



CONSULTING GROUP

Town of Holland, MA

GASB 45
Actuarial Valuation Services



CONSULTING GROUP

October 2009

Subj: **GASB #45 Quote - From USI Consulting Group**
Date: 10/8/2009 11:06:39 A.M. Eastern Daylight Time
From: erin.elliott@usicg.com
To: tjh0313@aol.com

Hi Timothy,

Our quote for the GASB #45 actuarial valuation services is \$3,900. Since the Town of Holland has under 100 participants, you will need a valuation done once every three years.

I have attached the full proposal detailing our services. If you agree to this quote, you can simply sign & fax the Service Agreement back to me at your earliest convenience (please let me know if you need any hard copies of the proposal mailed to you as well).

Do you happen to know when you might be making a decision?

We look forward to the opportunity of working with you and the Town of Holland on implementing the GASB #45 rules. Please let me know if you have any questions and how you would like to proceed.

Can you please let me know that you received this quote (as I only have your AOL email from the Town).

Thanks,
Erin

Erin Elliott
Director of Marketing
USI Consulting Group
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Glastonbury, CT 06033
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Executive Summary

We are pleased to provide this proposal to the Town of Holland for postretirement Health & Welfare benefit services, specifically GASB 45 actuarial valuations and financial statement disclosures.

As you are aware, the Government Accounting Standards Board ("GASB") issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans" in April, 2004 and Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" in June, 2004. The statements introduced accrual accounting for postretirement benefits other than pensions.

Our proposal details the various capabilities, technical knowledge and features of USI Consulting Group. We are confident that we can offer practical and cost-effective ways to assist you in achieving your goals and objectives.

We have gained a reputation of providing cost-effective consulting and administrative solutions that meet our clients' benefit plan goals and objectives. Our client management process is cyclical and begins with understanding your objectives, developing solutions and action plans to meet those objectives, placing controls around solutions and plans, implementing them and then measuring the results.

Current Situation

The Town of Holland provides postemployment health & welfare benefits for its current and future retirees.

As a result of recent discussions, you have asked us to provide a proposal for the actuarial calculations required for expensing and disclosing the Other Post Employment Benefits ("OPEB") pursuant to GASB Statement No. 45. The actuarial valuation of OPEB liabilities will include all currently active employees and all current retirees and their dependents covered under your program.

It is our understanding that the Town of Holland has approximately 45 covered employees and 7 retirees.

This proposal outlines the basis of our professional fees, describes the project phases, provides an approximate timetable for the completion of the project and outlines a brief biography of the project management team that will be responsible for delivering the valuation.

Organization Overview

History

We are a national consulting firm specializing in employee benefits planning, design, qualification, implementation and administration. USI Consulting Group is a wholly-owned subsidiary of USI Holdings Corporation ("USI") – the second largest privately held insurance broker in the United States.

For over 30 years, we have grown to our current status as one of the leading national consulting firms specializing in employee benefits. We provide consulting and administrative services for approximately 1,000 clients nationwide. Our clients consist of public and private sector employers as well as Fortune 500 companies. Headquartered in Glastonbury, CT, we operate major offices in Boston, MA; Dallas, TX; Houston, TX; Knoxville, TN; New York, NY; and Washington, DC.

We have approximately 200 employees. Our staff includes top professionals with significant consulting, insurance, financial and accounting backgrounds. Our staff includes Actuaries, Consultants, Attorneys, CIMAs, CEBS and Benefit Plan Administrators. On average, our senior consultants possess 15 years of hands-on experience in the design, implementation and administration of all types of employee benefit programs.

USI Consulting Group has a department dedicated to meeting employers' OPEB financial needs including compliance with the accounting standards: FAS 106, FAS 112, GAS 43 and GAS 45. This dedicated group of associates provides actuarial and consulting services to our 200 OPEB clients.

USI Consulting Group – A Snapshot

- 200 employee benefit specialists
- International client base
- Service one million participants
- Over 30 years of experience
- 97% of our clients say our service quality meets or exceeds their expectations
- 98% of our clients would recommend us

Our Philosophy

USI Consulting Group strives to provide services that enable our clients to manage their benefit plans and, ultimately, their operations more effectively. We accomplish this by providing understandable and accurate consulting advice on a timely and cost-efficient basis.

