

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: Johnny Ea, Finance Director 

DATE: February 7, 2008 (City Council Meeting of February 20, 2008)

SUBJECT: Consider Award of Contract for Professional Services Agreement to Bartel Associates, LLC to Perform Actuarial Consulting Services Related to Governmental Accounting Standards Board (GASB) Statement No. 45

BACKGROUND

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, the accounting standards for Other Post-Employment Benefits (OPEB). This statement governs public employer accounting of any benefits, other than pensions, promised by an employer to their employees into retirement. The purpose of GASB 45 is to provide better financial information and to ensure that the costs related to providing employees with Other Post-Employment Benefits are accounted for over the working careers of plan members.

GASB 45 requires public employers to report the cost of providing these other post-employment benefits as well as information on any unfunded liability. As with most public employers, the City of Moorpark does not pre-fund retiree medical benefits and instead pays for such benefits on a pay-as-you-go basis. While GASB 45 does not require public employers to pre-fund health benefits, employers may wish to pre-fund these benefits and accumulate assets to offset these liabilities.

Implementation dates for GASB 45 are based on the size of the government as measured by fiscal year 1998/1999 annual revenues. The City of Moorpark is a phase 2 Government with annual revenues of \$10 million to \$100 million. As such, the City is required to implement the new standard as of June 30, 2009. The City is taking an early adoption approach to determine its OPEB liabilities and to avoid competing with a

number of other agencies for actuarial consultants as most cities will fall under phase 2 for implementation requirements.

DISCUSSION

On November 21, 2007, staff issued a Request for Proposal (RFP) that was sent to nine (9) qualified actuarial firms, hereinafter referred to as the "Consultant", to perform actuarial consulting services. The proposal requires the Consultant to value the City's OPEB unfunded liability and related required annual contribution to comply with the provisions of GASB 45. A total of two (2) well qualified proposals were received by the due date of December 14, 2007. The results are as follows:

Firm Name	Not to Exceed Fee (includes 2 meetings with staff)	Additional Meeting Fees if Necessary (e.g. to attend HCC meeting)
Bartel Associates, LLC	\$11,000	\$1,500/meeting
EFI Actuaries	\$9,730	\$950/meeting

Both proposals were evaluated by the Finance Director and the Finance/Accounting Manager. Interviews were conducted by the Finance Director and Finance/Accounting Manager on January 9, 2008, with EFI Actuaries (via phone conference) and January 10, 2008, with Bartel Associates, LLC (on site). References were verified, which resulted in positive feedback for both firms. After careful consideration staff recommends that the firm of Bartel Associates, LLC be awarded the contract to provide actuarial consulting services to the City of Moorpark.

Although the firm of Bartel Associates, LLC submitted a bid with a fee that is \$1,270 higher than EFI Actuaries' proposal, Bartel Associates, LLC specializes in providing actuarial consulting services to California clients. They have completed over 150 GASB 45 studies and their list of clients on pages 4 to 6 of their proposal clearly indicates that they are a leader of the industry.

FISCAL IMPACT

The Fiscal Year 2007/08 Budget already includes \$10,000 for the GASB 45 actuarial study. The difference in the proposed fee and the budget is minimal, which can be absorbed by other operating savings within the Finance Department.

Honorable City Council
February 20, 2008
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STAFF RECOMMENDATION

Authorize the City Manager to execute an agreement with Bartel Associates, LLC, subject to final language approval by the City Manager and City Attorney.

Attachment: Bartel Associates, LLC Proposal for Actuarial Consulting Services.



City of Moorpark

Proposal for Governmental Accounting Standards Board Statement No. 45 Actuarial Study

December 13, 2007

Bartel Associates, LLC
411 Borel Avenue, Suite 445
San Mateo, California 94402
Phone: 650-377-1600
Fax: 650-345-8057
Email: jbartel@bartel-associates.com

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~~CONFIDENTIAL~~

December 13, 2007

Johnny Ea
Finance Director
City of Moorpark
799 Moorpark Avenue
Moorpark, CA 93021

Re: Proposal for GASB 45 Actuarial Study

Dear Mr. Ea:

We are pleased to provide our response to the City of Moorpark's Request for Proposal for Governmental Accounting Standards Board Statement No. 45 (GASB 45) actuarial consulting services.

Our proposal includes our firm's background and qualifications, references, the project scope, our estimated fee, the personnel assigned to the project, and our proposed timetable.

Bartel Associates is uniquely qualified to prepare the City's GASB 45 valuation:

- Bartel Associates was established to provide quality and cost effective services to California public agencies. Our services include retiree medical and other postemployment benefit actuarial valuations, pension plan valuations and administration, retiree medical plan and pension plan design, actuarial audits, and CalPERS retirement plan consulting.
- As a member of the special task force which assisted GASB in drafting Statement No. 45, I have consulted with many counties, cities, districts, and other public agencies on GASB 45 issues. I am also currently serving as a consultant to Governor Schwarzenegger's Public Employee Post-Employment Benefits Commission. With over 150 GASB 45 studies completed since 2004, we are experts in this field.
- We regularly present the results of our actuarial studies to county boards of supervisors, city councils, and district boards of directors. Our presentations are clear, concise, and understandable to non-actuaries.
- Our GASB 45 actuarial studies include a comparison of the costs and liabilities with other public sector GASB 45 actuarial studies that we have completed.

We are prepared to work on the City's project immediately and can complete the GASB actuarial valuation within the timeframe presented in this proposal. Our proposal is valid for 90 days after the closing date for submission of proposals.

We carefully reviewed the City's benefit promise and requested projects so that our proposal, work plan, and fees properly reflect the RFP. It is important to us that you

Johnny Ea
December 13, 2007
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understand the scope of the project and the process needed to provide thoughtful and useful results and not be surprised by any hidden fees. The City should be certain that it is comparing similar deliverables (meetings, presentation outlines, assumption sets, results breakdowns, etc.) when evaluating proposals received in response to the RFP.

Please contact me at 650-377-1601 (jbartel@bartel-associates.com) or my associate Doug Pryor at 650-377-1602 (dpryor@bartel-associates.com) if you have any questions regarding our proposal.

We look forward to hearing from you.

Sincerely,

John E. Bartel
President

c: Doug Pryor

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SECTION 1 INTRODUCTION

Retiree Healthcare Plan

The City participates in CalPERS providing employees the 2%@55 benefit. The City also provides medical benefits through the CalPERS healthcare program (PEMHCA). The City provides the PEMHCA minimum contribution (\$80.80 for 2007) for all employees who retire from the City under CalPERS. Retirees pay the remainder of the premium. The City does not provide contributions for retiree dental, vision, or life benefits.

The City has approximately 100 active employees (fulltime, part time, and council members) and 3 retirees currently receiving healthcare benefits. The City currently accounts for retiree healthcare costs on a pay-as-you-go basis.

GASB 45

The Governmental Accounting Standards Board (GASB) approved Statement No. 45 (GASB 45), "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" in 2004. GASB 45 provides accounting standards for non-pension postemployment benefits, primarily postretirement medical benefits. (GASB 43 covers reporting and disclosure requirements for "OPEB" plans.) Under GASB 45:

- Obligations are measured on an accrual, rather than on a pay-as-you-go basis.
- Assets can be recognized for GASB 45 only if they are set aside in an irrevocable trust set up exclusively to pay plan benefits.

Accounting for OPEB benefits under GASB 45 can have a significant impact on the City's financial statements. GASB 45's effective dates are phased in similar to GASB Statement No. 34:

<u>Government</u>	<u>1998/99 Revenue</u>	<u>Fiscal Year Effective</u>
Phase 1	> \$100 million	2007/08
Phase 2	\$10 to \$100 million	2008/09
Phase 3	< \$10 million	2009/10

The City intends to implement GASB 45 for the 2007/08 fiscal year.

