



Office of the City Manager

CONSENT CALENDAR
July 12, 2022

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Donald Ellison, Interim Director of Human Resources

Subject: Contract No. 8958F Amendment: Bartel Associates, LLC for Actuarial Consulting Services

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute an amendment to Contract No. 8958F increasing contract amount by \$110,000 with Bartel Associates, LLC for Actuarial Consulting Services, for a revised total contract amount not to exceed \$380,000 through December 31, 2023.

FINANCIAL IMPLICATIONS

The contract amendment with Bartel Associates, LLC for Actuarial Consulting Services will add \$110,000 to the existing contract through December 31, 2023. