

PROPOSED ANNUAL  
ACTUARIAL AND CONSULTING SERVICES

FOR  
RETIREMENT PLAN FOR EMPLOYEES OF  
CITY OF JONESBORO, ARKANSAS

JONESBORO, ARKANSAS

JUNE, 2008

## PROPOSED ACTUARIAL AND CONSULTING SERVICES

### RETIREMENT PLAN FOR EMPLOYEES OF CITY OF JONESBORO, ARKANSAS

#### PART I

This Part is designed to provide you with an outline of the services that will be performed by Wertz & Associates, Inc. in conjunction with an independent actuarial and financial study of the above-referenced defined benefit pension plan. The scope of the engagement is outlined in RFP #2008-15. The fee basis for these services is also described in this section.

#### ACTUARIAL SERVICES

##### (1) Review of Prior Years' Actuarial Valuation Report

We will review the Actuarial Valuation Reports for the 2006 and 2007 Plan Years as prepared by The Principal Life Insurance Company (The Principal). Our review will focus on the assumptions used and provide a summary of other significant actuarial issues that impact the overall reporting by The Principal.

Our scope will include, but not necessarily be limited to a review of the actuarial method and assumptions used by The Principal in valuing the Plan. We will review the actual Plan experience to determine whether any adjustments to the assumptions might be warranted. We will also provide commentary where appropriate regarding the funded status of the Plan and the funding levels as recommended by The Principal. We will advise the City if we should become aware of any compliance issues with respect to applicable federal laws and regulations. Finally, we will comment with respect to the Plan's financial statement presentation in accordance with Government Accounting Standards Board (GASB) requirements for defined benefit plans sponsored by governmental entities.

In order to accomplish our review, we will essentially be "re-doing" the most recent Actuarial Valuation Report as previously prepared by The Principal. The results of our Report will be communicated to Management in a written report (including an Executive Summary) that provides descriptions of funding status, funding recommendations, summary of major plan provisions and the actuarial method and assumptions we utilized in valuing the Plan. The report also shows a listing of the Participant data utilized in performing our calculations with estimates of their projected and accrued benefits under the Plan.

##### (2) Develop Cost Estimates for Various Benefit Enhancements

We will provide estimated costs for providing certain enhanced benefits that may be considered by the City including:

- a. Enhancing Survivor Benefits;
- b. Enhancing Disability Benefits;
- c. Increasing the Unit Benefit Multiplier in the Benefit Formula;
- d. Assuming Prospective Application Only
- e. Assuming Application of Increased Multiplier to 5 Prior Years
- f. Shortening Averaging Period for Final Average Compensation
- g. Adopting a "DROP" option similar to APERS
- h. Adding a fully subsidized "28 & Out" Early Retirement Benefit

The estimated costs of providing the above enhancements will be presented in such a manner to allow the City to determine the incremental costs associated with each enhancement so that a reasonable overall estimate can be determined for any combination of enhancements.

#### FEE BASIS

As with most other professional firms, we are compensated on a time and expense basis for actual work performed. Nevertheless, we understand our clients' need to budget for professional services, and we are generally able to estimate a fee range within which actual fees for the services described herein will fall. Accordingly, we estimate that our annual fees for the services described herein would range between \$17,000 and \$20,000. Our standard practice is to submit bills monthly on the basis of work completed in the previous month.

## PART II

### WERNTZ AND ASSOCIATES, INC.

#### ACTUARIES AND CONSULTANTS

This Part will provide you with (1) a brief description of Werntz and Associates, Inc., (2) a statement of principles by which we operate, and (3) a brief biographical sketch of those individuals who would be primarily responsible for work done on behalf of the Client. A list of client references will be provided upon request.

Background of Werntz and Associates, Inc. - Our firm is one of a few actuarial and consulting firms who devotes its time exclusively to the field of employee benefits. The firm has grown substantially since its founding in 1969, and today maintains offices in Arkansas, Louisiana, and Oklahoma. We have provided actuarial consulting and/or administrative services for more than 1,000 clients. Our staff includes consultants, enrolled actuaries, accountants and other highly trained and experienced specialists.

Principles of Werntz and Associates, Inc. - As independent consultants and actuaries, we maintain standards of conduct and performance in the same manner as the professions of law and accounting. The fundamental philosophy of our firms is to serve our clients exclusively and to be compensated on a fee basis to assure the objectivity of our advice. In the staffing of our organization, we continue to be successful in the recruiting of experienced, creative, and highly motivated individuals whom we feel are prerequisite to a professional and successful operation.