GASB 45 requires that an actuarial valuation be performed at least biennially for retiree healthcare plans with 200 or more members and at least triennially for plans with less than 200 members. (The City currently has less than 200 members.) However, a new valuation must be done if any significant changes have occurred since the last valuation, for example, to plan membership, benefit provisions, or the basis of any long-term actuarial assumptions.

The City must include GASB 45 disclosures in its financial statement for years when a new valuation is not required. GASB 45 allows the use of a valuation for a fiscal year if

SECTION 1 INTRODUCTION

performed not more than 24 months before the beginning of the fiscal year if there have been no significant changes. Therefore, the City may be able to use a single valuation for several years by performing “roll-forward valuations” rather than complete actuarial valuations for the intervening years.

The City has requested proposals for an actuarial study and valuation to determine the GASB 45 costs and liabilities for its retiree healthcare plan.

A summary of GASB 45 is provided in Appendix C.

SECTION 2

BARTEL ASSOCIATES

Bartel Associates, LLC is an actuarial consulting firm specializing in providing California counties, cities, districts, and other public agencies with actuarial consulting including retiree medical valuations, pension plan valuations, retirement plan design, actuarial audits, and CalPERS retirement consulting.

The firm's founder, John Bartel, has over 30 years of experience as a retirement consultant and practice leader with major consulting firms. John founded Bartel Associates to provide public sector clients high quality actuarial services at reasonable fees, focusing on personal attention and clear results.

Our services include:

- OPEB Plans - We have prepared "Other Postemployment Benefit" actuarial studies and valuations for over 150 California counties, cities, districts, and agencies to assist with compliance with GASB Statements Nos. 43 and 45. We also prepare valuations for compensated absence plans for compliance with GASB 16.
- CalPERS - We provide CalPERS pension consulting services and have made presentations to county boards of supervisors, city councils, district boards of directors, employee bargaining groups, and agency staff on CalPERS contribution rates and benefit design issues.
- Pension Plans - We prepare actuarial valuations and assist with the administration of defined benefit pension plans for California governments and agencies.
- Plan Design - We assist public agencies redesign existing retirement plans and implement new retirement benefit programs including retiree medical plans and pension plans.
- Retirement System Audits - We review actuarial valuations, experience studies, actuarial assumptions, and actuarial methods for state, county, and other agency retirement systems.

Bartel Associates was established in July 2003 and is organized as a Limited Liability Corporation. We currently have 16 employees including 8 credentialed actuaries. Seven of our actuaries are Fellows or Associates of the Society of Actuaries, 7 are Enrolled Actuaries, 8 are Members of the American Academy of Actuaries, and 4 are Fellows of the Conference of Consulting Actuaries.

Bartel Associates is licensed to do business in California. Our certificate of liability insurance is included in Appendix D.

SECTION 3

QUALIFICATIONS AND REFERENCES

John Bartel was a member of the special task force which assisted the Governmental Accounting Standards Board (GASB) in drafting Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). He was directly involved in the statement's development and has assisted numerous public agencies quantify and understand the impact of this new accounting standard. Bartel Associates also completed a review for GASB of proposed alternative financial reporting actuarial issues under the new statement.

Each GASB 45 study that we prepare includes a review of plan provisions, a summary of plan participants, the selection of actuarial methods and assumptions, the determination and communication of GASB 45's financial impact, and a projection of costs and funding alternatives. Many of these studies also include a discussion of plan design alternatives. We present results using plain, easily understood language. We will understand your objectives and you will understand the results of our work.

Following is a partial list of clients for whom we have prepared or are currently preparing GASB 45 actuarial valuations.

Alameda County Water District	City of San Rafael
Alameda Corridor Transportation Authority	City of Santa Clarita
Aptos/La Selva Fire Protection District	City of Santa Clara
Association of Bay Area Governments	City of Santa Cruz
Bay Area Air Quality Management District	City of Santa Fe Springs
Calleguas Municipal Water District	City of Santa Rosa
CalOptima	City of Solana Beach
Chino Valley Independent Fire District	City of South Lake Tahoe
City of Alameda	City of South San Francisco
City of Antioch	City of Stockton
City of Belmont	City of Sunnyvale
City of Bishop	City of Torrance
City of Brea	City of Union City
City of Brentwood	City of Vallejo
City of Brisbane	City of West Sacramento
City of Burbank	City of Westlake Village
City of Burlingame	City of Westminster
City of Cathedral City	City of Yuba City
City of Chula Vista	Coachella Valley Water District
City of Compton	Community Redevelopment Agency of LA

SECTION 3 QUALIFICATIONS AND REFERENCES

City of Concord	Contra Costa Transportation Authority
City of Corona	County of Madera
City of Costa Mesa	County of Monterey
City of Cupertino	County of Napa
City of Daly City	County of Nevada
City of Davis	County of Orange
City of Duarte	County of Placer
City of Dublin	County of Santa Cruz
City of El Centro	County of Solano
City of El Segundo	County of Sutter
City of Encinitas	County of Tulare
City of Fairfield	County of Tuolumne
City of Fort Bragg	County of Yolo
City of Foster City	County of Yuba
City of Fremont	Cucamonga Valley Water District
City of Glendale	Dublin San Ramon Services District
City of Glendora	East Bay Regional Park District
City of Hermosa Beach	Eastern Municipal Water District
City of Huntington Park	Helix Water District
City of Inglewood	Ironhouse Sanitation District
City of La Puente	Irvine Ranch Water District
City of Livermore	Los Altos Unified School District
City of Lompoc	Los Angeles County Sanitation District
City of Long Beach	Marin Municipal Water District
City of Madera	Menlo Park Fire Protection District
City of Menlo Park	Metropolitan Water District of Southern California
City of Merced	Moraga-Orinda Fire District
City of Mill Valley	Mt. Diablo Unified School District
City of Mission Viejo	North Coast County Water District
City of Monrovia	North Orange County Community College District
City of Napa	North Tahoe Fire Protection District
City of Newark	Otay Water District
City of Newport Beach	Palo Alto Unified School District

SECTION 3 QUALIFICATIONS AND REFERENCES

City of Ontario	Peralta Community College District
City of Petaluma	Placer County Water Authority
City of Pittsburg	Rancho Cucamonga Fire District
City of Pleasanton	Redwood Empire Municipal Insurance Fund
City of Pomona	Riverside County Transportation Commission
City of Rancho Cucamonga	Rodeo Hercules Fire Protection District
City of Redding	Sacramento Metropolitan Fire Protection District
City of Redondo Beach	San Diego County Water Authority
City of Redwood City	San Mateo County Transit District
City of Richmond	San Ramon Valley Fire Protection District
City of Riverside	Scotts Valley Fire Protection District
City of Rocklin	South County Fire Protection Authority
City of Rohnert Park	Southern California Association of Governments
City of Roseville	Southern California Regional Rail Authority
City of Sacramento	Stanislaus County Housing Authority
City of Salinas	State of Maine
City of San Bernardino	Stege Sanitary District
City of San Carlos	Sweetwater Authority
City of San Jose	Town of Los Altos Hills
City of San Leandro	Tamalpais Union High School District
City of San Luis Obispo	Tuolumne Utilities District
City of San Mateo	West & Central Basin Municipal Water District

SECTION 3 QUALIFICATIONS AND REFERENCES

We recommend that the City contact our references to understand the quality of our work.

