



Specializing in Actuarial Retirement Plan Services

February 21, 2016

ACTUARIAL SERVICES
GASB STATEMENT 67 & 68
City of Rockville

Hildi Incorporated

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February 21, 2016

Mr. Martin Bode
City Administrator
City of Rockville
229 Broadway Street East
Rockville, MN 56369

Dear Martin and the City of Rockville:

Thank you for the opportunity to work with you on Actuarial Services for the City of Rockville. We look forward to developing a valued business partnership with you on the subject of Pension Accounting under GASB Statement No. 67 & 68 for your Fire Department Relief Association pension plan. The enclosed booklet will cover the scope of services and highlight the strengths of the actuarial firm, Hildi Incorporated.

Qualified Actuaries

First and foremost, we would like to stress that your business is important to Hildi Incorporated. The history of our firm is spelled out in the “About Hildi Incorporated” section of this proposal. The consultants at Hildi Incorporated are seasoned actuarial consultants specializing in the health and welfare and pension fields. All actuaries who will be working on your account are credentialed actuaries – either Fellows of the Society of Actuaries (FSA) or Associates of the Society of Actuaries (ASA.) Becoming an FSA or ASA entails years of studying and exam taking while competing for passing marks against other top candidates throughout the country. Other practicing actuaries have never completed the entire course of actuarial study, but all actuaries at Hildi Inc. have. Please see our Biographies and Resumes included in the Appendix section.

Experienced Actuaries and Responsive Service

Second, at Hildi Incorporated, we monitor our workflow and capacity levels in order to be the most responsive to the client projects that we take on. Hildi Incorporated has made the commitment to specialize in pension actuarial work under GASB Statements 67 and 68. The consultants at Hildi Incorporated have worked with public pensions all over the country and with corporate pension plans since the early 1990s under ASC 715-60.



Specializing in Actuarial Retirement Plan Services

Consistency

At Hildi Incorporated, we have the distinct advantage of being able to provide our clients with a consistent actuarial team from one year to the next. We are committed to our profession and our firm. Therefore, you will not have to worry about your investment in our firm, as our knowledge of the City of Rockville's Fire Relief benefits and pension strategies will be consistently applied.

Thank you again for this opportunity. Please call with any questions that you may have. We look forward to working with you.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Born". The signature is written in a cursive, flowing style.

Michael J. Born, FSA
Consulting Actuary

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About Hildi Incorporated

Thank you for taking the time to learn more about Hildi Incorporated.

At Hildi Incorporated, our goal is to be your valued, trusted consulting partner in the world of actuarial retirement plan and Other Post-Employment benefit services.

Hildi Incorporated believes in providing the highest quality consulting along with the most competitive fees in the marketplace. Customer service and satisfaction is our most important goal.

Hildi Incorporated was established by in October of 2004 as a Midwestern actuarial consulting firm. The structure for Hildi Incorporated is an S-Corporation in Minnesota. State and Federal Tax ID numbers can be provided on request. Hildi Incorporated has no parent or subsidiary organizations.

The name “Hildi” has meaning in Norse mythology and is the founder’s nickname. The Hildi Inc. logo (the item that looks somewhat like a check mark or a music note) is the symbol from the founder’s ancestral family farm in Selbu, Norway.

Hildi Incorporated consists of benefits consultants and actuaries who have many years of real world experience and are recognized leaders in their fields. Please see the section on the Actuarial Consultants at Hildi Incorporated, along with our attached biographies and resumes in the Appendix.

Hildi Incorporated Qualifications and Experience

Professional Experience Highlights with a *sampling* of Current Clients

Counties and many Cities in Minnesota

- Actuarial Valuations and Plan Design work for Other Post Employment benefits under GASB Statements 43 and 45.

School Districts in the Midwest

- Actuarial Valuations and Plan Design work for Other Post Employment benefits under GASB Statements 43, 45 and 16.

