



City of Kyle, Texas

AUTHORIZATION TO RELEASE REQUEST FOR PROPOSALS (RFP)

Date Submitted: July 1, 2014  
Requesting Department: Financial Services Department  
Type of RFP: Professional Services  
Service Description: Irrevocable Trust & Associated Investment Management Services for Other Post-Employment Benefits Plan

Purpose & Summary Description:

The purpose of this Request for Proposals (RFP) is to seek proposals from qualified firms experienced and specialized in providing Irrevocable Trust & Associated Investment Management Services for Other Post-Employment Benefits Plan

The Governmental Accounting and Standards Board (GASB) under its accounting and financial reporting standards 43 and 45 requires the City of Kyle to determine the actuarial-based annual required contribution amount, accrued liability, and the unfunded liability for OPEB. Full compliance with GASB standards also requires the City of Kyle to place all plan contributions in an irrevocable trust account held and managed by an independent third party.

The City of Kyle recently completed its first actuarial valuation of its OPEB plan by an independent actuarial service. associated contribution and liability amounts determined. The next step in the process is to establish the irrevocable trust for the OPEB plan.

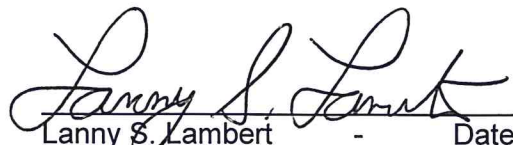
It is anticipated that City staff will complete its evaluation of all qualified proposals received and make a recommendation for the selection of a firm to the City Council on August 5, 2014.

Recommended by:

Approved by:



Perwez A. Moheet, CPA - Date  
Director of Finance



Lanny S. Lambert - Date  
City Manager



**CITY OF KYLE, TEXAS**

**REQUEST FOR PROPOSALS (RFP)  
RFP NO. 2014-02-PM**

**IRREVOCABLE TRUST & ASSOCIATED  
INVESTMENT MANAGEMENT SERVICES FOR  
OTHER POST-EMPLOYMENT BENEFITS PLAN**

**DUE DATE:  
JULY 22, 2014 AT 10:00 A.M. (CST)**

**ISSUED BY:  
FINANCIAL SERVICES DEPARTMENT**



**NOTICE OF REQUEST FOR PROPOSALS  
RFP NO. 2014-02-PM**

**IRREVOCABLE TRUST & INVESTMENT MANAGEMENT SERVICES  
FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The City of Kyle will accept sealed Proposals for Irrevocable Trust & Associated Investment Management Services for Other Post-Employment Benefits (OPEB) Plan **until 10:00 A.M., July 22, 2014**, in the City's Financial Services Department. **Proposals received after this time will not be considered.**

Proposals will be acknowledged on July 23, 2014 at 8:00 A.M. Attendance is not required. All interested persons are invited to attend the acknowledgement at the City of Kyle, Financial Services Department's Conference Room, Kyle City Hall, 100 W. Center Street, Kyle, Texas.

Please mark on the outside of the envelope and on any carrier's envelope: "RFP No. 2014-02-PM for OPEB Trust Services", and send to the attention of Mr. Perwez A. Moheet, CPA, Director of Finance, 100 W. Center Street, Kyle, Texas 78640 (physical location) or P.O. Box 40, Kyle, Texas, 78640 (mailing address).

The City of Kyle will not be responsible in the event that the U.S. Postal Service or any other courier system fails to deliver the sealed proposals to the City of Kyle by the given deadline above. Electronic transmission or facsimile of Proposals will not be accepted.

The City of Kyle reserves the right to reject any or all responses and to waive irregularities contained therein and to accept any response deemed most advantageous to the City of Kyle.

Perwez A. Moheet, CPA  
Director of Finance  
City of Kyle, Texas



**CITY OF KYLE, TEXAS**  
**ACKNOWLEDGEMENT FORM**  
**(Complete & Submit Upon Receipt)**

Request for Proposals for Irrevocable Trust & Associated Investment Management Services for Other Post-Employment Benefits (OPEB) Plan.

Please fax or mail this page upon receipt of the RFP package and legal notice.

Check one:

- Yes, I will be able to send a response based on RFP package received.**
- Yes, I will be able to send a response based on RFP package obtained from the City of Kyle's website.**
- No, I will not be able to send a response to this RFP for the following reason:**

\_\_\_\_\_

\_\_\_\_\_

If you are unable to send your response to this RFP, kindly indicate your reason above and return this form to Mr. Perwez A. Moheet, CPA, Director of Finance, City of Kyle **via fax to: (512) 262-3800**. This will ensure you remain active on our vendor list.

Date \_\_\_\_\_

Company: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_





**ETHICS STATEMENT**  
**(Complete and Return this Form with Response)**

The undersigned firm, by signing and executing this RFP, certifies and represents to the City of Kyle that the firm has not offered, conferred or agreed to confer any pecuniary benefit, as defined by 1.07 (a) (6) of the Texas Penal Code, or any other thing of value as consideration for the receipt of information or any special treatment of advantage relating to this RFP; the firm also certifies and represents that the firm has not offered, conferred or agreed to confer any pecuniary benefit or other thing of value as consideration for the recipient's decision, opinion, recommendation, vote or other exercise of discretion concerning this RFP, the firm certifies and represents that firm has neither coerced nor attempted to influence the exercise of discretion by any officer, trustee, agent or employee of the City of Kyle concerning this RFP on the basis of any consideration not authorized by law; the firm also certifies and represents that firm has not received any information not available to other firms so as to give the undersigned a preferential advantage with respect to this RFP; the firm further certifies and represents that firm has not violated any state, federal, or local law, regulation or ordinance relating to bribery, improper influence, collusion or the like and that firm will not in the future offer, confer, or agree to confer any pecuniary benefit or other thing of value of any officer, trustee, agent or employee of the City of Kyle in return for the person having exercised their person's official discretion, power or duty with respect to this RFP; the firm certifies and represents that it has not now and will not in the future offer, confer, or agree to confer a pecuniary benefit or other thing of value to any officer, trustee, agent, or employee of the City of Kyle in connection with information regarding this RFP, the submission of this RFP, the award of this RFP or the performance, delivery or sale pursuant to this RFP.

**THE FIRM SHALL DEFEND, INDEMNIFY, AND HOLD HARMLESS THE CITY OF KYLE, ALL OF ITS OFFICERS, AGENTS AND EMPLOYEES FROM AND AGAINST ALL CLAIMS, ACTIONS, SUITS, DEMANDS, PROCEEDING, COSTS, DAMAGES AND LIABILITIES ARISING OUT OF, CONNECTED WITH, OR RESULTING FROM ANY ACTS OR OMISSIONS OF FIRM OR ANY AGENT OR EMPLOYEE OF FIRM IN THE EXECUTION OR PERFORMANCE OF THIS RFP.**

I have read all of the specifications and general RFP requirements and do hereby certify that all items submitted meet specifications.

FIRM: \_\_\_\_\_

OFFICER NAME: \_\_\_\_\_

OFFICER SIGNATURE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY: \_\_\_\_\_

STATE: \_\_\_\_\_ ZIP CODE: \_\_\_\_\_

TELEPHONE: \_\_\_\_\_ TELEFAX: \_\_\_\_\_

FEDERAL ID#: \_\_\_\_\_ AND/OR SOCIAL SECURITY #: \_\_\_\_\_

DEVIATIONS FROM SPECIFICATIONS IF ANY:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



**CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER  
RESPONSIBILITY MATTERS  
(Complete and Return this Form with Response)**

Name of Entity: \_\_\_\_\_

The prospective participant certifies to the best of their knowledge and belief that they, the principals in the firm, and the firm:

1. Are not presently debarred, suspended, proposed for debarment, declared ineligible from providing trust and fiduciary services, financial advisory services, investment advisory services, and or associated management services, and or voluntarily surrendered their license to provide such related services in the State of Texas and or the United States of America.
2. Are not presently debarred, suspended, proposed for debarment, and declared ineligible or voluntarily excluded from conducting any business and or financial transactions by any department or agency of Federal, State, and or local government.
3. Have not been convicted of, had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
4. Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, Local) with commission of any of the offenses enumerated in item 3 above of the certification; and
5. Have not within a five year period preceding this RFP had one or more public transactions (Federal, State, Local) terminated for cause or default.

I understand that a false statement on this certification may be grounds for rejection of this proposal or termination of the award. In addition, under 18 USC Section 1001, a false statement may result in a fine up to a \$10,000.00 or imprisonment for up to five (5) years, or both.

\_\_\_\_\_  
Name and Title of Authorized Representative (Typed)

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date

I am unable to certify to the above statements. My explanation is attached.





**CONFLICT OF INTEREST QUESTIONNAIRE**  
**For vendor or other person doing business with local governmental entity**

**FORM CIQ**

This questionnaire reflects changes made to the law by H.B. 1491, 80th Leg., Regular Session.

**OFFICE USE ONLY**

This questionnaire is being filed in accordance with Chapter 176, Local Government Code by a person who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the person meets requirements under Section 176.006(a).

Date Received

By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the person becomes aware of facts that require the statement to be filed. See Section 176.006, Local Government Code.

A person commits an offense if the person knowingly violates Section 176.006, Local Government Code. An offense under this section is a Class C misdemeanor.

**1. Name of person who has a business relationship with local governmental entity.**

**2.  Check this box if you are filing an update to a previously filed questionnaire.**

(The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7<sup>th</sup> business day after the date the originally filed questionnaire becomes incomplete or inaccurate.)

**3. Name of local government officer with whom filer has employment or business relationship.**

\_\_\_\_\_  
 Name of Officer

This section (item 3 including subparts A, B, C & D) must be completed for each officer with whom the filer has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary.

- A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the filer of the questionnaire?  
 Yes                       No
- B. Is the filer of the questionnaire receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity?  
 Yes                       No
- C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of 10 percent or more?  
 Yes                       No
- D. Describe each employment or business relationship with the local government officer named in this section.

**4.**

\_\_\_\_\_  
 Signature of person doing business with the governmental entity

\_\_\_\_\_  
 Date



## **I. DESCRIPTION OF THE CITY**

The City of Kyle is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State including the City's Home Rule Charter, initially adopted by the voters in the year 2000.

The City operates as a Home Rule City under a Council-Manager form of government with a City Council comprised of the Mayor and six Council Members. The City Manager is the chief executive officer for the City of Kyle. The City covers approximately nineteen square miles and has an estimated population of 32,000 in 2014.

Kyle is a thriving community having easy access to major highways and roadways including Interstate Highway 35. Kyle is strategically located eight miles north of San Marcos, twenty miles south of Austin and sixty miles north of San Antonio. Kyle is the second largest city in Hays County and enjoys a south central location convenient to most major population and employment centers in Texas.

