



LEWIS & ELLIS

Actuaries and Consultants

700 Central Expressway South
Suite 550
Allen, TX 75013

972-850-0850
lewisellis.com

December 21, 2018

Rosie Rodman
Administrative Coordinator, Webb County
1110 Washington Street, Suite# 204
Laredo, Texas 78041

Re: Proposal for Actuarial Services
IBNR calculation & GASB 75 Valuation for FYE 9/30/2018

Dear Ms. Rosie Rodman:

We are pleased to present an engagement letter and cost proposal to Webb County (“County”) for actuarial analysis of the postemployment health plan in accordance with GASB 75 and calculating INBR reserves for the City’s Medical, Rx and Dental plans.

The Governmental Accounting Standards Board (“GASB”) released new accounting standards for retiree healthcare and other postemployment benefits (“OPEBs”) under GASB Statement No. 75. GASB 75 replaces GASB 45, and makes significant changes to reporting requirements in the financial statements of public employers. Many of the new provisions parallel the requirements for pension plans under GASB 68.

The basic purpose of GASB 75 is to require that public entities measure and report the long-term costs of OPEBs. Since these benefits are a form of employee compensation, the GASB believes that they should be recognized as an expense as the employee earns them, rather than waiting until the employee retires and the benefits are received.

The new standard, which will need to be implemented for the fiscal year ending September 30, 2018, requires public employers to recognize net OPEB liabilities directly in their financial statements, as a means of more effectively disclosing exactly what these benefits are meant to provide. Among other details, there are also additional disclosure requirements.

Proposed Services

GASB 75 requires a full actuarial valuation every two years, as long as there have not been significant changes. However, GASB 75 does encourage more frequent valuations. As requested, we are providing a proposal for a full actuarial valuation for the fiscal year ending September 30, 2018.

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Our services for September 30, 2018 will include a written report for the County with the following:

Actuarial Services - GASB 75

- Full actuarial valuation with development of the GASB 75 liabilities, including
 - Total OPEB Liability,
 - Reconciliation of Total OPEB Liability,
 - Annual OPEB Expense,
 - Deferred Outflows of Resources, and
 - Deferred Inflows of Resources;
- Actuarial information required for the Notes to the Financial Statement; and
- The Required Supplementary Information.

Actuarial Services – INBR

- Based on claims analysis, determine the County's reserve liability for its Medical, Rx & Dental plans.
- Prepare a written analysis of the calculated claim liability for its Medical, Rx & Dental plans.

Estimated Time of Completion

Draft report will be delivered within 4 weeks of the receipt of all information needed to complete the project.

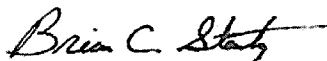
Proposed Cost

We are proposing a fixed fee of \$11,800 for the fiscal year ending September 30, 2018, with payment due after the report is completed.

For this engagement with the County, the attached terms of engagement will apply. If the terms of the engagement are acceptable, we request that you acknowledge your acceptance by signing and returning one copy of this engagement letter via email to bstentz@lewisellis.com or fax to (972) 850-0851.

If you have any further questions or need clarification on anything else, please feel free to contact me.

Sincerely,



Brian Stentz, ASA, MAAA
Assistant Vice President

Enclosure

Terms of Engagement for Webb County ("the Client")

- The Client agrees to pay the professional fees for the initial services of Lewis & Ellis, Inc. ("L&E") as outlined in the scope of services under this agreement for a fixed fee of \$11,800. The Client agrees that any services outside of the initial scope of services will be paid at L&E's normal schedule of hourly charges. In addition to professional fees, the Client agrees to reimburse L&E for all out-of-pocket expenses (e.g. postage, travel, filing fees, etc.) incurred in connection with the performance of L&E's services requested by the Client.
- The Client or L&E may terminate this agreement at any time by written notice to the other party, but the Client agrees to pay L&E all fees and out-of-pocket expenses incurred by L&E before such termination.
- In performing L&E's services, L&E may rely upon information furnished to L&E by or on behalf of the Client, and/or upon information available from published sources. L&E assumes no responsibility for the accuracy or completeness of such information and shall have no obligation to independently verify the accuracy of such information. The Client represents and warrants that the information provided to L&E by or on behalf of the Client is accurate and complete in all material respects.
- Any written statements, opinions, conclusions, or other information ("a Report") furnished by L&E to the Client under this agreement are for the exclusive use of the Client. Any other use or distribution to a third-party of a Report are subject to the following conditions:
 - You notify L&E promptly of any such Report distributed;
 - An entire and complete copy of a Report is provided;
 - The Client advises each third party to whom a copy of a Report is given that such party may at the Client's expense contact L&E to discuss the Report.
 - The Client and each third party agree not to distribute or make reference to the Report to any other party without L&E's prior written consent.
 - If third-party reliance is necessary, it is not guaranteed to be provided under this agreement. If reliance is granted by L&E, additional fees are likely to be charged. The Client agrees neither to refer to L&E nor include a Report in any proxy statement or other stockholder communication or in any registration statement or offering material prepared in connection with the public offering or private placement of any security.
- The Client agrees to limit the maximum amount of consequential damages for which L&E could be held liable or responsible to it, as a result of the negligent performance of services hereunder by L&E, to double the amount of professional fees and expenses charged by it to the Client for such services.