Effective employee benefits consulting should:

- Reflect the goals, objectives and financial strategies of the client organization
- Be empirically sound and easily understood by benefit professionals, as well as Senior Management and the Board of Directors
- Focus not only on short-term financial considerations, but also on the true cost of a given benefit or funding vehicle over the long-term
- Serve as a catalyst and educational vehicle for helping the client deal effectively with the evolving nature of employee benefits and the effects of those evolutionary trends on his/her benefit programs
- Assist in developing a conceptual framework for client benefit decisions and in ensuring that a long-term strategic planning structure is in place, so there is adequate flexibility to weather changes in benefit delivery mechanisms and regulatory requirements
- Create a synergy that stimulates the client's benefits team and consulting team to collectively work better than each group would have on their own

To accomplish this, we encourage discussions about all aspects of employee benefits plan design, funding and philosophies. Our approach requires more than technical skill. Rather, USI Consulting Group's designated consulting team is creative, innovative, sensitive to the client's culture and educated in the overall field of employee benefits plan management. We emphasize an understanding of the manner in which benefits affect the total client structure. This capability is part of what makes us unique.

About USI

USI is a diversified insurance and financial services firm focused on a technology enabled, fully integrated delivery of general and specialty property & casualty insurance, financial services such as employee benefits outsourcing, third-party administration, and related consulting. USI firms are characterized as having a strong regional franchise name, specialized areas of expertise, a history of growth and good future prospects, strong management and strong market relationships and broad financial services capabilities.

USI is headquartered in Briarcliff Manor, NY and is comprised of more than 80 offices located throughout the United States. USI employs over 3,300 people nationwide.

OPEB Valuation Services

Our Staff

USI Consulting Group has a department dedicated to meeting employers' OPEB financial needs including compliance with the accounting standards: GAS 43, GAS 45, FAS 106 and FAS 112. This dedicated group of associates provides actuarial and consulting services to our 200 OPEB clients.

This focus on postretirement health & welfare gives us vast experience in all aspects of the required accounting, as well as plan design issues. We have assisted almost all of our clients in some sort of sensitivity analysis or projection scenarios, each time delivering results with both fiscal and personnel issues in mind.

GASB 45 Services

We strongly believe that employers need to take a comprehensive approach to the planning of their retiree benefits. We use a multi-disciplinary team to assist employers with the management of their compliance and benefit needs.

A. GASB 45 Actuarial Valuation

The GASB 45 valuation is a liability and expense study according to GASB Statement No. 45. This step is the focus of this proposal. Even though the GASB standardized accounting for retiree welfare benefit costs, employers maintain certain flexibility in recognizing these liabilities and reflecting their substantive benefit commitments to their retirees.

The postretirement health & welfare valuation process will consist of:

1. Information Gathering

- Terms of the plans you currently offer.
- Premiums or claims (depending on your funding arrangement) for each of your plans, as well as contribution amounts made by retirees.
- Demographic information on retirees and dependents currently covered by your plan(s), as well as the groups of active employees eligible for future coverage. We will outline for you in a letter, the data required to prepare your actuarial valuation.

2. Actuarial Assumptions

Actuarial assumptions are used for projecting payments and calculating expense and liability obligations. The assumptions required for valuing postretirement medical benefits fall into two groups:

- Demographic and economic assumptions
 - Interest/discount rates
 - Retirement rates
 - Termination rates
 - Mortality rates

2. Actuarial Assumptions (cont.)

- Assumptions unique to retiree medical
 - Per capita claim cost rates
 - Participation rates
 - Spouse election assumptions
 - Contribution rates

We will work with you to select a set of assumptions that reflect your organizations expected experience and that satisfy the requirements of GASB 45 and actuarial standards of practice.

3. Postretirement health & welfare valuation report*

The report will contain the following information:

- Explanation of the adopted GASB standards
- Executive Summary of key information
- Summary of plan related liabilities separated as needed by:
 - Active employees and retirees
 - Pre-65 benefits and post 65 benefits
 - Separate enterprise funds, separate employee (or professional) groups
- Summary of assets (if applicable)
- Funded status
- Ten year pay-as-you-go projection (cash flow)
- Annual Required Contribution(s) ("ARC") and derivation
- Description of the actuarial assumptions and methodology used in the valuation
- Derivation of claim costs
- Summary of plan participant data
- Description of the substantive plan provisions (participation requirements, eligibility for benefits, contribution structure, etc.)
- Glossary of valuation terms used
- Actuarial certification

B. GASB 45 Disclosure Information

GASB 43/45 requires that certain information be disclosed in a footnote contained in an organization's annual report. Although, much of the information in the valuation will be usable in the end of year footnote, in most cases, the footnote cannot be finalized until the end of the fiscal year. We will issue an abbreviated report at the end of the year summarizing your disclosure information, incorporating actual fiscal year financial activity.

