



December 23, 2020

Ms. Debra E. Gottlieb
CFO
Virgin Islands Water and Power Authority
P.O. Box 1450
Charlotte Amalie, St. Thomas
U.S. Virgin Islands 00804-1450

Re: Engagement Letter to Perform Actuarial Services for FYE June 30, 2018, for the Virgin Islands Water and Power Authority

Dear Ms. Gottlieb:

We are writing to provide an engagement letter for actuarial services relating to the pre-funded OPEB program ("Plan"). By signing and dating this engagement letter, we and the Virgin Islands Water and Power Authority ("VIWAPA") agree to the scope, work product and terms described herein.

We will perform the actuarial calculations to determine the Plan's funding status and the contribution. Furthermore, we will prepare information needed by VIWAPA to comply with GASB Statements No. 74 and No. 75 for the fiscal year ending June 30, 2020. As such, the actuarial valuation will be performed as of July 1, 2019. For this full valuation, we will prepare a formal Report including an Executive Summary, tables and charts presenting the development of the results, a description of all primary actuarial assumptions and methods, and a summary of the plan benefits. Results may be delivered in three separate reports for clarity. Results of that July 1, 2019 actuarial valuation will also serve as basis for preparation of disclosures for the year ending June 30, 2021.

The base Actuarial Valuation Report will be performed assuming that the current commitment to pre-funding the Plan would continue. The Valuation Report will present results of the implicit and explicit subsidy provided by VIWAPA to all employees. All VIWAPA employees are covered under a fully insured medical plan provided by CIGNA and are covered under the Government Employees Retirement System (GERS). The reports will provide actuarial figures necessary for compliance with GASB Statements No. 74 and No. 75. VIWAPA will be responsible for determining any such breakouts and for the narrative material required for the Notes.

The work papers for this engagement are the property of Gabriel, Roeder, Smith & Company (GRS). Although, we may be requested to make certain work papers available to auditors or to regulators pursuant to authority given by law or regulation, access to the requested work papers will be provided under supervision of GRS personnel. Furthermore, upon request, we may provide photocopies of selected work papers to regulatory agencies. These regulatory agencies may intend or decide to distribute the photocopies or information contained therein to others, including other governmental agencies.

VIWAPA management has responsibility for the financial statements and all representations contained therein. Management also has responsibility for preventing and detecting fraud, for adopting sound accounting policies and establishing and maintaining effective internal control to maintain the reliability of the financial statements and to provide reasonable assurances against the possibility of misstatements that are material to the financial statements. This responsibility extends to the use or misuse of the results of

our OPEB Actuarial Valuation Report, presentations at on-site meetings and during telephone conferences. The Report and presentation materials may be provided to parties other than VIWAPA only in their entirety and only with the permission of VIWAPA.

Upon execution of this letter of engagement and receipt of the requested information, we will commence the project immediately. VIWAPA will compile and transmit all employee and retiree census data as requested in electronic form and in the format requested. VIWAPA will collect and transmit all documentation and other information requested regarding the other post-employment benefits provided.

VIWAPA agrees that all information, documents and data we request in connection with our Actuarial Valuation will be made available to us, that all such information, documents and data provided to us and will be complete and accurate, that we will have the full cooperation of VIWAPA's personnel and vendors, that VIWAPA will issue a representation letter from management concerning these matters, and that GRS may rely upon such information, documents and data with no duty to inquire or audit such.

We expect to complete the actuarial valuation eight weeks after receipt of complete and usable data.

Because of the importance of management's representations as to the completeness and accuracy of the information, documents and data it provides to GRS, VIWAPA agrees to release GRS and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referenced above. Furthermore, GRS agrees to maintain the employee data secure and confidential. Any dispute concerning this engagement will be resolved internally and, if not, then by arbitration and with waiver of any jury trial and with venue at the place where the services are rendered. Except for gross negligence or willful misconduct, GRS liability hereunder will be limited to our fees and VIWAPA will indemnify GRS from third party claims.

In the event that GRS is requested pursuant to subpoena or other legal process to produce its documents relating to this engagement in judicial or administrative proceedings to which GRS is not a party, VIWAPA shall reimburse GRS at standard billing rates for its professional time and expenses, including reasonable attorney's fee, incurred in responding to such request.

The base fees for the services described above are summarized in the following table:

Deliverable	Fee
Funding Report as of July 1, 2019 and GASB disclosures for FYE June 30, 2020	\$13,000
GASB 74 Report for FYE June 30, 2020	\$3,000
GASB 75 Report for FYE June 30, 2020	\$3,000

We recommend that our clients perform fully compliant valuations every year (rather than every other year, as was the practice) because so many things can happen in the course of a year or two, resulting in unexpected increases and decreases. Pre-funding an OPEB program in a qualifying trust is another reason to commence annual actuarial valuations for funding and accounting purposes.

One half of the fee for the full Actuarial Valuation is payable upon execution of this engagement letter and the balance upon completion and transmittal of the draft report. Fees for accounting report will be billed upon delivery of draft reports. On-site meetings, if necessary, will be \$3,000. There is no separate fee for



telephone conferences. Additional studies or other non-recurring services will be performed upon request and billed according to the following hourly rates:

Title	Standard Hourly Rates
Senior Consultant	\$396 - \$550
Consultant	\$ 300- \$ 400
Senior Actuarial Analyst	\$ 238 - \$ 330
Actuarial Analyst	\$ 187 - \$ 250

In many cases, we will quote a fixed not-to-exceed fee for special projects, and studies, based on the anticipated amount of work involved (or project scope) for each study, so these rates will have limited direct applicability.

We stand behind these results and are available to assist management in other strategic areas for controlling the OPEB liabilities. Either party may terminate, non-renew or propose amendments to the engagement by giving a 60-day advance written notice.

Please return this signed agreement and retain a copy for your records. Should you have any questions regarding these matters, please do not hesitate to contact us. We thank you and other VIWAPA officials for your confidence in our firm and look forward to continuing to work with you in the years ahead.

If you have any questions regarding this engagement letter, please do not hesitate to contact us.

Sincerely,

For Gabriel, Roeder, Smith and Company:

For the Virgin Islands Water and Power Authority:

Sign

Date

Sign

Date

Print Name

Print Name

Title

Title