## **II. THE CITY COUNCIL**

The governing body of the City, the City Council, is composed of a Mayor and six Council Members each elected for a term of three years. The Mayor and Council Members for Place 1, 3, and 5 are elected from the City at-large. Council Members for Place 2, 4, and 6 are elected from single member districts. The current members of the City Council are:

Mayor: R. Todd Webster

Mayor Pro Tem: Diane Hervol, Place/District 1

Council Members: Becky Selbera, Place/District 2  
Vacant, Place/District 3  
David Wilson, Place/District 4  
Samantha Bellows-LeMense, Place/District 5  
Tammy Swaton, Place/District 6

## **III. STRATEGIC PLANNING & FINANCE COMMITTEE**

The Strategic Planning & Finance Committee is the equivalent of an Audit & Finance Committee and is currently composed of seven members appointed by the City Council:

Chair: Greg Blackwell  
Vice Chair: Janine Smalley  
Members: Thomas Brown  
Alejandro Correa  
David Robertson  
Brian Ziegler  
One Vacancy





City Council Liaison: Pending Appointment

City Staff Liaison: Perwez A. Moheet, CPA  
Director of Finance

#### **IV. THE CITY OF KYLE ORGANIZATION**

The City of Kyle provides all general municipal services within the City limits through the following City Departments:

1. Office of the City Manager
2. Building Inspection (Permits, Code Enforcement)
3. City Attorney
4. City Secretary
5. Communications (Public Information)
6. Economic Development
7. Emergency Medical Services (Contracted)
8. Engineering Services
9. Financial Services (Budget & Accounting, Utility Billing, and Municipal Court)
10. Fire Protection (Emergency Services District #5)
11. Human Resources
12. Information Technology
13. Parks & Recreation
14. Planning & Zoning
15. Police
16. Public Library
17. Public Works (Water, Wastewater, Street Maintenance)
18. Solid Waste & Recycling Services (Contracted)

The approved budget for Fiscal Year 2013-14 totals \$45.4 million for all funds and includes 162.0 authorized full time equivalent positions. A copy of the City of Kyle's approved budget for Fiscal Year 2013-14 and other financial reports is available on the City's website at:

[www.cityofkyle.com/finance](http://www.cityofkyle.com/finance)

#### **V. INSTRUCTIONS TO PROSPECTIVE FIRMS**

The City of Kyle, Texas, is requesting proposals from qualified firms interested in providing irrevocable trust and associated investment management services to the City for its other post-employment benefits program in compliance with the requirements of GASB 45 as outlined in the scope of services. Firms with relevant experience and qualifications are requested to submit their proposals. Preparation of submittals will be at the sole expense of the responding firm.

The following instructions should be followed by firms responding to this RFP:



1. Respond specifically to all information requested in this Request for Proposals or indicate on the attached acknowledgement form why no response is given.
2. Limit response to relevant material; additional information must be submitted in the form of an attachment or appendix.
3. Identify the question being answered in the introduction to each response.
4. Respondents or their representatives are prohibited from communicating with any City of Kyle officials to include City Council members regarding the RFP from the time the RFP is released until it has been acted upon by the City Council. Violation of this provision by the respondent or their agent will lead to disqualification of the respondent's RFP from consideration.
5. If there are any clarification questions regarding the scope of work and or any other requirements of this RFP, respondents or their representatives should submit written questions and forward those to the City's staff named as the contact person for this solicitation. All responses by the City will be provided in the form of an addendum and will be posted on the City's website.

## **VI. SOLICITATION & PROJECT SCHEDULE**

The following timetable has been tentatively established to issue this Request for Proposal, for the review and evaluation of proposals received, and for the selection of a firm by the City Council.

<u>Key Dates</u>	<u>Project Milestone</u>
July 1, 2014	RFP posted on the City's website and distributed to prospective firms or firms that had made a request previously
<b>July 22, 2014</b>	<b>Responses due 10:00 A.M. in the Financial Services Department</b>
July 23, 2014	Proposals acknowledged
July 29, 2014	Proposal evaluations finalized
August 5, 2014	City Council's selection of firm and award of contract

## **VII. BACKGROUND INFORMATION**

In 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 which established standards for measurement, recognition, and display of other post employment benefits (OPEB) expenditures and related liabilities, note disclosures, and required supplementary information (RSI) in the financial reports of state and local government employers.

The City of Kyle is requesting proposals for irrevocable trust and associated investment management services in compliance with GASB Statement 45.





The City has completed its initial evaluation of OPEB liabilities and the analysis prepared by Dean Actuaries, LLC in February 2014 is attached. The City Council considered the results of this analysis on April 15, 2014.

### **VIII. OTHER POST-EMPLOYMENT BENEFITS OFFERED BY THE CITY**

The City of Kyle offers health insurance coverage for its retirees who have completed twenty-five (25) years or more of continuous service as a full-time employee. In 2009, the City amended its health insurance coverage benefits plan and as a result, three groups of employees for purposes of eligibility were established with different benefit coverage.

The three groups are as follows:

#### **Group 1 Retirees:**

All former full-time employees, who have retired from the City after twenty-five (25) years or more of continuous service as an officer or employee of the City. All current full-time employees who have completed five (5) or more years of continuous service as a full-time employee of the City of Kyle by 4-1-2009 and complete a total of twenty-five (25) years or more of continuous service as an officer or employee of the City.

For Group 1 retirees, the City pays 100% of the cost of providing health insurance coverage which is to be at the same level as all other regular employees. The City also pays 100% of the cost of providing dental and vision coverage for this group of retirees until they reach the age of 65. This benefit is for the retired City employee only and not for their spouse or family.

Under Group 1, the City currently has one retiree receiving benefits and potentially eighteen (18) current employees who could be eligible to receive benefits if they complete 25 years of continuous service.

#### **Group 2 Retirees:**

All current full-time employees who have completed less than five (5) of continuous service as a full-time employee of the City of Kyle by 4-1-2009 and complete a total of twenty-five (25) years or more of continuous service as an officer or employee of the City.

For Group 2 retirees, the City pays a maximum of \$300.00 per month towards the cost of providing health insurance coverage which is to be at the same level as all other regular employees. The \$300.00 per month amount was set in April 2009 (base year) and is to be adjusted annually each October 1st based on the change in consumer price index (CPI) during the preceding 12-month period April through March. This benefit is for the retired City employee only and not for their spouse or family.

The City does not provide dental and vision coverage at its cost to retirees in Group 2.



Under Group 2, the City currently does not have any retirees receiving benefits. There are potentially forty six (46) current employees who could be eligible to receive health insurance coverage benefits if they complete 25 years of continuous service.

Group 3 Retirees:

Any full-time employee hired after 4-1-2009 and subsequently completes twenty-five (25) years or more of continuous service as an employee of the City.

Currently there are eighty two (82) full-time employees who were hired after April 1, 2009.

**IX. SCOPE OF SERVICES**

The City of Kyle is seeking irrevocable trust and associated investment management services of its OPEB funds. This will include receipt of annual contributions from the City (approximately \$120,000 to \$130,000), disbursement of funds in accordance with the plan requirements for annual medical insurance premium payments for eligible retirees (currently \$5,000 per year), investment of funds (current balance approximately \$500,000), and monthly reporting to the City.

The City is providing the following information as part of this Request for Proposal to assist in the preparation of proposals by qualified firms for providing irrevocable trust and associated investment management services:

- Report on Actuarial Valuation of Post-Retirement Medical Plan Expense & Benefit Obligation for the Fiscal Year ended September 30, 2013.
- City of Kyle's Investment Policy

**X. CONTRACT TERM**

The City is considering an initial term of five years from the effective date which would be renewed automatically for each succeeding year unless written notice of termination is provided by either party no less than 60 days before the end of such Agreement year.

**XI. FISCAL SECURITY/PLEDGE REQUIREMENTS**

The City of Kyle requires the selected firm and or banking institution to provide security of its investments in excess of FDIC coverage by depositing adequate funds and or agency security instruments to be pledged and held by a third party in the name of City of Kyle to cover the total cash/market value of all investments in the City's trust account.

**XII. PROPOSAL CONTENT REQUIREMENTS**

Any Firm interested in being considered for providing irrevocable trust and associated investment management services to the City for its Other Post-Employment Benefits (OPEB) Plan is requested to submit on the firm's letterhead, a proposal which provides





information on the following points, numbered, and with section headings as indicated below.

Responding firms should refer to section titled: Instructions to Prospective Firms for additional response guidelines. Please note that the contents of the successful proposal may become a part of subsequent contractual documents. Failure to accept this requirement may result in the cancellation of any contract award.

In order to simplify the review process, please organize your proposal according to the following outline:

**A. Title Page**

Show the Proposal subject, the name of the proposing firm, address, telephone number, name of contact person, size of the firm, and date.

**B. Table of Contents**

Include a clear identification of the material by section and by page number.

**C. Letter of Transmittal**

1. Briefly state the Firms understanding of the work to be done and provide clear commitment to perform the work within the time periods specified.
2. State the fee structure for the trust services and associated investment services.
3. State the name of the person who will be authorized to make representation for the firm, their title, address, and telephone numbers.
4. State that the person signing the transmittal letter is authorized to bind the firm and enter in a contract.
5. Identify and discuss any potential conflicts of interest of which the firm is aware and not stated in the Conflict of Interest and Disclosure Statements.

**D. Profile of the Responding Firm**

1. State whether the firm is local, regional, national or international.
2. State the location of the office from which the work is to be performed and the number of professional staff employed at that office.



3. Provide a brief summary of the Firm's qualifications.
4. Identify the personnel that will be assigned to the City's OPEB trust services account, their credentials, and their experience. Specifically, provide the name and resume of the representative who will be assigned to the trust account. Names and resumes of other trust services personnel who will have key role in the engagement should also be provided.

#### **E. Qualifications and Experience**

1. Description of the firm's qualifications and previous experience on similar or related projects including performance history.
2. Description of and experience of any subcontractor to be used for the servicing of this trust account.
3. Resumes for the key professionals assigned, including summary information regarding professional qualifications and experience related to the requested work.
4. Provide at least five references of public agencies and or local governments for which the Firm has completed similar engagement within the last three years.
5. Reference must include contact information, nature of services performed, date completed, and the role of the firm.

#### **F. Trust and Fiduciary Services**

1. Description of the trust administration services that will be provided after implementation of the trust, including how trust transactions such as contributions, disbursements, and expenses will be handled.

#### **G. Investment Services**

1. Description of investment, advisory and management services offered with respect to the OPEB trust, including information on your investment policy and asset allocation policy.

#### **H. Implementation**

1. Key tasks, dates and responsibilities for implementing the irrevocable trust, including reports, and other trust administration related services. The trust account should be ready to accept City's annual contribution by August 31, 2014
2. Provide a list of the types of information and data that will be required of the City including the timeframe.



