City of Culver City, California

Agenda Item Report

Meeting Date: 06/28/2010	Item Number: C-10
CITY COUNCIL AGENDA ITEM: Approval of a Professional Services Agreement with Bartel Associates, LLC for Actuarial Services.	
Contact Person/Dept.: Jeff Muir	Phone Number: (310) 253-5865
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: []	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification: (E-Mail) Meetings and Agendas – City Council (06/23/10); (E-Mail) Bartel Associates, LLC (06/23/10)	
Department Approval: Jeff Muir (06/11/10)	City Attorney Approval: Carol Schwab (by H. Baker) (06/16/10)
Chief Financial Officer Approval: Jeff Muir (06/11/10)	City Manager Approval: P. Lamont Ewell (06/23/10)

RECOMMENDATION:

Staff recommends the City Council approve a professional services agreement with Bartel Associates, LLC for Actuarial Services.

BACKGROUND:

The stock market and poor investment decisions have greatly impacted the value of assets held by CalPERS for the payment of current and future retirement benefits. As of June 8, 2010, the fund had $198.3 billion in assets, down 24% from a peak of $260.4 billion on Oct. 31, 2007. Additionally, CalPERS is revisiting current actuarial assumptions about investment earnings (and will likely lower the assumption) and the expected lifespan of annuitants (requiring longer payout timeframes).

Given these facts, it is expected that CalPERS will need to either (1) increase revenues to the Fund, or (2) decrease expenditures (i.e. reduce benefits) from the Fund (or both). Since a reduction in benefit levels is very difficult to implement, CalPERS will most likely seek to increase Fund revenues. Revenue can be increased by improving investment earnings above target return rates (which since 2007 has proven difficult to achieve) or (a much more likely scenario) increase employer contribution rates. In order to remain actuarially sound and meet benefit payment requirements, CalPERS has increased, and will likely continue to increase the required contributions from employers.

Under prior CalPERS requirements, such increases would have been immediately implemented in the Fiscal Year 2011/2012 rates. Given the state of the economy and fiscal hardship faced by municipalities and the State of California, CalPERS implemented a modified smoothing policy to gradually increase the employer contribution rates. On August 25, 2009, CalPERS released Circular Letter 200-056-09 entitled: "Impact of Economic Environment on Employer Rates and New Board Approved Smoothing Modifications." This letter provided information that would allow an agency to estimate the projected increases that would be implemented from Fiscal Year 2011/2012 through 2014/2015.

DISCUSSION:

While staff has used this CalPERS Circular to estimate the future effect of the rate increases, it is recommended than an actuary be engaged to provide a formal report to the City Council.

The Chief Financial Officer contacted Bartel Associates, LLC, a highly regarded actuarial consulting firm, to provide the professional services necessary to create a report explaining what has happened to City contribution rates, including what options the City has and where future rates will likely go through the 2015/2016 Fiscal Year. Several years ago, Bartel Associates, LLC provided actuarial services to the City regarding preliminary retiree medical cost information as the City prepared to implement GASB Statement No. 45.

Pursuant to Section 3.07.070 of the Culver City Municipal Code, because this is a professional services agreement it is exempt from the formal bidding process. A contract term of one year is recommended, although the report should be completed within one to two months.

FISCAL ANALYSIS:

The base fee estimate is not-to-exceed $7,000. It is recommended a $1,000 contingency also be authorized in case an additional on-site presentation is required or there are minor work scope changes requested by the Chief Financial Officer. The total not-to-exceed authorization request is $8,000. Sufficient funds for this agreement are available in the Fiscal Year 2009/2010 Finance Department budget.

ATTACHMENTS:

CalPERS Circular Letter 200-056-09.

MOTION:

That the City Council:

1) Approve a professional services agreement with Bartel Associates, LLC to provide actuarial services in an amount not to exceed $8,000; and,

2) Authorize the City Attorney to review/prepare the necessary documents; and,

3) Authorize the City Manager to execute such documents on behalf of the City.