



May 4, 2023

Mrs. Jackie Skinner
County Auditor
Tyler County
100 West Bluff, Room 110
Woodville, TX 75979

Re: Engagement Letter for the December 31, 2022 OPEB valuation and the GASB 75 Valuation Reports for fiscal years ending 2023 and 2024.

Dear Mrs. Skinner,

You have requested a pricing quote for a GASB 75 actuarial valuation under the Shared Services arrangement provided by Gabriel, Roeder, Smith & Co (GRS) and North Central Texas Council of Governments (NCTCOG).

Based on the information you provided, the cost of services for Tyler County is \$11,300. This price is based on receiving data in the standard GRS format and using the following assumptions:

| Pricing Category | Pricing Parameters | Fee |
|---|-----------------------------|-----------------|
| Annual or Biennial | Biennial | |
| Number of Participants | 100 - 199 | \$10,500 |
| Claims Analysis Required | No | \$0 |
| Health Plans | 1. Tyler County Health Plan | \$0 |
| Retirement Plans | 1. TCDRS | \$0 |
| Life Insurance Benefit | Yes | \$800 |
| Implicit Subsidy Only Discount | Not Eligible | \$0 |
| Plan Change Not Previously Valued | No | N/A |
| OPEB Trust or Equivalent Arrangement | No | N/A |
| Single Discount Rate Test | No | \$0 |
| Plan Only Reporting Package | No | \$0 |
| Cost Sharing Schedules for Primary Government and Component Units | No | \$0 |
| Calculation of an Actuarially Determined Contribution | No | \$0 |
| Total | | \$11,300 |

Basic Services

- Actuarial valuation of employer OPEB in compliance with the requirements of GASB Statements No. 74 and No. 75. The valuation report will include, but is not limited to, the following:
 - > The updated Total OPEB Liability, based on the appropriate discount rate for the reporting period.
 - > A reconciliation of the Total OPEB Liability, which shows, among other items, the impact of benefit changes, assumption changes, and demographic gains/losses separately.
 - > The OPEB expense and supplementary information required by GASB 75.
 - > The characteristics of covered active members, retirees, and beneficiaries and other information required for the note disclosures.
 - > A statement of outflows and inflows arising from the current reporting period.
 - > A statement of outflows and inflows to be recognized in future OPEB expense.
 - > A sensitivity analysis providing the Total OPEB Liability based on a 1% higher and 1% lower discount rate.
 - > A sensitivity analysis providing the Total OPEB Liability based on a 1% higher and 1% lower health care trend assumption.

Billing Schedule

GRS pricing assumes 30% paid upon acceptance by the government of the engagement, 40% upon delivery of the draft full valuation, and 30% upon delivery in the second year of the rolled forward report.

The Master Agreement allows for automatic fee increases based on changes in the Consumer Price Index (CPI), starting in January of 2019. Any CPI related increases will not apply to the fees in this schedule until the next valuation cycle. In March 2023, the NCTCOG approved an amendment with an updated fee schedule to better align fees with services provided.

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Basic Options Study

It is anticipated that Tyler County may want to consider options for mitigating its OPEB liability. Basic Options studies would include alternative discount rates, alternative healthcare trend rates, benefit capitations, and changes in retiree cost sharing. The cost for a Basic Options study will be \$1,515 per study.

Fees for plan redesign studies that are not considered basic will be communicated after the specifics of the proposed plan changes are discussed.

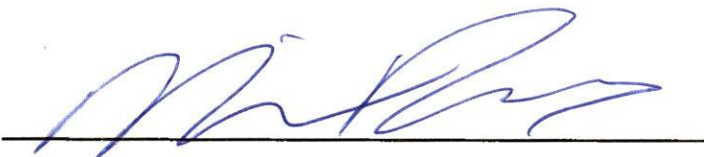
Additional Services

Fees for additional consulting services not included under Basic Services or included in the fixed fee Options studies will be priced separately upon request and will be based on the following hourly rates:

| <u>GRS Resource Classification</u> | <u>Hourly Rates</u> |
|------------------------------------|---------------------|
| Lead Actuary | \$385 |
| Actuarial Staff | \$245 |
| Support Staff | \$215 |

A copy of this engagement letter will be made a part of the master agreement between Tyler County and GRS.