## **J. Proposed Cost/Professional Fees**

1. Clearly state, itemize, and provide a fee proposal outlining any one-time, up-front and ongoing fees that will be applicable to the City of Kyle's irrevocable trust account.
2. Identify and state clearly which fees will be subject to change/increase and the frequency of such changes.
3. Complete and include Internal Revenue Service Form W-9, Request for Taxpayer Identification Number and Certification.

## **XII. RIGHTS RESERVED BY THE CITY OF KYLE**

1. If only one or no proposal is received by "submission date", the City has the right to accept, reject, re-solicit, accept and or extend the RFP by up to an additional two (2) weeks from original submission date.
2. The right to reject any or all proposals and to make award as they may appear to be advantageous to the City of Kyle.
3. The right to hold proposals for 90 days from submission date without action.
4. The right to extend beyond the original 90-day period prior to an award if agreed upon in writing by both parties.
5. The right to terminate all or any part of the unfinished portion of the work resulting from this solicitation within thirty (30) days written notice; upon default by the firm, for delay or non-performance by the firm, or if it is deemed in the best interest of the City of Kyle for convenience.
6. The City of Kyle reserves the right to request additional information or to meet with representatives from responding firms to discuss points in the RFP before and after submission, any and all of which may be used in forming a recommendation.
7. The City of Kyle reserves the right to reject any and all proposals received, and to accept the proposal it considers in its best interest based upon the requirements and descriptions outlined in this RFP.

Any interpretation, correction, or change to the RFP will be made by ADDENDUM. Changes or corrections to this RFP will be issued by the City of Kyle's Financial Services Department and posted on the City's website.

Any Addendum issued by the City of Kyle will be emailed or faxed to all who have returned the RFP Acknowledgement Form. Addendum will be issued as expeditiously as possible. Addendum, if issued, will also be posted on the City's website. It is the responsibility of the responding firms to determine whether all addendum have been reviewed and addressed in the proposal.





#### **XIV. PROPOSAL SUBMISSION REQUIREMENTS**

The City of Kyle is requesting three (3) copies of the proposals including any attachments. Proposals should be enclosed in an envelope and clearly marked on the outside of the envelope or any carrier's envelope: "RFP No. 2014-02-PM OPEB Trust Services", to be mailed, sent by overnight courier, or hand delivered to the attention of:

Mr. Perwez A. Moheet, CPA  
Director of Finance  
City of Kyle  
100 W. Center Street, Kyle Texas 78640 (Physical Location)  
P.O. Box 40, Kyle, Texas 78640 (Mailing Address)

**Proposals will be accepted only until 10:00 A.M., July 22, 2014.**

**NO PROPOSALS WILL BE ACCEPTED AFTER 10:00 A.M. ON JULY 22, 2014, THE SUBMISSION DEADLINE.**

Proposals will be acknowledged at 8:00 a.m., on July 23, 2014, in the Financial Services Department's Conference Room in City Hall located at 100 W. Center Street, Kyle, Texas 78640. Attendance by representatives of prospective firms is not required.

**The City of Kyle is subject to the Texas Open Records Act. However, certain types of information may be exempt from disclosure under the Act. Firms submitting information which they deem confidential or proprietary must clearly mark and identify such information page by page. The City of Kyle will, to the extent allowed by applicable law, protect such information from disclosure. The final decision as to what information must be disclosed under the Open Records Act lies with the Texas Attorney General.**

Questions or clarifications concerning the City of Kyle's RFP requirements should be directed by email only to:

Mr. Perwez A. Moheet, CPA  
Director of Finance  
City of Kyle  
pmoheet@cityofkyle.com

Response to any questions, if appropriate, will be issued in the form of an addendum to all firms that have returned the RFP Acknowledgement Form and will also be posted on the City's website at:

<http://www.cityofkyle.com/rfps>





## APPENDIX A

Report on Actuarial Valuation of Post-Retirement Medical Plan Expense & Benefit  
Obligation for the Fiscal Year ended September 30, 2013.



# APPENDIX B

## City of Kyle's Investment Policy



## APPENDIX C

Internal Revenue Service Form W-9  
Request for Taxpayer Identification Number and Certification



## APPENDIX A

Report on Actuarial Valuation of Post-Retirement Medical Plan Expense & Benefit  
Obligation for the Fiscal Year ended September 30, 2013.





**The City of Kyle, Texas  
Postretirement Medical Plan**

***GASB 45 Actuarial Valuation of  
Postretirement Medical Plan Expense and Benefit Obligation  
for the  
Fiscal Year October 1, 2012 – September 30, 2013***

February 24, 2014

**DEAN ACTUARIES, LLC**  
5646 MILTON STREET, SUITE 210  
DALLAS, TEXAS 75206  
(214) 891-0990

Website [www.retsource.com](http://www.retsource.com)

Email [deanco@retsourcem.com](mailto:deanco@retsourcem.com)

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## Key Results

This section documents the key GASB Statement No. 45 (GASB 45) valuation and accounting results related to the employer-provided subsidies in the City of Kyle Postretirement Medical Plan. GASB 45 requires the following key measurements to be disclosed:

**Actuarial Accrued Liability (AAL)** - The amount of subsidies expected to be paid to current retirees and current active members (future retirees) that have already been earned, measured in today's dollars. Also referred to as the GASB 45 liability or OPEB Liability.

**Annual Required Contribution (ARC)** - The annual amount required under the actuarial cost method and funding policy for amortizing the unfunded actuarial accrued liability. It is made up of the normal cost (the amount earned in the next year) plus the amortization of the unfunded AAL.

**Annual OPEB Cost** - The ARC plus the amortization of the Net OPEB Obligation (NOO, see next bullet point). The Annual OPEB Cost is the expense for financial reporting.

**Net OPEB Obligation (NOO)** - The cumulative difference between the Annual OPEB Cost and actual employer contributions. The NOO is the balance sheet liability for financial reporting.

The table on the following page shows the above results. The City of Kyle has elected to amortize the Actuarial Accrued Liability over a 30 year period on a level dollar method as allowed by GASB 45.



Exhibit 1

**DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION  
AND NET OPEB OBLIGATION**

**For the Year October 1, 2012 through September 30, 2013**

1	OPEB liability (Accrued Actuarial Liability) at October 1, 2012	\$	877,418
<b><u>Annual Required Contribution</u></b>			
2	Annual Amortization (level payments)		
	30 years implementation OPEB liability	\$	53,866
	15 years gains and losses (level dollar)		<u>0</u>
		\$	53,866
3	Normal Cost (Normal Cost)		<u>67,699</u>
4	Annual Required Contribution (ARC) (Normal Cost + amortization)	\$	121,565
<b><u>Annual OPEB Cost</u></b>			
5	Interest on Net OPEB Obligation (NOO)		-
6	Amortization of Net OPEB Obligation		<u>-</u>
7	Annual OPEB Cost	\$	121,565
<b><u>Net OPEB Obligation</u></b>			
8	Employer Contributions (expected claims less contributions)		<u>(4,591)</u>
9	Change in Net OPEB Obligation for the year ended September 30, 2013	\$	116,974
10	Net OPEB Obligation at end of prior year September 30, 2012	\$	<u>-</u>
11	Estimated Net OPEB Obligation at September 30, 2013 9 + 10	\$	116,974

**Key assumptions**

Actuarial Cost Method:	Projected Unit Credit
Discount rate	4.50%
Healthcare trend	4.62% in 2013
and contribution increases	graded to
	4.87% in 2060
Acceptance rate - medical (civilians)	100%
Acceptance rate - medical (police)	100%
Mortality	RP2000p
Turnover and retirement rates	Municipal experience

Exhibit 2

**FUNDED STATUS AT THE END OF THE FISCAL YEAR**

1	OPEB liability (Accrued Actuarial Liability) at October 1, 2012	\$	877,418
2	Interest		39,484
3	Normal Cost with interest		67,699
4	Claims net of retiree contributions		(4,591)
5	OPEB liability (accrued actuarial liability) at September 30, 2013	\$	979,908

Exhibit 3 traces the change in the Accrued Actuarial Liability (OPEB Liability) from the beginning to the end of the year.

## Discussion

### OPEB

Other post-employment benefits (OPEB) are benefits that are provided to retired employees beyond those provided by their pension plans. Such benefits include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. The City of Kyle provides medical and prescription drug coverage for retirees and their dependents who elect to make the required contributions..

The OPEB relationship between the City of Kyle and its employees and retirees is not formalized in a contract or plan document, only a few sentences in the administrative policy manual. These benefits are considered for accounting purposes to be provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs; it may not be a long term legal commitment

### Implicit Subsidy

The **implicit subsidy** is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retirees.

### GASB Statements No. 43 and 45

In the past, these subsidies have not been projected and accounted for under an accrual basis. Accrual accounting is meant to match the timing between when something occurs and when it is accounted for. In this case, it is meant to match the expense to the year in which the benefits are earned by the member. Pay-as-you-go funding is when the contributions are made when the cost occurs (after retirement). This cost is expensed as Kyle pays the current year's subsidies. However, the unfunded liability, the difference between what members are accruing and what Kyle has been paying, is growing and is not accounted for under the pay-as-you-go method. According to GASB, Statements No. 43 and 45 were created in an attempt to:

- Create financial transparency,
- Create better alignment between public and private sector accounting,
- Provide clarity among bargaining groups to show the true cost of benefits over time,
- Provide employers knowledge of the true cost of benefits over time,
- Provide investors knowledge of the true long-term liabilities; and,



- Show the decision-makers a cost that they need to recognize.

GASB Statement No. 45 requires each employer to calculate their OPEB liability. In addition to the overall liability, GASB requires that the ARC must be calculated. The ARC is the annual amount required under the actuarial cost method and funding policy for amortizing the unfunded actuarial accrued liability. GASB does not require that employers actually contribute the ARC each year, just that it is recognized so that all stakeholders can see how adequately the liability is being funded.

The City of Kyle has adopted GASB 45 reporting effective with the 2012-13 fiscal year.

### **Actuarial Valuation**

In order to determine the GASB 45 liabilities, an actuarial valuation must be performed. An actuarial valuation is a way to determine what benefits will be paid throughout the future lifetimes of current members and discount those payments back to the present. The result is the present value of future benefits. For example, if you had a dollar amount today, which equaled the present value of future benefits, that amount could be invested, accrue earnings during the current plan members' lifetimes, and be paid out in a benefit stream when the members are eligible. The total amount remaining when there are no more benefits being paid would be zero. In this case, the benefits being paid out are the subsidies that are being paid for the City of Kyle retirees.

An actuarial valuation takes inputs such as participant data (who is receiving the benefits), benefit provisions (what are the benefits), and assumptions (how do we expect the members and the economy to behave). Participant data includes the members' ages, membership service, plan selection, etc. Benefit provisions include the structure of the benefits that the members receive; in this case, the subsidies supporting retiree medical benefits. Assumptions include the interest rate (investment return), health care inflation rates, general inflation rates, decrement rates, participation rates, Medicare coverage, etc.

