



December 22, 2021

Mrs. Sandra Wilson  
City Manager  
City of Ocala  
110 SE Watula Ave.  
Ocala, FL 34471

**Re: Proposal for Pension Actuarial Consulting Services**

Dear Ms. Wilson:

Gabriel, Roeder, Smith and Company (GRS) is pleased to be engaged by the City of Ocala (City) to provide certain actuarial and consulting services related to the City’s Defined Benefit (DB) Pension Plan(s) and to the City’s Defined Contribution (DC) Plan(s). Pursuant to your request for actuarial services, we are following up with this correspondence to frame-out certain deliverables and to put our proposal into the form of a simplified engagement letter.

The Benefit Proposals (outlined in the Scope and Fees attachment) cannot be completely well-defined in advance. Consequently, our fees are charged on an hourly basis because of the unknown scope, coordination with other plan vendors and their work products, the follow-up that may be required, the nature of collective bargaining, the pension law environment and the scope desired by management.

Following is the schedule of hourly rates that we will apply to this engagement. These are 2021 rates, and 2022 rates may change.

Title	Hourly Rate Range
Senior Consultant	\$ 393 - \$ 523
Consultant	\$ 308 - \$ 388
Senior Analyst	\$ 244 - \$ 301
Analyst	\$ 192 - \$ 224
Administrative Assistant	\$ 139 - \$ 155

We will make every effort to keep the time charges down: assigning work to the staff with the lowest hourly rate who are able to do the work efficiently, and taking shortcuts wherever possible without sacrificing decision-usefulness or professionalism.

After consultation with City officials, we have created a Scope of Work (attached) that includes a rough estimate of our fees for each Task. Additional or follow-up services requested would be outlined to extent possible, and rough fee estimates given in advance when requested, and subject to the same hourly rates.

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Our services are based on general retirement consulting principles and actuarial standards of practice promulgated by the Actuarial Standards Board (ASB). The current and forecasted actuarial costs, liabilities and funded ratios calculated are merely estimates of the actual costs. Actuarial calculations involve numerous assumptions concerning numerous future events. It is highly unlikely that all the assumptions concerning all the future events will occur as assumed. Actual future events will cause actual costs, contributions, liabilities and funded ratios to be higher or lower than presented in our report.

The work papers for this engagement are the property of Gabriel, Roeder, Smith & Company (GRS). Although, we may be requested to make certain work papers available to auditors, courts or to regulators pursuant to authority given to it by law or regulation. Access to the requested work papers will be provided under supervision of GRS personnel. Furthermore, upon request, we may provide photocopies of selected work papers to regulatory agencies. These regulatory agencies may intend or decide to distribute the photocopies or information contained therein to others, including other governmental agencies.

The City management has responsibility for the financial statements and all representations contained therein. Management also has responsibility for preventing and detecting fraud, for adopting sound accounting policies and establishing and maintaining effective internal control to maintain the reliability of the financial statements and to provide reasonable assurances against the possibility of misstatements that are material to the financial statements. This responsibility extends to the use or misuse of the results of our pension actuarial valuation reports, presentations at on-site or virtual meetings and during telephone conferences. Our reports and presentation materials may be provided to parties other than the City only in their entirety and only with the permission of the City.

The City agrees that (a) all information, documents and data we request in connection with our actuarial valuations will be made available to us, (b) all such information, documents and data provided to us and will be complete and accurate, (c) we will have the full cooperation of the City's personnel, the DB pension board (and its actuary and investment consultants), and the DC plan vendor and (d) the City will issue a representation letter from management concerning the accuracy and completeness of the member data provided to GRS, and that GRS may rely upon such information, documents and data with no duty to inquire or audit such.

Because of the importance of management's representations as to the completeness and accuracy of the information, documents and data it provides to GRS, the City agrees to release GRS and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referenced above. Furthermore, GRS agrees to maintain the employee data secure and confidential. In the event of disputes, both parties to this contract agree to waive their right to a jury trial ~~and that any claims or dispute arising out of this agreement, will be submitted to mandatory binding arbitration before an arbitrator in good standing with the American Arbitration Association.~~ Except for gross negligence or willful misconduct, GRS liability hereunder will be limited to our fees. GRS will not be held liable for damages resulting from a work product unless it fails to conform to the Actuarial Standards of Practice. ~~The City agrees to indemnify, defend and hold harmless GRS for third party claims to the extent that such third party claims would cause the aggregate damages to exceed \$500,000. Furthermore, the City shall indemnify GRS against third party derivative lawsuits, to the extent that such lawsuits result in a judgment payable to the City.~~ GRS does not provide investment or legal or investment strategy services, and none of our results, recommendations, reports and presentations should be interpreted as such. The City should retain legal counsel competent in labor and pension matters. In the



  
Redlines  
Approved

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event that GRS is requested pursuant to subpoena or other legal process to testify or produce its documents relating to this engagement in judicial or administrative proceedings to which GRS is not a party, the City shall reimburse GRS at standard billing rates for its professional time and expenses, including reasonable attorney's fee, incurred in responding to such request.

