



Huntsville, Alabama

308 Fountain Circle
Huntsville, AL 35801

Cover Memo

Meeting Type: City Council Regular Meeting **Meeting Date:** 11/16/2023

File ID: TMP-3560

Department: Finance

Subject:

Type of Action: Approval/Action

Resolution authorizing the Mayor to enter into an Agreement between the City of Huntsville and Cavanaugh MacDonald Consulting, LLC for Actuarial services on the City's Post-Retirement Medical Plan.

Resolution No.

Finance Information:

Account Number: 1000-13-13100-515370-00000000-

City Cost Amount: \$ 15,500.00 (Approximately)

Total Cost: \$ 15,500.00 (Approximately)

Special Circumstances:

Grant Funded: \$ N/A

Grant Title - CFDA or granting Agency: N/A

Resolution #: N/A

Location: (list below)

Address: N/A

District: District 1 District 2 District 3 District 4 District 5

Additional Comments:

RESOLUTION NO. 23- _____

BE IT RESOLVED by the City Council of the City of Huntsville, Alabama, that the Mayor be, and he is hereby authorized on behalf of the City of Huntsville, a Municipal Corporation in the State of Alabama, to enter to an Agreement by and between The City of Huntsville and Cavanaugh Macdonald Consulting, LLC which said agreement is substantially in words and figures similar to that certain document attached hereto and identified as an "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 with the date of November 16, 2023, 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 of the City of Huntsville, Alabama.

ADOPTED this the 16th day of November, 2023.

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

APPROVED this the 16th day of November, 2023.

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 16th day of November, 2023, 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, information pertinent to the Joint Actuarial Study Program is described in the Memorandum Of Participation which is attached hereto and incorporated herein as Attachment "A"; and

WHEREAS, the City is an ERS participant and desires a full actuarial valuation of its post-retirement medical plan to provide information for September 30, 2023 financial disclosure.

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

1. Consultant shall:
 - a. Perform a full actuarial valuation of the City's post-retirement medical plan as of 9/30/2022.
 - b. Produce a report in accordance with the requirements and standards of the actuarial profession, disclosing actuarial methods, assumptions, procedures and data sources, and the information necessary for the City to comply with the reporting requirements of GASB 74/75. The said report shall be delivered to the City on or before February 15, 2024 so long as all of the requested information in Attachment A is provided to the Consultant by November 30, 2023.

2. City shall:

a. Provide Consultant the information as described in the "Information Collection Sheet for OPEB Request" of Attachment A.

b. Pay Consultant a Base Fee of Eight Thousand Five Hundred Dollars (\$8,500.00) for the services herein described in accordance with Attachment A upon submission of Consultant's final report and an invoice from Consultant.

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 points of contact for the City shall be Shellie Gentle and Rachel Biggs, and the point of contact for the Consultant shall be Brandon Trieu.

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, Northeastern 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 signed by both City and Consultant.

9. The parties agree that any form of electronic signature, including but not limited to signatures via facsimile, scanning, or electronic mail, may substitute for the original signature and shall have the same legal effect as the original signature.

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.

(signature page follows)

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

By: _____
Tommy Battle, Mayor

ATTEST:

Shaundrika Edwards, Clerk

**CAVANAUGH MACDONALD
CONSULTING, LLC**

By: Alise Ben
Its: President

ATTEST:

By: Kimberly Davis
Its: Office Manager

2022 MEMORANDUM OF PARTICIPATION (MOP) FOR A FULL VALUATION OF THE OTHER POST-EMPLOYMENT BENEFITS (OPEB)

LOCAL UNIT: City of Huntsville, Alabama
MAILING ADDRESS: 308 Fountain Circle
CITY: Huntsville, Alabama **ZIP CODE:** 35801
NAME OF REPORT RECIPIENT: Mr. Ms. (choose one) Penny Smith
PHONE #: (256) 427-5062 **TITLE:** Director of Finance
E-MAIL: penny.smith@huntsvilleal.gov

On behalf of the unit government noted above, we agree to participate in the Joint Actuarial Study Program offered by Cavanaugh Macdonald Consulting, LLC.

I understand that **we will be billed directly by Cavanaugh Macdonald Consulting, LLC** and copies of the actuarial report will be sent electronically by Cavanaugh Macdonald Consulting. I understand that the fee structure is as follows: The fees for a local unit will vary by population and participation in the Alabama Employees' Retirement System (ERS) and the Local Government Health Insurance Program (LGHIP).

FEE SCHEDULE - The fees for a local unit will vary by population and participation in ERS. The fees also depend on whether the local participates in the LGHIP.