**More or less detailed information can be provided in the report as desired by management.*

Optional Consulting Services

A. Plan Design Alternatives

We can assist in assessing whether your human resources objectives, as embodied in the plan, are consistent with your business objectives. If this is not the case, we can examine plan options available that will align the plan with your objectives. We would include the following steps in a design study:

- Determine your philosophy with respect to retiree benefits (i.e., what does the organization owe the retiree and what resources is the organization prepared to commit to retiree welfare?)
- Understand the cost management problems and opportunities inherent in retiree plans and utilization experience
- Examine what has been promised in the past
- Determine active employees' expectations and needs with regard to retiree benefits
- Determine the extent, if any, which medical benefits should be integrated with pension benefits
- Investigate potential health cost management strategies and determine the effectiveness of current plan designs, while encouraging efficient use of the medical care system
- Consider alternate plan designs involving eligibility, benefits, contributions, etc.
- Model the effect of different plan designs on your liability

B. Pre-Funding

We are in a position to assist you with a study of the financial alternatives, tax implications and the effect on operations of various approaches to pre-funding retiree welfare benefits.

C. Modeling & Projections

As you assimilate the initial impact of accrual versus pay-as-you-go, you may want to consider what-if scenarios that incorporate both plan design and pre-funding alternatives. As we have with many clients, we can provide critical analysis for management of this obligation.

Account Team

We employ a team approach to client service. This means that the consultants, administrators, actuaries and other specialists working with you possess the experience and technical expertise to meet your objectives.

As your consultant, we combine the resources of our organization – our communications expertise, outsourcing services and technology – to provide proactive, timely and accurate benefit administration.

Based on our understanding of your needs, we anticipate that your project team will consist of the following individuals:

Supervising Actuary:	Bob Webb, FSA, EA, MAAA
Actuary & Project Manager:	Adeniyi Olaiya
Actuarial Consultant:	Tammy Cooke
Actuarial Analyst:	Lauren Schneider

Bob Webb is a Vice President and Actuary in USI Consulting Group's Defined Benefit department. Bob manages the OPEB department, which consults on retiree welfare plans for approximately 200 clients. Bob has more than 30 years experience in the retirement field, including over 20 years as a consultant. His experience in the retiree welfare area includes plan design and pricing, assisting employers in meeting the accounting requirements (GAS & FAS) of OPEB plans, as well as mitigating the impact of the statement on profit and loss, and consulting with clients in the financing and funding of their retiree welfare benefit plans. Before coming to USI Consulting Group, Bob served as a benefit consultant, specializing in retirement programs, for leading insurance and benefit consulting companies.

Bob graduated from Hamilton College with a B.A. degree in Mathematics. He is a Fellow of the Society of Actuaries, an Enrolled Actuary under ERISA and a member of the American Academy of Actuaries.

Adeniyi Olaiya is an Actuary and the OPEB Manager in USI Consulting Group's OPEB department, which consults on retiree welfare plans for approximately 200 clients. His professional experience includes OPEB (FAS 106, FAS 112 and GAS 45) valuations, as well as group life and health care pricing. Adeniyi assists the Practice Leader with actuarial assumption studies, morbidity studies, plan design and pricing, cash flow projections and plan comparison studies. Prior to joining USI Consulting Group, Adeniyi worked as an Actuarial Manager with a major managed care carrier in the Northeast region.

Adeniyi graduated from the University of the West Indies with a degree in Applied Physics and is currently an Associate Member of the Society of Actuaries, as well as a member of the American Academy of Actuaries. Adeniyi is also an Associate Member of the Canadian Institute of Actuaries and sits on the program committee of the Actuaries Club of Hartford, CT and Springfield, MA.

Tammy Cooke is a Senior Actuarial Consultant in USI Consulting Group's OPEB department, which consults on retiree welfare plans, other than pensions, for approximately 200 clients. Tammy has been performing OPEB (FAS 106 and GAS 45) valuation calculations for almost 20 years. Her experience in the retiree welfare area includes client specific data gathering, reconciliation and database maintenance; analysis and consulting of historical claim costs, actuarial assumption studies and benefit plans for claims cost forecasting; projection and reconciliation of projected employers' OPEB liability. Tammy serves as project manager for 47 clients and assists the consulting actuarial Practice Leader by performing non-standard actuarial projects. Prior to joining USI Consulting Group, Tammy worked at a large insurance company in the benefits consulting business unit, performing client benefit plan consulting and FAS 106 valuations.