Client	Project	Contact
City of Torrance	GASB 45 Actuarial Study CalPERS Consulting Pension Valuations	Mary K. Giordano Assistant District Manager 3031 Torrance Blvd. Torrance, CA 90503 Phone: 310-618-5880
City of Burbank	GASB 45 Actuarial Study CalPERS Consulting	Roger Brennan Management Services Department 275 East Olive Avenue Burbank, CA 91510-6459 Phone: 818-238-5044
City of Glendale	GASB 45 Actuarial Study CalPERS Consulting Sick Leave Conversion	Ron Ahlers Finance and Administrative Services 141 North Glendale Ave Room 346 Glendale, CA 91206-4998 Phone: 818-548-2085
City of Mission Viejo	GASB 45 Actuarial Study CalPERS Consulting Plan Design Pension Obligation Bonds	Irwin Bornstein Assistant City Manager-Director of Administrative Services 200 Civic Center Mission Viejo, CA 92961 Phone: 949-970-3059
City of Newport Beach	GASB 45 Actuarial Study CalPERS Consulting Plan Design	Richard Kurth Administrative Services, Deputy Director 3300 Newport Blvd. P.O. Box 1768 Newport Beach, CA 92658-8915 Phone: 949-644-3241
County of Orange	GASB 45 Actuarial Study Plan Design Changes	Patti Gorczyca County Executive Office 10 Civic Center Plaza, 3rd Floor Santa Ana, CA 92701 Phone: 714-834-3046

We consider specific information regarding each project to be confidential. However, the City should feel free to discuss any aspects of the projects with the reference contacts. We can provide additional references at the City's request.

SECTION 4 WORK PLAN

Project Approach

We believe that there are two levels to a GASB 45 actuarial valuation. The first level is technical compliance with GASB 45. Some public employers may hire an actuary to assist only with technical compliance with the standard, limiting the scope of services to preparing the required financial reporting and disclosure.

The second level goes beyond reporting and disclosure issues, and includes assisting management with an understanding of GASB 45, the actuarial assumptions and methods, the valuation results, and the financial statement impact, including a review of the plan design and participants.

Our recommended approach to GASB 45 studies includes both consulting levels, meeting with management in person at least twice during the valuation process. We would first meet with the City to review employee data, plan provisions, and actuarial assumptions. This will ensure that we have the proper information to begin the valuation. We would meet a second time to review the valuation results and their financial impact.

Our actuarial valuation process includes the following steps:

- Data Collection - The City will provide documentation of plan provisions and employee census information including individual plan and coverage elections.
- Data Reconciliation - We will review the plan and participant data and provide a list of any questions.
- Methods & Assumptions Meeting - We will meet with the City for an initial planning meeting to review the plan design and participant data. We will also review the actuarial assumptions and funding methods and determine an appropriate project timetable with the City.

GASB 45 requires that the discount rate be based on the source of funds used to pay benefits. For funded plans, this means the underlying expected long-term rate of return on plan assets. Since the source of funds for unfunded plans is usually an agency's investment fund, and because California and most other state laws restrict what investments agencies can have in their investment funds, unfunded plans will need to use a low (for example, 4.5%) discount rate.

GASB 45 requires that actuarial assumptions be consistent with retirement plan assumptions. Due in part to our significant experience with CalPERS, we have the ability to clearly communicate the actuarial assumption selection process to our clients.

Healthcare plans funded through CalPERS are required to use certain methods and assumptions. For example, CalPERS currently requires a discount rate of 7.75% for liabilities funded through the California Employers' Retiree Benefit Trust Fund (CERBT).

SECTION 4 WORK PLAN

It is important that the City understand the methods and assumptions used and their impact on GASB 45 results as these are actually assumptions set by the City, subject to our actuarial guidance and standards of practice.

- Valuation Processing - We will prepare the actuarial valuation using ProVal software, a comprehensive and widely used and respected retirement benefit valuation system developed by Winklevoss Technologies, LLC.

GASB 45 requires that any “implied subsidy” be included in the GASB 45 retiree costs and liabilities for non-community rated plans. Implied subsidies arise when retiree premiums do not represent the expected costs of the underlying retiree group, for example, when the same premium rates are charged for active employees and pre-Medicare eligible retirees. Retiree health plans covered by the CalPERS healthcare program are considered community rated and generally not required to value this subsidy.

Our procedures for quality control include the checking of computer programs and calculations by a second actuary and the review of results and presentation materials by senior actuaries.

- Preliminary Results Meeting - We will meet with the City to review the preliminary valuation results prior to the completion of a formal actuarial valuation report. Our preliminary results presentation will be in a discussion outline format and will include a benchmark survey comparing the City’s GASB 45 information with other agency GASB 45 plan studies prepared by Bartel Associates.
- Valuation Report - If the City adopts GASB 45 and uses the actuarial study results as the basis for reporting and disclosure, we can, at the City’s request, prepare a formal valuation report including an actuarial certification. We can also prepare an executive summary of the valuation results and a draft GASB footnote, if needed.

We strongly believe that through our years of experience we have developed an efficient and effective process for preparing and presenting actuarial valuations.

Actuarial Valuation Discussion Outline

Our actuarial valuation discussion outlines are clear, concise and understandable to non-actuaries. Our outlines include:

- Summary of plan provisions.
- Summary of the data used for the valuation including:
 - employee counts and average ages, service, pay, etc. by employee group
 - active and retiree coverage elections by healthcare plan
 - retiree coverage (single, 2-party, family) statistics by age
 - active age/service distributions

SECTION 4 WORK PLAN

- Summary of actuarial methods and assumptions.
- GASB 45 accounting information, including benefit costs and obligations as outlined below.
- Comparison of the City's costs and obligations with that of other agencies in our database.

The discussion outline will include the following GASB 45 information:

- Actuarial value of benefits, including:
 - Present Value of Future Benefits
 - Actuarial Accrued Liability (AAL), broken down by active and retired employees
 - Plan Assets
 - Unfunded Actuarial Accrued Liability (UAAL)
 - Normal Cost
 - Expected Benefit Payments
- Annual Required Contribution (ARC), as a dollar amount and as a percentage of payroll, identifying:
 - Normal Cost
 - Amortization of the UAAL
- Annual OPEB Cost (AOC).
- Net OPEB Obligation (NOO).
- Sensitivity analysis, including:
 - 2 investment return scenarios (e.g., not funded and funded)
 - Alternative amortization periods for the UAAL (e.g., 20 and 30 years).
- Projected contributions and AOC versus "pay-as-you-go" costs.

SECTION 4 WORK PLAN

Project Schedule

We usually recommend an 8-week project schedule for the actuarial valuation. For example, if the City provides census data and plan information on February 11, 2008, a possible work schedule would be as follows:

<u>Project Steps</u>	<u>Estimated Dates</u>
1) The City provides participant data and plan information to Bartel Associates.	February 11, 2008
2) Bartel Associates meets with the City to review the employee data, plan design, and actuarial funding method and assumptions, including the discount rate.	February 25, 2008 ≈ 2 weeks after (1)
3) Bartel Associates meets with the City to present preliminary valuation results.	March 24, 2008 ≈ 4 weeks after (2)
4) Bartel Associates provides a final valuation discussion outline.	April 7, 2008 ≈ 2 weeks after (3)

We can complete the valuation within this timeframe if all the information requested is provided quickly and accurately.

SECTION 5 PROJECT TEAM

The project team that will be assigned to work with City will include:

- John Bartel, President
- Doug Pryor, Vice President
- Bianca Lin, Assistant Vice President

John Bartel will function as engagement manager and will be responsible for the relationship and day-to-day direction of the project. John is an Associate of the Society of Actuaries, an Enrolled Actuary, a Fellow of the Conference of Actuaries, and a Member of the American Academy of Actuaries. He has extensive public sector experience with GASB 45 and retirement consulting with over 120 public entities in California that are covered by the California Public Retirement System (CalPERS). He has appeared before county boards of supervisors, city councils, and public agency boards of directors and is known for his clarity.

Doug Pryor and Bianca Lin will provide actuarial and technical support. Doug has 18 years experience in the retirement and employee benefits area. He is an Associate of the Society of Actuaries, an Enrolled Actuary, and has a Masters Degree in Statistics. Bianca has 15 years experience in the retirement and employee benefits area. She is a Fellow of the Society of Actuaries, an Enrolled Actuary, and has a Masters Degree in Statistics.