Public Pension Plans (Police and Fire Funds)

- Actuarial Valuations and Plan Design work for Pensions under GASB Statements 25 and 27/GASB 67 and 68.

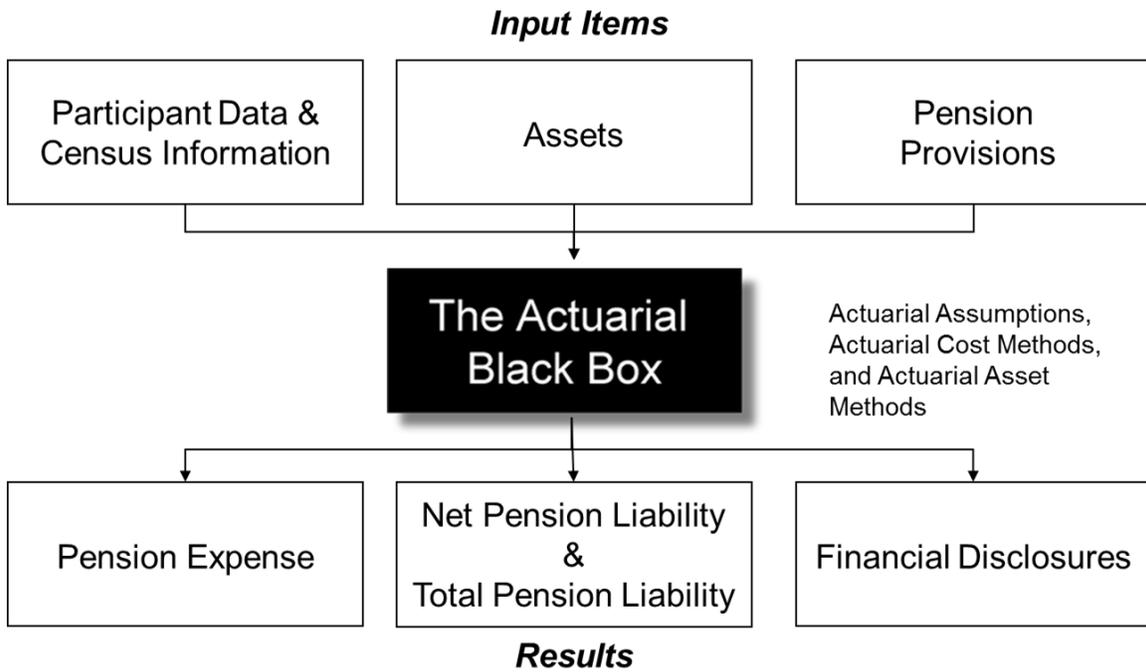
Corporate Clients (Current Client – **15,000+ employees**)

- Total actuarial consulting relationship with projects covering everything from Actuarial Valuations for two defined benefit plans to all the FAS No. 87, 88, and 132 accounting requirements.
- Actuarial Valuations on all post retirement medical, dental, and life plans including all accounting work under FAS No. 106.
- Additional work performed on non-qualified retirement plans and asset/liability modeling projections.

The Actuarial Valuation Process

This exhibit shows the GASB 67 & 68 process. Once you provide us with the Input Items, noted below, then we can complete the actuarial calculations and prepare your results in our actuarial report.

Actuarial Valuation



Actuarial Assumptions

The actuary and client jointly select a proposed set of *actuarial assumptions* to be used in the valuation. Hildi Inc. discusses the proposed assumptions with our clients at an early stage in the project; not all actuaries will do this. We welcome the client's input in the selection process, and it's important to remember that the earlier a client questions an assumption, the less work it is for the actuary to make the required changes to the valuation.

Sample Data Request

Data format: Preferred delivery by computer CD, disk, or email.
Data in Excel spreadsheets is preferred. Key punching by Hildi Inc. of scanned information will result in additional data processing time.

