

**ACTUARIAL SERVICES AGREEMENT**

**BETWEEN**

**SILVERSTONE GROUP, INCORPORATED**

**AND**

**CITY OF MITCHELL, SOUTH DAKOTA**

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## Actuarial Services Agreement

THIS ACTUARIAL SERVICES AGREEMENT (“Agreement”) is made and entered into effective as of the \_\_\_\_ day of \_\_\_\_\_, 2017 (the “Effective Date”), by and between SilverStone Group, doing business from Omaha, Nebraska, (hereinafter referred to as “SilverStone Group”), and City of Mitchell, SD (hereinafter referred to as the “City”).

### WITNESSETH

WHEREAS, the City maintains several employee benefit plans which are under the general management and administration of the City.

WHEREAS, subject to the terms and conditions set forth herein, the City deems it appropriate to engage SilverStone Group to provide certain actuarial services for the plans, and SilverStone Group desires to accept such engagement.

NOW THEREFORE, in consideration of the mutual promises and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. **Contract for Services.** The City hereby contracts with SilverStone Group for their services as actuaries to the plans, and SilverStone Group hereby accepts such contract and agrees to provide such services in accordance with this Agreement.
2. **Actuarial Services.** SilverStone Group shall render such services as actuaries to the plans as requested by the City. Such services shall specifically include, but shall not be limited to, the services described as follows:
  - a. Actuarial Valuation and Report
    - i. Governmental Accounting Standards Board GASB 45
      - Analyze the data prepared by the City to assess any inconsistencies and make recommendations for enhancing data quality
      - Measurement of the Present Value of Future Benefits (PVFB) as of the date of compliance with GASB 45
      - Measurement of the Actuarial Accrued Liability (AAL) as of the date of compliance with GASB 45
      - Calculation of the Unfunded Actuarial Accrued Liability (UAAL) as of the date of compliance with GASB 45
      - Calculation of the Annual Required Contribution (ARC) for the fiscal year of compliance with GASB 45 which would be the basis for the reported annual cost of the plans for accounting purposes, and
      - Illustration of the Required Supplementary Information (RSI), if requested, that will be disclosed in the City’s financial reports for the fiscal year in compliance with GASB 45

- ii. Governmental Accounting Standards Board GASB 75
  - Analyze the data prepared by the City to assess any inconsistencies and make recommendations for enhancing data quality
  - Measurement of the Present Value of Future Benefits (PVFB) as of the date of compliance with GASB 75
  - Measurement of the Actuarial Accrued Liability (AAL), or Total OPEB Liability, as of the date of compliance with GASB 75
  - Calculation of the Net OPEB Liability as of the date of compliance with GASB 75
  - Calculation of the OPEB Expense for the fiscal year of compliance with GASB 75 which would be the basis for the reported annual cost of the plans for accounting purposes, and
  - Schedule of the Deferred Inflows and Outflows of Resources that will be disclosed in the City's financial reports for the fiscal year in compliance with GASB 75
- b. Assist in preparation of the necessary material for the Comprehensive Annual Financial Report to comply with GASB reporting and disclosure requirements. Provide tools or direction in complying with the requirements after engagement is complete.
- c. As appropriate and if requested, prepare an analysis on how establishing a trust or equivalent arrangement would affect the interest rate assumption. Timing considerations of establishing the trust should also be considered.
- d. As appropriate and if requested, provide recommendations on managing the OPEB liability. This may include changes in benefit design or retiree contributions, including specific recommendations and options.
- e. As appropriate and if requested, review and update plan documents and design. Make recommendations as to formalizing informal plans and procedures.
- f. General Actuarial Consulting Services

Relating to: (i) administration of the plans; (ii) general trends in actuarial practices; and (iii) changes in federal legislation and regulations, all upon request by the City.
- g. Attendance at Meeting

If requested, the actuary may attend a meeting to review and discuss results of the annual actuarial valuation. We will distribute and discuss a management summary of the valuation at the annual meeting.

h. Additional Valuation Results

At the request of the City, SilverStone Group will extend the actuarial valuation analysis to determine the effect on annual costs and the funded status of the plans as a result of:

- a change in actuarial assumptions or actuarial methods
- a change in eligibility requirements of existing benefit provisions
- changes in benefit provisions

i. Report to Auditors/Assisting Auditors

At the request of the City, SilverStone Group will respond to the auditor's request for information regarding the annual actuarial valuation and financial disclosures that may be needed to provide the audit confirmation.