TYLER COUNTY, TX



8-22-23
Date

GABRIEL, ROEDER, SMITH & COMPANY



Daniel J. White, Regional Director

5/4/2023
Date

Master Agreement Other Post Employment Benefits (OPEB) Actuarial Valuations

Pursuant to the award of RFP NCT-2017-02 (Other Post Employment Benefits (OPEB) Actuarial Valuations) by the North Central Texas Council of Governments (NCTCOG), this agreement confirms the terms under which

Tyler County hereinafter referred to as "CONTRACTING GOVERNMENT" has engaged Gabriel, Roeder, Smith & Co. hereinafter referred to as "GRS" to perform actuarial consulting services. In as much as this relationship will involve several actuarial reviews and other services that will be governed by the Request for Proposal (RFP # NCT-2017-02) issued by NCTCOG on January 4, 2017 and our contract with NCTCOG, we have agreed to establish this "master agreement" defining the general terms and conditions for all work performed for the CONTRACTING GOVERNMENT.

This agreement will not, by itself, authorize the performance of any services. Rather specific services will be authorized through a separate engagement letter that references this master agreement and details the services to be provided and the required fees. In the event of an inconsistency between this master agreement and an individual engagement letter, the master agreement will be followed.

As described in the above referenced Request for Proposal the following terms apply:

- A. **Tax Exempt Entities.** CONTRACTING GOVERNMENT is exempt from manufacturer's federal excise tax and states sales tax. Tax exemption certificates will be issued upon request.
- B. **Role of NCTCOG.** NCTCOG has served as a facilitator to the RFP and award process but the contractual relationship is between GRS and the CONTRACTING GOVERNMENT.
- C. **Aggregate Information.** GRS agrees to supply the CONTRACTING GOVERNMENT with the specified results from the valuations and to aggregate that information with that of other governments for the purpose of benchmarking.
- D. **Fees.** GRS agrees to follow the attached pricing schedule ("Attachment A") for pricing of its services. Fees are subject to inflation adjustments starting in January of 2019. The fees associated with each valuation cycle will be provided in a separate engagement letter.
- E. **Review of Charges.** CONTRACTING GOVERNMENT has the right to review the supporting documentation for any hourly charges or out of pocket expenses assessed to the CONTRACTING GOVERNMENT under the fee schedule.



- F. **Termination.** Both CONTRACTING GOVERNMENT and GRS will have the right to terminate this agreement through written notice. CONTRACTING GOVERNMENT will pay any charges or prorated fees incurred to the date the termination notice is received and actuary will cease any in progress work unless specific stopping points are provided in the letter.
- G. **Work Product.** The final work product will be the property of the CONTRACTING GOVERNMENT to be used as stated in the specific engagement letter. Ancillary use of the product is permitted, but GRS is not responsible for the reliability of those projections. It is understood that all reports are subject to the open records laws of the State of Texas and the contracting jurisdiction.
- H. **Independent Contractor.** All the services provided by GRS will be as an independent contractor. None of the terms in the engagement letter will be interpreted to create an agency or employment relationship.
- I. **Term.** The term of this master agreement will be governed by the afore referenced NCTCOG RFP and will expire on June 30, 2023.
- J. **Complete Agreement.** This agreement combined with the specific engagement letter and as clarified by the RFP and Proposal set forth the entire agreement between the CONTRACTING GOVERNMENT and GRS.
- K. **Indemnification.** GRS covenants and agrees to indemnify and hold harmless and defend and does hereby indemnify, hold harmless, and defend CONTRACTING GOVERNMENT, its officers and employees, from and against any and all suits or claims for damages or injuries, including death, to persons or property, whether real or asserted, arising out of any negligent act or omission on the part of the contractor, its officers, agents, servants, employees, or subcontractors, and the contractor does hereby assume all liability for injuries, claims or suits for damages to persons, property, or whatever kind of character, whether real or asserted, occurring during or arising out of the performance of this contract as a result of any negligent act or omission on the part of the contractor, its officers, agents, servants, employees, or subcontractors to the extent permitted by law. Please review this master agreement letter and the attached schedules and indicate your acceptance by having an official of CONTRACTING GOVERNMENT sign below.
- L. **Force Majeure.** A force majeure event shall be defined to include governmental decrees or restraints, acts of God (except that rain, wind, flood or other natural phenomena normally expected for the locality, shall not be construed as an act of God), work stoppages due to labor disputes or strikes, fires, explosions, epidemics, riots, war, rebellion, and sabotage. If a delay or failure of performance by either party to this contract results from the occurrence of a force majeure event, the delay shall be excused and the time fixed for completion of the work extended by a period equivalent to the time lost because of the event.

