



Office of the City Manager

CONSENT CALENDAR
November 21, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Sharon Friedrichsen, Budget Manager

Subject: Contract No. 090741-1 Amendment: Foster and Foster Consulting Actuaries Inc (formerly Bartel Associates, LLC) for Actuarial Consulting Services

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute an amendment to Contract No. 090741-1 increasing contract amount by \$370,000 with Foster and Foster Consulting Actuaries Inc (formerly Bartel Associates, LLC) for Actuarial Consulting Services, for a revised total contract amount not to exceed \$750,000 through December 31, 2025.

FINANCIAL IMPLICATION OF RECOMMENDATION

The recommended contract amendment with Foster and Foster for Actuarial Consulting Services will add \$370,000 to the existing contract amendment for a total not to exceed amount of \$750,000 through December 31, 2025. Funding for the amendment is available in the FY 2024 Adopted Update Budget General Fund budget with additional funding contingent on appropriation within the Fiscal Year 2025 and 2026 Adopted Budget.

CURRENT SITUATION AND ITS EFFECTS

Under the direction of the City Council and the City Manager, the Human Resources Department is responsible for labor relations activities including actuarial projections to determine the fiscal impacts of the City's various other post-employment benefits ("OPEB") related to pension, medical, and disability. The City pre-funds all of the post-employment benefit plans and contracts for periodic actuarial studies to ensure the plans are meeting the financial assumptions to be able to pay the benefits in future years and to comply with the Governmental Accounting Standards Board (GASB) Statement No. 45 (Accounting and Financial Reporting for Employers for Post-employment Benefits other than Pension); GASB Statement No. 27 (Accounting for Pensions by State and Local Governmental Employers); GASB Statement No. 67 (Financial Reporting for Pension Plans – An Amendment of GASB 25); and GASB Statement No. 68 (Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27) reporting requirements. In creating these benefit plans, one of the stipulations stated in the various Union agreements requires the City to complete periodic actuarial evaluations of the plans to ensure adequate funding. Lastly, City management, at the direction of City Council, has applied this same requirement to any proposed modifications to the negotiated benefit that may be proposed during contract negotiations.

It should also be noted that compliance with the GASB requirements impacts the timing of the completion of the City's audited financial statements and the production of the Annual Comprehensive Financial Statement Report. In addition, Foster and Foster provides actuarial consulting services to the City Manager's Office, the Finance Department and Human Resources. Most recently, Foster and Foster assisted with providing pension and OPEB analysis for the City's unfunded liabilities report, which is required by Council resolution to be updated every two years. Given the complexity of addressing pension and OPEB liabilities, as well as the changing nature of GASB reporting requirements, it is recommended that the contract amount be increased.

BACKGROUND

Foster and Foster Consulting Actuaries Inc. acquired Bartel Associates, LLC and specializes in providing GASB compliant actuarial services to public agencies including retiree medical and pension GASB valuations, actuarial audits, and CalPERS retirement consulting. Over the past several years, the City has contracted with Bartel Associates, LLC to complete actuarial services that are used for periodic actuarial evaluation to determine the fiscal impacts of retirement and OPEB, such as retiree health insurance, offered by the City as well as to meet reporting requirements.

The City's retirement pension benefits are provided through its participation in CalPERS. The benefits are funded by a combination of employee contributions that are set by statute and by employer contributions, which fluctuate from year to year based on an annual actuarial valuation performed by CalPERS. Each of the plans has different rates for the City's annual employer contribution which are generally based on the demographics of the plan participants and the value of investment returns of the City's assets in the CalPERS system.

In addition to CalPERS, the City also provides pension benefits to a closed group of former firefighters and police officers who elected to not transfer to CalPERS and retired prior to March 1973 under the Safety Members Pension Fund (SMPF). This single employer defined benefit pension plan is administered by the Safety Members Pension Board Annual actuarial valuations are required of this plan as stated in GASB Statement No. 27; GASB Statement No. 67; and GASB Statement No. 68.

The City also provides retiree medical benefits and a disability retirement benefits to a closed group of Supplementary Retirement and Income Plan I (SRIP I) participants who were hired prior to July 22, 1988, who have not elected to transfer to SRIP II, and are permanently or indefinitely disabled.

Actuarial analyses allow the City to comply with the various GASB Statement requirements and to meet the City's objectives in recognizing current and future liabilities, and assist the City in its continuing efforts to foster a funding policy that ensures assets are available to pay the benefits as employees retire and not place an undue one-time strain on the City's budget.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects, climate impacts, or sustainability opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

Foster and Foster offer the City a professional and cost-effective solution to the City's actuarial analysis requirements. Many of these actuarial reports are time sensitive and required for completion of the annual financial audit, for compliance with the City Council's reporting on its unfunded liabilities and for analyzing various benefit-related proposals. The firm has institutional knowledge of the City's pension and post-employment benefit plans, as well as those of many comparable agencies in the region, which is beneficial in evaluating the financial impacts of both existing and proposed plans and for providing funding recommendations to the Council for consideration.