3. **Other Consulting Services.** SilverStone Group will provide, at the City's request, additional consulting services to the plans. These services may include, but are not limited to, (i) additional meetings; (ii) plan design analysis; (iii) merger/acquisitions and impact on the existing plans or the plans of acquired entities; (iv) plan document or plan summary reviews; (v) any other actuarial or administrative consulting services deemed necessary or appropriate by the plans of the City; (vi) suggestions/recommendations by SilverStone Group.
4. **Actuarial Fees.** As consideration for any of the services set forth in Paragraphs 2 and 3 above, the City agrees to pay SilverStone Group fees based on any direct expenses, any related travel expenses and hourly time charges based on the time recorded to complete the services and the hourly billing rates for the designated personnel as follows:

Principal Actuary	\$250
OPEB Actuarial Analyst	\$150
Group Medical Consultant	\$250

However, for the 2017 fiscal year valuation, SilverStone Group will guarantee the maximum fees to complete the services set forth in Paragraph 2a(i) and 2b (GASB 45) will be no more than \$5,300 or Paragraph 2a(ii) and 2b (GASB 75) will be no more than \$5,500. The maximum fees will be no more than \$1,200 for services set forth in Paragraph 2g.

Reporting under GASB 45 for the 2017 fiscal year will require additional services to transition to GASB 75 for the 2018 fiscal year.

Hourly rates for years following 2017 may be increased to reflect trends in hourly rates, but any increase will not exceed 5% for each year following 2017.

5. **Invoices.** SilverStone Group shall provide the City with quarterly invoices not later than the twenty-fifth (25th) day of the month following each calendar quarter. These invoices shall set forth the amount of fees above for the preceding calendar quarter.

Payment for services must be made within 30 days of receipt of invoice. Payments made subsequent to such period, shall be subject to a late charge and interest at a rate of 5%.

6. **Term.** The term of this Agreement shall commence on the Effective Date, and shall continue through December 31, 2020, unless terminated before that time by the City. The continuation of the agreement shall be contingent upon the periodic review by the City of the services being provided by SilverStone Group. This Agreement may be renewed for additional annual periods by mutual written agreement by both parties.
7. **Termination.** The City may terminate this Agreement at any time, with or without cause, by providing delivery of at least 60 days' advance written notice to SilverStone Group. In the event that the City exercises its right to terminate the Agreement as provided in this Paragraph 7, SilverStone Group shall be entitled to payment pursuant to Paragraph 5 hereof for services actually rendered to the City prior to the date of termination.

SilverStone Group may terminate this agreement at any time, with or without cause, by providing delivery of at least 60 days written advance notice to the City.

8. **Indemnification of the Plans.** SilverStone Group shall defend, indemnify and hold the City harmless from and against any and all claims, suits, losses, liabilities, costs, damages and expenses, including reasonable attorneys' fees and court costs, suffered or incurred by the City arising from or as a result of negligence, fraud or willful misconduct by SilverStone Group or any representative, agent or employee of SilverStone Group, or any such party's failure to perform its duties and obligations under this Agreement.

The City shall defend, indemnity and hold SilverStone Group harmless from and against any and all claims, suits, losses, liabilities, costs, damages and expenses, including reasonable attorney's fees and court costs, suffered or incurred by SilverStone Group arising from or as a result of negligence, fraud or willful misconduct by the City or any representative, agent or employee of the City or any such party's failure to perform its duties and obligations under this Agreement.

9. **Insurance.** From and after the Effective Date and continuing throughout the term of this Agreement, SilverStone Group shall, at its sole cost and expense, carry and maintain in full force and effect a professional liability/errors and omissions insurance policy with a policy limit of not less than Fifteen Million Dollars (\$15,000,000), issued by an insurance company. SilverStone Group shall provide the City with a certificate evidencing such coverage. SilverStone Group shall provide the City with not less than sixty (60) days prior written notice of any proposed change in the type, coverage or amount of insurance required hereunder.

10. **Access to and Ownership of Files and Information.** SilverStone Group hereby acknowledges and agrees that the City and the City's authorized representatives, agents and employees shall have access to and the right to examine, inspect, audit, transcribe and copy during SilverStone Group's normal business hours, any and all accounts, books, documents, records and papers relating to the services provided pursuant to this Agreement. All such examinations shall be at the City's expense and shall be conducted in a manner which preserves the confidentiality of SilverStone Group's records and business operations.

All intellectual property rights (such as copyrights and trade secrets) relating to materials and information developed by or relating to the plans and disclosed or supplied to SilverStone Group under this Agreement (the "Plans Information") will belong exclusively to the City. All intellectual property rights (such as copyrights and trade secrets) relating to SilverStone Group's work product (including all materials and information developed by SilverStone Group in the course of performing services under this Agreement, but excluding Plans Information) ("SilverStone Group's Work") will belong exclusively to SilverStone Group. If personnel of SilverStone Group incorporate into SilverStone Group's Work any information relating to the plans to which SilverStone Group's confidentiality obligations under this Agreement apply, the information so incorporated into SilverStone Group's work will be and remain subject to such confidentiality obligations. SilverStone Group hereby grants to the City the perpetual and unrestricted right to use, reproduce and incorporate into other work all SilverStone Group's work delivered to the City under this Agreement for any internal business purpose of the City.

