

**Proposal to Provide
Actuarial Valuation Services**

to the

City of Allentown

RFP No. 2010-12

PRICE PROPOSAL

April 23, 2010



Classic Values, Innovative Advice

April 23, 2010

City of Allentown
Purchasing, Room 234
435 Hamilton Street
Allentown, PA 18101-1699

Attn. Mary Ellen Koval

**Re: *Request for Proposal – Actuarial Valuation Services RFP No. 2010-12
Price Proposal***

Dear Ms. Koval:

Please find enclosed Cheiron's price proposal to provide Actuarial Valuation Services to the City of Allentown.

If you have any questions, please do not hesitate to contact me.

Sincerely,
Cheiron

Karen Zangara, FSA, EA
Consulting Actuary



A. Proposal Cost

The price for the completion of the preparation of reports required under Act 205 as described above, under Scope of Work sections I - VII of this Request for Proposal for the years 2010, 2011, 2012, 2013, and 2014.

Our proposed retainer fees are as follows:

Year	Police	Fire	Officers & Employees	Total
2010	\$ 5,400	\$ 5,400	\$ 5,200	\$ 16,000
2011	\$ 5,500	\$ 5,500	\$ 5,500	\$ 16,500
2012	\$ 5,700	\$ 5,700	\$ 5,600	\$ 17,000
2013	\$ 5,900	\$ 5,900	\$ 5,700	\$ 17,500
2014	\$ 6,000	\$ 6,000	\$ 6,000	\$ 18,000

These fees include all work outlined in the Scope of Work on the RFP and financial projections modeled live at the Pension Board presentations. These projections analyze the pension plans using a variety of "what-if" assumptions. We believe these projections offer *essential* insight into your pension plans to help you (1) understand the projected risks and (2) make decisions understanding the impact on the future funded status and contributions to the Plans. See the *P-scan* section of RFP response (see pages 7-12 of Technical Proposal, under separate cover) for more details of this projection model.

B. Special Project Cost

Method for computing charges for special actuarial projects, if requested.

For services outside the stated requirements, the fee would be based on the extent of the project and the number of staff hours required based on standard hourly rates. Our hourly rates vary by the credentials of the person performing the service and are shown below:

Category/Consultant	2010 Hourly Rate
Senior Consultants	\$290-450
Other Consultants	\$240-325
Actuaries	\$195-240
Actuarial Students / Interns	\$109-195
Administrative Staff	\$ 80-130

These hourly billing rates would apply for the first year of the contract. In subsequent years, hourly rates are expected to increase approximately 3% to 5% per year.

The fees for services outside of the annual fee can be done on an hourly basis or on a fixed fee basis. In general, the fees would be based on the above table of hourly rates and the amount of hours spent.