



City of West Allis

Matter Summary

7525 W. Greenfield Ave.
West Allis, WI 53214

File Number	Title	Status
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R-2010-0170 Resolution Introduced

Resolution relative to approving an Agreement with Key Benefit Concepts for completion of a subsequent study on the Other Post Employee Benefit (OPEB) Valuation in an amount not to exceed \$7,500.

Introduced: 8/3/2010

Controlling Body: Administration & Finance Committee

Sponsor(s): Administration & Finance Committee

COMMITTEE RECOMMENDATION

Adoption

ACTION DATE:	MOVER	SECONDER		AYE	NO	PRESENT	EXCUSED
AUG 03 2010	X		Barczak				
			Czaplewski				
			Kopplin	✓			
			Lajsic	✓			
			Narlock	✓			
		X	Reinke	✓			
			Roadt				
			Sengstock				
			Vitale				✓
			Weigel				
			TOTAL	4			1

SIGNATURE OF COMMITTEE MEMBER

Kurt E. Kopplin
 Chair Vice-Chair Member

COMMON COUNCIL ACTION

ADOPT

ACTION DATE:	MOVER	SECONDER		AYE	NO	PRESENT	EXCUSED
AUG 03 2010	✓		Barczak	✓			
			Czaplewski	✓			
			Kopplin	✓			
			Lajsic	✓			
			Narlock	✓			
		✓	Reinke	✓			
			Roadt	✓			
			Sengstock	✓			
			Vitale				✓
			Weigel	✓			
			TOTAL	9			1

**STANDING COMMITTEES OF THE
CITY OF WEST ALLIS COMMON COUNCIL**

ADMINISTRATION & FINANCE

Chair: Kurt E. Kopplin
 Vice-Chair: Vincent Vitale
 Thomas G. Lajstic
 Richard F. Narlock
 Rosalie L. Reinke

PUBLIC WORKS

Chair: Gary T. Barczak
 Vice-Chair: Martin J. Weigel
 Michael J. Czaplowski
 Daniel J. Roadt
 James W. Sengstock

SAFETY & DEVELOPMENT

Chair: Thomas G. Lajstic
 Vice-Chair: Richard F. Narlock
 Kurt E. Kopplin
 Rosalie L. Reinke
 Vincent Vitale

LICENSE & HEALTH

Chair: Michael J. Czaplowski
 Vice-Chair: James W. Sengstock
 Gary T. Barczak
 Daniel J. Roadt
 Martin J. Weigel

ADVISORY

Chair: Rosalie L. Reinke
 Vice-Chair: Daniel J. Roadt
 Kurt E. Kopplin
 Richard F. Narlock
 Vincent Vitale

Gary Schmidt



City of West Allis

7525 W. Greenfield Ave.
West Allis, WI 53214

Resolution

File Number: R-2010-0170

Final Action:

Sponsor(s): Administration & Finance Committee

AUG 03 2010

Resolution relative to approving an Agreement with Key Benefit Concepts for completion of a subsequent study on the Other Post Employee Benefit (OPEB) Valuation in an amount not to exceed \$7,500.

WHEREAS, the Government Accounting Standards Bureau (GASB) requires public entities to complete an actuarial liability study of Other Post Employee Benefit (OPEB) valuation; and,

WHEREAS, Key Benefit Concepts completed the original OPEB valuation study for the City in February 2009 (January 1, 2008 valuation date); and,

WHEREAS, every two years the OPEB valuation needs to be updated; and,

WHEREAS, the subsequent studies are more complex than the initial studies and require more work than merely updating employees, which result in almost a complete redoing of the first report; and,

WHEREAS, Key Benefit Concepts is uniquely qualified to perform this subsequent valuation study because of it having done the initial study and its familiarity with the City's other post employee benefit plans, justifying this selection on a sole source basis; and,

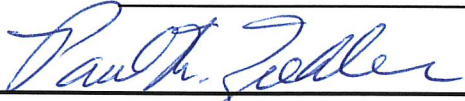
WHEREAS, Key Benefit Concepts has quoted a reasonable price of \$7,500 to do this OPEB Subsequent Valuation Study.

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of West Allis that the attached Agreement between the City and Key Benefit Concepts be and is hereby approved.

