

THE STATE OF TEXAS §
§
COUNTY OF HIDALGO §

SERVICE CONTRACT
C-06-231-01-16

THIS CONTRACT is made and entered in this **16th** day of **January, 2007** by and between the **County Of Hidalgo**, TEXAS ("County"), and **Milliman, Inc.**, a Texas Corporation ("Company").

WHEREAS, Company has offered to perform actuary services for Hidalgo County as more particularly prescribed on Exhibit "A" which is attached hereto and incorporated herein by reference (the "Service"); and

WHEREAS, in recognition of and in consideration of Company's agreement to perform the Services, the Commissioners Court of County desires to award a contract to Company to perform the Services.

NOW, THEREFORE, in mutual consideration of the foregoing and the further consideration of the following, the parties hereto agree as follows:

1. County and Company hereby agree that this Contract is entered into in order to provide the Actuary Services at the offices of Hidalgo County. This Contract does not extend to any third parties any duties or benefits conferred in any manner hereunder or otherwise.
2. Company hereby promises and agrees to render and provide, during the term of this Contract, and shall be obligated to render and provide the Services. Company agrees in performing the Services that it will use proper professional standards, comply with any and all appropriate laws and regulations in providing the Services, and devote such time as is necessary to safely and efficiently provide the Services.
3. This Contract shall be for a period of two (2) years beginning **January 16, 2007** with County's option to renew for an additional one (1) year, at the same rates, terms and conditions.
4. As a condition of this Contract, Company shall hold and maintain throughout the term of this Contract all licenses and permits required, of which may be required by any authority during the term hereof to provide the Services.
5. As consideration for rendering the Service provided for in this Contract, the County agrees to pay Company the amounts specified in Exhibit "B" attached hereto payable against written invoice submitted by Company.

If to Company:

Milliman, Inc.
Attn: James Tumlinson, Jr.
333 Clay Street, Ste. 4330
Houston, Texas 77002

12. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

13. This Contract shall not be assignable in whole or in part by either party without prior written consent of the other party.

14. It is expressly agreed that this Contract and the performance by the parties hereunder does not create any agency relationship or master-servant relationship, that the County has no supervision of the performance of the Services provided by Company, and that Company is an independent contractor under this Contract.

15. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

16. This Agreement may be terminated by either party without cause upon thirty (30) days written notice.

17. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns where permitted by this Agreement.

18. In the event that, during any term hereof, the Commissioners Court does not appropriate sufficient funds to meet the obligations of County under this Agreement, County may terminate this Agreement upon ninety (90) days written notice to Company. County agrees, however, to use reasonable efforts to secure funds necessary for the continued performance of this Agreement. The parties intend this provision to be a continuing right to terminate this Agreement at the expiration of each budget period of Buyer pursuant to the provisions of Tex. Loc. Govt. Code Ann. § 271.903 (Vernon Supp. 1996). The Company shall be entitled to compensation for satisfactory services rendered to County prior to the effective date of termination.

19. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and shall be performable in Hidalgo County.

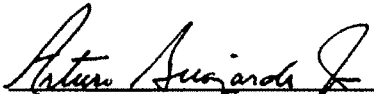
WITNESS our hands in duplicate originals this _____ day of _____ 2007

COUNTY OF HIDALGO

By: _____

Juan D. Salinas III, County Judge

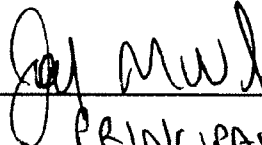
ATTEST:



Arturo Guajardo, Jr., County Clerk

COMPANY: Milliman Inc.

By: _____



PRINCIPAL

Approved on Commissioners' Court January 16, 2007

APPROVED AS TO FORM:

Atlas & Hall, L.L.P.

By: _____

EXHIBIT "A"

HIDALGO COUNTY

For the purpose of providing Professional Actuary Consulting Services for the implementation of GASB 43 and/or 45 for Hidalgo County's Post-Employment Benefits Package (OPEB) for Health Benefits for Retired Employees.

RFP&Q NO: 2006-231-11-15-VYG-Hidalgo County-Actuarial Services For GASB 43 and/or 45.