Tammy is a graduate of Lyndon State College in Lyndonville, VT with a B.S. degree in Executive Administration, and also holds a B.S. degree in Business Administration from Teikyo Post University in Waterbury, CT.

Lauren Schneider is an Actuarial Analyst in USI Consulting Group's OPEB department, which consults on retiree welfare plans. She joined USI Consulting Group in 2008 and provides actuarial support for several defined benefit clients.

Lauren graduated from Rensselaer Polytechnic Institute with a B.S. degree in Applied Mathematics and a minor in Economics. She is currently involved in USI Consulting Group's Actuarial Student Program.

Timetable & Professional Fees

Below is an estimate of the time frame to perform your valuation. This time frame is our standard schedule. We can generally be flexible in our scheduling to meet your specific needs.

Description of Service	Time Frame
Step 1: Determine with you, the precise scope of the study, affected groups of employees and the plan of benefits for each.	2 weeks
Step 2: Collection of data for groupings identified in Step 1 above. Determine, with management, assumptions appropriate for the projection of the liability.	2-4 weeks
Step 3: Actuarial projection of future liabilities for current and future retirees. Evaluation of the impact of GASB requirements on the company's financial statements.	2 weeks upon receipt of all necessary data
Step 4: Preparation of the report	2 weeks
Step 5: Formal presentation of the Study at a meeting with your management, upon request.	TBD

The costs associated with the valuation reflect the number of participants involved and the complexity of the plans. Based on the project described in this proposal, our fees are estimated below. However, if the scope of the project is expanded, we will provide fee estimates before we continue. The fees set forth are good for a 60-day period.

Service	Fees	Other Charges
Initial Actuarial Valuation	\$3,900	N/A

Please note: Fees for studies concerning plan design alternatives or pre-funding, as well as other special projects, will be billed at our regular hourly rate.



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Service Engagement Agreement
USI Consulting Group & Town of Holland, MA

The following outlines the provisions of the Service Agreement between USI Consulting Group and the Town of Holland, MA.

USI Consulting Group agrees to prepare a full valuation of post-retirement welfare benefits including determination of the Town of Holland's Annual Required Contribution that meets the requirements of GASB Statement No. 45.

The Town of Holland agrees to pay USI Consulting Group for these services on the following basis:

Full valuation and report **\$3,900**

Additional projects, including estimates of the effects of plan changes, will be billed at our blended hourly rate of \$250 per hour. Any additional fees will be discussed with you prior to the commencement of the work.

These fees are payable annually in two increments of 50% of the expected fees; one at service commencement and the other upon service completion. Though, we are happy to discuss alternative billing arrangements to suit your needs.

This fee quote is good for a 60-day period beginning with the date of this agreement.

10/8/09

Robert W. Webb
Vice President & Actuary
USI Consulting Group

Date

Town of Holland

12/1/09

Date



Representative Client Listing

Massachusetts

Adams Fire District
Town of Adams
Town of Amherst
Town of Carlisle
Town of Charlton
Town of Dudley
Town of Maynard
Town of Millbury
Town of Natick
Town of Rehoboth
Town of Scituate
Town of Tyngsborough
Town of West Springfield
Town of Williamstown
Blackstone Valley Regional School District
Gateway Regional School District
King Philip Regional School District
Pentucket Regional School District
Quaboag Regional School District
Manchester-Essex Regional School District
Tantasqua Regional School District

Connecticut

City of West Haven
Metropolitan District
Town of Canterbury
Town of Essex
Town of Montville
Town of Portland
Town of Rocky Hill

New York

City of Rye
Croton-on-Hudson
New York State Bridge Authority
New York State Thruway
Town of Binghamton
Town of Brookhaven
Town of Huntington
Town of Islip
Town of Lancaster
Town of Mount Pleasant
Town of Mount Pleasant Library
Town of North Castle
Town of Ossining
Town of Oyster Bay
Town of Ramapo
Town of Smithtown
Town of Stony Point
Town of Union
Village of Freeport
Village of Mineola
Village of Rye Brook
Village of Scarsdale
Greenburgh-Graham Union Free School District
Harrison Central School District