

GASB 45/75 ACTUARIAL SERVICES AGREEMENT

This Agreement is entered into between CITY OF NEWPORT ("Client") and CIS Trust ("CIS") as of 10/28/16. CIS has engaged Milliman, Inc. ("Milliman") to perform GASB 45/75 OPEB valuation services for its members and qualifying non-members.

Client is a member [] non-member of CIS for purposes of this agreement. For purposes of this agreement, a CIS member is an entity receiving medical or dental coverage through CIS as of the date of the actuarial valuation.

Client hereby engages CIS to provide the Services described in Schedule A, which is incorporated as part of this Agreement, and understands and agrees such Services will be performed by Milliman pursuant to the terms of the Consulting Services Agreement between CIS and Milliman. Client has expressed a desire to obtain Services under the terms of the agreement between CIS and Milliman.

In consideration for receiving such services, Client agrees as follows:

1. Client will provide to CIS and Milliman in a timely manner all required information about the non-CIS OPEB (Postemployment Benefits Other than Pension) it provides to its employees and retirees; its retiree premium subsidies; current contact information for Client personnel; and such other information necessary to accurately produce the OPEB valuation described in Schedule A. Requests for such information will be provided by CIS or Milliman to Client, and if needed CIS in turn will transmit to Milliman in a timely manner the information provided by Client. To the extent possible, such Client information will be provided in the format requested by CIS or Milliman, and will be complete and correct to avoid additional costs to Client for data clean-up.
2. Upon receipt of all information necessary to provide the services described in Schedule A, and a signed copy of this contract, Milliman will provide for confirmation by Client, a standard set of assumptions and a summary of benefits upon which the valuations will be based. Standard assumptions include expected termination, mortality and retirement rates, as well as medical cost trends, age trending for expected claims, and discount rates. Milliman may request Client approval by negative consent; that is, Client will be informed of Milliman's benefits summary and proposed assumptions and will be deemed to approve those materials in absence of Client's reply. Development of customized assumptions may be requested but will incur additional costs.
3. The CIS Board of Trustees has appropriated CIS Benefits funds to pay Milliman for Services provided to CIS member Clients under this Agreement in connection with the 2016 actuarial valuation report. Client otherwise agrees to pay CIS the fees associated with the Services that are (a) incurred for valuation of benefits or financial disclosure, and/or (b) incurred by Client on a time and expense basis, such as for additional actuarial studies, data clean-up, or for other Services requested by Client. CIS will pay Milliman for Services provided to Client.

Fees under this agreement are listed in Schedule B. CIS anticipates payment for Services in two installments. The first installment will be 50% of the estimated cost for

Client, that will be invoiced based on CIS' understanding of Client's benefits and population, and is due upon signing of the Agreement. The second installment is due upon receipt of the invoice that will be issued upon completion of the report for Client. In addition, if any fees are incurred on behalf of Client on a time and expense basis, such fees may be invoiced and payable on a monthly basis. CIS and Milliman reserve the right to stop work on behalf of Client if any invoice is unpaid after 30 days.

4. Client agrees to be bound by the following terms with respect to the services provided by Milliman:

A. **Limitation of Liability:** Client agrees that Milliman and CIS, its officers, directors, agents and employees, shall not be liable to Client, under any theory of law including negligence, tort, breach of contract or otherwise, for any damages resulting from, or alleged to have resulted from, the actuarial or consulting services provided pursuant to this contract in excess of \$50,000. In no event shall Milliman or CIS be liable for lost profits of the Client or any other type of incidental or consequential damages. The foregoing limitations shall not apply in the event of the intentional fraud or willful misconduct of Milliman or CIS, its officers, directors, agents, or employees.

B. **Disputes:**

(a) **Mediation.** In the event of any dispute between Client and CIS arising out of this Agreement, or any dispute arising out of or relating to the services provided by Milliman, if the parties in dispute cannot resolve the dispute among themselves, the parties agree first to try in good faith to settle the dispute voluntarily with the aid of an impartial mediator who will attempt to facilitate negotiations. A dispute will be submitted to mediation by written notice to the other party or parties. The mediator will be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator will be designated by the American Arbitration Association at the request of a party.

The mediation will be treated as a settlement discussion and therefore will be confidential. Any applicable statute of limitations will be tolled during the pendency of the mediation. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

