



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 28, 2016

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Professional Services Agreement With Bartel Associates, LLC For Actuarial Services

RECOMMENDATION:

That Council authorize the Finance Director to approve and execute a professional services agreement with Bartel Associates, LLC, 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 covering Fiscal Years 2016 and 2017, in an amount not to exceed \$47,900, which includes \$5,000 for additional services that may be required.

DISCUSSION:

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

Valuations will be performed for the following items:

1. Post-Retirement Health Benefits

This includes two components: (1) Monthly distributions 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 ten or fifteen years, depending on the bargaining unit, or retire from the City with an industrial disability retirement; 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 accrued at least 500 hours of unused sick leave, 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 valuations will be included both in the financial statements and in required footnote disclosures within the City's Comprehensive Annual Financial Report for Fiscal Years 2016 and 2017.

The fees associated with the proposed agreement with Bartel Associates, LLC are comprised of a fixed annual fixed fee of \$39,400 in year one to perform full valuation actuarial services and \$3,500 in year two to perform interim disclosure actuarial services. Any additional services beyond the basic scope of the agreement, such as additional consulting services and specialized reports, may not exceed \$2,500 per year and must be approved in advance and in writing by the Finance Director. The initial term of the agreement is two years, with one optional two-year extension.

BUDGETARY AND FINANCIAL IMPACT:

The Fiscal Year 2017 adopted budget includes sufficient appropriations to cover the \$39,400 fees for these services. Staff anticipates including the base annual cost of \$3,500 for year two in the Fiscal Year 2018 budget. Any costs for extra services, up to the maximum annual amount of \$2,500, will be covered by existing available Finance Department appropriations on an annual basis.

PREPARED BY: Julie Nemes, Treasury Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office