TASKS AND/OR SERVICES SHALL INCLUDE, BUT NOT LIMITED TO:

- A. Conduct a complete needs assessment desired study completion date within six weeks of receipt of all data.
- B. Will be required to make a formal presentation of the "Actuarial Study" to Hidalgo County Commissioners Court.
- C. Analyze the data to access any inconsistencies and make recommendations for enhancing data quality.
- D. Prepare an actuarial evaluation following GASB 43 and/or 45 standards.
- E. Study must include the following:
 - The actuarial present value of total projected benefits.
 - Actuarial accrued liability.
 - Actuarial value of assets.
 - The unfunded actuarial accrued liability.
 - Normal Cost
 - Annual required contribution of the employer-as a level dollar amount and as a level percentage of covered payroll.
 - Net OPEB obligation (for employer disclosure under GASB statement 45 if necessary).
 - Prepare the necessary material for the Comprehensive Annual Financial Report to comply with GASB OPEB reporting and disclosure requirements.
 - Prepare the annual gain/loss analysis to determine reasons for changes in the unfunded actuarial accrued liability, whenever a prior actuarial valuation is available to support this.
 - Determine the implicit rate subsidy, if any, and the impact it would have on the OPEB liability.
 - Prepare an analysis to determine how establishing a trust or equivalent arrangement would affect the interest rate assumption. Timing considerations of establishing the trust should also be considered.
 - Prepare a cash flow analysis (the "pay-as-you-go-cost"). **Optional**
 - Prepare sensitivity analysis showing the impact of alternative assumptions on the employer's contributions (healthcare trend rates and investment rate

assumptions) **Optional**

- If there is not a trust established, determine the difference in liability based upon the investment returns under a diversified portfolio versus a short-term fixed income portfolio. **Optional**
- As appropriate, provide recommendations on managing the OPEB liability. This may include changes in plan design. **Optional**
- As appropriate, review and update plan documents and design. Make recommendations as to formalizing informal plans. **Optional**

EXHIBIT "B"

PAYMENT SCHEDULE

Fees for Services

Initial Valuation: \$25,000.00

Plan Design and Funding: Provided as needed and based on scope of services

Ongoing Valuation: \$25,000.00

(Best and Final Offer Clarification was presented to Commissioners Court on Tuesday, May 15, 2007 and it was approved as referenced above.)

HIDALGO COUNTY-RFP/Q
“ACTUARIL SERVICES FOR GASB 43 and/or 45)
RFP/Q NO: 2006-231-11-15-VYG

ADDITIONAL SPECIFICATIONS/REQUIREMENTS

SCOPE OF SERVICES:

- Desired study completion date of: **February 28, 2007.**
- Proposer will be required to make a formal presentation of the “Actuarial Study” to Hidalgo County Commissioners Court.
- Analyze the *data* to *assess* any inconsistencies and make recommendations for enhancing *data* quality.
- Prepare an actuarial evaluation following GASB 43 and/or GASB 45 standards.
- The following must be included in the study as follow:
 - The actuarial present value of total projected benefits.
 - Actuarial accrued liability.
 - Actuarial value of assets.
 - The unfunded actuarial accrued liability.
 - Normal Cost
 - Annual required contribution of the employer-as a level dollar amount and as a level percentage of covered payroll.
 - Net OPEB obligation (for employer disclosure under GASB statement 45 if necessary).
 - Prepare the necessary material for the Comprehensive Annual Financial Report to comply with GASB OPEB reporting and disclosure requirements.
 - Prepare the annual gain/loss analysis to determine reasons for changes in the unfunded actuarial accrued liability, whenever a prior actuarial valuation is available to support this.
 - Determine the implicit rate subsidy, if any, and the impact it would have on the OPEB liability.

- Prepare an analysis to determine how establishing a trust or equivalent arrangement would affect the interest rate assumption. Timing considerations of establishing the trust should also be considered.
- Prepare a cash flow analysis (the "pay-as-you-go-cost"). **(optional)**
- Prepare sensitivity analysis showing the impact of alternative assumptions on the employer's contributions (healthcare trend rates and investment rate assumptions) - **(optional)**
- If there is not a trust established, determine the difference in liability based upon the investment returns under a diversified portfolio versus a short-term fixed income portfolio. **(optional)**
- As appropriate, provide recommendations on managing the OPEB liability. This may include changes in plan design. **(optional)**
- As appropriate, review and update plan documents and design. Make recommendations as to formalizing informal plans. **(optional)**

INFORMATION ABOUT THE FIRM:

1. The firm should provide its name, address of the office which would provide the services requested, telephone number, fax, e-mail address and website, if applicable.
2. The firm should provide a general description of its business, including size, number of employees, number of credentialed actuaries, primary business, other business or services offered and review any past or contemplated changes in the ownership structure of the firm.
3. The supervising actuary who will be assigned to the engagement should be identified and their contact information provided.
4. Other actuaries and other personnel who will have key roles in the work should also be identified.
5. The firm should list the number and percent of consulting staff who have left each of the past five years.
6. Brief resumes should be furnished for the key professional staff who will be assigned to this engagement. Summary information should be provided covering the professional qualifications and experience of the supervising and support actuaries and other personnel who would perform the requested work.