BE IT FURTHER RESOLVED by the Common Council of the City of West Allis that the proper City officials are hereby authorized and directed to execute said agreement on behalf of the City.


ADM\ORDRES\ADMR397

ADOPTED **AUG 03 2010**



Paul M. Ziehler, City Admin. Officer, Clerk/Treas.

APPROVED **8/6/10**



Dan Devine, Mayor

Subsequent OPEB Valuation for the City of West Allis

Previous Study

Key Benefit Concepts completed an actuarial liability study for the City of West Allis (City) in February 2009. The study had a valuation date of January 1, 2008. We provided the City with a detailed standard valuation. On pages 4 is the summary of benefits for which we based the City's previous valuation. If the benefits remained the same, we anticipate our fees for an updated detailed valuation to be between \$7,200-\$7,500.

New Study

Subsequent studies are more complex than initial studies and require more work than merely updating terminated employees and new hires. The retirement, termination and addition of employees can change the demographics of a group (i.e. average age and years of service, average age of medical plan participant). These demographics are critical in the calculation of the liabilities, particularly in that of the implicit rate subsidy. In other words, when performing a subsequent study, regardless if it is the actuary that performed the prior valuation or another actuary, calculation of the liabilities is performed as of the new valuation date, based upon the actives and retirees of the City as of this new valuation date and their associated demographics. So, in this regards, it is as if we are performing an initial study all over again.

Reconciliation: Additionally, subsequent studies must provide reconciliation of the newly calculated liabilities to those previously calculated. This means calculating the impact of all the gain and/or losses in the years between the 2 studies. This includes calculation of the gain/loss resulting from updating the rate of retirement assumptions, mortality, termination and disability rates. The Wisconsin Retirement System (WRS) WRS rates used in the City's prior study were based upon the WRS 2005 report which may need to be modified in the updated valuation.

Discount/Interest Rate: In our initial valuation, calculation of the City's OPEB liabilities was based upon a discount rate of 5% (as the expected yield on general assets) used in this valuation in calculating the OPEB liabilities. Use of this rate was built upon the assumption that the City would continue to fund its retiree medical benefits out of its general fund assets rather than establish a trust to fund its liability.

If, in fact, the City has, since the prior valuation, not only established a Trust but has also partially or fully-funded their ARC, a higher discount rate (5½% if the City had partially-funded their ARC and even as high as 6% or 6 ½% reflecting a yield on long-term investments, if the Trust is fully funded) may be more fitting which in turn could result in a significant change in liability.

However, GASB does not require that public entities fund their ARC nor do they require establishment of a Trust. As such, the City may not have established a Trust or one may have been established but the City is not fully-funding their ARC. In both cases, use of the 5% discount rate may continue to be appropriate. Regardless of the discount rate to be used in the valuation, for illustrative purposes, our subsequent valuation will

illustrate the City's obligation based upon three discount rates in order to identify the impact of funding and use of discount rates.

Change in Benefits: Assuming that there is no change in the City's benefits allows us to use some of the prior programming foundation created during the initial valuation as a template. However, while there may be a time-savings from reuse of these programming foundations; it is greatly offset by the additional work required in a subsequent study. Since it has been several years since the previous study and there is as much, if not more work/time involved in the process, keeping the fee the same as the previous study, is in fact a value to the City.

Timetable

Below is a 12-week timetable for the completion of the post employment benefits as proposed.

City of West Allis										
Other Post Employment Benefit Valuation Timeline										
	<u>Weeks</u>									
	<u>1 & 2</u>	<u>3</u>	<u>4</u>	<u>5&6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>
Data Collection										
Data set up and determination of assumptions										
Verification of eligibility And assumptions										
Actuarial valuation of benefits for eligible participant										
Verification of results & and finalization										
Preparation of report and presentation of findings										

Assuming that all data is obtained from the City within 3 weeks of acceptance, the valuation will be completed within the approximate 12 week timetable noted above.

KBC's Consulting Team

We are pleased to inform you that the same team of highly qualified, experienced professionals will provide the new valuation for the City. Linda Mont is a senior consultant and managing member. As such, she is responsible for signing agreements and overseeing all work performed. Manal Rizek will be the primary contact once the proposal is accepted. She is the actuarial consultant leading the team working on this project under the guidance of Ted Windsor our chief actuary who will be certifying the final report.