11. **Confidential Treatment of Plan Files and Information.** SilverStone Group acknowledges and agrees that, in the course of rendering their actuarial services and otherwise performing their duties and obligations hereunder, they shall be provided and entrusted with the safekeeping of certain documents and information relating to the City and its property and accounts (hereafter referred to as "Plans Files"). All such Plans Files shall at all times during the term of this Agreement and for a period of five (5) years thereafter, be treated by SilverStone Group as strictly confidential and sensitive proprietary business information. SilverStone Group shall maintain commercially reasonable policies and procedures to ensure the confidentiality and safekeeping of such Plans Files and shall not, except in accordance with the express terms of this Agreement or with the prior written consent of the City, disclose or permit the disclosure of any Plans Files to any person or entity whatsoever other than SilverStone Group's employees, officers and agents directly assigned to provide actuarial services to the plans hereunder, each of which shall be provided with such Plans Files solely on a "need-to know" basis and shall be bound by the confidentiality provisions of this Paragraph 11. The parties hereto acknowledge and agree that the confidentiality provisions set forth in this Paragraph 11 shall not apply to: (i) information which is already known to SilverStone Group prior to disclosure by the City; (ii) information which is in the public domain or is otherwise generally available to the public; (iii) information which is available to SilverStone Group from third parties, which third parties and information are not subject to non-disclosure

obligations to the City; or (iv) information which is independently developed by SilverStone Group. Furthermore, in the event any court or regulatory order or other service of legal process requires SilverStone Group to disclose information subject to the confidentiality provisions of this Paragraph 11, SilverStone Group, after providing written notice to the City as soon as reasonably possible after receipt of any such order or service of process, shall be permitted to make any disclosure required by law. SilverStone Group further agrees to cooperate with the City in responding to any such orders. SilverStone Group acknowledges and agrees that any breach, attempted breach or repudiation of the confidentiality requirements set forth in this Paragraph 11 would produce irreparable harm and injury to the City and therefore agree that specific performance and/or injunctive relief, in addition to any other remedies available to the City at law or in equity, shall be remedies available to prevent the breach, attempted breach or repudiation of this Paragraph 11.

12. **Integrated Agreement; Severability.** This Agreement constitutes the entire understanding between the parties concerning the subject matter hereof. No other prior or contemporaneous representations, inducements, promises, or agreements, oral or otherwise, between the parties relating to the subject matter hereof and not embodied in this Agreement, shall be of any force or effect. This Agreement shall not be modified except in a writing signed by all parties hereto. If any provision of this Agreement shall for any reason be held to be invalid, unenforceable, or contrary to public policy, whether in whole or in part, the remaining provisions shall not be affected by such holding.
13. **Governing Law.** The statutes, regulations, and judicial interpretations of the laws of the State of Iowa shall determine all questions arising with respect to the provisions of this Agreement, except to the extent federal statutes supercede the laws of the State of Iowa.
14. **Actuarial Personnel.** SilverStone Group shall at all times throughout the term of this Agreement maintain a team of qualified professionals comprised of designated full-time employees/ principals of SilverStone Group who are permanently assigned to monitor, oversee and provide on a daily basis all of the actuarial services to be provided to the plans hereunder, and to receive and address all concerns communicated by the City. The City, in its sole discretion, shall have the right to demand the replacement of any individuals assigned to provide actuarial services to the City hereunder, in which case SilverStone Group shall immediately replace such person(s) with qualified replacements acceptable to the City in its sole discretion. SilverStone Group shall provide the City with not less than thirty (30) days advance written notice of any personnel changes or changes in SilverStone Group's management or organizational structure which may have an impact on SilverStone Group's performance hereunder. SilverStone Group shall use its good faith best efforts to minimize any disruption or interference with the actuarial services provided to the City as a result of any such management, organizational or personnel changes.



15. **Limitation of Liability.** Except for fraud, gross misconduct or willful misconduct by SilverStone Group, its affiliated companies, shareholders, associates or Board members, neither party will be liable to the other party for any indirect, consequential, incidental, special or punitive damages, including but not limited to loss of profit, income or savings, even if advised of such possibility, and neither party's total liability arising out of or related to this proposal for services under any theory of law will exceed the total remuneration payable by the Client, to SilverStone Group in the 12 months before the accrual of the cause of action giving rise to liability.
16. **Dispute Resolution.** Any controversy, dispute or questions arising out of, in connection with or in relation to this agreement, between the Client and SilverStone Group, its affiliated companies, shareholders, associates, or Board members or its interpretation, performance or nonperformance or any breach thereof shall be resolved through mediation before a mediator mutually agreed upon by the parties. In the event mediation fails to resolve the dispute within 30 days after a mediator has been agreed upon or such other longer period as may be agreed to by the parties, such controversy, dispute or question shall be settled by arbitration in accordance with the rules of the American Arbitration Association as applied to Nebraska by a sole arbitrator. Any court having jurisdiction thereof may enter a judgment upon the award rendered by the arbitrator. Each party will advance ½ of the cost for the arbitration. The prevailing party will be entitled to the right to record any judgment in any and all jurisdictions in order to enforce the judgment and an allocation of cost within accordance with the arbitrator's decision.

**IN WITNESS WHEREOF**, the City and SilverStone Group have duly executed this **ACTUARIAL SERVICES AGREEMENT** effective as of the day and year first above written.

CLIENT:

CONSULTANT:

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Addresses**

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