



## CONSENT AGENDA ITEM NO. 7X

FOR COUNCIL: April 24, 2017

**SUBJECT:** Consideration of an Ordinance Budget Amendment approving Actuarial Valuation for Other Post-Employment Benefits (OPEB) Services in the amount of \$9,000 with Arthur J. Gallagher as a limited source provider.

**RECOMMENDATION/MOTION:** Recommend approving the Ordinance, the OPEB Valuation Services of Arthur J. Gallagher be approved as a limited source, the engagement letter executed, authorize the Mayor and City Clerk to execute the Ordinance, and the City Manager and the City Clerk executing the engagement letter.

**STRATEGIC PLAN LINK:** Goal 1. Financially Sound City Providing Quality Basic Services

**STRATEGIC PLAN SIGNIFICANCE:** Objective 1d. City services delivered in the most cost-effective, efficient manner

**BACKGROUND:** Governmental Accounting Standards require a periodic actuarial valuation to calculate liabilities related to the City's post-retirement health care benefits. This information is used in preparation of the City's Comprehensive Annual Financial Report (CAFR). This is in compliance with Governmental Accounting Standards Board Statement 45.

The City currently contracts with Arthur J. Gallagher for various benefit services. Arthur J. Gallagher is a member of the National Public Employer Labor Relations Association (NPELRA) and the Illinois chapter (IPELRA). The City Human Resources Department belongs to this professional organization. Arthur J. Gallagher provides discounted rates on services provided to members of NPELRA. Arthur J. Gallagher has prepared the actuarial valuation of the City's post-retirement health care benefits for use in the CAFR preparation the last several years.

We would like to proceed with contracting with Arthur J. Gallagher for this service as they are familiar with our benefits program and already have some census data from the other work they are currently doing for the City. We believe the data gathering phase will be more efficient for both City staff and Arthur J. Gallagher due to our current working relationship.

**COMMUNITY GROUPS/INTERESTED PERSONS CONTACTED:** Not Applicable

**FINANCIAL IMPACT:** Arthur J. Gallagher & Co. has quoted a cost of \$9,000 to complete the valuation and provide a report. The City does not anticipate requiring a formal presentation and therefore would not incur any travel costs as noted in the proposal. The fees for this service are proposed to be paid from the FY 2018 budget in the Employee Group Healthcare Fund account - Other Professional and Technical Services (60200290-70220). This expense was omitted from the FY 2018 Budget so a FY 2018 Budget Amendment Ordinance is also attached for approval.

**COMMUNITY DEVELOPMENT IMPACT:** *Not applicable*

Link to Comprehensive Plan/Downtown Plan Goals: Not applicable

**FUTURE OPERATIONAL COST ASSOCIATED WITH NEW FACILITY CONSTRUCTION:** *Not applicable*

Respectfully submitted for Council consideration.

Prepared by: Paulette Hurd, Chief Accountant

Financial & budgetary review by: Patti-Lynn Silva, Finance Director

Legal review by: Jeffrey R. Jurgens, Corporation Counsel

Recommended by:



David A. Hales  
City Manager

**Attachments:**

- Ordinance Budget Amendment
- Exhibit 1 - Budget Amendment Detail line items
- AJ Gallagher's Retiree Health Valuation (GASB45) Proposal
- Limited Source Justification Form

**ORDINANCE NO. 2017 – 30**

**AN ORDINANCE AMENDING THE BUDGET ORDINANCE  
FOR THE FISCAL YEAR ENDING APRIL 30, 2018**

WHEREAS, on April 10, 2017 by Ordinance Number 2017-26, the City of Bloomington passed a Budget and Appropriation Ordinance for the Fiscal Year Ending April 30, 2018, which Ordinance was approved by Mayor Tari Renner on April 11, 2017; and

WHEREASE, a budget amendment is needed as detailed below;

NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BLOOMINGTON, ILLINOIS:

Section One: Ordinance Number 2017-26 (the Budget and Appropriation Ordinance for the Fiscal Year Ending April 30, 2018) is further hereby amended by inserting the following line item and amount presented in Exhibit #1 in the appropriate place in said Ordinances.

Section Two: Except as provided for herein, Ordinance Number 2017-26 shall remain in full force and effect, provided, that any budgeted or appropriated amounts which are changed by reason of the amendments made in Section One of this Ordinance shall be amended in Ordinance Number 2017-26.

Section Three: This Ordinance shall be in full force and effect upon its passage and approval.

PASSED the 24th day of April, 2017.

APPROVED the 25<sup>th</sup> day of April, 2017.

APPROVED:

\_\_\_\_\_  
Tari Renner  
Mayor

ATTEST:

APPROVED AS TO FORM

\_\_\_\_\_  
Cherry L. Lawson  
City Clerk

\_\_\_\_\_  
Jeffrey R. Jurgens  
Corporation Counsel

Exhibit 1

<b>Account #</b>	<b>Fund</b>	<b>Account Description</b>	<b>Amount</b>
60200290-40000	Employee Group Healthcare	Use of Fund Balance	\$ (9,000.00)
60200290-70220	Employee Group Healthcare	Other Professional and Technical Services	\$ 9,000.00
		Net Budget Increase/(Decrease)	<u>\$ -</u>



Arthur J. Gallagher & Co.  
BUSINESS WITHOUT BARRIERS™

Healthcare Analytics Consulting

# City of Bloomington

## GASB 45 Proposal

April 4, 2017

**Arthur J. Gallagher & Co.**

Healthcare Analytics Consulting

125-310 Village Boulevard, Princeton, NJ 08540

Phone: 609.452.2488 – Fax: 609.452.2668



## **Re: Retiree Health Valuation (GASB 45) Proposal**

Thank you for the opportunity to provide a quote to perform a GASB 45 retiree health valuation for the City of Bloomington (“City”) this year. Following is background information on GASB 45, how much time it would take, what the deliverable would look like, and the fees associated with the project.