The project team will be assisted by our actuarial analyst staff. Biographies of project team members are included in Appendix B.

SECTION 6 FEES

Our fees are a function of the hours worked by each professional on a project and their hourly billing rates. Our hourly rates are as follows:

Team Member	Hourly Rate
President & Senior Actuary	\$300
Actuary	\$225
Consultant	\$200
Actuarial Analyst	\$175
Actuarial Trainee	\$150
Administrative Support	\$75

We have prepared a budget based on the City's retire healthcare plan design and the number of employees and eligible retirees using the information provided in the RFP. We expect our fees will be approximately \$10,000.

The City should be certain that all responses to the RFP include the same project elements when comparing estimated fees. If any of these project steps are not needed, our estimated fee will be lower.

<u>Project Elements</u>	<u>Estimated Fee</u>
GASB 45 Actuarial Valuation	\$5,600
Discount Rate Sensitivity (no-funding and funding discount rates)	600
Results Breakdown (4 employee groups)	800
Methods & Assumptions Meeting	1,500
Preliminary Results Meeting	<u>1,500</u>
Total	\$10,000

Note that:

- Our fee estimate assumes that:
 - Post-retirement benefits for the valuation will include medical benefits, but no City-paid dental, vision, or life insurance benefits and no conversion of sick leave balances to retiree medical benefits.
 - Participant census data will be provided completely and accurately in the format requested.
 - GASB 45 costs and liabilities will be presented for the plan as a whole with breakdowns for 4 employee groups: City Council, City Manager & Department Heads, Management employees, and Competitive Service employees.
 - Costs and liabilities will be provided using one funding method and one set of assumptions including 2 investment return scenarios (not funded and funded).

SECTION 6 FEES

- We will have 2 meetings with the City: one to review the data, plan provisions, methods, and assumptions and a second to review preliminary valuation results.
- We will provide 2 discussion outlines for our meetings: a “Methods & Assumptions” outline for our first meeting with the City and a “Preliminary Results” outline for our second meeting.
- There will be no additional charges for expenses (e.g., travel, telephone, copying, etc.). The hourly rates listed above include our costs for these items.
- We based our estimated fee on our best guess of the amount of time required for the project. While this represents the likely cost of the study, it is possible that unexpected work or complexities may arise that will require additional time. We understand the City’s budgeting needs and agree not to bill more than \$11,000 assuming 2 meetings unless the scope of the project changes as described below.
- We will invoice the City monthly based on time incurred, subject to the above maximum fee.

The above fees might be higher if the scope of the project changes from that described above, for example:

- The retiree healthcare promise differs from the information provided in the RFP
- Participant data is not relatively clean and free from internal inconsistencies or is not provided in electronic format (Excel worksheet).
- Valuation results are needed for additional actuarial assumption sets, funding methods, or alternative plan designs.
- The City requests that GASB 45 results be broken down by additional employee or bargaining groups.
- The City requests additional meetings such as more than 2 meetings to discuss actuarial methods and assumptions and to present the study results, a presentation to the City Council, or a meeting with outside auditors. We would base our fee for an additional meeting on our billing rates and the time needed for the meeting and preparation. For example, a 2-hour meeting with 3 hours of preparation time would cost about \$1,500. If the City requests our presence at a City Council meeting where we can use our existing Preliminary Results outline, our fee would only include time spent at the meeting.
- Our presentation outlines contain the information needed for the City’s CAFR. We can provide additional reports, such as a formal valuation report and financial statement footnote, at the City’s request. We estimate our fees will be \$2,000 for a formal valuation report and \$1,000 for a draft financial statement footnote. The cost of preparing an executive summary, if needed, will be approximately \$1,500.

SECTION 6 FEES

- If the City pre-funds retiree healthcare benefit through the CERBT, in addition to a formal valuation report, it will need to submit an actuarial certification and an Excel spreadsheet containing valuation information to CalPERS when it implements GASB 45 and begins funding the plan. Our fee to prepare the certification and Excel spreadsheet will be approximately \$500.

Additional studies, such as to explore alternative assumptions or address potential benefit design changes, will be billed at our hourly rates. We will provide a fee estimate after the scope of the project is defined and before work is begun.

**SECTION 6
FEES**

CITY OF MOORPARK
RFP for Actuarial Consulting Services
GASB 45 Other Post Employment Benefits

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**APPENDIX A
COST PROPOSAL FORM**

FIRM: Bartel Associates, LLC

ADDRESS: 411 Borel Ave., Suite 445
San Mateo, CA 94402

TELEPHONE NUMBER: 650-377-1600

Total Not to Exceed Amount for the project: \$ 11,000

Hourly Rate for Additional Consulting Services
(Beyond the scope of the project)

<u>Position</u>	<u>Actuary Standard Hourly Billing Rates</u>
Partner	\$ 300
Manager	\$ 225
Supervisor	\$ 200
Staff	\$ 175

SECTION 7 DATA

If the City accepts our proposal, we will need the following information:

- Summary of plan provisions and copies of the most recent MOUs for bargained employee groups and agreements for unrepresented groups.
- Total pay-as-you-go costs for the last 3 complete fiscal years (2004/05, 2005/06, 2006/07) and an estimate for the fiscal year ending June 30, 2008.
- The City's CalPERS healthcare program contract or resolution joining PEMHCA.
- Investment fund annual rates of return for the last 10 years or as many years as are available, if less. See the attachment below.
- Employee census information, in a single electronic file (Excel spreadsheet) with 1 record per participant, including the information shown on page 19:
 - Include any active and retired employees who have waived coverage or receive a cash reimbursement.
 - Include retirees (including surviving spouses) who have retired under CalPERS and participate in PEMHCA even if they are not eligible for a City contribution under the retiree healthcare plan.
 - The City may request a data extract of its CalPERS PEMHCA database by calling the CalPERS Employer Contact Center at 888-225-7377. This data extract may be helpful to the City in assembling the requested employee census information. (We are available to assist if the City needs our help to merge and reconcile various data sources, but this will result in additional fees.) The City should only provide us with one active and retiree data file and not separate files from the City and CalPERS. The City can:
 - Prepare its own data file and use the CalPERS data to review and complete the data requested.
 - Provide the CalPERS data file after reviewing and correcting any misinformation in the CalPERS data extract. (We can download the CalPERS text data into an Excel file for the City's review if requested.) Note that the CalPERS data extract may not include some of the requested data, such as compensation, employee classification, and bargaining group. In lieu of providing individual pay records, the City can provide the average pay for employees from the last CalPERS contribution report, indicating if the reported amount is semi-monthly pay (reported 24 times per year) or bi-weekly pay (reported 26 times per year).

In order to maintain confidentiality, please do not provide Social Security Numbers.

We may need additional data, depending on our review of the City's benefit promise.