General List of items needed to perform a GASB 67/68 Actuarial Valuation

- Plan Bylaws
- Employee/Participant Data
- Plan Asset information
- Plan Audit and State Filing Information (optional)

Plan Provisions/Benefits Information

Please include the most recent plan bylaws. Highlight any recent changes that have occurred and summarize any anticipated upcoming changes.

Employee/Participant Data

Please include the following information as of January 1, 2015 for:

Active Participants

- Personal Identification Number (SSN or Employee ID)
- Name
- Gender
- Date of Birth (MMDDYYYY)
- Date of Hire (MMDDYYYY) (including any pre-calculated service fields)
- Years of Pension Service
- Current Pension Benefit Level
- Most current annual salary information

Deferred Pension Participants and Beneficiaries

- Personal Identification Number (SSN or Employee ID)
- Name
- Gender
- Date of Birth (MMDDYYYY)
- Date of Hire (MMDDYYYY)
- Date of Separation (MMDDYYYY)
- Years of Service
- Pension Benefit Level
- Increases in Pension Benefit Since Separation (if applicable)
- Accrued Pension Amount as of January 1, 2015

Retired Participants and Beneficiaries (if any participants receiving monthly benefits)

- Personal Identification Number (SSN or Employee ID)
- Name
- Marital Status, if relevant
- Gender
- Date of Birth (MMDDYYYY)
- Date of Hire (MMDDYYYY)
- Date of Retirement (MMDDYYYY)
- Spouse Date of Birth (MMDDYYYY)
- Pension Benefit Amount
- Form of Pension Payment (e.g. Single Life Annuity)

You may provide census data in an Excel version of the Form SC template. If you provide the data in this format, please make sure the data is current as of January 1, 2015. Please note that annual salary is not provided on this form; you may provide that data separately.

Alternatively, you may use the Excel template that has been attached to this request. Please provide one row of data, with all of the above information, for each participant/spouse.

Actuarial Assumptions

As an aid in setting assumptions for this study, please send any available information by employee group or in total that you may have on the following:

- Retirement experience – at what ages are participants retiring?
- Withdrawal or turnover – when do participants leave the employer?
- Salary increases – what is the history and what is expected for increases?

Asset Information

Please include the following information:

- Special Fund trust statements as of January 1, 2015
- A reconciliation of assets for the prior year:
 - December 31, 2013 special fund balance
 - Benefits paid to plan participants
 - Expenses paid from special fund
 - + State contributions to special fund
 - + Municipal contributions to special fund
 - +/- Investment return
 - December 31, 2014 special fund balance
- If the above reconciliation is not available, please provide sufficient statements and other information necessary to compile it.
- A description of the plan's funding and investment policies

If the Form RF is available for the current year, we can rely on that information. Otherwise, we can compile it through the plan's investment statements for the year.

Other Requested Information (if available)

- Most recent available SC and RF forms filed with the Minnesota Office of the State Auditor
- Most recent available relief association pension plan audit

Fee Proposal and Timeline

GASB Statement No. 67 indicates that the actuarial valuation date must be no more than 24 months prior to each measurement date. As such, we anticipate that a full actuarial valuation will be required every two years. In the years where a full actuarial valuation is not required, financial reporting can be based on a projection of the most recent actuarial valuation.

Upon receipt of all data needed for the project (see the Sample Data Request), the actuarial valuation results can be prepared **within six to eight weeks**. Any additional information requested (for example, changes in plan design, actuarial cost projections) could possibly extend this timeline. However, we try to be flexible when working with upcoming audit deadlines. If you need your report by a particular date, we will do our best to work with you on a schedule that meets your needs.

GASB 67 & 68 Key Dates

GASB 67 applies to accounting for pension plans. Any financial reporting done for the pension plan (Relief Association) should be prepared in accordance with GASB 67 and is effective for the fiscal year ending December 31, 2014. GASB 68 applies to accounting for pension plan sponsors (municipalities). Any financial reporting done for the pension plan sponsor (the City) should be prepared in accordance with GASB 68 and is effective for the fiscal year ending December 31, 2015.

The valuation date for this actuarial study will be January 1, 2015. All data collected should be as of January 1, 2015 or for the fiscal year ending on December 31, 2014. The study may be used to prepare financial disclosures for the Relief Association (under GASB 67) for the fiscal year ending December 31, 2014 and for the City (under GASB 68) for the fiscal year ending December 31, 2015.

Basic Actuarial Valuation Fees for GASB Statement No. 67 & 68

Service Date	Basic Fee
Summer or Fall 2015	\$2,400, as a year in which a full actuarial valuation is required under GASB 67&68
Spring or Summer 2016	\$1,000, presuming this is a year in which a full actuarial valuation is not required under GASB 67&68
Spring or Summer 2017	\$2,400, as a year in which a full actuarial valuation is required under GASB 67&68
Spring or Summer 2018	\$1,000, presuming this is a year in which a full actuarial valuation is not required under GASB 67&68

Fee Proposal *continued*

These Basic Actuarial Fees include the following:

- Teleconferencing with the actuaries on pending or anticipated issues which may affect the actuarial valuation/report. If any work is needed based on one of the outcomes of a teleconference, a fee will be agreed upon before any work is initiated.
- Availability via conference call to discuss the results and answer questions.
- An Actuarial Report including all information required by GASB Statements 67 and 68. Hildi Inc. will provide an electronic copy.
- Periodic memos and telephone calls to provide updates on developments that may affect future actuarial reports.

The Basic Actuarial Fees are also based on the receipt of clean participant data in the format requested from the Hildi Inc. data request packet.

Fees for Additional Actuarial Services

Description	Fee
Auditor Requests	Based on Hourly Rates
Attendance at Additional Meetings	Based on Hourly Rates
Contract Proposals	To be agreed upon after determination of scope

Hourly Rates for Additional Services

Description	Hourly Rate
Strategic Actuarial Consulting and Meeting time	\$275
Actuarial Calculations	\$100 - \$250
Data and Administrative work	\$100 – \$200

Travel and lodging expenses are not included in the basic fee and will be invoiced separately, if requested.

References

Available upon request.

What distinguishes Hildi Inc. from other actuarial firms?

- The lead GASB Actuaries at Hildi Inc. are all Fellows of the Society of Actuaries – FSAs
- We specialize in GASB Actuarial Services
- Network of colleagues including legal, trust, and financial services
- Consistency in actuaries and the team for you from one year to the next
- Competitive fees
- Other ancillary, useful material included in our actuarial reports – not just the “bare bones” results
- Thorough review of plan provisions and actuarial assumptions with the client, and
- Thorough explanation of the actuarial report and results.

What are the clients of Hildi Inc. saying?

- **“An actuary with a *heart!*”**
- **“You are not *typical* actuaries.”**
- **“Thank you for the exhibits that you put together – we love it!”**
- **“Thank you for working hard to meet our deadlines.”**
- **“Thank you for your prompt attention to my request.”**
- **“Your fees are fair and continue to be. We are not getting *nicked and dimed* for every request that we make.”**

The Hildi Inc. Actuarial Team

Jill M. Urdahl, FSA, EA, MAAA

Jill is a Fellow of the Society of Actuaries, Enrolled Actuary, and a Member of the American Academy of Actuaries. Over the past 24 years, Jill has been a retirement actuary and consultant. She has worked with all sized employers, both public and private, to develop their retirement and OPEB strategies. Specific areas of focus include plan design, funding and financing, and administration services. In addition, Jill has experience with present value calculations for marital dissolutions.

Jill worked for two international consulting firms for over 14 years in various capacities, including principal actuary, managing supervisor, region recruiting lead, and Society of Actuaries exam committee member.