M. Professional Standards. GRS will provide qualified personnel for each engagement and follow all professional standards ascribed by the American Academy of Actuaries and the Governmental Accounting Standards Board.

GABRIEL, ROEDER, SMITH & CO.

By: Mark Randall

Date: February 4, 2019

Title: Chief Executive Officer

CONTRACTING GOVERNMENT

By: Joseph J. Spacchetti Date: 1/28/19

Title: CO. JUDGE



ATTACHMENT A
Pricing Schedule – Calendar Years 2017 and 2018

| Plan Basic Services | | | |
|----------------------------|--|---------------|-----------------|
| | Governments by Total OPEB Participants (Actives and Retirees) | Annual | Biennial |
| P1 | Less than 100 | \$7,200 | \$9,400 |
| P2 | Between 100 to 199 | \$7,200 | \$9,400 |
| P3 | Between 200 and 499 | \$7,900 | \$10,200 |
| P4 | Between 500 and 999 | \$9,400 | \$11,800 |
| P5 | Between 1,000 and 2,499 | \$10,700 | \$13,200 |
| P6 | Between 2,500 and 4,999 | \$11,600 | \$14,200 |
| P7 | Between 5,000 and 7,500 | \$14,700 | \$17,400 |
| P8 | Greater than 7,500 | \$17,800 | \$20,600 |
| | Plan Features Resulting in Additional Cost (Discount) to Basic Services | Annual | Biennial |
| P9 | Self-Insured Healthcare Plans | \$2,100 | \$2,100 |
| P10 | Cost per additional healthcare plan option (high deductible, HMO, PPO etc.) | \$600 | \$600 |
| P11 | Cost per additional retirement plan covered by the same OPEB plan | \$1,700 | \$1,700 |
| P12 | Implicit subsidy only plans | -\$2,000 | -\$2,000 |
| P13 | Plan change not previously valued (Basic)* | \$1,300 | \$1,300 |
| P14 | Plan change not previously valued (Non-Basic)* | To be quoted | To be quoted |
| P15 | OPEB Trust or Equivalent Arrangement | \$500 | \$1,250 |
| P16 | Single Discount Rate Test | \$1,000 | \$1,000 |
| P17 | Data Processing Charge** | To be quoted | To be quoted |

* The impact of plan changes which are deemed significant need to be measured under GASB 74/75. A Basic or Non-Basic fee will apply anytime a plan change impact needs to be separately measured. No fee will apply if GRS has already measured the impact of the plan change.

** GRS fees are based on receiving census and claims data in the requested format. If data is provided in a different format or in multiple files, GRS will discuss an "out-side of scope" data fee charge with the Client before proceeding with the valuation.

| | Optional Services | |
|-----|---|--------------|
| O1 | Updating actuarial valuations to the measurement date | \$1,500 |
| O2 | Upgrade roll-forward to full valuation | \$3,300 |
| O3 | Plan only reporting package for separately issued financial statements | \$800 |
| O4 | Cost Sharing schedules for primary government and component units | To be quoted |
| O5 | Pricing valuation for OPEB plan changes (Basic) | \$1,300 |
| O6 | Pricing valuation for OPEB plan changes (Non-Basic) | To be quoted |
| O7 | Experience Study | To be quoted |
| | Consulting on active health plans: | |
| O8 | Pricing of premiums for self-insured health plans | To be quoted |
| O9 | Cost trend analysis | To be quoted |
| O10 | Hourly rate for additional services-responsible actuary | \$330 |
| O11 | Hourly rate for other actuarial staff | \$215 |
| O12 | Hourly rate for additional services-support staff | \$185 |
| O13 | In person meeting/presentation-per meeting* | \$1,300 |
| O14 | Calculation of an Actuarially Determined Contribution | To be quoted |
| O15 | Money-weighted rate of return | \$500 |
| O16 | Initial GASB 75 report based on roll-forward of a previously completed GRS GASB 45 Valuation | \$2,500 |
| O17 | Initial GASB 74/75 report based on Roll-forward of a previously completed GRS GASB 45 Valuation** | \$4,000 |

