

**PROFESSIONAL SERVICES CONTRACT BETWEEN**

**STATE OF ALASKA  
ALASKA STATE LEGISLATURE  
LEGISLATIVE BUDGET & AUDIT COMMITTEE**

120 4<sup>th</sup> Street, State Capitol, Rm 24  
Juneau, AK 99801-1182

AND

**PENSION TRUSTEE ADVISORS, INC.**

14 Beacon Hill Lane  
Greenwood Village, CO 80111

CONTRACT NOT TO EXCEED \$35,000 USD  
(including reimbursement for expenses)

The parties to this Contract are the State of Alaska, Alaska State Legislature, Legislative Budget & Audit Committee, whose address is 120 4<sup>th</sup> Street, State Capitol, Room 24, Juneau, AK 99801-1182, hereinafter referred to as the "Committee," and Pension Trustee Advisors, Inc., whose address is 14 Beacon Hill Lane, Greenwood Village, CO, 80111, hereinafter referred to as the "Consultant."

**THE PURPOSE OF THIS CONTRACT** is to provide the Committee with consulting assistance related to the analysis of an optional defined benefit (DB) plan for the Alaska Public Employee Retirement System (PERS) and Teacher Retirement Systems (TRS).

**IT IS THEREFORE MUTUALLY AGREED THAT:**

**CLAUSE I - STATEMENT OF SCOPE OF WORK**

Consultant will review and provide in a final written report analysis, observations, recommendations, and other information on potential changes to the State of Alaska's

retirement system, as directed by the Project Director. Tasks to be completed by the Consultant may include, but are not limited to:

**Update of actuarial cost estimates for a return to DB based on the most recent updated information from the system actuary as a framework for calculations.**

Consultant shall review the most recent annual actuarial reports of PERS and TRS and use their results to update the cost calculations for PERS and TRS developed in previous years. This will provide the Committee with a baseline of costs to be used to compare with alternative DB option plans.

**Projection of future costs.** Consultant shall develop financial projections of how the plan liabilities and assets of PERS and TRS accounts would increase in future years as the DB option plan matures over 30 years. This projection will incorporate dynamic features, which may include:

- Potential Suspension of the Post Retirement Pension Adjustment if funding ratio falls below 90%;
- Increase in employee contributions if funding ratio falls below 90%;
- Removal of employee contribution increase as funding ratio returns to a healthy position (specifics to be determined); and
- Application of employer contributions in excess of current levels to this plan instead of towards the unfunded liability of PERS Tiers I-III and TRS Tiers I-II.

Consultant shall assume that the DB option plan begins on July 1, 2021, and will not model transferring those from PERS Tier IV or TRS Tier III, although it is anticipated that plan participants will be able to purchase benefits based on their balances at an actuarially neutral cost.

**Enhance projections to incorporate unanticipated investment return.** Consultant shall model various investment return alternatives. Consultant whether the base line assumed return will be 7.00% as assumed for House Bill 79 during the 31<sup>st</sup> Alaska State Legislature or a higher rate currently assumed by the actuaries for PERS and TRS. Consultant's projection approach shall include:

- Returns that are a stable 1% higher or lower than the assumed rate;
- Returns that are similar to those historically earned by PERS; and
- Returns based on stochastic Monte Carlo simulations.

Prior to commencing work as directed by the Project Director, the Consultant shall provide an estimate of compensation as provided for in Clause III (Compensation) of this Contract required to complete the work to the Project Director for the work assigned by the Project Director. The Project Director must approve each estimate before the Consultant may begin work. The Consultant shall submit any estimate revisions to the Project Director within two days after any changes to the scope of work are proposed, and the estimate revisions must be approved by the Project Director before work on the revised assignment may commence. The Consultant may not charge for time spent creating the time estimates described in this paragraph.

## **CLAUSE II - PERIOD AND DATES OF PERFORMANCE**

- (A) This Contract begins when the Certifying Authority signs the Contract and terminates January 18, 2021.
- (B) Upon delivery of written notice to the Consultant, this Contract may be terminated by the Project Director or the Committee Chair with or without cause. To terminate, the Committee shall provide notice by e-mail or delivery of a hard copy to the Consultant, whichever method is selected in the sole discretion of the Committee. If this Contract is so terminated and the termination is not based on a breach by the Consultant, the Committee shall compensate the Consultant for services provided under the terms of this Contract up to the date the termination notice is delivered, provided the Consultant provides the Committee with a statement in writing containing a description of the services provided prior to Contract termination, detailed time records that include the items required for time records by Clause XIII (Records; Audits) of this Contract for the services provided prior to Contract termination, and a copy of all documents, reports, material, and other items required to be delivered to the Project Director by Clause XIV (Ownership) of this Contract.