Acknowledged and accepted by:

Date: _____

Webb County

**Addendum
To
TERMS OF ENGAGEMENT
ACTUARIAL SERVICES**

An Agreement made on this the 14th day of January, 2019.

BETWEEN:

Customer:

Webb County, a political subdivision of the State of Texas
1000 Houston
Laredo, Texas 78040

AND

Service Provider:

Lewis and Ellis
700 Central Expressway South
Suite 500
Allen, Texas 75013

Now therefore, the parties agree to modify, delete and/or include the following terms and conditions in the above referenced Terms of Service for Actuarial Services. The following provisions and covenants supersede prior negotiations, representations or agreements, either written or oral, and where there is a conflict between provisions of this addendum and the provisions set forth in the Terms of Service for Actuarial Services (hereinafter referred to as "Terms Agreement") between Webb County, Texas (hereinafter referred to as "Customer") and Lewis and Ellis (hereinafter referred to as "Service Provider") or any other Contract Documents, the provisions set forth herein shall supersede and have full force and effect and become a part of the above referenced contract for all intent and purposes.

This addendum to the above-referenced Terms of Service for Actuarial Services Agreement is made and entered into by and between Webb County a body corporate politic under the laws of the State of Texas, and Service Provider ("Lewis and Ellis").

Notices to customer shall be sent to:

Webb County Judge
1000 Houston Street
3rd Floor
Laredo, Texas 78040

with a copy to:

Webb County Risk Management
Attn: Rosie Rodman
1110 Washington Street, Suite #204
Laredo, Texas 78040

ADDITIONAL MISCELLAENEOUS PROVISIONS

The following provisions are hereby added to the Customer Service Agreement.

1. Inconsistencies. Where there exists any inconsistency between this Agreement and other provisions of collateral contractual agreements that are made a part hereof by reference or otherwise remain in effect.

2. Notices. All notices called for or contemplated hereunder shall be in writing and shall be deemed to have been duly given when personally delivered or forty-eight (48) hours after mailed to each party by certified mail, return receipt requested, postage prepaid.
3. Amendments. No changes to this Agreement shall be made except upon written agreement of both parties.
4. Terminology and Definitions. All personal pronouns used herein, whether used in the masculine, feminine, or neutral, shall include all other genders; the singular shall include the plural and the plural shall include the singular.
5. Rule of Construction. The parties hereto acknowledge that each party and its legal counsel have reviewed and revised this agreement, and the parties hereby agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this agreement or any amendments or exhibits hereto.
6. Legal Compliance. The parties agree to comply with all applicable federal, state, and local statutes, ordinances, rules, and regulations in connection with the services contemplated in this agreement.
7. Severability. Each paragraph and provision hereof is severable from the entire Agreement and if any provision is declared invalid, the remaining provisions shall nevertheless remain in effect.
8. Prohibition against Assignment. There shall be no assignment or transfer of this Agreement without the prior written consent of both parties hereto.
9. Law of Texas. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and shall be enforced in Webb County, Texas.
10. Entire Agreement. This Agreement incorporates all the agreements, covenants, and understandings between the parties hereto concerning the subject matter hereof, and all such covenants, agreements, and understandings have been merged into this written Agreement. No other prior agreement or understandings, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless signed by both parties and attached hereto and/or embodied herein.
8. Amendment. No changes to this Agreement shall be made except upon written agreement of both parties.
9. Waiver. The failure on the part of any party to exercise or to delay in exercising, and no course of dealing with respect to any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies provided herein are cumulative and not exclusive of any remedies provided by law or in equity, except as expressly set forth herein.
10. Counterparts. This Agreement may be executed in any number of and by the different parties hereto on separate counterparts, each of which when so executed shall be deemed to be an original, and such counterparts shall together constitute but one and the same document.
11. Terminology and Definitions. All personal pronouns used herein, whether used in the masculine, feminine, or neutral, shall include all other genders; the singular shall include the plural and the plural shall include the singular.

12. Rule of Construction. The parties hereto acknowledge that each party and its legal counsel have reviewed and revised this agreement, and the parties hereby agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this agreement or any amendments or exhibits hereto.

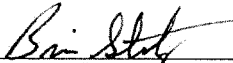
13. Immunity. Webb County does not waive or relinquish any immunity or defense on behalf of themselves, their trustees, commissioners, offices, employees and agents as a result of the execution of this Agreement and performance of the functions and obligations described herein.

EXECUTED in duplicate originals this the 14th day of January, 2019.

**CUSTOMER:
WEBB COUNTY**

LEWIS AND ELLIS

Honorable Tano E. Tijerina
Webb County Judge



Name: Brian Stentz

ATTEST:

Hon. Margie Ramirez Ibarra
Webb County Clerk

APPROVED AS TO FORM:

Nathan R. Bratton
General Counsel
Civil Legal Division*

*The General Counsel, Civil Legal Division's office, may only advise or approve contracts or legal documents on behalf Webb County, its client. It may not advise or approve a contract or legal document on behalf of other parties. Our review of this document was conducted solely from the legal perspective of our client. Our approval of this document was offered solely for the benefit of our client. Other parties should not rely on this approval, and should seek review and approval of their own respective attorney(s).