The inputs are taken and valued using an actuarial cost method. The method chosen will allocate costs between past and future plan membership service. Distinct actuarial cost methods will produce somewhat different allocations since each method allocates cost a little bit differently. The inputs and the method are put into valuation software to determine the liability and ARC. Essentially, the valuation software uses the inputs to determine when a benefit will be paid, how much the benefit will be, and how long it will be paid to each member.

## Funding Policy

In the past, these subsidies were funded on a pay-as-you-go basis, meaning that employers paid these costs as they occurred. This generally means today's taxpayers are paying for benefits that were accrued in the past. This funding policy is in conflict with the principle of intergenerational equity, which requires that a member's benefits be funded over the member's working lifetime. The idea is for the member's benefits to be paid by the taxpayers who benefit from that member's service, as opposed to making future taxpayers, who do not benefit from that member's service, pay for the member's benefits.

In the future, these liabilities can continue to be funded on a pay-as-you-go basis, or they can be pre-funded. If they continue to be funded on a pay-as-you-go basis, then a NOO (Net OPEB Obligation) will accrue as the annual contributions fall short of the ARC. The results are lower current contributions in the short-run, a growing liability, and continued conflict with the principle of intergenerational equity. In addition, if a pay-as-you-go funding method is selected, there will be no assets to invest; therefore, the interest discount rate must be lower, in the range of 4 to 5 percent. A lower interest discount rate will mean the reported overall liability will be larger.

If, instead, these liabilities are fully pre-funded, then contributions equal to the ARC must be made annually and placed in an irrevocable trust. If the choice to fully pre-fund is made, then a NOO will not accrue. The results are larger current contributions in the short-run, a lower unfunded liability, and adherence to the principle of intergenerational equity. In addition, if the choice is made to pre-fund there will be assets to invest; the investment return applied to the liabilities will reflect the expected long-term yield of the assets used to finance the payment of the benefits. If these assets are invested similarly to those in a typical retirement plan, an interest discount rate in the range of 7 to 8 percent might be used. A higher interest discount rate will mean the reported overall liability will be smaller.

It is our understanding that the City of Kyle has established a dedicated (earmarked) reserve account for the retiree medical benefits plan. The account had a balance of \$521,458 as of September 30, 2013. Because this money is not held in an irrevocable trust, the assets cannot be used to offset the actuarial liability of the retiree medical plan in the accounting calculations. (See the definition of "Plan Assets" in the Glossary). The City could, in the future, choose to transfer the funds to a true employee benefits trust fund with an independent trustee. If this were done, only the Actuarial Accrued Liability less trust assets would be subject to amortization. The discount rate used in the actuarial valuation could also be adjusted to reflect the asset allocation of the trust.

**SUMMARY OF PLAN PROVISIONS**

**Eligibility**

**Group 1**

5 or more years of continuous service on 4/1/2009, and 25 or more years of continuous service at retirement

**Group 2**

Fewer than 5 years of continuous service on 4/1/2009, and 25 or more years of continuous service at retirement

**Group 3**

Hired after 4/1/2009

**Benefits**

**Group 1**

Pre Age 65: Medical, prescription drugs, dental, vision and \$2,000 life insurance – fully paid by the City for the retiree  
 Post Age 65: Medicare supplement and prescription drugs

**Group 2**

\$300 monthly stipend towards medical and prescription drug coverage (both before and after age 65). The retiree pays any additional cost. The retiree pays the full cost of spouse's coverage.

**Group 3**

No retiree benefits

**Medical plan provisions**

	Network	Non-Network
Calendar Year Deductible	\$250	\$500
Out-of-Pocket Limit	\$2,000 i/ \$4,000 f	None
Coinsurance	85%	55%
Preventive care and annual exam	100%	100%

**Prescription Drugs**

Generic Drug	\$0 (value) \$10 (other)
Non-generic Drug	\$38 / \$60 (best price/non-best price)

**Dental III**

\$30.14/month employer cost per employee 80%/ 50% \$2,000 annual maximum

**Vision B**

\$9.00/month employer cost per employee



**VALUATION  
ASSUMPTIONS**

**Economic assumptions**

- **Discount rate** 4.0% per annum

- **Health care cost trend**

*Group 1 under age 65:* The healthcare trend assumption was revised effective with the year-end (6/30/2013) valuation of the Postretirement Benefit Obligation: Plan year dependent rates graded from 4.62% in 2013-14 to 4.87% in 2060-61. The same trend is applied to retiree contributions. The trend from 2012-13 to 2013-14 is 16.0% based on the actual change in medical premiums for the City of Guthrie for those periods.

Healthcare trend for the next two years is based on projections by the Office of the Actuary, Centers of Medicare & Medicaid Services. Trend for subsequent years was developed using the Society of Actuaries Getzen healthcare economics model with inputs as follows:

Inflation	2.5%
Real GNP growth	1.7%
Income multiplier	1.4%
Technology	1.1%

The resulting trend rates are:

Year	Trend
2013	4.62%
2014	7.35%
2015	5.01%
2016	6.12%
2017	6.09%
2018	6.05%
2019	6.02%
2020	5.99%
2025	5.86%
2030	5.99%
2035	5.87%
2040	5.33%
2045	5.15%
2050	5.03%
2060	4.87%

The healthcare trend for Group 1 retirees after age 65 is assumed to be 5% per year.

CPI increases in the Group 2 specified benefit are assumed to be 3.0% per year.

**Decrement assumptions**

■ **Mortality** RP2000 Mortality with cohort mortality projection

■ **Terminations** Termination rates for civilian employees are based on the actual experience of the similar municipalities.

Rates per Thousand

Age	Rate
20	214.6
25	142.3
30	95.6
35	68.4
40	55.0
45	49.8
50	46.7
55	40.1
60	40.0

Additional rates per thousand are added for the first 5 years:

Year	Addl Rate
1	215
2	140
3	95
4	65
5	40

Termination rates for police are 88% of the rates for civilians (based on TMRS assumption).

■ **Retirement** Rates based on the actual experience of the TMRS municipalities.

<u>Age</u>	<u>Male</u>	<u>Female</u>
40-49	6%	6%
50-53	8%	8%
54	8%	11%
55-59	14%	11%
60	20%	28%
61	25%	28%
62-65	32%	28%
66-69	22%	22%
70	100%	100%

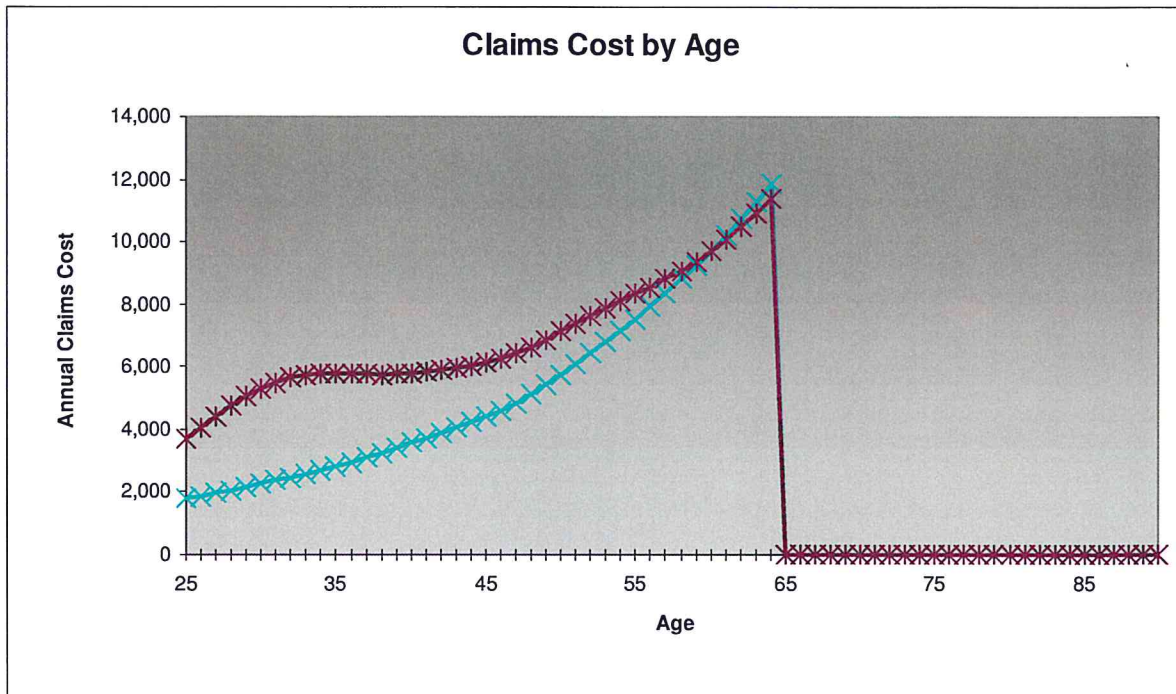
- **Participation** 100% of Group 2 employees are assumed to elect retiree medical coverage if they meet the eligibility requirements.

#### ***Medical claims***

- **Claims by age** The claims table was developed by fitting a national age – gender claim curve to the age - gender census of active employees. The claims cost per average employee was then normalized to the actual premium rates for the City’s medical coverage. Graph 1 on the next page shows the pattern of claims cost by age and sex.
- **Spouses** It is assumed that spouses if covered will pay the actuarial cost of their benefits and therefore are not included in the valuation.



Graph 1



**Group 1 Pre Age 65 Claims Cost**

<i>2013-14 Claims Level</i>					
Age	Male	Female	Age	Male	Female
25	1,809	3,722	60	9,702	9,698
30	2,245	5,302	64	11,848	11,353
35	2,810	5,776	65	0	0
40	3,545	5,786	70	0	0
45	4,395	6,125	75	0	0
50	5,739	7,137	80	0	0
55	7,531	8,315	85	0	0

**Group 1 Post Age 65 Claims Cost**

**Medicare Supplement and Rx (Group 1)**

Fiscal Year 2012-13                      \$371.37 per month  
 Fiscal Year 2013-14                      \$386.32 per month

### **Actuarial Funding Method**

The actuarial funding method chosen will determine the allocation of costs. For example, one method may allocate all costs between now and the time a member is fully eligible to retire whereas another method may allocate all costs between now and the time a member is expected to retire (several years after retirement eligibility). One method might allocate costs as a level dollar amount while another might allocate costs as a level percentage of payroll. Using a different method will provide slightly different results. In short, different methods will relatively frontload the costs or backload the costs.

GASB allows the selection of one of six different actuarial methods. The method selected for this report was Projected Unit Credit (PUC). This is the method required by FASB 106 in the private. PUC is known to backload costs compared with the Entry Age Normal cost method. This is reasonable to do for OPEB liabilities, which are 'soft liabilities' because it allows for the realization of the assumptions before most payments are made.