## **CLAUSE III - COMPENSATION**

- (A) The Consultant shall perform the work specified by this Contract at the rate of \$495.00 per hour. The Consultant may use outside resources for peer review, actuarial calculations, investment modelling, and administrative support. Rates of outside resources may not exceed \$495.00 per hour. Consultant shall not increase rates during this Contract for persons who work on this Contract or for outside resources. The person who is initially assigned to this Contract is William B. Forna. Any changes to persons assigned to the Contract must be approved by the Project Director before beginning work under this Contract.
- (B) Payment shall be based on billings provided by the Consultant that include the items required for time records by Clause XIII (Records; Audit) of this Contract.
- (C) The Project Director must approve a billing before it may be paid.
- (D) If a payment is not made within 90 days after the Committee has received a billing, the Committee shall pay interest on the unpaid balance of the billing at the rate of 1.5 percent per month from, and including, the 91<sup>st</sup> day through the date payment is made. A payment is considered made on the date it is mailed or personally delivered to the Consultant.
- (E) In addition to the hourly rate under (A) of this Clause, the Committee shall reimburse the Consultant for reasonable expenses that are incurred by the Consultant in the performance of this Contract and that are supported by receipts and approved for reimbursement by the Project Director. Expenses to be reimbursed under this paragraph shall be included in the estimate required by Clause I (Statement of Scope of Work) in this Contract.

- (F) Total payments under this Contract, including reimbursement for expenses, may not exceed Thirty-Five Thousand and No/100 United States Dollars (\$35,000.00).

#### **CLAUSE IV - EXPENSES AND DUPLICATION**

- (A) Except as may be otherwise provided by Clause III, the office space, equipment, supplies, clerical support, and other expenses that are necessary for the Consultant to carry out the Consultant's obligations under this Contract shall be supplied and paid for by the Consultant at no cost to the Committee.
- (B) Duplicates of any material or other item produced under this Contract may be produced by the Committee; the office space, equipment, supplies, clerical support, and other expenses required for the duplication shall be supplied by the Committee.

#### **CLAUSE V – ASSIGNMENT OR TRANSFER**

Assignment or transfer of the Contract is subject to the approval of the Committee Chair.

#### **CLAUSE VI – INSURANCE**

- (A) If the Consultant has one or more employees, the Consultant shall, in accordance with AS 23.30.045(d), provide and maintain workers' compensation insurance. The Consultant shall require any subcontractor to provide and maintain workers' compensation insurance for the subcontractor's employees.
- (B) Consultant shall provide and maintain commercial general liability insurance covering all business premises and operations used by the contractor in performance of services under this agreement.
- (C) Consultant shall provide and maintain commercial automobile liability insurance covering all vehicles used by the Consultant in the performance of services under this agreement.
- (D) Consultant shall provide and maintain professional liability insurance covering all errors, omissions, or negligent acts in the performance of professional services under this agreement.
- (E) Consultant shall provide the Committee, upon request, with written proof of the coverage required by this clause.

#### **CLAUSE VII – FEDERAL AND STATE LAWS**

In addition to the other requirements of this Contract, the Consultant must comply with all applicable Federal and State labor, wage/hour, safety, and other laws which have a bearing on the Contract, and must have all licenses and permits required by the Federal government, the State of Alaska, and the City and Borough of Juneau for performance of the Contract covered by this Contract, including, but not limited to, a valid Alaska

business license and any necessary applicable professional licenses. The Consultant must pay all fees associated with the licenses and permits required for performance of the Contract. The Consultant shall pay all Federal, State, and local taxes incurred by the Consultant, in the performance of the Contract. The Consultant's certification that taxes have been paid may be verified before final payment by the Committee.

#### **CLAUSE VIII – HUMAN TRAFFICKING**

By the Consultant's signature on this Contract, the Consultant certifies that the Consultant is not headquartered in a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report, and that, if this changes, the Consultant will submit a certified copy of the Consultant's policy against human trafficking to the Committee.

The most recent United States Department of State's Trafficking in Persons Report can be found at the following website: <https://www.state.gov/trafficking-in-persons-report/>.

#### **CLAUSE IX – VENUE**

If the parties to the Contract find it necessary to litigate the terms of the Contract, venue shall be State of Alaska, First Judicial District, at Juneau, and the Contract shall be interpreted according to the laws of Alaska. This Contract may not be interpreted according to any other law or litigated in any other venue.

#### **CLAUSE X – BINDING ON SUCCESSORS**

Subject to Clause V (Assignment or Transfer) of this Contract, this Contract and all the covenants, provisions and conditions contained in the Contract shall inure to the benefit of and be binding upon the successors and assigns of the Consultant and the Committee.

#### **CLAUSE XI – INDEMNIFICATION**

The Consultant shall indemnify, save harmless, and defend the Committee, the Alaska State Legislature, and the Legislature's and Committee's officers, agents, and employees from liability for any claim, including, but not limited to, any damages, costs, and attorney fees arising from the claim, arising from Consultant's negligence or intentional misconduct in the performance of Consultant's obligations under this Contract.