7. The *firm* should provide a description of its experience in providing actuarial and consulting services for governmental entities/plans and a list of governmental entities/plans for which it has performed services similar to those identified under “Scope of Services”. Describe the *firm’s* experience with retiree healthcare and other post-employment benefit plans for other public entities. Recognizing the value of the firm experience with FASB OPEB valuations, *firm* should also describe their private sector OPEB valuation experience.
8. For the *firm* office that will be responsible for the work, the *firm* should provide a list of the most significant engagements performed in the last five years that are similar to the engagement described in this request for proposal/qualifications. The list of engagements can be both in the private or public sector but must be clearly labeled as such.
9. For the engagements listed above, indicate the scope of the work, date, supervising actuaries, and the name and telephone number of the principal client contact who would serve as a reference for the *firm* .
10. The *firm* should list any clients that have been lost in the last five years.
11. The *firm* should provide an affirmative statement that is independent of the governmental entity/plan and that it is unaware of any potential conflicts of interest if it were selected to perform the requested work.
12. The *firm* should describe any limits on liability that the firm requests from its clients due to negligence of its firm.
13. The *firm* should warrant that the *firm* maintains errors and omissions insurance that provides a prudent amount of coverage for negligent acts or omissions and that its coverage is applicable to the work requested in this proposal.
14. The *firm* should include an example of a job arrangement letter or contract that the *firm* would require covering this engagement if it were successful in winning the engagement.
15. The response to the “Request For Proposal/Qualifications” should be signed by a representative of the *firm* with the acknowledgement that this individual is authorized to contractually bind the firm.
16. The *firm* should indicate if there are any pending legal actions against it.

PROCESS:

- Approach-State the overall approach of the valuation, including objectives, scope of work to be performed and the methodologies to be used.
- Describe how the firm will work with “Hidalgo County” to determine the proper actuarial cost method, actuarial asset valuation method, amortization method and key assumptions to the valuation based on relevant accounting and actuarial standards. Some key assumptions (not all of them applicable) to consider as part of this discussion are:
 - » Turnover
 - » Retirement Age
 - » Disability retirement age
 - » Mortality
 - » Projected salary increase
 - » Inflation rate
 - » Healthcare cost trend data for appropriate region
 - » Amortization timeframe
 - » Investment return
 - » Post retirement benefit changes
 - » Actuarial assumptions associated with the method (projected unit credit, entry age normal, etc.)
- Provide an analysis of allowed actuarial methods and amortization methods with the pros and cons of each method and recommend the most appropriate or commonly used one or two methods for this type of study.
- Describe how the firm would assist in the interpretation of the plan and value the associated costs in situations where there is ambiguity related to the substantive plan.
- Timeline-The firm will identify the major tasks in the valuation engagement and the suggested timeline for completion.
- Date Requirements – The actuarial firm should list all data requirements, other than what has been identified in the RFP/Q, that they require to complete the valuation and in what type of format that data must be provided.
- Support – Provide the support that is required of Hidalgo County’ staff.
- Sample Report – Include in the Appendix of the firm’s response a copy of a sample report.

COST AND TERMS OF AGREEMENT:

- Cost Proposal – The firm will provide the cost of the engagement detailing out the cost of the valuation and any optional consulting services included in the scope of services. The proposal should include estimated hours, hourly rates and expenses, as well as a total, not-to-exceed cost that should be clear and concise.
- Costs for the any of the services indicated as “**optional**” in the Scope of Services section of this document should be requested as separate from the cost of the valuation as these services can be expensive.
- Terms of Agreement - The contract will be for a period of two (2) years with the county’s option to renew for an additional one (1) year, at the same rates, terms and conditions. Hidalgo County reserves the right to continue this proposal for an additional sixty (60) day Grace Period at the end of the contract under the same rates, terms and conditions.

HIDALGO COUNTY-RFP/Q
“ACTUARIL SERVICES FOR GASB 43 and/or 45)
RFP/Q NO: 2006-231-11-15-VYG

PROPOSAL QUESTIONS

The purpose of this RFP/Q is to demonstrate the qualifications, competence and capability of the proposer(s). The substance of the proposer(s) will carry more weigh than form or manner of presentation. Preparation of your response should be simple and economical, providing a straightforward, concise description of your ability to provide the services requested. The response should include the following, preferably in the order listed:

- » What is the basis of compensation for your services (flat fee, time plus expense, etc.)?
- » What is your estimate for the total cost of the actuarial study? If your basis for compensation is “time plus expenses”, please detail all anticipated expenses (clerical, travel, etc.). The cost for any optional work should be identified separately and presented for approval before any optional work is to proceed.
- » To what degree or percent of accuracy will you guarantee your total cost estimate?
- » Will you be able to meet the timeline? If not, provide your estimated date for report completion. Are any additional fees being charged in order to meet this timeline?
- » A brief history and description of the firm, including a statement of the firm’s qualifications to perform the requested services.
- » List at least five Texas public entities, preferably County Entities, that you have performed a GASB 43 and/or 45 actuarial study for in the last five year. Include the name of the entity, a contact person and phone number, as well as a description of the work performed.
- » Identify the key personnel within your firm who will be responsible for the completion of this assignment. Include the professional qualifications and experience of these key individuals; specifically their experience with Texas Governmental Entities and GASB 43 and/or 45 liability calculation.
- » List any exceptions you have with the proposed RFP/Q and Scope of Work as well as a description of any proposed work that differs from that described.

- » List all data and information that will be required to be assembled by Hidalgo County in order to complete the actuarial study.
- » Define the most important qualification your firm can bring to Hidalgo County.

HIDALGO COUNTY-RFP/Q
“ACTURARIL SERVICES FOR GASB 43 and/or 45)
RFP/Q NO: 2006-231-11-15-VYG

The undersigned hereby certified that he/she understands the specifications, has read the document in its entirety, affirms the list of qualifications is true and correct, and is duly authorized to execute this response. The following information must be filled out in its entirety for your proposal to be considered.

Company Name: _____

Address: _____

Phone/Fax: _____

E-Mail: _____

Title Of Representative: _____

Authorized Representative: _____

Signature

_____ Date

_____ Printed Name

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
06/24/09

PRODUCER Parker Smith & Feek, Inc. Bellevue (425-709-3600) 2233 112th Avenue NE Bellevue, WA 98004	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	INSURED Milliman Inc. 1301 Fifth Ave., Suite 3800 Seattle, WA 98101-2605	INSURERS AFFORDING COVERAGE
	INSURER A: Federal Insurance Company	
	INSURER B: Pacific Indemnity Co.	
	INSURER C: Great Northern Insurance Co.	
	INSURER D:	
	INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	X	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC	35825959	06/30/09	06/30/10	EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$1,000,000 MED EXP (Any one person) \$10,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$2,000,000 PRODUCTS - COMP/OP AGG \$1,000,000
C		AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	73525432	06/30/09	06/30/10	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ GARAGE LIABILITY <input type="checkbox"/> ANY AUTO OTHER THAN EA ACC \$ AUTO ONLY: AGG \$ EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE \$ RETENTION \$
B		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below	097179457	06/30/09	06/30/10	<input checked="" type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE - EA EMPLOYEE \$1,000,000 E.L. DISEASE - POLICY LIMIT \$1,000,000
A		OTHER EMPLOYERS LIABILITY	35825959 WA & OH STOP GAP	06/30/09	06/30/10	\$1,000,000 EA. ACCIDENT \$1,000,000 EA. EMPLOYEE \$1,000,000 POLICY LIMIT

30 2009
4/12M

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

Addendum #1-RFP/Q NO: 2006-231-11-15-VYG-Hidalgo County-Actuarial Services for GASB 43 and/or 45 Project. County of Hidalgo is included as Additional Insureds as respects the operations of the Named Insured as required by written contract regarding General Liability as set forth in the terms and conditions of Endorsement 80-02-2367 (08/04) attached.

CERTIFICATE HOLDER

COUNTY OF HIDALGO
100 E. Cano
Edinburg, TX 78539

CANCELLATION Ten Day Notice for Non-Payment of Premium

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Keri Forgy

Liability Insurance

Endorsement

Policy Period 06/30/09 - 06/30/10

Effective Date 06/30/09

Policy Number 35825959

Insured Milliman, Inc.

Name of Company Great Northern Insurance Company (Chubb)

Date Issued 06/30/09

This Endorsement applies to the following forms:

Under Who Is An Insured, the following provision is added:

Who Is An Insured

Scheduled Person Or Organization

Subject to all of the terms and conditions of this insurance, any person or organization shown in the Schedule, acting pursuant to a written contract or agreement between you and such person or organization, is an insured; but they are insureds only with respect to liability arising out of your operations, or your premises, if you are obligated, pursuant to such contract or agreement, to provide them with such insurance as is afforded by this policy.

However, no such person or organization is an insured with respect to any:

- assumption of liability by them in a contract or agreement. This limitation does not apply to the liability for damages for injury or damage, to which this insurance applies, that the person or organization would have in the absence of such contract or agreement.
- damages arising out of their sole negligence.

Schedule