GASB also allows for the selection of the amortization period (not to exceed thirty years). A longer amortization period means that the unfunded liability is being smoothed, and funded, over a longer period of time. This can be compared to a mortgage being paid off over a longer period of time (lower payments, but more interest). Thirty years was selected as the amortization period for this report.

**POPULATION SUMMARY**

The exhibits in this section describe the census data used in the valuation. The census date was September 30, 2013.

**AGE AND SERVICE OF ACTIVE PARTICIPANTS**

9/30/2013

*Civilian Employees*

**Group 1**

Age Group	Years of Service							35 - All Service
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	
20 - 24								
25 - 29								
30 - 34								
35 - 39			2					2
40 - 44			2					2
45 - 49			1	1				2
50 - 54		1	1		1			3
55 - 59		1				1		2
60 - 64				1	1			2
65 - 69								
70 -								
<b>Totals</b>		<b>2</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>1</b>		<b>13</b>

**Group 2**

Age Group	Years of Service							35 - All Service
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	
20 - 24								
25 - 29	2	1						3
30 - 34		4						4
35 - 39		8						8
40 - 44	5	4						9
45 - 49		6						6
50 - 54	1	4						5
55 - 59		1						1
60 - 64								
65 - 69								
70 -		1						1
<b>Totals</b>	<b>8</b>	<b>29</b>						<b>37</b>

AGE AND SERVICE OF ACTIVE PARTICIPANTS

9/30/2013

Police

Group 1

Age Group	Years of Service							
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - All Service
20 - 24								
25 - 29								
30 - 34			1					1
35 - 39			3	1				4
40 - 44								
45 - 49								
50 - 54				1				1
55 - 59								
60 - 64								
65 - 69								
70 -								
<b>Totals</b>			4	2				6

Group 2

Age Group	Years of Service							
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - All Service
20 - 24								
25 - 29								
30 - 34		1						1
35 - 39		6						6
40 - 44		1						1
45 - 49		1						1
50 - 54								
55 - 59		1						1
60 - 64								
65 - 69								
70 -								
<b>Totals</b>		10						10



**SUMMARY OF NONACTIVE PARTICIPANTS**

9/30/2013

Age Group	Males	Females	Total
	Count	Count	Count
<i>Retired Participants in Payment Status</i>			
40 - 49			
50 - 54			
55 - 59			
60 - 64			
65 - 69	1		1
70 - 74			
75 - 79			
80 - 84			
85 - 89			
90 - 110			
<b>Totals</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Grand Totals</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Ave amount</b>			

**COSTS AND  
DISCLOSURE ITEMS  
UNDER GASB 45**

This section illustrates the detailed results of the actuarial valuation of costs and benefit obligations measured under GASB Statement 45. The valuation date for the calculations is September 30, 2013.

**SUMMARY OF VALUATION RESULTS**

Valuation Date September 30, 2013

	Civilian employees			Police			Retirees		Grand Totals
	Number	Ave Age	Total	Number	Ave Age	Total	Number	Ave Age	
Employees									
Under eligibility age	49	44.8		16	40.3				
At or above eligibility age	1	57.0		0					
<b>Total</b>	<b>50</b>	<b>45.1</b>		<b>16</b>	<b>40.3</b>		<b>1</b>	<b>69.0</b>	
Covered retirees									
Covered retiree spouses									
PVB pre65 claims	311,298	-	311,298	211,216	-	211,216	-	-	522,514
PVB	1,008,879	-	1,008,879	608,854	-	608,854	76,225	76,225	1,693,958
less PV EE Cont	0	0	0	0	0	0	0	0	0
<b>Net PVB</b>	<b>1,008,879</b>	<b>0</b>	<b>1,008,879</b>	<b>608,854</b>	<b>0</b>	<b>608,854</b>	<b>76,225</b>	<b>76,225</b>	<b>1,693,958</b>
GASB 45 Liability (AAL)	618,348	-	618,348	285,018	-	285,018	76,225	76,225	979,591
Less ee paid GASB 45 Liability (AAL)	0	0	0	0	0	0	0	0	0
<b>Net GASB 45 Liability (AAL)</b>	<b>618,348</b>	<b>0</b>	<b>618,348</b>	<b>285,018</b>	<b>0</b>	<b>285,018</b>	<b>76,225</b>	<b>76,225</b>	<b>979,591</b>
ABO of eligibles	123,005	-	123,005	-	-	0	76,225	76,225	199,230
Less ee paid	0	0	0	0	0	0	0	0	0
<b>Net elig GASB 45 Liability (AAL)</b>	<b>123,005</b>	<b>0</b>	<b>123,005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>76,225</b>	<b>76,225</b>	<b>199,230</b>
Normal Cost (EOY)	44,320	-	44,320	26,412	-	26,412	0	0	70,733
Less ee paid	0	0	0	0	0	0	0	0	0
<b>Net Normal Cost</b>	<b>44,320</b>	<b>0</b>	<b>44,320</b>	<b>26,412</b>	<b>0</b>	<b>26,412</b>	<b>0</b>	<b>0</b>	<b>70,733</b>
Death benefit Normal Cost									13
Total Normal Cost									70,746
Death benefit GASB 45 liability			261			57	0	0	317
<b>Total GASB 45 liability (AAL)</b>			<b>618,609</b>			<b>285,074</b>	<b>76,225</b>	<b>76,225</b>	<b>979,908</b>



### Certification

This report presents the actuarial position of the City of Kyle Postretirement Medical Plan as of September 30, 2013, and develops the Annual OPEB cost for the 2012-13 fiscal year under GASB 45 and in accordance with generally accepted actuarial principles.

The valuation is based on our understanding of the substantive plan provisions as outlined in this report, census data provided by the City of Kyle, and information as to healthcare costs for the City's active and retired participants. The healthcare cost pattern shown in this report was selected to match the actual budgeted cost of the entire City medical plan (including both active and retired participants).

In our opinion, each assumption used in combination to calculate liabilities and costs represents our best estimate of anticipated experience under the plan and is reasonably related to the plan experience and to reasonable expectations. However, the most appropriate assumption for different purposes may vary and use of the values in this report for purposes other than those stated should be avoid or discussed with the actuary.

DEAN ACTUARIES, LLC



2/24/2014

Date

Charles E. Dean, FSA, FCA  
Enrolled Actuary 11-01249



2/24/2014

Date

Sean M. Sullivan, FSA  
Enrolled Actuary 11-03649

## Glossary of OPEB Terms

**Accrual Accounting** - A system of accounting in which revenues are recorded when earned and outlays are recorded when goods are received or services performed, even though the actual receipt of revenues and payment for goods or services may occur, in whole or in part, at a different time. i

**Actuarial Value of Assets** - The value of cash, investments, other assets and property belonging to an OPEB trust, pension fund or similar entity, as used by the actuary for the purpose of actuarial valuation. Some funds may be restricted for other purposes, and smoothing of investment gains and losses often make the actuarial value of assets different from the market value of assets.

**Agent multiple-employer plan (agent plan)** - An aggregation of single employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level.

**Annual Required Contribution** - Normal Cost plus an amortization of the funding shortfall over a period of no more than 30 years.

**Cash Basis Accounting** - A system of accounting in which revenues are recorded when actually received and outlays are recorded when payment is made. ii

**Cost-sharing multiple-employer plan** - A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) applies for each employer.

**Defined benefit OPEB plan** - An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

**Discount Rate** - The interest rate used to calculate present value of a series of future cash flows. Under GASB 45, the rate should be long term expected yield on the investments that are expected to be used to pay benefits as they come due. These would be plan investments for a funded plan, the employer's investments for a pay as you go plan [e.g. short term county investment pool], or a weighted average of expected plan and employer investments for a plan that is partially funded.

iii



**Employer's contributions** - Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

**FASB - Financial Accounting Standards Board.** Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector establishing standards of financial accounting and reporting. iv.

**GASB - Government Accounting Standards Board.** The Governmental Accounting Standard Board (GASB) was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities. v

**GFOA - Government Finance Officers Association.** GFOA is the professional association of state/provincial and local finance officers in the United States and CanKyle, and has served the public finance profession since 1906. Approximately 16,000 GFOA members are dedicated to the sound management of government financial resources.

**Healthcare cost trend rate** - The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

**Implicit Subsidy** - The difference between a premium rate charged to retirees for a particular benefit and the estimated rate that would have to be applicable to those retirees if that benefit was acquired for them as a separate group. vi

**Investment return assumption (discount rate)** - The rate used to adjust a series of future payments to reflect the time value of money.

**Irrevocable Contribution** - Irrevocably transferred assets to a qualifying trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator. The preceding criteria preclude counting as [irrevocable] contributions (a) designations of net assets of a governmental or proprietary fund to be used for OPEB or (b) internal transfers of assets to a separate governmental or proprietary fund for the same purpose. Rather, such actions should be regarded as earmarking of employer assets. vii

**Level Dollar Amortization** - Funding a shortfall in OPEB assets with equal dollar payments over a designated number of years (no more than 30 years). The present value of the level payments equals the present value of unfunded liabilities, the UAAL.

**Level Percent of Payroll Amortization** - Funding a shortfall in OPEB assets as a level percent of payroll over a designated number of years (no more than 30 years). The present value of the payments equals the present value of unfunded liabilities, the UAAL. Level percent of payroll typically has lower payments in the early years than level dollar amortization. When using level payroll amortization, employee count is assumed to be constant, and the payroll differences arise from overall wage trends.

**Net OPEB obligation** - The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. (GASB 45 only)

**Normal Cost** - The actuarially determined present value contribution needed to fund benefits which are earned for employee service rendered during the current year. Normal cost depends on many factors, including the interest rate used to discount future cashflows, and expected inflation.

**Plan assets** - Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or in an equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

**OPEB** - Other Post Employment Benefits - Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

**OPEB expense** - The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting. (GASB 45 only)

**OPEB Trust** - An entity other than a pension or retirement system which manages OPEB assets. In many respects it is similar to a pension fund for OPEB. For reasons detailed in GASB 45, contributions to an OPEB trust should be irrevocable in order to obtain the most favorable accounting treatment.

**Pay-as-you-go funding** - Paying benefits (such as pensions or OPEB) on a cash basis, with no money set aside for future liabilities which are already incurred.

**POB - Pension Obligation Bond.** Generally yielding taxable interest, POBs are issued to help fund a previously unfunded or underfunded pension liability.

**Self funded plan** - A plan whose benefits are not guaranteed in some manner by an insurance company.

**Single-employer plan** - A plan that covers the current and former employees, including



beneficiaries, of only one employer.