	In ERS and LGHIP	All Others
Base Fee		
▪ Less than 20 active/retired participants	\$5,500	\$6,500
▪ 20-49 active/retired participants	\$6,500	\$7,500
▪ 50-99 active/retired participants	\$7,000	\$8,000
▪ 100 or more active/retired participants	\$7,500	\$8,500
Per Participant Fee		
▪ Less than 50 active/retired participants	\$5.00	\$5.00
▪ 50-99 active/retired participants	\$4.00	\$4.00
▪ 100-249 active/retired participants	\$3.25	\$3.25
▪ 250-499 active/retired participants	\$2.75	\$2.75
▪ 500 or more active/retired participants	\$2.50	\$2.50

GASB OPEB Interim Year Valuation: \$2,500 (All OPEB Plans)

Local units must return this 2022 Memorandum of Participation indicating their desire to participate along with all requested data as outlined on the following pages. In order to complete the report by the end of the year, we need to receive **all requested information no later than July 31, 2023.**

If (1) your plan is not a single employer, defined benefit plan or (2) if your plan has discreetly presented component units or (3) if your plan has a special funding situation, additional fees may apply. Please contact us for a fee quote.

_____ Signed this _____ day of _____, 20____.
 Authorized Signature

Note: In order to finalize the GASB 74/75 exhibits by the end of the year, we will need the Trust statement information, a copy of your investment policy, and a copy of your funding policy for the fiscal year ending September 30, 2023. These items should be provided as soon as possible after September 30, 2023.

INFORMATION COLLECTION SHEET FOR OPEB REQUEST

LOCAL UNIT: City of Huntsville, Alabama

UNIT'S RETIREMENT SYSTEM 3 LETTER CODE: ERS

1) **Demographic Data Requirements:** All data must be submitted **electronically** (in an Excel file). **Please do not provide census or demographic data in PDF format.** (If you are submitting data via e-mail and you choose to use Social Security numbers as the unique identifier, for the protection of your members, you should consider password protecting or encoding this identifier.) Active data will be provided by Alabama ERS.

a) For retired employees and beneficiaries as of the valuation date (September 30, 2022), please provide an electronic listing including the following information.

- Personal Identification Number (PID)
- Name
- Gender (M or F)
- Date of Birth
- Date of Hire
- Date of Retirement
- Service at Retirement (###)
- Medical Plan Election
- Medical Coverage Tier (single, family, etc.)
- Spouse Date of Birth (If applicable)
- Dental Plan Election
- Dental Coverage Tier (single, family, etc.)
- Vision Plan Election
- Vision Coverage Tier (single, family, etc.)
- Life Insurance

b) For former employees who are not yet retired, but who will be eligible for retiree health care benefits, please provide an electronic listing including the following information.

- Personal Identification Number (PID)
- Name
- Gender (M or F)
- Date of Birth
- Date of Hire
- Date of Termination
- Date or age at which person becomes eligible for retiree health care benefits
- Service with the Municipality (###)

c) If the local unit currently employs members that are eligible to receive retirement benefits from the Alabama ERS but are **not eligible** to receive OPEB benefits, please provide an electronic listing in Microsoft Excel format; of those members.

2) **Plan Provisions:** Have the plan provisions changed since the prior valuation?

Yes No (choose one)

If yes or if Cavanaugh Macdonald did not prepare your prior OPEB report, please provide us with copies of the appropriate pages of the Local Government's employee handbook or personnel policy that provides a description of the current approved retiree health care benefit provisions (substantive plan). If different provisions affect different portions of the retiree or future retiree population, please indicate which provisions cover which groups.

Retiree Benefits, Eligibility Conditions, and Duration: Please check all that apply.

Medical

Eligibility Conditions:

- Normal Retirement Early Retirement Disability Retirement Death-in-Service (Survivor Benefit)

Other: _____

Retiree Benefit Duration:

- Not Eligible Until Eligible for Medicare Retiree's Lifetime

Other: _____

Does the Retiree contribute towards the cost of their coverage? If YES, please explain.

Dependent Benefit Duration:

- Not Eligible Until Retiree is Eligible for Medicare Until Dependent is Eligible for Medicare Dependent's Lifetime

Other: _____

Does the Dependent contribute towards the cost of their coverage? If YES, please explain.

Dental

Dental Plans Available to Retirees/Dependents:

- None Combined with Medical Plan Above (Not Stand Alone) Stand Alone

Eligibility Conditions:

- Normal Retirement Early Retirement Disability Retirement Death-in-Service (Survivor Benefit)

Other: _____

Retiree Benefit Duration:

- Not Eligible Until Eligible for Medicare Retiree's Lifetime

Other: _____

Does the Retiree contribute towards the cost of their coverage? If YES, please explain.

Dependent Benefit Duration:

- Not Eligible Until Retiree is Eligible for Medicare Until Dependent is Eligible for Medicare Dependent's Lifetime

Other: _____

Does the Dependent contribute towards the cost of their coverage? If YES, please explain.

Vision

Vision Plans Available to Retirees/Dependents:

- None
- Combined with Medical Plan Above (Not Stand Alone)
- Stand Alone

Eligibility Conditions:

- Normal Retirement
- Early Retirement
- Disability Retirement
- Death-in-Service (Survivor Benefit)

Other: _____

Retiree Benefit Duration:

- Not Eligible
- Until Eligible for Medicare
- Retiree's Lifetime

Other: _____

Does the Retiree contribute towards the cost of their coverage? If YES, please explain.