**SECTION 7
DATA**

Investment fund Annual Rates of Return		
Fiscal Year	City	LAIF
2006/2007		5.12%
2005/2006		3.87%
2004/2005		2.26%
2003/2004		1.53%
2002/2003		2.15%
2001/2002		3.45%
2000/2001		6.10%
1999/2000		5.71%
1998/1999		5.34%
1997/1998		5.70%

**SECTION 7
DATA**

GASB 45 Census Information		
Data Field	Actives	Retirees
Name	Yes	Yes
Employee Number	Yes	Yes
Gender	Yes	Yes
Birth Date	Yes	Yes
Spouse's Birth Date	Yes (if available)	Yes (if available)
Hire Date	Yes	Yes (if available)
Retirement Date	N/A	Yes
Retirement Type	N/A	Service, Disability
Employee Classification	Full-Time / Part-Time	N/A
Bargaining Group	Yes	Yes
CalPERS Pension Plan	Yes (Misc, Safety)	Yes (Misc, Safety)
Compensation	Yes (Base or PERSable Pay)	N/A
Medical Plan	Yes	Yes
Medical Plan Code	CalPERS Plan Code	CalPERS Plan Code
Medical Coverage	Yes (Single, 2-Party, Family)	Yes (Single, 2-Party, Family)
Medical Premium – City Paid	N/A	Yes
Medical Premium – Retiree Paid	N/A	Yes

APPENDIX A

BARTEL ASSOCIATES' SERVICES

Following are the services Bartel Associates provides:

OPEB (Other Post Employment Benefits)

We provide OPEB actuarial services to many California agencies. This work helps agencies understand the impact of GASB 45 and includes:

- review and determination of plan benefits per MOUs, bargaining agreements, plan summaries, etc.;
- review of plan demographics and determination of actuarial methods and assumptions;
- calculation of GASB 45 costs and liabilities;
- review and analysis regarding funding alternatives;
- preparation of draft financial statement reporting and disclosure information;
- alternative plan design cost impact studies;
- analysis of defined benefit and defined contribution plan designs;
- open and closed group projections, including Annual OPEB Cost (AOC) cost and benefit payout projections; and
- review and analysis of life insurance contracts.

CalPERS Consulting

We have worked with over 120 California public agencies consulting on issues related to the CalPERS retirement system. This work covers a broad spectrum of retirement benefits issues, and often includes presentations to city councils, boards of directors, employee bargaining groups, or agency staff. Additional detail of projects we have prepared are as follows:

- benefit improvement analysis (e.g. 3%@50 and 3%@55 for safety and 2.5%@55, 2.7%@55, and 3%@60 for non-safety), including cost allocations for property tax issues;
- Pension Obligation Bond (POB) issues including cash flow analysis and actuarial certifications for POB unfunded actuarial liabilities;
- asset-liability analysis including modeling stochastic confidence ranges for various funding criteria such as asset returns, contribution rates, and plan funded status;
- projections of CalPERS contribution rates and related stochastic modeling;
- cost impact studies of actuarial assumption changes; and
- plan review and design issues.

APPENDIX A

BARTEL ASSOCIATES' SERVICES

Pension Plans

We prepare actuarial valuations of defined benefit retirement plans for public agencies. This work includes consulting regarding various plan issues, including the following:

- annual and biennial actuarial valuations;
- financial statement reporting and disclosure information under Governmental Accounting Standards Board Statement No. 27 (GASB 27) for public agencies;
- audits of actuarial valuations and experience studies; and
- benefit calculations, plan design, and document review.

Bartel Associates always presents results and prepares discussions using plain, easily understood language. We will understand your objectives and you will understand our work as well as our recommendations for your plans.

APPENDIX B

PROJECT TEAM MEMBER BIOGRAPHIES

JOHN E. BARTEL, President

Experience/Responsibilities

With 30+ years in employee benefits, John focuses on pension consulting for a wide variety of public and private sector clients. He founded Bartel Associates to serve public sector agencies – emphasizing quality, personal attention, and clear results at reasonable fees. Clients rely on John’s ability to apply complex regulations in understandable ways.

John specializes in:

- CalPERS public agency consulting
- Helping clients understand actuarial, accounting, and regulatory issues
- Retiree healthcare plan valuation, study, and design
- Retirement plan review, valuation, and design
- Employee benefit merger and acquisition issues
- Publications:
 - 2003 California Public Retirement Journal “GASB: Other (Than Pensions) Post employment Benefits Plan Sponsor Reporting and Disclosure” (available soon online).
 - June 2001 National Association of State Retirement Administrators (NASRA) “Is A DROP Plan Right for Your Organization?” with Chris Bone, Aon’s Chief Actuary (www.nasra.org/current_topics.php?action=item&art=10).
 - January 2001 Western City “Understanding the Impact of the New CalPERS Public Safety Benefits” with Harriet Commons, City of Fremont, (www.westernCity.com/JAN01CalPERS13.htm).
 - GASB 27 (pension disclosure) White Paper, California Committee on Municipal Accounting with Glenn Steinbrink, City of Fullerton, (www.calpers.org/employer/actuary/GASB27-1998-att1.pdf).
- Speaking at numerous meetings for:
 - California Society of CPA’s
 - California Public Employee Labor Relations Association
 - California Society of Municipal Finance Officers
 - Society of Actuaries

Affiliations/Designations/Education

- Associate of the Society of Actuaries
- Enrolled Actuary
- Fellow of the Conference of Consulting Actuaries
- Member, American Academy of Actuaries
- Member, GASB’s OPEB task force
- BS in mathematics, California State University, Chico.

APPENDIX B

PROJECT TEAM MEMBER BIOGRAPHIES

DOUG PRYOR, Vice President

Experience/Responsibilities

With 18 years in employee benefits, Doug specializes in actuarial consulting and other projects. Clients appreciate Doug's ability to provide concise, pertinent, valuable information in a timely fashion. His experience includes:

- Actuarial valuations of public, corporate, and multiemployer pension plans.
- Studies analyzing the cost of new benefits and changes to existing programs.
- Design and costing of supplemental retirement benefits for executives.
- Valuations of postretirement medical programs.
- Funding of health and welfare benefits under VEBAs.
- Plan amendments, summary plan descriptions, and other employee communications.
- Plan terminations, calculating benefits, annuity purchase, employee communications, and government filings.
- Benefit issues related to mergers and acquisitions as well as union negotiations.

Affiliations/Designations/Education

- Associate of the Society of Actuaries
- Enrolled Actuary
- Member, American Academy of Actuaries
- BS in mathematics, University of California, Davis
- MA Statistics, University of California, Santa Barbara

BIANCA LIN, FSA

Experience/Responsibilities

Bianca's 15 years of actuarial experience includes 11 in employee benefit consulting. Clients depend on Bianca's ability to coordinate projects with them and prepare results in an efficient, cost-effective manner. Her work includes:

- Pension and retiree healthcare actuarial valuations.
- Review and analysis of CalPERS valuations.
- Cost analysis and projections of various post employment benefit programs.

Affiliations/Designations/Education

- Fellow of the Society of Actuaries
- Enrolled Actuary
- Member, American Academy of Actuaries
- MS in Statistics, National Tsing Hwa University, Taiwan

APPENDIX C

GASB 45 SUMMARY

On June 21, 2004, the Governmental Accounting Standards Board approved Statement No. 45 (GASB 45), accounting standards for *other* (than pensions) *postemployment benefits* (OPEB). Accounting for these benefits – primarily postretirement medical – can have significant impact on state and local government financial statements. This article summarizes GASB 45 including the basics, some idea of the magnitude, and action steps you should be taking now. (GASB’s Statement No. 43, which sets uniform financial reporting standards for OPEB *plans*, is not discussed in this article.)

BACKGROUND

Historically, most public sector entities have accounted for OPEB using a “pay-as-you-go” approach; very few have prefunded or even accrued for these benefits. This means OPEB costs are ignored while an employee renders service and recognized only after an employee retires. GASB argues this delayed recognition shifts “costs” from one taxpaying generation to another. The GASB position is that OPEB, like pension benefits, are a form of deferred compensation. Accordingly, GASB 45 requires recognizing OPEB (in the financial statement) *as employees render service* (and consequently earn the benefit), rather than when paid.

EFFECTIVE DATES

GASB 45 effective dates are phased in similar to GASB’s Statement No. 34:

- Fiscal years beginning after December 15, 2006 for GASB 34 phase 1 governments (total annual revenue of \$100 million or more)
- Fiscal years beginning after December 15, 2007 for GASB 34 phase 2 governments (total annual revenue of \$10 million to \$100 million)
- Fiscal years beginning after December 15, 2008 for GASB 34 phase 3 governments (total annual revenue less than \$10 million).