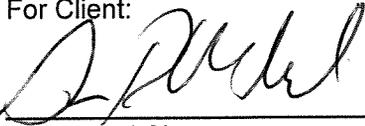
(b) **Arbitration.** If the dispute has not been resolved within 60 days after the written notice beginning the mediation process (or a longer period, if the parties agree to extend the mediation), the mediation will terminate, and the dispute will be resolved by final and binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association. The arbitration will take place in Portland, Oregon before a panel of three arbitrators. Within 30 days of the commencement of the arbitration, each party shall designate in writing a single neutral and independent arbitrator. The two arbitrators designated by the parties shall then select a third arbitrator. The arbitrators will have a sufficient background in either employee benefits, actuarial science, or law to reasonably prepare them to decide a dispute. The arbitrators will have the authority to permit limited discovery, including depositions, prior to the arbitration hearing, and such discovery will be conducted consistent with the Federal Rules of Civil Procedure. The arbitrators will have no power or authority to award punitive or exemplary damages. The arbitrators may, in their discretion, award the cost of the arbitration, including reasonable attorney fees,

to the prevailing party. Any award made may be confirmed in any court having jurisdiction. Any arbitration shall be confidential, and except as required by law, neither party may disclose the content or results of any arbitration hereunder without the prior written consent of the other parties, except that disclosure is permitted to a party's auditors and legal advisors. By mutual agreement of all parties to such dispute, the provisions of this sub-section ("Arbitration") may be waived or modified.

- C. Choice of Law: The construction, interpretation, and enforcement of the terms of this agreement shall be governed by the substantive contract law of the State of Oregon without regard to its conflict of laws provisions. In the event any provision of this agreement is unenforceable as a matter of law, the remaining provisions will stay in full force and effect.
- D. No Third Party Distribution: Milliman's work is prepared solely for the internal business use of Client and CIS. Except as required by law including any applicable public disclosure regulations, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit any third party recipient of its work product, even if Milliman consents to the release of its work product to such third party.

AGREED:

For Client:

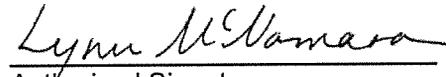


Authorized Signature

Spencer R. Nebel, City Manager
Printed name and title

Date:

For CIS:



Authorized Signature

Lynn McNamara, Executive Director
Printed name and title

Date:

Schedule A - Services

CIS will provide to Client a report prepared by Milliman that will include required actuarial and GASB 45/75 accounting information such as the Total OPEB Liability and OPEB expense. A ten-year payout projection and general discussion of the liability will be provided in the report. The report will contain a description of the benefits valued, the participant data, and the actuarial assumptions and methods.

An actuarial certification, including indication of compliance with Actuarial Standards of Practice No. 41 "Actuarial Communications" and American Academy of Actuaries "Prescribed Statement of Actuarial Opinion" will be provided.

The actuarial valuations will be performed as of July 1, 2016 and July 1, 2018. The July 1, 2016 valuation will provide disclosures under GASB 45 for the fiscal year ending June 30, 2017 and under GASB 75 for the fiscal year ending June 30, 2018. The July 1, 2018 valuation will provide disclosures under GASB 75 for the fiscal years ending June 30, 2019 and 2020.

The report to Client will be provided on a time frame mutually acceptable to CIS and Milliman, and sufficient for Client to prepare financial reporting in a timely fashion. Milliman may require no less than 12 weeks after receipt of data determined by Milliman to be sufficient to prepare the information described above.

The report to Client will not include valuation of any retiree benefits sponsored by Oregon PERS.

Schedule B - Fees

The following is the schedule of fees for the July 1, 2016 valuation. Fees are subject to a cost-of-living increase annually thereafter based on the west region CPI-U for the preceding calendar year, plus one percent.

Item	Valuation Fee
Base Valuation Fee for Each Entity Providing a Single Retiree Medical Benefit Arrangement**	\$1,100
First 20 Covered Participants*	Included in base fee
Next 80 Covered Participants*	\$30 per participant
Next 250 Covered Participants*	\$12 per participant
Participants over 350*	\$ 3 per participant
Fee for Each Additional Retiree Medical Arrangement**	\$600 per arrangement Minimum valuation fee of \$3,200
Additional fees for cities and counties that are members of LOC or AOC but do not participate in CIS benefits	\$1,600 if no CIS medical or dental coverages \$800 if a mix of CIS and non-CIS medical and dental coverages
Additional fees for Milliman work with data that does not meet specifications	Generally \$120 - \$200/hour, depending on services required
Additional fees for Milliman OPEB actuarial work requested by Client (Milliman will provide a not-to-exceed fee estimate, if requested, once the scope of services is clearly defined.)	<ul style="list-style-type: none"> ▪ Lead Consultants: \$300-460 per hour ▪ Project Manager / Lead Technical Actuary: \$200-300 per hour ▪ Actuarial and Support Staff: \$100-200 per hour

* Participants are active employees, retirees, and dependents who remain on the Client's plan after the retiree is no longer eligible.

** An "Arrangement" is a separately valued benefit structure in Milliman's valuation.

Implicit subsidies for separate employee classifications with different health care coverages may be valued as separate arrangements at Milliman's discretion. It is anticipated that most Clients will have one or two such arrangements.

Client-paid benefits constitute different arrangements if they require separate valuation or data processing. For example, a Client sponsoring a premium reimbursement for AFSCME employees hired prior to July 1, 1995 and a premium reimbursement and life insurance for Management employees hired prior to July 1, 1998 would have three arrangements. Milliman reserves the right at its sole discretion to reduce the number of arrangements billed under the schedule above in certain cases, such as multiple one-person arrangements for current retirees.