#### **CLAUSE XII – COVERAGE UNDER THE ETHICS LAW**

Certain provisions of the Legislative Ethics Act (AS 24.60) apply to legislative consultants and legislative independent contractors. It is the responsibility of the Consultant to review AS 24.60 and determine whether Consultant is and remains in compliance with AS 24.60 for the duration of this Contract.

**CLAUSE XIII – RECORDS; AUDIT**

In addition to any other records required by this Contract, the Consultant shall accurately maintain detailed time records that state the date of the work, break down the time in quarters of an hour, describe in detail the work done during the quarter of an hour, and identify which individual did the work. The Consultant shall also keep any other records that are required by the Project Director. The records required by this Contract are subject to inspection by the Committee or the Project Director at all reasonable times.

**CLAUSE XIV – OWNERSHIP**

All documents, reports, material, and other items generated as a consequence of work done under this Contract are the property of the Committee. To the extent the Consultant has any interest in the copyright for these items under the copyright laws of the United States, the Consultant transfers, by this Contract any and all interest the Consultant has in the copyright for these items to the Committee, and the Committee will be the owner of the copyright for these items. The Committee authorizes publication of the final report on the Consultant’s website upon public release of the report by the Committee Chair and approval of publication by the Project Director. Upon completion of the work or termination of this Contract, the Consultant shall deliver all items to the Project Director.

**CLAUSE XV - PROJECT DIRECTOR**

The Project Director is Aurora Hauke. The Project Director is authorized to oversee and direct the activities of the Consultant under this Contract. The Committee Chair may replace the Project Director at any time and shall provide notice of the replacement to the Consultant.

**CLAUSE XVI - AUTHORIZATION; CERTIFICATION**

Execution of this Contract by the Committee Chair and signing of the Contract by the Certifying Authority hereby constitutes a certification that funds are available in an appropriation to pay for work performed under this Contract through January 18, 2021.

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**CLAUSE XVII - MODIFICATION AND PREVIOUS AGREEMENTS**

This Contract contains all terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this Contract shall be deemed to exist or to bind either of the parties to this Contract. This Contract may not be modified unless in writing and signed by the parties to this Contract.

**IN WITNESS WHEREOF**, the parties have executed this Contract on the dates indicated below:

CONSULTANT:  
PENSION TRUSTEE  
ADVISORS, INC.

COMMITTEE:  
STATE OF ALASKA  
LEGISLATIVE BUDGET & AUDIT COMMITTEE

William B. Fornia      23 Dec 2020

William B. Fornia      Date  
President  
Alaska Business License # 2118953

\_\_\_\_\_  
Rep. Chris Tuck, Chair      Date  
Legislative Budget & Audit Committee  
Procurement Officer

CERTIFYING AUTHORITY:

APPROVED AS TO FORM:

\_\_\_\_\_  
Kris Curtis      Date  
Legislative Auditor

\_\_\_\_\_  
Legal Counsel      Date

ACCEPTED:

\_\_\_\_\_  
Aurora Hauke      Date  
Project Director

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LEGISLATIVE BUDGET & AUDIT COMMITTEE



12/23/20

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William B. Fornia                                  Date  
President  
Alaska Business License # 2118953

---

Rep. Chris Tuck, Chair                          Date  
Legislative Budget & Audit Committee  
Procurement Officer

CERTIFYING AUTHORITY:

APPROVED AS TO FORM:

---

Kris Curtis    Date  
Legislative Auditor

---

Legal Counsel    Date

ACCEPTED:



12/23/20

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Aurora Hauke    Date  
Project Director



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\_\_\_\_\_  
William B. Fomia                      Date  
President  
Alaska Business License # 2118953

\_\_\_\_\_  
Rep. Chris Tuck, Chair                      Date  
Legislative Budget & Audit Committee  
Procurement Officer

CERTIFYING AUTHORITY:

APPROVED AS TO FORM:

 \_\_\_\_\_ 12/24/20  
Kris Curtis                                      Date  
Legislative Auditor

\_\_\_\_\_  
Legal Counsel                                      Date

ACCEPTED:

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Aurora Hauke                                      Date  
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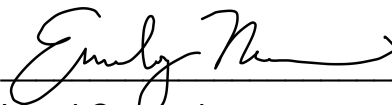
\_\_\_\_\_  
William B. Fonia                          Date  
President  
Alaska Business License # 2118953

\_\_\_\_\_  
Rep. Chris Tuck, Chair                          Date  
Legislative Budget & Audit Committee  
Procurement Officer

CERTIFYING AUTHORITY:

APPROVED AS TO FORM:

\_\_\_\_\_  
Kris Curtis    Date  
Legislative Auditor

 12/23/20  
\_\_\_\_\_  
Legal Counsel    Date

ACCEPTED:

\_\_\_\_\_  
Aurora Hauke    Date  
Project Director