

August 9, 2022

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 9/30/2022 and 9/30/2023

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 County’s Medical, Rx and Dental plans.

Retiree healthcare and other postemployment benefits (“OPEBs”) are subject to the Governmental Accounting Standards Board (“GASB”) Statement No. 75 for reporting. 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 standard 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, in the year where a full valuation is not required, there are still updates that need to be done. Therefore, we are providing a two-year proposal that will cover both the full actuarial valuation for the fiscal year ending September 30, 2022 and the interim year valuation for the fiscal year ending September 30, 2023.

Additionally, we are providing a proposal to calculate the INBR reserves for the County’s Medical, Rx and Dental plans for the fiscal year’s ending September 30, 2022 and September 30, 2023.

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Our services for September 30, 2022 will include a written report for the County with the following:

- 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.

Our services for September 30, 2023 assume that there are no significant changes in the benefits and assumptions that will require a new actuarial valuation. Our written report will include the following:

Actuarial Services - GASB 75

- Roll-forward of the GASB OPEB liabilities with updated discount rate, 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

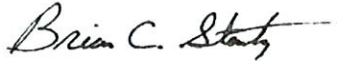
We are proposing a fixed fee of \$9,800 for the fiscal year ending September 30, 2022, with payment due after the report is completed.

We are proposing a fixed fee of \$6,800 for the fiscal year ending September 30, 2023, 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,

A handwritten signature in cursive script that reads "Brian C. Stentz". The signature is written in black ink and includes a horizontal flourish at the end.

Brian Stentz, ASA, MAAA
Assistant Vice President

Enclosure

Appendix - Pricing Proposal Detail

We are proposing fixed fees for the following services for the fiscal year ending September 30, 2022.

Proposed fee for Actuarial Services – GASB 75:	\$8,000
Proposed fee for Actuarial Services – IBNR:	\$1,800
Total Proposed fees for Scope of Work:	\$9,800

We are proposing fixed fees for the following services for the fiscal year ending September 30, 2023.

Proposed fee for Actuarial Services – GASB 75:	\$5,000
Proposed fee for Actuarial Services – IBNR:	\$1,800
Total Proposed fees for Scope of Work:	\$6,800

Any work that is outside of the Scope of Services will be billed at L&E's normal hourly rates. Our currently hourly rates are as follows.

Employee Classification	Current Hourly Rate
Project Leader	\$275
Senior Actuary	\$380
Actuaries	\$200
Actuarial Staff	\$140
Support Staff	\$85

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 \$9,800 for the fiscal year ending September 30, 2022, and \$6,800 for the fiscal year ending September 30, 2023. 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