischuk

Title: President

Date: 01/06/2015

"CUSTOMER"
CITY OF PORTERVILLE

Signed: _____

By: _____

Title: _____

Date: _____

SCHEDULE 1

For the purposes of this Agreement, "consulting services" shall include the following services provided by Consultant to Customer:

A consulting report including all actuarial information necessary for Customer to comply with the requirements of current and future GASB accounting standards related to retiree health benefits. Study results will be separated between five employee classifications. Consultant will provide as many copies of the final report as Customer shall reasonably request.

Services do not include Consultant's attendance at any meetings, unless requested at the fee shown in Schedule 2.

SCHEDULE 2

Customer shall pay Consultant for the retiree health valuation report a total of \$5,600. One-half, or \$2,800 shall be due within 30 days of the commencement of work by Consultant. One-half, or \$2,800 shall be due within 30 days of the delivery by Consultant to Customer of the draft consulting report (or within 30 days of contract termination, if earlier).

In addition to the above fees, Customer agrees to pay Consultant an all-inclusive fee of \$1,600 per meeting to attend meetings related to the consulting services. Customer shall pay such meeting fees within 30 days of the meeting.