



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 29, 2014
TO: Mayor and Councilmembers
FROM: Administration Division, Finance Department
SUBJECT: Professional Services Agreement With Aon Hewitt For Actuarial Services

RECOMMENDATION:

That Council authorize the Finance Director to execute a professional services agreement with Aon Hewitt to perform actuarial services in connection with the City's Post Retirement Health Benefits, Sick Leave Benefits, and Article XV and XVA Safety Retirement Plans in amount of \$37,000, and authorize the Finance Director to approve additional services if needed totaling \$5,000.

DISCUSSION:

Governmental accounting standards require that an actuarial valuation be performed every two years for any all post-retirement benefits provided by the City to its employees. The purpose of the valuations is to determine the actuarial accrued liability associated with post-retirement benefits as of the valuation date; and to determine their funded status.

The valuation will be performed for the following items:

1. Post-Retirement Health Benefits

This includes two components: (1) Amounts paid to City employees from their retirement date until age 65 to cover medical expenses. Employees must meet certain vesting requirements, including being employed with the City for at least fifteen years; and (2) subsidized health insurance premiums.

2. Sick Leave Retirement Benefits

The City provides additional retirement benefits based on unused accumulated sick leave to eligible employees who retire from the City immediately upon termination of employment. Accumulated sick leave balances are converted to credited service that is used to provide additional retirement benefits. Employees must have a minimum of five years of service and retire at a minimum age of 50.

3. Safety Retirement Plans

The City provides two retirement plans for fire and police personnel hired between 1927 and 1965. The first plan, the Safety Retirement Plan, was established to account for the accumulation of resources for retirement benefits; the second plan, the Service Retirement Plan, was established for those fire and police employees that retired from the City and who were disabled due to work-related injuries. Both plans have been closed to new employees since May 1965.

The results of the valuation are included in a required footnote disclosure within the City's Comprehensive Annual Financial Report.

BUDGET/FINANCIAL INFORMATION:

The Fiscal Year 2015 adopted budget and Fiscal Year 2015 recommended budget include sufficient appropriations to cover the \$37,000 fees for these services.

PREPARED BY: Robert Samario, Finance Director

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office