The City is a public agency subject to Chapter 119, Florida Statutes. To the extent required by law, GRS shall comply with Florida's Public Records Law. GRS is not acting on behalf of the City in providing actuarial and consulting services, as defined by statutes and interpreted by the Florida Attorney General Advisory Legal Opinions. GRS acknowledges the City's obligations under Article I, Section 24, of the Florida Constitution and under Chapter 119, Florida Statutes, to release public records to members of the public upon request and comply in the handling of the materials created under this engagement. GRS further acknowledges that the constitutional and statutory provisions control over the terms of this engagement. In association with its performance pursuant to this engagement, GRS shall not release or otherwise disclose the content of any documents or information that is specifically exempt from disclosure pursuant to all applicable laws.

Attached is the current scope of services requested and rough fee estimates. Accumulated fees pursuant to the hourly rates above will be billed (and due) toward the beginning of each month based on the time accrued in the prior month.

If the hourly time charges begin to approach these estimates below, GRS will notify the City to explain the reason(s) and obtain direction from the City.

Please return this signed agreement and retain a copy for your records. Should you have any questions regarding these matters, please do not hesitate to contact us. We thank you and other City officials for your confidence in our firm and look forward to working with you all on these matters.

If you have any questions regarding this engagement letter, please do not hesitate to contact us.

Sincerely,



James J. Rizzo, ASA, MAAA  
Senior Consultant and Actuary

For the CITY OF OCALA, FLORIDA



01 / 07 / 2022

Signature

Date

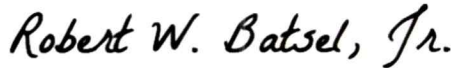
Sandra Wilson

City Manager

Printed Name

Title

Approved as to form and legality:



Robert W. Batsel, Jr. - City Attorney



## Scope and Fee Estimates

Actual fees are based on time charges. We will make every effort to keep the time charges down: assigning work to the staff with the lowest hourly rate who are able to do the work efficiently, and taking shortcuts wherever possible without sacrificing decision-usefulness or professionalism. If the hourly time charges begin to approach these estimates below, GRS will notify the City to explain the reason(s) and obtain direction from the City.

<b>Baseline Projections of Costs and Liabilities</b>	<b>Fee Estimate</b>
<p>This Proposal is necessary to put the study times into context and perspective. The costs and liabilities of the proposals must be compared to “something”; and that “something” is the baseline – assuming the current defined benefit plan (fixed and variable portions) and the current defined contribution plan remain in effect. We will project the future actuarially determined contributions and liabilities based on the current valuation assumptions.</p> <p>For this Proposal, GRS will</p> <ul style="list-style-type: none"> <li>• Request DB plan census data used in the most recent actuarial valuation and corridor test, and relevant DC plan census data,</li> <li>• Replicate the most recent actuarial valuation report and corridor testing results from the plan’s actuary (as a starting point),</li> <li>• Derive parameters for probability distributions of the plan’s future investment returns over mid-term and long-term time horizons, by applying the plan’s own asset allocation, investment-related expenses and expected benefit cash flow to GRS’s internal tool that uses forecasts and consensus return expectations from numerous national professional inflation and investment forecasters), and</li> <li>• Project the future DB and DC contribution rates and liabilities.</li> </ul>	<p>Time Charges; rough estimate of \$15,000</p>
<b>Proposal 1 – All Employees Participate in FRS for the Future</b>	<b>Fee Estimate</b>
<p>Freeze the current defined benefit plan but continue its operation without any new benefits accruing; cease all contributions to the defined contribution plan but continue its operation with investments earnings or losses credited to members’ accounts as usual; and require all current and future employees to participate in Florida Retirement System (FRS) for the future service.</p> <p>For this Proposal, GRS will</p> <ul style="list-style-type: none"> <li>• Project continuing actuarially determined contribution requirements to the frozen DB Plan and associated balance sheet liabilities,</li> <li>• Estimate future FRS contribution rates and associated balance sheet liabilities for FRS participation,</li> <li>• Work with City’s pension attorney for legalities, ordinance drafting and FRS participation</li> </ul>	<p>Time Charges; rough estimate of \$12,000</p>