### **Background of GASB 45**

GASB 45 requires that expenses associated with retiree health benefits be accrued over the working lifetime of employees, rather than expensed on a pay-as-you-go basis as retirees incur claims. The statement establishes uniform financial reporting and accounting standards for state and local governments for post-employment benefits other than pensions (“OPEB”). GASB requires that all government entities conduct actuarial valuations every two or three years depending on the entity’s size.

### **New GASB 74/75 Regulations**

For employers using a trust to fully or partially fund the OPEB benefit, GASB 74 is replacing GASB 43 for fiscal year valuations starting after June 15, 2016. For other employers, GASB 75 will be replacing GASB 74 for fiscal year valuations starting after June 15, 2017. GASB 43/45 and 74/75 require that expenses associated with retiree health benefits be accrued over the working lifetime of employees, rather than expensed on a pay-as-you-go basis as retirees incur claims. The statement establishes uniform financial reporting and accounting standards for state and local governments for postemployment benefits other than pensions (“OPEB”). The City has the option to convert early, however separate pricing exists for GASB 74/75.

### **The Deliverable**

We will review and analyze all retiree benefits and develop assumptions based on the City’s retiree health benefit program and associated experience. Using this information we will project the expected future liability for all current and potential retired members. From this analysis, we will issue a formal valuation report that includes the following information:

- All required GASB 45 disclosures; including the Actuarial Accrued Liability, Annual Required Contribution, Net OPEB Obligation, and Annual OPEB Cost.
- Documentation of all plan provisions and assumptions used in the valuation.
- A sensitivity analysis of the impact of a variation in assumed trend rates.
- A 20-year projection of cash flows for the retiree benefit program.

### **Proposed Timeline**

Once we have received all of the necessary data and determined its accuracy, we will complete the retiree valuation within three to four weeks. Please keep in mind that it typically takes several weeks to gather the data and another week for us to validate it and scrub it if necessary. During this timeframe, we will work with you to agree on the various assumptions needed for the valuation, which may decrease the expected time to complete the project.



### Proposed Fees

The fee for the preparation of the GASB 45 report is shown in the table below. The fees below do not include additional ad-hoc analyses such as modeling contribution or benefit changes, but we would be happy to perform any, if necessary, for a negotiated fee. The travel expenses apply only if the City would like an on-site meeting with the signing actuary, although a call typically will suffice and is at no charge.

Fees	Price
Full Valuation	\$9,000
Travel Fee (if necessary)	\$2,500 + Travel Expenses

### Required Data

In general, we need a complete current census, historical claim and enrollment data, and the retiree plan design, eligibility, and contribution requirements.

I hope this addresses all the items that the City needs to consider at this time. If the arrangements described in this letter are acceptable, please sign and return a copy of this letter to me at your convenience.

Sincerely,

Christopher Diorio, ASA, MAAA  
Actuary

cc: Mark Rosenberg, HCA Consulting

Accepted by:

\_\_\_\_\_

Date

\_\_\_\_\_

Title

\_\_\_\_\_

Name

\_\_\_\_\_

Company

## LIMITED SOURCE JUSTIFICATION

(Requester completes Section A and B)

### SECTION A - LIMITED SOURCE PURCHASE:

Complete if a purchase is \$3,000 or over and due to reasons of previous capital investment, improved public service, long-term operational need, security, patents, copyrights, critical need for responsiveness, proximity, Federal, State or other regulations, necessary replacement parts and/or compatibility, warranty, this procurement justifies a limited source exemption.

Vendor Name & #: Arthur J. Gallagher - #2800


Amount: \$ 9,000.00

Date: 4/4/2017

Description of item/service: Other Post-Employment Benefits (OPEB) Actuarial Valuation - GASB 45

Justification: Explain why this vendor is the only vendor that can perform this work:  
While other firms can provide the actuarial services needed, none can compete at this price because of the level of detail AJ Gallagher possesses. Until such time as another broker is engaged, it is unlikely that any other capable firm will be able to be competitive in price or time required to provide the finished product.

**SECTION B - REQUESTER CERTIFICATION:** By submitting this request, I attest that the above justification/information is accurate and complete to the best of my knowledge and that I have no personal or business interests relative to this request.



(Name and Signature of Department Head)

4/5/17  
Date

### SECTION C - TO BE COMPLETED BY PROCUREMENT OFFICE:

Based on the information provided in Section A and attached supporting documents,

I concur  do not concur  (see below) with purchase to be a Limited Source.

Do not concur for the following reason(s):

JON C. JOHNSTON

Name and Signature of Purchasing Agent or Designee

4/5/17  
Date