**Substantive plan** - The terms of an OPEB plan as understood by the employer(s) and plan members.

**UAAL** - Unfunded Accrued Actuarial Liability. Actuarial Accrued Liability minus the Actuarial Value of Assets.

- 
- i. Source: Congressional Budget Office
  - ii. Source: Congressional Budget Office
  - iii. Source: GASB 45 Statement Paragraph 120 (page 96).
  - iv. Source: [www.fasb.org/facts/index.shtml](http://www.fasb.org/facts/index.shtml)
  - v. Source: [www.gasb.org/facts/index.html](http://www.gasb.org/facts/index.html)
  - vi. Source: GASB 45 Statement Paragraph 96 (page 86).
  - vii. Source: GASB 45 Statement Paragraph 141 (page 105).

# APPENDIX B

## City of Kyle's Investment Policy



RESOLUTION NO. 763

**A RESOLUTION OF THE CITY OF KYLE, TEXAS, ADOPTING AN INVESTMENT POLICY FOR THE CITY OF KYLE; MAKING FINDINGS OF FACT; AND PROVIDING FOR RELATED MATTERS.**

**Whereas**, the Texas Public Funds Investment Act, Section 2256.005 requires that the governing body of an investment entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written Investment Policy regarding the investment of its funds and funds under its control, and,

**Whereas**, the Texas Public Funds Investment Act requires that the Investment Policy, including a list of authorized investments and investment strategies, must be approved annually, and,

**Whereas**, the attached Investment Policy complies with the provisions of the Texas Public Funds Investment Act.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KYLE, TEXAS, HAYS COUNTY, THAT:**

**Section 1. Findings.** The Strategic Planning and Finance Committee as established by the City Council has reviewed the Investment Policy including any and all changes and has recommended by a majority vote the adoption of the said policy by the City Council.

As required by the Texas Public Funds Investment Act, the City Council has reviewed the Investment Policy and related investment strategies and that the revised Investment Policy made part of this City Council Resolution so adopted records any changes made to the City's Investment Policy and or investment strategies.

In addition, the following recitals are hereby found to be true and correct and are hereby adopted by the City Council and made a part hereof for all purposes as findings of fact.

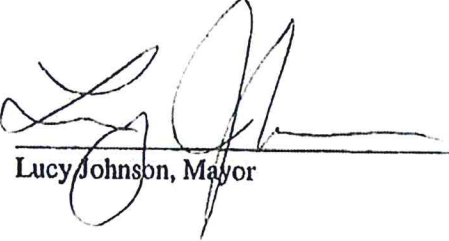
**Section 2. Authorization.** The Investment Policy of the City of Kyle is hereby adopted in compliance with the requirements set forth in Texas Public Funds Investment Act.

**Section 3. Effective Date.** This Resolution shall take effect from and after the date of its passage as authorized by the Charter of the City of Kyle.

**Section 4. Open Meetings.** It is hereby officially found and determined that the meeting at which this Resolution is passed was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act, Chapter 551, Local Government Code.


**FINALLY PASSED AND APPROVED on this the 7th day of June, 2011.**

**THE CITY OF KYLE, TEXAS**



Lucy Johnson, Mayor

**ATTEST:**



Amelia Sanchez, City Secretary





CITY OF KYLE, TEXAS

INVESTMENT POLICY

City Council Resolution No. 763  
Adopted June 7, 2011

## **I. PURPOSE**

### **A. Purpose and Scope**

This Investment Policy applies to all investment activities of the City of Kyle of all funds held by the City of Kyle excluding funds held in the Employee Retirement Trust, Texas Municipal Retirement System, and the Deferred Compensation Plan. All applicable funds held by the City of Kyle shall be administered in accordance with the provisions of this policy. In addition to this policy, bond proceeds shall also be governed by the respective bond covenants and all applicable State and Federal Law.

The following Investment Policy of the City of Kyle, Texas, as revised, was reviewed and adopted by the City Council by Resolution No. 763 dated June 7, 2011. This Investment Policy is intended to comply with the statutory requirements of the Texas Public Funds investment Act (Chapter 2256, Texas Government Code).

## **II. INVESTMENT OBJECTIVES**

### **A. Preservation and Safety of Principal**

The primary objective of all investment activity is the preservation and safety of principal in the overall portfolio.

### **B. Maintenance of Adequate Liquidity**

The investment portfolio will be managed to provide adequate liquidity in order to meet the cash flow requirements that might be reasonably anticipated. Liquidity shall be achieved to the extent practical and feasible by matching investment maturities with forecasted cash flow requirements.

### **C. Diversification**

The policy of the City of Kyle, except when investing with the Depository Bank will be to diversify its portfolio to the extent allowed under this policy. Investments of the City shall always be selected on the basis which provides for the preservation and safety of principal.

### **D. Yield**

Consistent with federal and state law and the City's Investment Policy, it will be the objective of the Investment Officer to earn the maximum interest rate feasible in compliance with the requirements of the types of investments allowed under this policy.

#### **E. Maturity**

Portfolio maturities will be selected, if market conditions are favorable, in such a manner to optimize earnings while maintaining the necessary liquidity to meet the City's cash requirements. The maximum allowable stated maturity of any individual investment owned by the City will not exceed five years.

#### **F. Sale of Securities Prior to Maturity**

The City Investment Officer may sell securities before maturity if market conditions present an opportunity for the City to benefit from the sale; funds are urgently needed to meet unforeseen expenditures, even if there is a loss of interest and/or principal due to the early sale; and when a security has lost its minimum required rating as an authorized investment.

#### **G. Investment Management**

It is the City's policy to provide training required under the Public Funds Investment Act, Sec. 2256.008 and periodic training in investments for the Investment Officer offered by professional organizations and associations in order to ensure compliance with the Act.

### **III. INVESTMENT STRATEGY**

#### **A. General**

In conjunction with the annual review of the City's Investment Policy, the City Council shall review the investment strategy for investing City funds. The investment strategy shall be based on the investment objectives outlined in Section II of this policy.

#### **B. Investment Guidelines by Fund Type**

##### **1. Operating Funds**

Operating Funds require short-term liquidity to meet day to day cash requirements for City operations. Therefore, diversified investment maturities shall provide monthly cash flow based on the anticipated operating needs of the City. Short-term investment pools and other short-term securities allowed under this policy will be considered for the City's Operating Funds

##### **2. Bond Funds**

Proceeds from the issuance of debt obligations such as Bonds issued for the acquisition and or the construction of capital assets shall only be invested in the types of investments allowed under this policy. The investment maturities shall generally follow the anticipated cash flow requirements of the capital projects for which the debt obligations were issued.

##### **3. Repair and Replacement Funds**



Should the City Council authorize the establishment of a Repair and Replacement Fund, the maturity date of investments in this Fund shall generally be limited to the anticipated cash flow requirements identified in the City's approved budget for planned projects. Funds accumulated in the Repair and Replacement Funds shall only be invested in the types of investments allowed under this policy.

#### **4. Debt Service Funds**

Debt Service Funds shall be invested to ensure adequate liquidity for making semi-annual principal and interest payments on outstanding debt obligations. Funds accumulated in the Debt Service Funds shall only be invested in the types of investments allowed under this policy.

#### **5. Bond Reserve Funds**

Should the City Council authorize the establishment of a Bond Reserve Fund in compliance with future bond covenants, funds accumulated in the Bond Reserve Fund shall only be invested in the types of investments allowed under this policy.

Generally, Bond Reserve Funds do not incur planned expenditures. When required under a specific bond covenant, the funds are deposited as a reserve to provide payment protection to the bondholders. The funds are eventually released after the reserve requirements have been fully satisfied.

#### **6. Fiduciary Funds**

Fiduciary Funds are used to report assets held in a trust or agency capacity for others such as for the City's Other Post Employment Benefits (OPEB). All funds accumulated in the Fiduciary Funds shall only be invested in the types of investments allowed under this policy and shall be limited to the anticipated cash flow requirements.

### **IV. AUTHORIZED INVESTMENTS**

Under the Texas Public Funds Investment Act several different types of investments are authorized. The City's Investment Policy requires that all funds held by the City of Kyle, Texas, as defined in Section IA of this policy, be invested in the following types of investments which are authorized Texas Public Funds Investment Act:

#### **A. Guaranteed Securities**

Securities guaranteed for both principal and interest by the federal government of the United States of America. All securities held in the City's name prior to the effective date of this City Council Resolution are exempt until such securities mature and funds become available for reinvestment.

#### **B. Certificates of Deposit**



Collateralized certificates of deposit from banks whose collateral consists of securities of the United States or secured by a letter of credit from the Federal Home Loan Bank Board that guarantees both principal and interest;

**C. Investment Pools**

Local government investments pools that comply with the requirements as defined and authorized under the Texas Public Funds Investment Act; or

**D. Other Authorized Investments**

Collateralized certificates of deposit from banks secured by a combination of collateral and guarantees as provided in (A) and (B), and/or bonds and debt obligations of the State of Texas and other selected investment instruments as authorized under the Texas Public Funds Investment Act and approved by the City's Investment Officer that meet the investment objectives as prescribed in this policy.

**V. COLLATERAL REQUIREMENTS**

**A. Collateral Levels**

Consistent with the requirements of State law, the City requires all deposits in financial institutions to be federally insured or collateralized with eligible securities.

**1. Certificates of Deposit**

The market value of the principal portion of collateral pledged for certificates of deposit must at all times be equal to or greater than the par value of the certificate of deposit plus accrued interest, less the applicable level of FDIC coverage.

**2. Guaranteed Securities**

Securities that are guaranteed for both principal and interest by the federal government of the United States of America may not be subject to collateral requirements.

**3. Monitoring Collateral Adequacy**

The City shall require monthly reports with market values of pledged securities from all financial institutions that have issued Certificates of Deposits to the City as an investment. The City's Investment Officer will monitor adequacy of collateral levels for the protection of the City's investments.

If the collateral pledged for a Certificate of Deposit falls below the par value of the deposit less FDIC coverage, the financial institution that issued the Certificate of Deposit will be

notified by the Investment Officer or its designee and will be required to pledge additional securities no later than the two business days of notification.

#### **4. Collateral Substitution**

Collateral for Certificates of Deposit often require substitution of the original collateral. Any broker, dealer or financial institution requesting substitution must contact the Investment Officer or its designee for approval and settlement. The substituted security's value shall be calculated to ensure that its value is equal to or greater than the required collateral level. The Investment Officer or its designee must provide written notification of the decision to the bank or the safekeeping agent holding the security prior to any substitution. The Investment Officer or its designee may limit substitution and assess appropriate fees if substitution becomes excessive.

### **VI. SAFEKEEPING OF SECURITIES AND COLLATERAL**

#### **A. Safekeeping Agreement**

The City shall contract with a financial institution or an investment bank for the safekeeping of securities either owned by the City as a part of its investment portfolio.

#### **B. Safekeeping of Certificate of Deposit Collateral**

All collateral securing any Certificate of Deposit in the City's investment portfolio must be held by the Federal Reserve Bank in the name of the City of Kyle, Texas.