In summary, we believe that a professional actuarial and employee benefit consulting firm should:

- (i) be completely independent and exclusively represent clients;
- (ii) provide a broad range of services, including actuarial, objective setting, plan design, administrative, and communication services;
- (iii) develop creative and innovative solutions to problems where existing approaches do not provide the desired or best possible solution;
- (iv) recognize and stress the personal relationship of services;
- (v) maintain an experienced and highly trained staff, with emphasis on continual updating and education;
- (vi) provide prompt and competent actuarial services under the supervision of Enrolled Actuaries;
- (viii) be financially independent and have a record of financial substance and stability.

Werntz and Associates, Inc. was established in the belief that the medium sized and small metropolitan areas of the country need professional actuarial and consulting services on a localized basis, and that these small cities could and would support such a professional firm. Our experience has proven the premise to be correct. Furthermore, we have found our costs (and thus our fees) to be considerably lower when compared to firms who operate from a base in the larger cities.

### Individual Responsibility

Administrative and consulting services would be under the supervision of Mr. Dennis DeCoursey, Ms. Nancy F. Weston, and Mr. John Gibson. A short biographical sketch of each man follows:

#### **Dennis DeCoursey, President**

Mr. DeCoursey is a 1978 graduate of Kansas University with bachelors degrees in Accounting and Business Administration. Mr. DeCoursey is a Certified Public Accountant with significant experience in the areas of auditing and employee benefits and has earned the designations of Certified Pension Consultant and Qualified Plan Administrator from the American Society of Pension Professionals and Actuaries. In addition to managerial duties, Mr. DeCoursey provides technical and assistance to other offices of Wertz & Associates. With more than twenty-five years of experience in retirement and employee benefit plan design and administration, Mr. DeCoursey is well-equipped to consult with clients in the development, review and/or maintenance of their employee benefit systems.

#### **Nancy F. Weston, Vice President**

Ms. Weston is a 1977 graduate of Louisiana State University in Baton Rouge with a bachelor's degree in Business. She has more than twenty-five years of experience in the employee benefit field. Nancy is Senior Technical Supervisor and Vice President of Employee Benefit Administration. Nancy has also earned the designations of Certified Pension Consultant and Qualified Plan Administrator from the American Society of Pension Professionals and Actuaries.

#### **John Gibson, Actuary**

Mr. Gibson has earned bachelors and masters degrees at Harvard University, University of Tennessee, and the University of Georgia. He has had more than thirty years of experience in the field of actuarial science and financial planning with leading consulting firms providing significant actuarial consulting and supervisory services for several large public retirement systems. Mr. Gibson is an Enrolled Actuary and a member of the American Academy of Actuaries.

While it may be necessary from time to time to call on other specialists in our firm, all services would be coordinated through our Little Rock office, and Mr. DeCoursey would assume primary client responsibility.

PART III

WERNTZ AND ASSOCIATES, INC.

ACTUARIES AND CONSULTANTS

Additional Information for City of Jonesboro, Arkansas RFP #2008-15

Wertz & Associates, Inc. utilizes software developed and maintained by DATAIR Employee Benefit Services, a Chicago based third party software provider for more than 30 years. Other reports might be generated from various software providers (mostly MS Office). The computer systems used by Wertz & Associates, Inc. utilizes several different file servers operating under the Windows XP. Some of the services, including all communications with the City of Jonesboro, will be provided from our Little Rock Office. Certain actuarial support will be provided to our Little Rock Office by our offices located in Shreveport, Louisiana. The hourly rates for those providing services under this engagement range from \$100 to \$225 per hour.

List of Public Employee Retirement Systems which Wertz & Associates currently provides actuarial and consulting services include, but are not limited to:

City of Pine Bluff, Arkansas Loretta Whitfield (870)543-1810; 374 Participants; >2 Years  
200 E. 8<sup>th</sup> Avenue, Pine Bluff, AR 71601

City of DeQueen, Arkansas Donna Jones (479)584-3445; 67 Participants; > 10 Years  
P.O. Box 730, DeQueen, AR 71832

City of Texarkana, Arkansas Harold Boldt (870)774-3161; 153 Participants; > 10 Years  
P.O. Box 2711, Texarkana, AR 75504

City of Sherwood, Arkansas Maureen Pylant (501)833-3703; 183 Participants; > 8 Years  
2199 East Kiehl Avenue, Sherwood, AR 72120

Please feel free to contact any of the above Plans for references.

Neither Wertz & Associates, Inc., nor any of its affiliates, officers or principals has been involved in any business litigation, regulatory or legal proceeding in the last three years. We are not aware of any potential conflicts of interest with providing services to the City of Jonesboro, Arkansas and would be interested in discussing providing actuarial and consulting services to the City of Jonesboro on a regular basis.