

ROUTING SLIP CONTRACTS AND AGREEMENTS

Originating Department: Human Resources Council Meeting Date: 1/22/2015
 Department Contact: Cindy Lehman Phone # 427-5244
 Contract or Agreement: Cavanaugh MacDonald Consulting, LLC
 Document Name: _____
 City Obligation Amount: _____ \$4,000
 Total Project Budget: _____
 Uncommitted Account Balance: _____
 Account Number: 51-6950-0511-2303

Procurement Agreements

<u>Select...</u>	<u>Select...</u>
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Grant-Funded Agreements

<u>Select...</u>	Grant Name: _____
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Department	Signature	Date
1) Originating	<i>[Signature]</i>	1/16/15
2) Legal	<i>[Signature]</i>	1-15-15
3) Finance <i>CC</i>	<i>[Signature]</i>	1/16/15
4) Originating		
5) Copy Distribution		
a. Mayor's office (1 copies)		
b. Clerk-Treasurer (Original & 2 copies)		

CITY COUNCIL AGENDA ITEM COVER MEMO

Agenda Item Number: _____

Meeting Type: Regular

Meeting Date: Jan 22, 2015

Action Requested By: Human Resources

Agenda Type: Resolution

Subject Matter:

Agreement between the City of Huntsville and Cavanaugh MacDonald Consulting, LLC., for actuarial services on the City's post-retirement medical plan.

Exact Wording for the Agenda:

Resolution authorizing the Mayor to enter into an agreement between the City of Huntsville and Cavanaugh MacDonald Consulting, LLC., for the purpose of providing actuarial services on the City's post-retirement medical plan.

Note: If amendment, Please state title and number of the original!

Item to be considered for: Action

Unanimous Consent Required: No

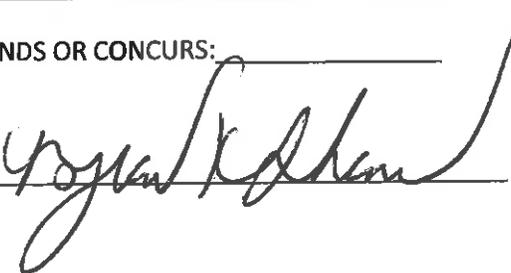
Briefly state why the action is required; why it is recommended; what council action will provide, allow and accomplish and; any other information that might be helpful.

Actuarial studies to measure the impact of proposed plan changes and increased active members on the City's post-retirement medical plan.

Associated Cost: _____

Budgeted Item: _____

MAYOR RECOMMENDS OR CONCURS: _____

Department Head: 

Date: 1/16/15

RESOLUTION NO. 15-_____

WHEREAS the City Council of the City of Huntsville, Alabama, does hereby declare that the Mayor be, and he is hereby authorized to enter into a Contract between the City of Huntsville and Cavanaugh MacDonald Consulting, LLC on behalf of the City of Huntsville, a municipal corporation in the State of Alabama, which said agreement is substantially in words and figures similar to the certain document attached hereto and identified as "Agreement Between the City of Huntsville and Cavanaugh MacDonald Consulting, LLC for Actuarial Services on the City's Post-Retirement Medical Plan" consisting of three (3) pages and the date of January 22, 2015 appearing on the margin of the first page, together with the signature of the President or President Pro Tem of the City Council, an executed copy of said document being permanently kept on file in the Office of the City Clerk-Treasurer of the City of Huntsville, Alabama.

ADOPTED this the 22nd day of January, 2015.

President of the City Council of
the City of Huntsville, Alabama

APPROVED this the 22nd day of January, 2015.

Mayor of the City of
Huntsville, Alabama

**AGREEMENT BETWEEN THE CITY
OF HUNTSVILLE AND CAVANAUGH
MACDONALD CONSULTING, LLC
FOR ACTUARIAL SERVICES ON THE
CITY'S POST-RETIREMENT
MEDICAL PLAN**

STATE OF ALABAMA)
)
COUNTY OF MADISON)

AGREEMENT

THIS AGREEMENT is made and entered into this the ____ day of January, 2015, by and between the City of Huntsville, Alabama, a municipal corporation in the State of Alabama (hereinafter referred to as "City") and Cavanaugh Macdonald Consulting, LLC, (hereinafter referred to as "Consultant").

WITNESSETH

WHEREAS, Consultant has an agreement with the Alabama State Employees' Insurance Board (SEIB) to provide actuarial services to the SEIB and all participating members of the Alabama Employees' Retirement System (ERS) and the Local Government Health Insurance Program, known as the Joint Actuarial Study Program; and

WHEREAS, the City is an ERS participant and desires an actuarial valuation of its post-retirement medical plan; and

WHEREAS, the City has previously utilized the services of Consultant and desires additional actuarial studies of its post-retirement medical plan as described in the Additional Studies Letter which is attached hereto and incorporated herein as Attachment "A".

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, the parties do hereby agree as follows:

1. Consultant shall perform actuarial studies of the City's post-retirement medical plan and provide reports and other documentation according to the specifications set forth in Attachment "A".

2. City shall pay Consultant the sum of Four Thousand Dollars (\$4,000.00) for two actuarial studies in accordance with Attachment "A" upon submission of the Consultant's final letter and an invoice from the Consultant.

President of the City Council of
the City of Huntsville, Alabama
Date: _____

3. In the performance of this work it is understood between the parties that Consultant and its employees, agents, subcontractors and consultants, if any, shall be acting as independent contractors and not as an employee of the City of Huntsville. Contractor shall have no authority to obligate the City to any indebtedness or other obligation.

4. City may terminate this Agreement at any time for any reason, with or without cause, upon written notice delivered to Consultant. In the event of such termination, City shall compensate Consultant a prorated portion of the fee herein described based on work performed by Consultant prior to the termination.

5. The point of contact for the City shall be Cindy Lehman, City of Huntsville, Alabama, and the point of contact for the Consultant shall be as described in Attachment "A".

6. This Agreement shall be governed by the laws of the State of Alabama. Venue for all actions arising out of this Agreement shall be in the Circuit Court of Madison County, Alabama or the United States District Court for the Northern District of Alabama, Northeast Division.

7. Nothing in this contract shall create, or be interpreted to create, privity or any other contractual agreement between the City and any person or entity other than Consultant.

8. This Agreement represents the entire agreement between the City and Consultant and supersedes all prior communications, negotiations, representations or agreements, either written or oral. This agreement may be amended only by written instrument duly executed by both City and Consultant.

IN WITNESS WHEREOF, the parties have entered their hands and seals and attest to the same with the signature of the Mayor being the official act of the said municipality in accordance with his duly constituted authority.

Signatures follow on the next page.

CITY OF HUNTSVILLE, ALABAMA,
A Municipal Corporation in
The State of Alabama

By: _____
Tommy Battle, Mayor

ATTEST:

Charles E. Hagood, Clerk-Treasurer

CAVANAUGH MACDONALD
CONSULTING, LLC

By: *Al Burt*

Its: *Principal and Consulting
Actuary*

ATTEST:

By: *Lindsey C Burgess*

Its: _____





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve.

December 19, 2014

Ms. Cindy B. Lehman
Benefits and Safety Coordinator
Human Resources
City of Huntsville
308 Fountain Circle
Huntsville, AL 35801

Re: Additional actuarial studies for the City of Huntsville

Ms. Lehman:

This letter serves as a contract between the City of Huntsville and Cavanaugh Macdonald Consulting, LLC (CMC) to perform two actuarial studies to measure the impact of proposed plan changes and increased active membership on the OPEB results for the City.

Background:

The City of Huntsville is interested in understanding the impact on the Annual Required Contribution (ARC) of reducing the retiree premiums by (a) 10% and (b) 20% from their current levels; and the effect of additional participants entering the Plan. It is assumed that the City currently requires the retiree to contribute 60% of the suggested premium.

Scope of Work:

CMC interprets this as two separate studies:

1. The first study would model the impact of reducing the retiree's contribution by (a) 10% and (b) 20%, meaning, lowering the retiree contribution from 60% to (a) 50% and (b) 40%. CMC would model the impact on the ARC based on the 9/30/2012 OPEB Valuation and use the assumptions and plan provision in effect at that time to perform the study.
2. The second study would model the impact of additional participants entering the plan. Specifically, the study would reflect a projection of the ARC as the number of active participants increase. In order to do this, CMC will take the following approach:
 - a. Using the 9/30/2012 valuation, and using the 60% retiree contribution rate, CMC would provide a 30 year time frame projection of the ARC and OPEB liabilities assuming that participants that leave the plan due to decrements (termination, retirement, death, etc.) are replaced with new entrants so that the overall active counts remain unchanged. This would serve as a baseline projection against which the impact of adding participants to the plan can be compared.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

Phone (678) 388-1700 • Fax (678) 388-1730

www.CavMacConsulting.com

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- b. Using the 9/30/2012 projection presented in (a), CMC would model the 30 year impact on the ARC and OPEB liabilities of a 1% increase in active population. Meaning, each year, the City would replace those participants that decremented, as outlined in the baseline projection, and add an approximately 20 additional participants to the active group every year.

Assumptions:

In order to perform the analysis, CMC will use the following assumptions:

1. The results will be based on the 9/30/2012 OPEB Valuation for the City of Huntsville. The plan provision, decrements, assumptions and data used to determine that valuation will be the basis for the additional studies. It is assumed that retirement patterns will not change due to any change in retiree premiums modeled in the study.
2. Please note, it is recommended that a more recent valuation base be used, as it provides a more accurate understanding of how changes to the plan will impact the ARC and OPEB liabilities.
3. There will be no material changes to the plan, other than the scope of the study, in the future.
4. Baseline claims cost per member won't change.

Deliverables:

CMC will provide a letter that shows the impact on the ARC and the OPEB liabilities for the two studies outlined in the Scope of Work.

Timing:

CMC will provide the final deliverable by the 28th of February, 2015. In order to meet this deadline, CMC may need to engage the City in providing additional information as it pertains to the study. The deliverable date may not be feasible if any outstanding issues cannot be resolved in a timely manner.

Cost:

The cost of the studies is \$4,000. Any additional analysis that is requested, outside the Scope of Work, is subject to additional fees.

Sincerely,

A handwritten signature in black ink that reads 'Alisa Bennett'.

Alisa Bennett, FSA, EA, FCA, MAAA
Principal and Consulting Actuary

AB:tsi