### **VII. INVESTMENT ADVISORY AND BROKER/DEALER SERVICES**

#### **A. Investment Advisor**

The City may utilize the services of an investment advisory firm to assist the City in managing its investments. The selection of the best firm by the City shall be based on criteria established and evaluation of proposals solicited through a public solicitation process such as a Request for Proposal (RFP).

#### **B. Investment Advisors and Broker/Dealers**

Investment selection for all funds shall be based on compliance with the City's Investment Policy and the Texas Public Funds Investment Act. The City's investment portfolio shall be prudently managed to meet the stated objectives of this policy.

All investments made by the City will be made through either the City's depository bank or a primary dealer. A list of at least three broker/dealers will be maintained and reviewed annually in order to assure competitive bidding. The City's Investment Officer will establish criteria to evaluate Investment Advisors and Broker/Dealers, including:



1. Adherence to the City's Investment Policy and strategies.
2. Capability to comply with the Texas Public Funds Investment Act.
3. Investment performance and transaction pricing.
4. Responsiveness to the City's request for services, information and transparency in government investment activities.
5. Understanding of the inherent fiduciary responsibility of investing public funds.
6. Management and record-keeping system capabilities to meet all City and State reporting requirements including those required by the City's Investment Officer for transaction confirmations, market values, investment earnings, realized and unrealized gains and losses, and other monthly portfolio reports.

Investment Advisory and Broker/Dealers firms authorized to complete investment transactions for City shall be provided a written copy of this Investment Policy. The registered principal of the business organization selected to transact investment business for the City shall execute a written instrument to acknowledge and document that they have:

1. Received and reviewed the City's Investment Policy.
2. Their firm has taken precautionary measures and has implemented necessary procedures and internal controls to prevent imprudent and illegal investment activities with or for the City of Kyle.

The City shall not enter into an investment transaction with an Investment Advisory and or a Broker/Dealer firm prior to receiving the written assurance as described above.

## **VIII. INVESTMENT AUTHORITY AND MANAGEMENT REQUIREMENTS**

### **A. Authority to Invest**

The Director of Finance is the Investment Officer of the City. As the Investment Officer he/she is authorized to make all investment decisions including related to deposits, withdrawal, fund transfers, execution of documents, and manage City funds in accordance and compliance with the rules governing the investment of City funds as provided in this Policy. In the absence of the Director of Finance, the City Manager shall serve as the interim Investment Officer in his/her place and are subject to the requirements set forth in this policy.

### **B. Investment Management**

The City's Investment Officer shall perform their duties in accordance with the procedures prescribed in the Investment Policy. The City's Investment Officer may designate the Investment Advisor to complete certain financial transactions on the City's behalf as deemed necessary.

### **C. Personnel Authorized to Transact Fiscal Affairs**

All vouchers, checks, drafts, certificates of deposit, orders for the release or exchange of securities held as collateral for City's funds on deposit with its depository banks and any other instruments necessary in the transaction of City's financial affairs shall bear the signature of the Director Finance or the City Manager and one of the following City officials:

1. Mayor
2. Assistant City Manager
3. City Secretary
4. Finance Officer

It is required that at least one of the authorized signatures must be that of either the City's Director of Finance or the City Manager.

#### **D. Standards of Ethics**

The designated Investment Officer shall adhere to City's Code of Conduct. Additionally, the Investment Officer shall file with the Texas Ethics Commission and the City Council a statement disclosing any personal business relationship with an entity seeking to sell investments to the City or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to the City.

#### **E. Establishment of Internal Controls**

The Director of Finance will oversee the maintenance of a system of internal controls over the investment activities of the City within the City organization.

#### **F. Liability of City's Investment Officer**

The City Investment Officer is not responsible for any loss of City funds through the failure or negligence of a depository. The City's Investment Officer shall be relieved of any personal liability when carrying out his/her responsibilities as the City's Investment Officer and acting in good faith to comply with the City's Investment Policy.

#### **G. Required Training for City's Investment Officer**

As required by the Texas Public Funds Investment Act, the City shall allow for at its expense for the Director of Finance as the City's Investment Officer, to obtain:

1. At least one training session from an independent source containing a minimum of ten (10) hours of instructions relating to the Investment Officer's responsibilities, within 12 months after taking office or assuming duties.
2. Investments training session not less than once in a two-year period and receive not less than ten (10) hours of instructions relating to investment responsibilities from an independent source.

#### **H. Reporting Requirements**



## **1. Quarterly Reports**

Investment performance will be monitored and evaluated by the Investment Officer. Not less than quarterly, the Investment Officer will provide a report to the City Council that shall include:

- a) Description of the investment position of the City.
- b) Beginning market value for the reporting period.
- c) Additions and changes to the market value during the period.
- d) Ending market value for the period.
- e) Fully accrued interest for the period.
- f) State the maturity date of investments that have a maturity date.
- g) State the compliance of the investment portfolio with the City's Investment Policy and relevant provisions of the Texas Public Funds Investment Act.

## **2. Annual Audit**

The City's independent auditor, in conjunction with the annual audit of City's financial statements, records, and internal controls shall include review of investment reports. The independent auditor shall present the annual audit report to the City Council.

## **IX. ANNUAL REVIEW OF INVESTMENT POLICY**

In compliance with the annual review requirements specified in the Texas Public Funds Investment Act, the City Council shall review the City's Investment Policy and investment strategies at least on an annual basis.

The City Council shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

## APPENDIX C

Internal Revenue Service Form W-9  
Request for Taxpayer Identification Number and Certification



## Request for Taxpayer Identification Number and Certification

**Give Form to the  
 requester. Do not  
 send to the IRS.**

Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return)	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification: <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate  <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____  <input type="checkbox"/> Other (see instructions) ▶ _____	Exemptions (see instructions):  Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____
	Address (number, street, and apt. or suite no.)	Requester's name and address (optional)
	City, state, and ZIP code	
List account number(s) here (optional)		

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

<b>Social security number</b>											
				-			-				
<b>Employer identification number</b>											
				-							

### Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

<b>Sign Here</b>	Signature of U.S. person ▶	Date ▶
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### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** The IRS has created a page on IRS.gov for information about Form W-9, at [www.irs.gov/w9](http://www.irs.gov/w9). Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

#### Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the

withholding tax on foreign partners' share of effectively connected income, and

4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

**Note.** If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.





# Instructions for the Requester of Form W-9

(Rev. August 2013)

## Request for Taxpayer Identification Number and Certification

Section references are to the Internal Revenue Code unless otherwise noted.

### What's New

**Foreign Account Tax Compliance Act (FATCA).** FATCA requires a participating foreign financial institution to report all U.S. account holders that are specified U.S. persons. Form W-9 and the Instructions for the Requester of Form W-9 have been revised to expand the *Exemptions* box on the front of the form to include entry for the *Exempt payee code (if any)* and *Exemption from FATCA Reporting Code (if any)*. The references for the appropriate codes are in the *Exemptions* section of Form W-9, and in the *Payees Exempt from Backup Withholding and Payees and Account Holders Exempt From FATCA Reporting* sections of these instructions.

The *Certification* section in Part II of Form W-9 has been expanded to include certification of an exemption from FATCA reporting.

**Payment card and third party network transactions.** References to payments made in settlement of payment card and third party network transactions have been added to the *Purpose of Form* section of Form W-9. For more information, see the *Instructions for Form 1099-K, Payment Card and Third Party Network Transactions* on IRS.gov. Also, visit [www.irs.gov/1099k](http://www.irs.gov/1099k).

**Future developments.** The IRS has created a page on IRS.gov for information about Form W-9 and its instructions, at [www.irs.gov/w9](http://www.irs.gov/w9). Information about any future developments affecting Form W-9 and its instructions (such as legislation enacted after we release them) will be posted on that page.

### Reminders

- The backup withholding rate is 28% for reportable payments.
- The IRS website offers TIN Matching e-services for certain payers to validate name and TIN combinations. See *Taxpayer Identification Number (TIN) Matching* on page 4.

### How Do I Know When To Use Form W-9?

Use Form W-9 to request the taxpayer identification number (TIN) of a U.S. person (including a resident alien) and to request certain certifications and claims for exemption. (See *Purpose of Form* on Form W-9.) Withholding agents may require signed Forms W-9 from U.S. exempt recipients to overcome a presumption of foreign status. For federal purposes, a U.S. person includes but is not limited to:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,

- Any estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

A partnership may require a signed Form W-9 from its U.S. partners to overcome a presumption of foreign status and to avoid withholding on the partner's allocable share of the partnership's effectively connected income. For more information, see Regulations section 1.1446-1.

Advise foreign persons to use the appropriate Form W-8 or Form 8233, Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, for more information and a list of the W-8 forms.

Also, a nonresident alien individual may, under certain circumstances, claim treaty benefits on scholarships and fellowship grant income. See Pub. 515 or Pub. 519, U.S. Tax Guide for Aliens, for more information.

### Electronic Submission of Forms W-9

Requesters may establish a system for payees and payees' agents to submit Forms W-9 electronically, including by fax. A requester is anyone required to file an information return. A payee is anyone required to provide a taxpayer identification number (TIN) to the requester.

**Payee's agent.** A payee's agent can be an investment advisor (corporation, partnership, or individual) or an introducing broker. An investment advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. The introducing broker is a broker-dealer that is regulated by the SEC and the National Association of Securities Dealers, Inc., and that is not a payer. Except for a broker who acts as a payee's agent for "readily tradable instruments," the advisor or broker must show in writing to the payer that the payee authorized the advisor or broker to transmit the Form W-9 to the payer.

**Electronic system.** Generally, the electronic system must:

- Ensure the information received is the information sent, and document all occasions of user access that result in the submission;
- Make reasonably certain that the person accessing the system and submitting the form is the person identified on Form W-9, the investment advisor, or the introducing broker;
- Provide the same information as the paper Form W-9;
- Be able to supply a hard copy of the electronic Form W-9 if the Internal Revenue Service requests it; and
- Require as the final entry in the submission an electronic signature by the payee whose name is on Form W-9 that authenticates and verifies the submission. The electronic signature must be under penalties of perjury and the perjury statement must contain the language of the paper Form W-9.





For Forms W-9 that are not required to be signed, the electronic system need not provide for an electronic signature or a perjury statement.

For more details, see the following.

- Announcement 98-27, which is on page 30 of Internal Revenue Bulletin 1998-15 at [www.irs.gov/pub/irs-irbs/irb98-15.pdf](http://www.irs.gov/pub/irs-irbs/irb98-15.pdf).
- Announcement 2001-91, which is on page 221 of Internal Revenue Bulletin 2001-36 at [www.irs.gov/pub/irs-irbs/irb01-36.pdf](http://www.irs.gov/pub/irs-irbs/irb01-36.pdf).

## Individual Taxpayer Identification Number (ITIN)

Form W-9 (or an acceptable substitute) is used by persons required to file information returns with the IRS to get the payee's (or other person's) correct name and TIN. For individuals, the TIN is generally a social security number (SSN).