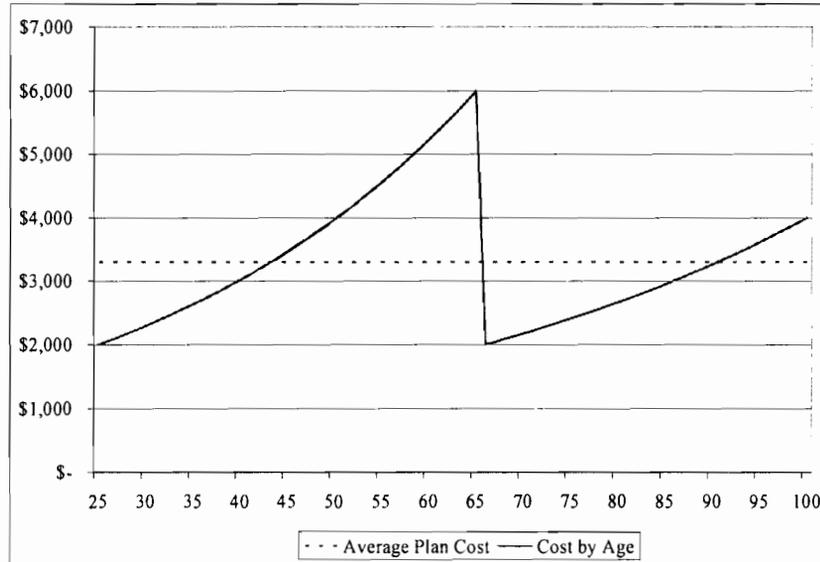
While these dates seem far away, planning for transition to the new standards will take time. Many agencies will want to understand the implications on their financial statements and bond ratings well in advance of required implementation dates.

WHAT BENEFITS ARE OPEB?

OPEB includes most postemployment benefits, other than pensions, that employees are entitled to after leaving employment: retiree medical, dental, prescription drug, vision, life insurance, group legal, and long-term care benefits. OPEB also includes disability benefits when not provided in a pension plan. They do not include vacation, sick leave, COBRA, or ad hoc early retirement incentives, which fall under other GASB accounting statements. Here are a few OPEB examples:

- Agency pays a retiree’s healthcare premium after retirement if an employee works for the agency at least 10 years and retires directly from the agency.
- City allows retirees to continue participating in the medical plan after retirement, but charges some retirees the plan’s average per-capita cost (and others less), which is below the retiree’s full cost. The following chart illustrates how a plan’s medical costs might vary by age.

APPENDIX C GASB 45 SUMMARY



In this example, retirees charged the average (\$3,300) plan cost are getting a benefit worth substantially more than they're paying. This difference is referred to as the "implied subsidy."

- District participates in PEMHCA (CalPERS Healthcare Program), using a cafeteria plan to pay active employee premiums. The district, as generally required under PEMHCA law, pays the \$80.80 minimum toward retiree's 2007 PEMHCA premiums. (The \$80.80 minimum increases to \$97.00 in 2008.)

Action Steps

- ➔ Examine your agency's benefits to identify OPEB and your degree of compliance concerns.
- ➔ Summarize your agency's benefit promise (by gathering information from MOUs, council or board resolutions, etc.) to greatly facilitate the valuation and implementation process.

ACCOUNTING STANDARDS

Under GASB 45, pay-as-you-go accounting is replaced with accrual accounting. This is virtually identical to GASB's approach under

Statement No. 27, with the key financial statement components being an Annual Required Contribution, an Annual OPEB Cost, and a Net OPEB Obligation. (Before we describe these 3 terms you might want to refer to the Actuarial Definitions on page 9.)

- **Annual Required Contribution (ARC):** GASB 45 doesn't require an agency to make up any shortfall (unfunded Actuarial Liability) immediately, nor does it allow an immediate credit for any excess Plan Assets. Instead, the difference is amortized over time. An agency's ARC is nothing more complicated than the employer current Normal Cost (value of benefits being "earned" during a year), plus the amortized unfunded Actuarial Liability (or less the amortized excess Plan Assets). Simply put, ARC is the value of benefits earned during the year plus (or minus) something to move the plan toward being on track for funding. GASB 45 allows actuaries to amortize the unfunded Actuarial

APPENDIX C GASB 45 SUMMARY

Liability (or excess Plan Assets) on a level dollar or level percent of payroll basis. We believe most agencies will want to use a level percent of payroll amortization because it's more consistent with the budget process and how pension contributions are usually calculated. ARC must be based on the underlying OPEB promise (as understood by the plan sponsor and employees).

- **Annual OPEB Cost (AOC):** The first year an agency complies with the new standards, the AOC equals the ARC. In subsequent years, the AOC will equal the ARC, adjusted for prior differences between the ARC and AOC.
- **Net OPEB Obligation (NOO):** An agency's NOO is the historical difference between actual contributions made and the ARC. If an agency has always contributed the ARC, the NOO equals zero. However, an agency has not "made" the contribution unless it has been set aside *and* cannot legally be used for any other purpose.

Implementation Process

The implementation process will be relatively straightforward: An agency will hire an actuary to calculate the ARC. The first time an agency does this, their AOC equals their ARC. The agency then decides whether to contribute all, none, or part of the ARC into a Trust that cannot legally be used for any purpose other than paying OPEB.

If an agency always contributes the ARC, then each subsequent year's AOC equals their ARC – and the NOO is zero. The first year an agency does *not* contribute the ARC, they must establish an NOO equal to the difference between their actual contribution and the ARC. The subsequent year's AOC equals the ARC,

adjusted for interest and amortization of the NOO.

Action Step

- ➔ Gather participant data (your actuary should be able to tell you what you'll need once they review your underlying benefit promise).

GASB 45 REQUIREMENTS

Disclosure Requirements

This may be the most important aspect of GASB 45. When disclosed, some agencies will show large OPEB unfunded liabilities, while others will show small or no unfunded liabilities. These differences *may* require an adjustment in an agency's bond rating. Plan sponsors must disclose in their financial statement footnotes:

- Basic plan information:
 - Plan type
 - Benefits provided
 - Authority under which benefits were established
- Plan funding/contribution policy information:
 - Required contribution rates for active members and employers shown in dollars or as a percent of payroll
- Plan Funded Status information:
 - AOC and the dollar contributions actually made
 - If the employer has a NOO, also
 - Components of the AOC
 - NOO increase or decrease during the year
 - End of year NOO
 - 3-year history of
 - AOC
 - Percent of AOC contributed during the year
 - End of year NOO
 - Most recent year's plan Funded Status

APPENDIX C

GASB 45 SUMMARY

- Actuarial methods and assumptions used to determine the ARC, AOC, and Funded Status.

In addition, plan sponsors must provide 3 years of historical required supplementary information:

- Valuation dates
- Actuarial asset values
- Actuarial Liability
- Unfunded Actuarial Liability (excess Plan Assets)
- Plan funded ratio
- Annual covered payroll
- Ratio of unfunded Actuarial Liability (excess Plan Assets) to annual covered payroll
- Factors that significantly affect comparing the above information across the years.

Defining the Plan

GASB 45 refers to the *substantive plan* as the basis for accounting. It may differ from the *written plan* in that it reflects the employer's cost sharing policy based on:

- Past practice or communication of intended changes to a plan's cost sharing provisions, or
- Past practice of cost increases in monetary benefits.

The substantive plan is the basis for requiring recognition of potential future plan changes. This approach requires entities to acknowledge the underlying promise, not just the written plan.

What if retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience? (This was a contentious issue during the statement drafting, with one of the 7 board members dissenting from Board adoption of the final statement.) In general, GASB 45 requires recognition of the implied subsidy. However, if benefits are provided through a community rated

plan (premium rates based on experience of multiple employers rather than a single employer), and the same premium is charged for active and retired participants, it may be appropriate to value unadjusted premiums.