Dependent Benefit Duration:

- Not Eligible
- Until Retiree is Eligible for Medicare
- Until Dependent is Eligible for Medicare
- Dependent's Lifetime

Other: _____

Does the Dependent contribute towards the cost of their coverage? If YES, please explain.

Life Insurance

Life Insurance Benefits Available to Retirees/Dependents (check all that apply):

- None
- Benefit based on Salary at retirement
- Flat Dollar Amount

Does the benefit change based on age? If YES, please explain.

Eligibility Conditions:

- Normal Retirement
- Early Retirement
- Disability Retirement
- Death-in-Service (Survivor Benefit)

Other: _____

Retiree Benefit Duration:

- Not Eligible
- Until Eligible for Medicare
- Retiree's Lifetime

Other: _____

Does the Retiree contribute towards the cost of their coverage? If YES, please explain.

Dependent Benefit Duration:

- Not Eligible
- Until Retiree is Eligible for Medicare
- Until Dependent is Eligible for Medicare
- Dependent's Lifetime

Other: _____

Does the Dependent contribute towards the cost of their coverage? If YES, please explain.

- 3) **Medical Coverage Summary:** Please provide a summary of medical coverage for each health care option. The summary should include items such as co-pays, deductibles, out of pocket maximums, office co-pays, etc. for each separate plan option (i.e., HMO, PPO option 1, Indemnity 1, etc.).
- 4) **Premium Rate Information:** Please submit the 2022 and 2023 fully-insured monthly active and retiree premium rates with effective dates with employer and employee contributions.

Is the locality a member of the LGHIP? _____

If YES, please identify the Blue Cross Blue Shield monthly retiree premium rates in the LGHIP 2022 and 2023 Administrative Procedures Guide that apply to the locality.

5) **Aggregate Claims Experience, Administrative, and Other Fixed Fees – Only if not in LGHIP:**

Does the local unit participate in the LGHIP? If YES, please skip to question 6.

If you do **NOT** participate in the LGHIP and is self-insured, please provide the following information in **an Excel file**.

- a) Monthly headcounts and paid aggregate claims (separately) for the most recently available 24 months. Enrollment data should include employees/retirees as well covered dependents. Claims and enrollments should be summarized separately by
- Active vs. retiree groups
 - Medicare-eligible (Post – 65) vs. Non Medicare-Eligible (Pre – 65)
 - Claim type:
 - Medical
 - Prescription drugs
 - Dental
 - Vision, etc.
- b) Stop/Loss reimbursement totals for the Medicare and non-Medicare (reported separately) eligible retiree health care plans for the most recent 24 months.
- c) Stop Loss rates (both aggregate and specific) and attachment points.
- d) Monthly administrative expenses for the current period divided by category, as appropriate. (For example claims administration, utilization review, PPO fees, etc.) We are interested in all fees that are paid in addition to claims. If only one vendor is paid for all administration functions then the breakdown by category is not necessary.
- e) Report all capitated service fees.
- f) Historical stop/loss reimbursement totals

A separate file should be submitted for each plan (i.e. PPO, HDHP, etc.) or additional tabs can be added to the template provided. The template can be forwarded to your administrator for completion. We provided a template for your use in collecting the claims experience information as an attached in the data request email. If the template is not fully completed, additional information may be requested and delays may occur.

6) **Asset Information:** If the locality have assets reserved in an irrevocable Trust solely for retiree health care, please provide the following (about the 9/30/2023 assets):

- a) A copy of the September 30, 2023 Trust statement detailing the cash flows for the year and asset classes for the year-end market value balance. This must be an annual statement, not the monthly September statement.
- b) Premiums and/or claims paid outside of the Trust for measurement period October 1, 2022 through September 30, 2023. We provided a template for your use in collecting this information as an attachment in the data request email. Email me at BrandonT@CavMacConsulting.com if you need another copy. If the template is not fully completed, additional information may be requested and delays may occur. If the information is not accurate, rework may be needed and additional fees may incur.
- c) A copy of the plan's funding policy.
- d) A copy of the plan's investment policy including the target allocation and 10 year expected real rate of return for each asset class. Indicate (1) the inflation assumption included in each rate and (2) whether the rates are arithmetic or geometric.
- e) The long-term rate of return currently adopted for the Plan's funding is _____ % for year.

8) **Additional Information:**

- a) Please provide a copy of the most recent OPEB valuation performed by the previous actuary (**other than Cavanaugh Macdonald**), if applicable.
- b) Please provide a copy of the section of the most recent audited financial statement that contains GASB Pension and OPEB reporting and any supplementary information.
- c) Please provide the name and e-mail address of someone who can be contacted to answer questions, should they arise.

If you have questions about the form, please contact **Brandon Trieu** (BrandonT@CavMacConsulting.com) at Cavanaugh Macdonald Consulting, LLC at (678) 388-1724.

Mail form to:
Cavanaugh Macdonald Consulting, LLC
3550 Busbee Parkway, Suite 250, Kennesaw, Georgia 30144
Or email electronic files to Brandon Trieu at: BrandonT@CavMacConsulting.com