However, in some cases, individuals who become U.S. resident aliens for tax purposes are not eligible to obtain an SSN. This includes certain resident aliens who must receive information returns but who cannot obtain an SSN.

These individuals must apply for an ITIN on Form W-7, Application for IRS Individual Taxpayer Identification Number, unless they have an application pending for an SSN. Individuals who have an ITIN must provide it on Form W-9.

## Substitute Form W-9

You may develop and use your own Form W-9 (a substitute Form W-9) if its content is substantially similar to the official IRS Form W-9 and it satisfies certain certification requirements.

You may incorporate a substitute Form W-9 into other business forms you customarily use, such as account signature cards. However, the certifications on the substitute Form W-9 must clearly state (as shown on the official Form W-9) that under penalties of perjury:

1. The payee's TIN is correct,
2. The payee is not subject to backup withholding due to failure to report interest and dividend income,
3. The payee is a U.S. person, and
4. The payee is exempt from FATCA reporting.

You may not:

1. Use a substitute Form W-9 that requires the payee, by signing, to agree to provisions unrelated to the required certifications, or
2. Imply that a payee may be subject to backup withholding unless the payee agrees to provisions on the substitute form that are unrelated to the required certifications.

A substitute Form W-9 that contains a separate signature line just for the certifications satisfies the requirement that the certifications be clearly stated.

If a single signature line is used for the required certifications and other provisions, the certifications must be highlighted, boxed, printed in bold-face type, or presented in some other manner that causes the language to stand out

from all other information contained on the substitute form. Additionally, the following statement must be presented to stand out in the same manner as described above and must appear immediately above the single signature line:

"The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding."

If you use a substitute form, you are required to provide the Form W-9 instructions to the payee only if he or she requests them. However, if the IRS has notified the payee that backup withholding applies, then you must instruct the payee to strike out the language in the certification that relates to underreporting. This instruction can be given orally or in writing. See item 2 of the *Certification* on Form W-9. You can replace "defined below" with "defined in the instructions" in item 3 of the *Certification* on Form W-9 when the instructions will not be provided to the payee except upon request. For more information, see Rev. Proc. 83-89, 1983-2 C.B. 613; amplified by Rev. Proc. 96-26, which is on page 22 of Internal Revenue Bulletin 1996-8 at [www.irs.gov/pub/irs-irbs/irb96-08.pdf](http://www.irs.gov/pub/irs-irbs/irb96-08.pdf).

## TIN Applied for

For interest and dividend payments and certain payments with respect to readily tradable instruments, the payee may return a properly completed, signed Form W-9 to you with "Applied For" written in Part I. This is an "awaiting-TIN" certificate. The payee has 60 calendar days, from the date you receive this certificate, to provide a TIN. If you do not receive the payee's TIN at that time, you must begin backup withholding on payments.

**Reserve rule.** You must backup withhold on any reportable payments made during the 60-day period if a payee withdraws more than \$500 at one time, unless the payee reserves an amount equal to the current year's backup withholding rate on all reportable payments made to the account.

**Alternative rule.** You may also elect to backup withhold during this 60-day period, after a 7-day grace period, under one of the two alternative rules discussed below.

**Option 1.** Backup withhold on any reportable payments if the payee makes a withdrawal from the account after the close of 7 business days after you receive the awaiting-TIN certificate. Treat as reportable payments all cash withdrawals in an amount up to the reportable payments made from the day after you receive the awaiting-TIN certificate to the day of withdrawal.

**Option 2.** Backup withhold on any reportable payments made to the payee's account, regardless of whether the payee makes any withdrawals, beginning no later than 7 business days after you receive the awaiting-TIN certificate.



*The 60-day exemption from backup withholding does not apply to any payment other than interest, dividends, and certain payments relating to readily tradable instruments. Any other reportable payment, such as nonemployee compensation, is subject to backup withholding immediately, even if the payee has applied for and is awaiting a TIN.*

*Even if the payee gives you an awaiting-TIN certificate, you must backup withhold on reportable interest and dividend payments if the payee does not certify, under penalties of perjury, that the payee is not subject to backup withholding.*



If you do not collect backup withholding from affected payees as required, you may become liable for any uncollected amount.

## Payees Exempt From Backup Withholding

Even if the payee does not provide a TIN in the manner required, you are generally not required to backup withhold on any payments you make if the payee is:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2);
2. The United States or any of its agencies or instrumentalities;
3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions, agencies, or instrumentalities;
4. A foreign government or any of its political subdivisions, agencies, or instrumentalities; or
5. A corporation;
6. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States;
7. A futures commission merchant registered with the Commodity Futures Trading Commission;
8. A real estate investment trust;
9. An entity registered at all times during the tax year under the Investment Company Act of 1940;
10. A common trust fund operated by a bank under section 584(a);
11. A financial institution;
12. A middleman known in the investment community as a nominee or custodian; or
13. A trust exempt from tax under section 664 or described in section 4947.

The following types of payments are exempt from backup withholding as indicated for items 1 through 13 above.

**Interest and dividend payments.** All listed payees are exempt except the payee in item 7.

**Broker transactions.** All payees listed in items 1 through 4 and 6 through 11 are exempt. Also, C corporations are exempt. A person registered under the Investment Advisers Act of 1940 who regularly acts as a broker is also exempt.

**Barter exchange transactions and patronage dividends.** Only payees listed in items 1 through 4 are exempt.

**Payments reportable under sections 6041 and 6041A.** Payees listed in items 1 through 5 are generally exempt.

However, the following payments made to a corporation (including gross proceeds paid to an attorney under section 6045(f), even if the attorney is a corporation) and reportable on Form 1099-MISC, Miscellaneous Income, are not exempt from backup withholding.

- Medical and health care payments.
- Attorneys' fees.
- Gross proceeds paid to an attorney.
- Payments for services paid by a federal executive agency. (See Rev. Rul. 2003-66, which is on page 1115 of Internal

Revenue Bulletin 2003-26 at [www.irs.gov/pub/irs-irbs/irb03-26.pdf](http://www.irs.gov/pub/irs-irbs/irb03-26.pdf).)

**Payments made in settlement of payment card or third party network transactions.** Only payees listed in items 1 through 4 are exempt.

## Payments Exempt From Backup Withholding

Payments that are not subject to information reporting also are not subject to backup withholding. For details, see sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A, 6050N, and 6050W and their regulations. The following payments are generally exempt from backup withholding.

### Dividends and patronage dividends

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the United States and that have at least one nonresident alien partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) distributions made by an ESOP.

### Interest payments

- Payments of interest on obligations issued by individuals. However, if you pay \$600 or more of interest in the course of your trade or business to a payee, you must report the payment. Backup withholding applies to the reportable payment if the payee has not provided a TIN or has provided an incorrect TIN.
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Mortgage or student loan interest paid to you.

### Other types of payment

- Wages.
- Distributions from a pension, annuity, profit-sharing or stock bonus plan, any IRA, an owner-employee plan, or other deferred compensation plan.
- Distributions from a medical or health savings account and long-term care benefits.
- Certain surrenders of life insurance contracts.
- Distribution from qualified tuition programs or Coverdell ESAs.
- Gambling winnings if regular gambling winnings withholding is required under section 3402(q). However, if regular gambling winnings withholding is not required under section 3402(q), backup withholding applies if the payee fails to furnish a TIN.
- Real estate transactions reportable under section 6045(e).
- Cancelled debts reportable under section 6050P.
- Fish purchases for cash reportable under section 6050R.

## Payees and Account Holders Exempt From FATCA Reporting

Reporting under chapter 4 (FATCA) with respect to U.S. persons generally applies only to foreign financial institutions (FFI) (including a branch of a U.S. financial institution that is



treated as an FFI under an applicable intergovernmental agreement (IGA)). Thus, for example, a U.S. financial institution maintaining an account in the United States does not need to collect an exemption code for FATCA reporting. For details on the FATCA reporting requirements, including specific information regarding which financial institutions are required to report, see sections 1471 to 1474 and related regulations. See Regulations section 1.1471-3(d)(2) for when an FFI may rely on documentary evidence to treat a U.S. person as other than a specified U.S. person and see Regulations section 1.1471-3(f)(3) for when an FFI may presume a U.S. person as other than a specified U.S. person.

1. An organization exempt from tax under section 501(a), or any individual retirement plan as defined in section 7701(a)(37);

2. The United States or any of its agencies or instrumentalities;

3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions, agencies, or instrumentalities;

4. A corporation the stock of which is regularly traded on one or more established securities markets, as described in Reg. section 1.1472-1(c)(1)(i);

5. A corporation that is a member of the same expanded affiliated group as a corporation described in Reg. section 1.1472-1(c)(1)(i);

6. A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any State;

7. A real estate investment trust;

8. A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940;

9. A common trust fund as defined in section 584(a);

10. A bank as defined in section 581;

11. A broker; or

12. A trust exempt from tax under section 664 or described in section 4947.

13. A tax-exempt trust under a section 403(b) plan or section 457(g) plan.

## Joint Foreign Payees

If the first payee listed on an account gives you a Form W-8 or a similar statement signed under penalties of perjury, backup withholding applies unless:

1. Every joint payee provides the statement regarding foreign status, or

2. Any one of the joint payees who has not established foreign status gives you a TIN.

If any one of the joint payees who has not established foreign status gives you a TIN, use that number for purposes of backup withholding and information reporting.

For more information on foreign payees, see the Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY.

## Names and TINs To Use for Information Reporting

Show the full name and address as provided on Form W-9 on the information return filed with the IRS and on the copy furnished to the payee. If you made payments to more than one payee or the account is in more than one name, enter on the first name line of the information return only the name of the payee whose TIN is shown on Form W-9. You may show the names of any other individual payees in the area below the first name line on the information return.



*For more information on the names and TINs to use for information reporting, see section J of the General Instructions for Certain Information Returns.*

## Notices From the IRS

The IRS will send you a notice if the payee's name and TIN on the information return you filed do not match the IRS's records. (See *Taxpayer Identification Number (TIN) Matching*.) You may have to send a "B" notice to the payee to solicit another TIN. Pub. 1281, Backup Withholding for Missing and Incorrect Name/TIN(s), contains copies of the two types of "B" notices.

## Taxpayer Identification Number (TIN) Matching

TIN Matching allows a payer or authorized agent who is required to file Forms 1099-B, DIV, INT, K, MISC, OID, and/or PATR to match TIN and name combinations with IRS records before submitting the forms to the IRS. TIN Matching is one of the e-services products that is offered and is accessible through the IRS website. Go to IRS.gov and enter e-services in the search box. It is anticipated that payers who validate the TIN and name combinations before filing information returns will receive fewer backup withholding (CP2100) notices and penalty notices.

## Additional Information

For more information on backup withholding, see Pub. 1281.