Actuarial Assumptions and Discount Rate Requirements

Under GASB 45, the actuary must follow current actuarial standards of practice, which generally call for explicit assumptions – meaning each individual assumption represents the actuary's best estimate.

GASB 45 also requires basing the discount rate on the source of funds used to pay the benefits. This means the underlying expected long-term rate of return on Plan Assets for funded plans. Since the source of funds for unfunded plans is usually an agency's investment fund, and California and most other state law restricts what investments agencies can have in their investment fund, unfunded plans will need to use a low (for example, 4% to 5%) discount rate. If an agency sets up a Trust and diversifies Trust Plan Assets, however, the discount rate might be much higher (such as 7%) depending on the Trust fund's expected long-term investment return.

Action Step

- ➔ Meet with your actuary to discuss the underlying actuarial methods and assumptions. This important meeting can avoid problems down the road.

Transition Issues

Typically, new accounting standards allow transition from old to new requirements. Because historical ARC calculations will rarely be available, GASB 45 takes a prospective transition approach: there is no requirement for an initial transition obligation. But if AOCs, before transition, were calculated consistently

APPENDIX C GASB 45 SUMMARY

with the standard, a NOO at transition can be established at an agency's discretion.

Valuation Frequency Requirements and Small Plans

GASB 45 requires an actuarial valuation at least every 2 years for plans with more than 200 (active, inactive, and retired) members. Plans with fewer than 200 members will need a valuation every 3 years. In a significant departure from prior standards, though, GASB 45 allows plans with fewer than 100 members to elect a simplified measurement method – not requiring an actuarial certification.

HOW BIG IS THE PROBLEM?

Public sector retiree healthcare promises vary considerably across agencies and can be measured in several ways, for example:

- ARC as a percent of payroll

- Present Value of Benefits (PVB) as a percent of payroll or perhaps as a percent of investment fund budget
- Unfunded liability (in most cases, the Actuarial Liability – AL) as a percent of payroll or perhaps as a percent of investment fund budget.

We believe the biggest issue is GASB 45 requiring agencies to disclose unfunded OPEB liabilities in financial statement footnotes.

Consequently, unfunded liabilities in relation to payroll or budget will become important for bond rating agencies. The table below shows examples based on recent actuarial studies we've prepared (although agency demographics vary widely, all calculations were prepared in compliance with GASB 45).

Basic OPEB Promise	% Payroll			% Annual Investment fund Budget		
	ARC	PVB	AL	ARC	PVB	AL
1a. Full medical coverage for retiree and spouse – Plan Assets not diversified	28%	369%	192%	19%	258%	135%
1b. Full medical coverage for retiree and spouse – Plan Assets diversified	17%	208%	126%	12%	146%	89%
2a. Medical coverage, capped at \$450/month with no increase in cap	9%	115%	85%	7%	92%	68%
2b. Medical coverage, capped at \$450/month with increase in cap	12%	145%	107%	9%	116%	86%
3. Minimum (2007 \$80.80/month) PEMHCA payment	2%	30%	20%	2%	23%	15%

APPENDIX C

GASB 45 SUMMARY

These examples lead to some interesting questions and conclusions, providing some insight on magnitude. For example:

- 1a. and 1b. show the significant impact of diversifying Plan Assets (in a Trust, separate from agency's investment fund that legally can be used only to pay OPEB) and not diversifying Plan Assets invested in agency's investment fund. While this difference is significant and prefunding may be fiscally prudent, we do not expect many agencies will do so. Prefunding will mean allocating cash and most agencies will find this challenging.
- Agency 1's unfunded Actuarial Liability is quite significant, while Agency 3's is quite modest. Although we don't know how bond rating agencies will react to the added information, it's reasonable to assume that, with all other things the same, Agency 1 might experience more of an impact than Agency 3.
- The addition of a COLA (cost-of-living adjustment) to Agency 2's promise increases their ARC and Actuarial Liability by approximately 1/3. Remember GASB 45 mentions the underlying promise. Consequently, even if there is no express agreement to increase the \$450 cap in the future, if it's reasonable to believe it *will* increase, the calculations must assume it will.
- An older agency (with a high ratio of retirees to actives) will have higher

percents than shown in the table, while a younger agency (with very few retirees) would have lower percents.

Action Step

- ➔ Once you understand how significant your OPEB issue is, consider discussing these results with bond rating agencies, bargaining units, and city councils (or governing boards). Reviewing liabilities now gives you time to address the magnitude before GASB 45 is effective.

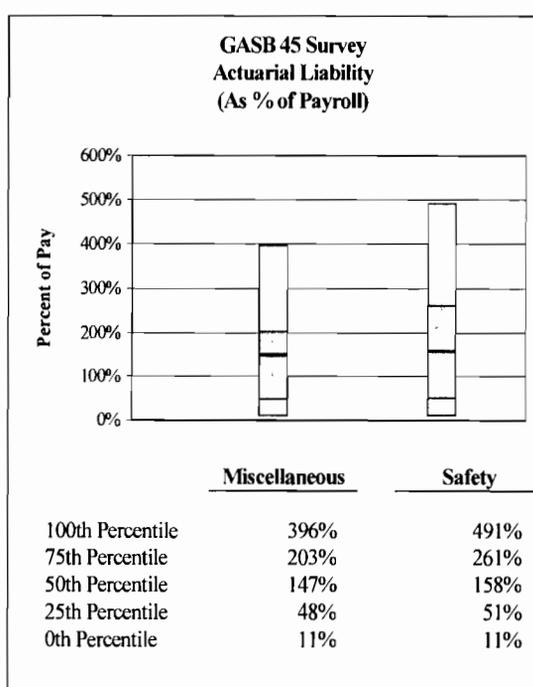
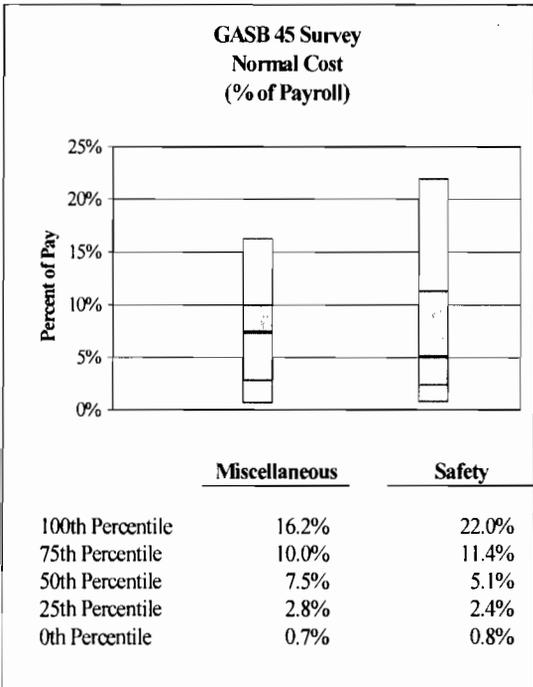
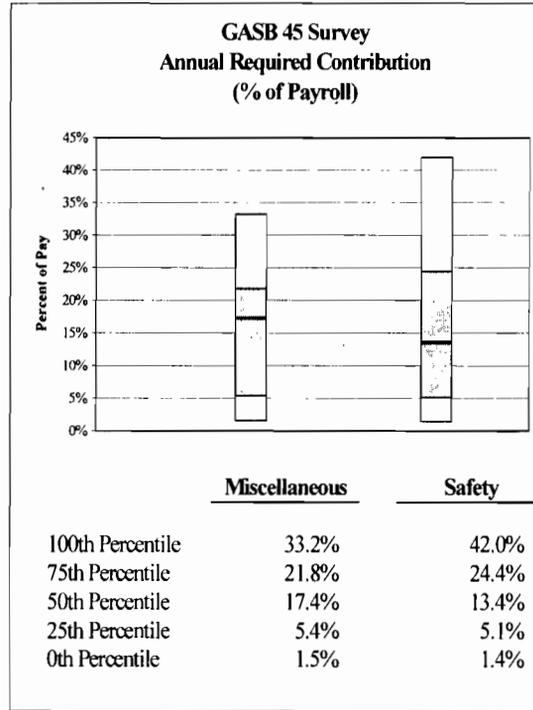
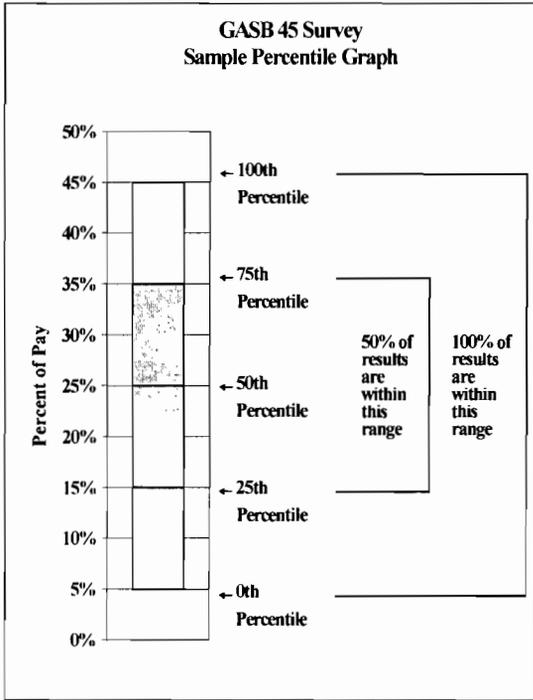
GASB 45 SURVEY