*Fee for in-person meeting/presentation does not include travel expenses. Fees for travel outside the Dallas/Fort Worth metroplex will be the responsibility of the employer.

**Fee will be reduced by \$1,000 if a Blended Discount Rate test is not needed.

PRICING ASSUMPTIONS

- Pricing assumes that all participating entities offer basic vision and dental and life insurance to employees and retirees
- Pricing assumes for annual valuations: 50% paid upon initiation of the work and 50% upon receipt of the draft report. For biennial valuations 30% upon initiation of the work, 40% upon delivery of the draft valuation and 30% upon delivery in the second year of the rolled forward report.
- Number of OPEB participants will be determined as of the date the valuation is performed.
- Pricing will be held constant until January 2019 (approximately one and half years after contract award) and then be adjusted in relation to the Consumer Price Index-All Urban Consumers annually for each of the remaining six years. Starting in January 2019, the fees increase based on the November over November increase to the CPI-U. For example, the fees for 2019 would be increased by the change in the CPI-U from November 2017 to November 2018. Annual fee increases must be approved by the NCTCOG, and the NCTCOG has the right to limit the CPI related fee increase in any year. Once an annual or biennial valuation fee is agree to, CPI related fee increases would not impact the valuation fee for that particular valuation cycle. CPI related fee increases would apply to the next valuation cycle.



AMENDMENT #5
to
MASTER SERVICES AGREEMENT #2017-02
OTHER POST EMPLOYMENT BENEFITS (OPEB) ACTUARIAL VALUATIONS

This AMENDMENT to the **MASTER SERVICES AGREEMENT FOR OTHER POST EMPLOYMENT BENEFITS ACTUARIAL VALUATIONS** ("Amendment") is made and entered into as of the Effective Date stated herein, by and between the **NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS**, a Texas non-profit corporation, hereinafter referred to as "NCTCOG", and **GABRIEL, ROEDER, SMITH & COMPANY**, hereinafter referred to as "Service Provider", (collectively, "the Parties").

WHEREAS, the Parties entered into a **MASTER SERVICES AGREEMENT FOR OTHER POST EMPLOYMENT BENEFITS ACTUARIAL VALUATIONS** on June 13, 2017, (the "Original Contract").

WHEREAS, Article VII of the Original Agreement allows for amendments to the Original Agreement.

WHEREAS, Article VI of the Original Agreement allows for two additional two-year renewal periods.

WHEREAS, the Parties agree to revise Attachment B, by executing an adjustment of fees pursuant to Subsection D, Pricing Assumptions.

NOW, THEREFORE, in consideration of the mutual covenants expressed herein, each of NCTCOG and the Service Provider mutually covenant and agree as follows:

- Exercise the first two-year optional renewal period, extending the Original Agreement to June 12, 2025.
- The Parties agree to revise Attachment B, by executing an adjustment of fees pursuant to Subsection D, Pricing Assumptions. Fees will be increased by 5.0% in 2023 and by 3.5% in 2024.

| Year | Fee Increase |
|------|--------------|
| 2023 | 5% |
| 2024 | 3.5% |

This Amendment binds and benefits both Parties and any successors or assigns. This document, including the Original Agreement, is the entire agreement between the Parties.

All other terms of the Original Contract remain unchanged.

IN WITNESS WHEREOF, the Parties have executed this Amendment at Arlington, Tarrant County, Texas the 29 day of March, 2023 (the "Effective Date").

GABRIEL, ROEDER, SMITH & COMPANY

Daniel J White
Signature

Daniel J White
Printed Name

NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS

DocuSigned by:
Mike Eastland
M1270C-B58D-440F-3EB5ECECEA0A
Signed

R. Michael Eastland
Executive Director