Jill has been a featured speaker on GASB 45 at several conferences across the country.

Anthony L. Urdahl, FSA, EA, MAAA, MSPA

Tony is a Fellow of the Society of Actuaries, an Enrolled Actuary, a Member of the American Academy of Actuaries and a member of ASPPA. He has over 25 years experience working with all aspects of defined benefit pension plans.

Prior to joining Hildi Inc., Tony worked at three large actuarial consulting firms on cash balance and traditional pension plans of all sizes. He was the Senior Resource Actuary in the Minneapolis office of a large actuarial consulting firm and was responsible for technical issues related to defined benefit plans. Tony has extensive actuarial expertise in administration, design, funding, accounting and discrimination testing of cash balance and other defined benefit plans. He also has experience with OPEB benefit valuations. Tony attends annual national meetings to keep current on the latest design and technical issues related to self employed individuals, small business owners and corporations of all sizes.

Michael J. Born, FSA, EA, CFA, MAAA

Mike is a Fellow of the Society of Actuaries, an Enrolled Actuary, and a Member of the American Academy of Actuaries. Mike is also a CFA Charterholder.

Mike has worked with the retirement and OPEB plans offered by large for-profit and not-for-profit corporations. He has extensive experience with the actuarial valuation of pension and retiree health and welfare programs for private employers. Mike has been a featured speaker on the topic of GASB 67 & 68 implementation for Minnesota Relief Association Pension Plans.

Mike was an actuarial consultant and investment consultant at an international consulting firm for 12 years prior to joining Hildi Inc. in 2013. Mike was responsible for assisting his clients with actuarial valuations, plan design, plan administration, risk management, and investment strategy & implementation.

Catherine A. Erpelding, ASA, EA, MAAA

Cathy is an Associate of the Society of Actuaries, an Enrolled Actuary, and a Member of the American Academy of Actuaries.

Cathy joined Hildi Inc. in 2007. Her primary experience has been working with large and small corporations with pension and OPEB benefit valuations. Cathy has extensive actuarial expertise in administration, design, funding, accounting and discrimination testing of defined benefit plans.

Cathy worked for a large international consulting firm for 13 years in various capacities, including senior associate actuary, managing supervisor, retirement systems specialist, and recruiting specialist.

Cathy has over 19 years of experience working with all aspects of defined benefit pension plans.

Gretchen Faul, ASA, EA, MAAA

Gretchen is an Associate of the Society of Actuaries, an Enrolled Actuary, and a member of the American Academy of Actuaries.

Gretchen joined Hildi Inc. in 2008. Her primary experience has been working with large and small corporations with pension and OPEB benefit valuations. Gretchen also has extensive actuarial expertise in pension administration and discrimination testing of defined benefit plans.

Before joining Hildi Inc., Gretchen was an actuarial consultant at two international consulting firms.

Gretchen has over 24 years of experience working with all aspects of defined benefit pension plans.

Todd Chrun, EA

Todd is an Enrolled Actuary and is currently taking exams to attain actuarial fellowship.

Todd joined Hildi Inc. in 2010. Prior to 2010, Todd was an actuarial associate at a large actuarial consulting firm in Minneapolis. His primary experience has been working with large and small corporations with pension and OPEB benefit valuations. Todd also has actuarial expertise in pension administration and discrimination testing of defined benefit plans.

Todd has 5 years of experience working with defined benefit pension plans and post retirement medical plans.

Ruth Cunningham

Ruth is an actuarial analyst working with GASB reporting and data analysis.

Ruth joined Hildi Inc. in 2007. Her primary experience is in working with GASB 45, 16, and 27 reporting for public entities. She has extensive experience in the information requirements and data analysis for these valuations.

Ruth has a Fellow Life Management Institute (FLMI) designation and nine years of experience in various capacities in the group health insurance division at a large insurance company including benefit description, underwriting, group medical claims, and examiner training.