The following graphs compare the over 50 Miscellaneous and Safety GASB 45 studies prepared by Bartel Associates.

The first graph provides sample percentiles for interpreting the information that follows. All graphs provide the 0th, 25th, 50th, 75th and 100th percentiles (the Xth percentile is the level at which X percent of the data fall below the given level – for example 25% of the data falls below the 25th percentile). As noted on this chart, the dark shaded area in the middle of the column includes results between the 25th and 75th percentiles representing 50% of the agencies, with the line in the middle indicating the 50th percentile.

The other graphs compare Normal Cost (NC), Annual Required Contribution (ARC) and Actuarial Liability (AL) as a percentage of payroll for Miscellaneous and Safety employees.

APPENDIX C GASB 45 SUMMARY



APPENDIX C

GASB 45 SUMMARY

The cost information shown represents primarily *unfunded* retiree medical plans since most of these agencies are in the process of deciding whether to fund their plans. When a significant number of our clients have made that decision, we will be able to separate the statistics by funded and unfunded plans.

The reader should keep in mind the results are not a statistical sample of all California agencies and so results based on all California agencies will vary from our client base.

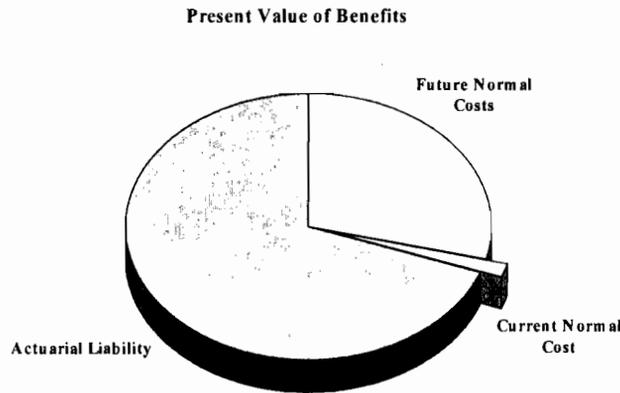
CONCLUSION

There's no doubt GASB 45 will cause major changes for plan sponsor disclosure. The way to soften the blow is *not* waiting for the effective date. Contact your actuary well in advance to understand the implications, get started on action steps, and establish a plan for compliance.

John Bartel is President of Bartel Associates, LLC. For more details, contact John at 650/377-1601 or jbartel@bartel-associates.com. You also can learn more about GASB and GASB 45 at www.gasb.org.

**APPENDIX C
GASB 45 SUMMARY**

ACTUARIAL DEFINITIONS



Present Value of Benefits: An actuary preparing an actuarial valuation first gathers participant data (active employees, former employees not in payment status, participants and beneficiaries in payment status) at the valuation date (for example June 30, 2005). Using this data and some actuarial assumptions, the actuary projects future benefit payments. (The assumptions predict, among other things, when people will retire, terminate, die, or become disabled as well as what salary increases, general (and healthcare) inflation, and investment return might be.) Those future benefit payments are discounted, using expected future investment return, back to the valuation date. This discounted present value is the plan's Present Value of Benefits. It represents the amount the plan needs as of the valuation date to pay all future benefit payments – if all assumptions are met.

Actuarial Liability: This represents the Present Value of Benefits portion participants have earned (on an actuarial, not actual, basis) through the valuation date.

Funded Status: Once the above amounts are calculated, the actuary compares Plan Assets to the Actuarial Liability. When Plan Assets equal liabilities, a plan is considered on track for funding. When Plan Assets are greater than liabilities, the plan has excess Plan Assets. When Plan Assets are less than liabilities, the plan has an unfunded Actuarial Liability.

Normal Cost: This represents the Present Value of Benefits expected to be earned (on an actuarial, not actual, basis) in the coming year.

Plan Assets: GASB 45 requires that to consider an OPEB plan funded, assets must be set aside and cannot legally be used for any purpose other than to pay OPEB. Most OPEB plans are not funded.

APPENDIX D

CERTIFICATE OF LIABILITY INSURANCE

ACORD CERTIFICATE OF LIABILITY INSURANCE				DATE (MM/DD/YYYY) 10/29/2007	
PRODUCER JOHN SARGEANT INSURANCE AGENCY P. O. BOX 831 GLENDALE CA 91209 (818) 547-1975			THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.		
INSURED BARTEL-ASSOCIATES, L.L.C. 411 BOREL AVENUE, SUITE #448 SAN MATEO CA 94402			INSURERS AFFORDING COVERAGE INSURER A: FIRST NAT'L. INSURANCE CO. OF AMERICA INSURER B: INDIAN HARBOR INSURANCE COMPANY INSURER C: AMERICAN STATES INSURANCE COMPANY INSURER D: INSURER E:		
COVERAGES					
THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.					
INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS MADE <input checked="" type="checkbox"/> OCCUR	25CC124429-2	9/1/2007	9/1/2008	EACH OCCURRENCE \$ 1,000,000 FIRE DAMAGE (Any one fire) \$ 200,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000
GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC					
A	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	25CC124429-2	9/1/2007	9/1/2008	COMBINED SINGLE LIMIT (EA accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
GARAGE LIABILITY ANY AUTO					
EXCESS LIABILITY OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE \$ RETENTION \$					
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	01WC145183-20	11/17/2007	11/17/2008	<input checked="" type="checkbox"/> WC STATUS: <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
B	OTHER MISC. PROFESSIONAL LIABILITY	MPP001715203	9/1/2007	9/1/2008	\$1,000,000/CLAIM \$2,000,000/ANN.AGG.
DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS See Supplemental Information Page(s)					
CERTIFICATE HOLDER		ADDITIONAL INSURED; INSURER LETTER:		CANCELLATION	
CERTIFICATE ISSUED FOR INFORMATION PURPOSES ONLY. CERTIFICATE HOLDER MAY BE NAMED AT THE REQUEST OF THE NAMED INSURED.		41		SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.	
AUTHORIZED REPRESENTATIVE 