City of Culver City, California

City Council Agenda Item Report

Meeting Date: 08/13/07	Item Number: A-5
AGENDA ITEM: Review and Comment on and Authorization to Release the Request for Proposals for Actuarial Services Associated with Implementation of Governmental Accounting Standards Board Statement 45.	
Contact Person/Dept.: Shally Lin / City Treasurer's Office	Phone Number: 310-253-5871
Fiscal Impact: Yes [x] No []	General Fund: Yes [x] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Master Notification List on (08/08/07)	
Department Approval: Crystal C. Alexander (07/10/07)	City Attorney Approval: Carol Schwab (by H. Iker) (08/06/07)
City Controller Approval: Marlee Chang (08/07/07)	City Manager Approval: Jerry B. Fulwood (08/08/07)

RECOMMENDATION:

Staff recommends the City Council review and comment on and authorize release of the attached Request for Proposals (RFP) for Actuarial Services Associated with Implementation of Governmental Accounting Standard Board (GASB) Statement 45.

BACKGROUND:

This information is needed in order to comply with the requirements of the GASB Statement No. 45, Financial Reporting for Post-employment Benefit Plans Other than Pension Plans.

The new statements are similar to previous GASB guidance for pensions. In addition to pensions, governments offer “other post-employment benefits” (OPEB) such as medical insurance for retirees. The basic premise of the statement is to measure and report the long-term costs of non-pension retirees’ benefits, with the idea that these benefits are a form of employee compensation that should be recognized as an expense as the employee earns them.

The City participates in the California Public Employees’ Retirement System (CalPERS) and in the CalPERS Health Care System and is required to extend healthcare benefits to all employees who have retired from the City. PERS requires the City to provide these benefits to its retirees on the same basis as it does to its employees. As of June 30, the City paid 100% of the premium for all employees who retired on or before December 31, 2006, and 95% of the premiums for employees who retired subsequent to that date and have served Culver City for a minimum of five years. The City accounts for these costs on a pay-as-you-go basis. The number of retirees receiving these benefits totaled 409 based on the retiree billing from PERS.

Staff from the City Treasurer's Office drafted the RFP and provided copies to Human Resources and Budget/Finance for comment. The City Treasurer, as a member of the CSMFO Professional & Technical Standards Committee, has recommended that like sized cities in California seek, on a go forward basis, to join their RFP's to lower future costs for actuarial services, as these will be required every two years. A grouping of cities in north central Texas did this successfully

The actuary will calculate the following:

- Disclosure of the OPEB obligations (unfunded accrued liability and annual required contributions (ARC) in accordance with the recently issued GASB Statement No. 45).

- Breakdown of the liability by Current Employees; Retired Employees and dependents (survivors); over age 65; under age 65; valuation of liability assuming conversion to Eight Options: Pay as You Go, Designated Fund, Internal Service Fund, Irrevocable Trust Fund, Over Fund (Catch Up), Don't Fund Entire Amount (Fund irrevocable trust with less than 100% of actuarially determined annual (OPEB), Revocable/Irrevocable Contribution (Fund part of contribution to irrevocable trust and part to accessible funds), and Use of CalPERS (Use CalPERS for pre-funding).

- The required annual total contribution amounts under the various funding strategies utilizing different amortization periods: 20, 25, and 30 years.
- For each valuation, a breakdown of the annual contribution amount into the following components: Normal contribution amount; past service amount; all other unfunded liabilities; Interest earning component on contribution amounts.
- A schedule for each valuation indicating the projected number of retirees for each of the next 30 years based on the current pools of retirees and active employees, with the projected benefits payable.
- A summary of the actuarial basis and assumptions used in the valuations.

According to the GASB 45 requirements, any entity such as the City with revenues less than $100 million must implement the GASB 45 standard by Fiscal Year 2008-09.

DISCUSSION:

The attached RFP describes the scope of services of the actuarial consultant, required of and the methodology by which the proposals will be evaluated. Respondents will be required to provide:

1. Letter of Transmittal.
2. Basic contact information, including address, staff members, and their qualifications.
3. Certification of the quotes.
4. A list of staff who will be working on the study and the estimated number of staff hours/days required to complete the study.
5. A list five current and former clients.

The deadline for the submitting the proposal is 4:00 PM, Thursday, October 4, 2007. Staff will evaluate the proposals and recommend to City Council the consultant firm to be awarded the bid on November 12, 2007.

FISCAL ANALYSIS:

The Fiscal Year 2007-08 adopted budget included an appropriation in the amount of $33,000 (Line Item 10112300.619100) for the study,. It is anticipated that this budget will be sufficient to fund the cost of Actuarial Services associated with the implementation of GASB 45.

ATTACHMENTS:

1. Request for Proposals for Actuarial Services Associated with Implementation of GASB 45.
2. List of prospective vendors.

MOTION:

That the City Council:

1. <u>Review and provide any comments or changes deemed necessary to the RFP, and</u>

2. <u>Authorize staff to release the RFP.</u>