Fees: The fees for service is expected to be within the fee range shown, but shall be no more than the higher fee noted in the range. This allows for discrepancies in the benefit summaries and/or modifications to the valuation as determined at acceptance.

Subsequent Actuarial Valuation Fee Range	
Standard Detailed OPEB Valuation	\$ 7,200 - \$ 7,500

Above fee is valid if accepted with 3 months of issuance.

Subsequent studies and alterations are not included in the above noted fee range.

Review and Report: Our fees include a telephonic review of the draft report and preparation of an electronic version of the report and 2 hard copies of the final valuation report.

City Visit: Many Cities do not require a presentation with the subsequent study. Thus, the subsequent valuation does not include a visit to the City to present the finalized report. However, this service is available at an additional cost. Please contact us if you should like a presentation.

Invoicing: Statements for work completed will be invoiced when a draft valuation is provided to the City. Payment is due upon receipt. Subsequent invoices will be sent if additional services are requested.

Proposal Acceptance

If the City wishes to have an updated study at this time:|

- Please sign and return the attached acceptance form and we will begin a subsequent liability study upon acceptance.

If changes have been made to your City's post employment benefits, and the City is interested in an updated study at this time:

- Please sign the attached acceptance as noted and make the changes on the benefit summaries.
- We will review the changes and reply with modifications to our fees, if needed, based upon the noted benefit changes.

Acceptance

This forms an agreement between the City of West Allis and Key Benefit Concepts, LLC.

OPEB Valuation:

The City accepts KBC's proposal for the Standard Detailed OPEB valuation.

Please check one box below:

- The Post Employment Benefit Summaries as provided in this proposal, accurately and completely reflect the retirement benefits offered by the City.


- The Post Employment Benefit Summaries accurately and completely reflect the retirement benefits offered by the City given the modifications made by the City and noted with this acceptance. *(Please mark changes on page 4.)*

Please indicate if the City is:

- Fully-funded

- Self-Insured

City of West Allis



Paul Ziehler, CAO, Clerk/Treasurer

August 6, 2010

Date

Facsimiles of acceptance signatures shall be as valid as the original signatures.

City of West Allis
Summary of Post Employment Benefits

Police, Fire, Local 80 Clerical, Local 80 Public Works, Engineers, Nurses and Non-Union

Eligibility	OPEB Benefit
<p>Eligible for retiree coverage after retiring from the City at age 55 (age 50 for Protective Services or earlier for disability retirement); must have a minimum of 10 years of service and be receiving a pension annuity from the City of West Allis</p>	<p><u>Continued Medical Coverage:</u> At retirement, the City will pay 95% of the premium frozen at the rate of retirement. Thus, any increases in premium costs are passed onto the retiree.</p> <p>At age 65, the City will revert to paying 50% of the premium cost and the retiree is responsible for the other 50%. Coverage continues until the retiree stops paying their portion of the premium or the retiree dies.</p> <p>The City benefit after age 65 includes the prescription drug coverage.</p>

Please confirm:

- The City currently has approximately 523 retired employees on their plan and another 90 that are eligible, but not on the plan.
- There are currently approximately 531 active employees.
- The City has a PPO and Standard Health Plan—both of which are self-funded



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ADOPTED AUG 03 2010
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APPROVED 8/6/10
Dan Devine
Dan Devine, Mayor

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City of West Allis



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Please confirm:

- The City currently has approximately 523 retired employees on their plan and another 90 that are eligible, but not on the plan. *TOTAL about 598 on PLAN 510 participating*
- There are currently approximately 531 active employees. *ABOUT 535*
- The City has a PPO and Standard Health Plan—both of which are self-funded

① need to discuss the 95% or 5% AND than premium cost INCREASES to see how done. In year 4 it would be the 5% - AND than if premium goes up \$100 the \$100 IS charged plus the 5% of the premium at year of retirement.

② AGE 65 the 50% IS for the PPO plan on the standard plan
The calculation IS premium minus MAJOR medical than times 50%