<p><b>Proposal 2 – Reinstate the Old Plan’s Fixed Benefits for all Employees</b></p>	<p><b>Fee Estimate</b></p>
<p>Cease all contributions to the defined contribution plan but continue its operation with investments earnings or losses credited to members’ accounts as usual; re-open current DB Plan to all employees (current DB Plan active employees, current DC Plan active employees and all new hires) with all the same benefit provisions as existed prior to 10/1/13, including retroactive service credits back to 10/1/13, prior normal retirement ages, benefit multiplier, cost-of-living increases, etc., except employee contributions at 5% of pay instead of 8%. No benefit improvements applicable to previous DB Plan members who are no longer employed on the effective date of this plan reinstatement.</p> <ul style="list-style-type: none"> <li>• Even if current DC Plan account balances were transferred into the DB Plan to help pay for the added benefits, this proposal is expected to be very expensive.</li> <li>• Therefore, for this Proposal, GRS will provide only qualitative descriptions and comments without any numerical valuations of costs and liabilities.</li> <li>• Actuarial analysis can be added to the engagement at a later date if required.</li> </ul>	<p>Time Charges; rough estimate of \$1,000</p>
<p><b>Proposal 3 – New Tier for All Employees</b></p>	<p><b>Fee Estimate</b></p>
<p>Freeze the benefits earned as of the effective date under the current DB Plan; cease all contributions to the defined contribution plan but continue its operation with investments earnings or losses credited to members’ accounts as usual; re-open current DB Plan to all employees (current DB Plan active employees, current DC Plan active employees and all new hires), with new benefits accruing from effective date forward with a specified early and normal retirement date (determined at a later date), no cost-of-living, and the following provisions:</p> <ol style="list-style-type: none"> <li>a. 2.5% multiplier with 10% employee contributions. \$5,000</li> <li>b. 2.1% multiplier with 5% employee contributions, and a monthly stipend for medical benefit use equal to \$30 times years of service from the effective date forward. \$5,000</li> <li>c. 1.6% multiplier with no employee contributions and a monthly stipend for medical benefit use equal to \$50 times years of service from the effective date forward. \$5,000</li> <li>d. 1.6% multiplier with 3% employee contributions and a FRS monthly stipend for medical benefits use equal to \$5 times years of service (minimum of 6 years and maximum of 30 years); this is a similar to FRS and similar to Proposal 5 in the original notes. \$5,000</li> </ol> <p>For this Proposal GRS will</p> <ul style="list-style-type: none"> <li>• Research and report on whether the new Tier employees and benefit accruals commencing on the effective date can escape balance sheet liabilities created for prior service</li> <li>• For each Task 3a through 3d, project the future DB contribution requirements and liabilities.</li> <li>• Work with City’s pension attorney for legalities and ordinance drafting.</li> </ul>	<p>Time Charges; rough estimates:</p>

<b>Proposal 4 – All Employees Covered solely by the Defined Contribution Plan</b>	<b>Fee Estimate</b>
<p>Freeze the current defined benefit plan but continue its operation without any new benefits accruing; all current DB Plan active employees will join all other general employees and new hires in the DC Plan under the same terms and conditions.</p> <p>For this Proposal, GRS will</p> <ul style="list-style-type: none"> <li>• Project continuing actuarially determined contribution requirements to the frozen DB Plan and associated balance sheet liabilities.</li> <li>• Project future DC Plan contributions.</li> <li>• Work with City’s pension attorney for legalities, ordinance drafting and FRS participation.</li> </ul>	<p>Time Charges; rough estimate of \$5,000</p>
<b>Maximum</b>	
<p>Fees in excess of \$50,000 for these services, or additional actuarial reports requested, will not be billed without advance written approval.</p>	
<b>Meetings – If requested by the City</b>	
<p>For in-person meetings requested, GRS will charge half-time for travel time and will not charge for travel expenses (e.g., mileage/airfare, hotels and meals); whether for in-person or virtual meetings, whether for public or advance-prep private meetings, charges include time for preparation and attendance</p>	<p>Time Charges</p>

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**STATUS** ● Completed

## Document History



SENT

**01 / 07 / 2022**

11:12:22 UTC-5

Sent for signature to Robert Batsel, Jr.  
(rbatsel@lawyersocala.com), Sandra Wilson  
(swilson@ocalafl.org) and James Rizzo  
(jim.rizzo@grsconsulting.com) from drobinson@ocalafl.org  
IP: 216.255.240.104



VIEWED

**01 / 07 / 2022**

12:38:46 UTC-5

Viewed by Robert Batsel, Jr. (rbatsel@lawyersocala.com)  
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SIGNED

**01 / 07 / 2022**

12:40:03 UTC-5

Signed by Robert Batsel, Jr. (rbatsel@lawyersocala.com)  
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VIEWED

**01 / 07 / 2022**

12:41:53 UTC-5

Viewed by Sandra Wilson (swilson@ocalafl.org)  
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SIGNED

**01 / 07 / 2022**

12:42:32 UTC-5

Signed by Sandra Wilson (swilson@ocalafl.org)  
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### Document History



**01 / 11 / 2022**  
13:03:59 UTC-5

Viewed by James Rizzo (jim.rizzo@grsconsulting.com)  
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**01 / 11 / 2022**  
13:05:20 UTC-5

Signed by James Rizzo (jim.rizzo@grsconsulting.com)  
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**01 / 11 / 2022**  
13:05:20 UTC-5

The document has been completed.