ALTERNATIVE ACTIONS CONSIDERED

The type of actuarial work is specialized and the use of an outside firm to provide an independent analysis of the City's plans helps ensure the City meets financial reporting requirements in a timely manner.

CONTACT PERSON

Sharon Friedrichsen, Budget Manager, 510-981-7000

ATTACHMENT

1: Resolution

RESOLUTION NO. ##,###-N.S.

CONTRACT NO. 090741-1 AMENDMENT: FOSTER AND FOSTER
CONSULTING ACTUARIES, INC. FOR ACTUARIAL SERVICES

WHEREAS, there is a need for actuarial services for determining future liabilities for the City's post-employment benefit plans: pension plans with the California Public Employees' Retirement System (CalPERS); Retiree Health Premium Assistance Plan; Police Employees Retirement Income Plan; Safety Members Pension Fund; and Supplementary Retirement and Income Plan I;

WHEREAS, this type of actuarial work is specialized within the professional accounting field and is done by persons who are familiar with professional accounting and actuarial standards and reporting requirements; and

WHEREAS, the City does not have staff that can provide such opinion, advice and services; and

WHEREAS, Bartel Associates, LLC was selected for actuarial services related to CalPERS as part of a continuing engagement since September 2011; and

WHEREAS, on September 30, 2011, the City entered into a contract with Bartel Associates, LLC (hereinafter "Bartel") (Contract No. 8958) for an amount not to exceed \$15,000 to provide actuarial services pertaining to the City's CalPERS pension plan; and

WHEREAS, on November 9, 2012, the City Manager authorized an amendment to increase the contract amount by \$15,000 for a revised contract amount not to exceed \$30,000; and

WHEREAS, on April 1, 2014, the City Manager authorized an amendment to increase the contract amount by \$19,999 for a revised contract amount not to exceed \$49,999; and

WHEREAS, on December 13, 2016 by Resolution No. 67,779-N.S., Council authorized the City Manager to execute an amendment to Contract No. 8958C with Bartel, increasing the contract amount by \$30,001, for a revised contract amount not to exceed \$80,000; and

WHEREAS, on February 23, 2015, the City issued a Request for Proposal (RFP No. 15-10932-C) for actuarial services related to other post-employment benefits: Retiree Health Premium Assistance Plan, Police Employees Retirement Income Plan, Safety Members Pension Fund, and Supplementary Retirement and Income Plans; and a selection committee selected Bartel Associates, LLC as being best able to meet the City's objectives; and

WHEREAS, on November 1, 2015, by Resolution No. 67,181-N.S., Council authorized the City Manager to enter into Contract No. 8958D with Bartel for a contract amount not to exceed \$175,000 for other non-CalPERS post-employment benefits; and

WHEREAS, on November 14, 2017, by Resolution No. 68,217-N.S., Council authorized the City Manager to enter into Contract No. 8958E with Bartel for a contract amount not to exceed \$175,000 for other non-CalPERS post-employment benefits; and

WHEREAS, on July 27, 2021, by Resolution No. 69,978-N.S., Council authorized the City Manager to enter into Contract No. 8958F with Bartel for a contract amount not to exceed \$270,000 for other non-CalPERS post-employment benefits; and

WHEREAS, on July 12, 2022, by Resolution No. 70,446-N.S., Council authorized the City Manager to enter into Contract No. 8958G (ERMA Contract 090741-1) with Bartel for a contract amount not to exceed \$380,000 for actuarial consulting services; and

WHEREAS, Foster and Foster Consulting Actuaries, Inc. acquired Bartel and Associates and the firm has, most recently, provided consulting services related to the City's preparation of an updated unfunded liabilities report, labor negotiations and actuarial analysis required by the Government Accounting Standards Board (GASB) for the completion of the City's annual financial audit; and

WHEREAS, the City is close to reaching the contract limit and anticipates the continued needed for actuarial Consulting Services in the immediate and near future; and

WHEREAS, funding for this amendment is available in the FY 2024 General Fund budget from the City Manager's Office, Finance Department and Human Resources and subject to additional appropriations in Fiscal Years 2025 and 2026.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a contract and any amendments with Foster and Foster Consulting Actuaries, Inc. (formerly Bartel and Associates LLC) for actuarial consulting services, for an amount not to exceed \$750,000 effective September 30, 2011 through December 31, 2025. A record signature copy of said contract and any amendments to be on file in the Office of the City Clerk.

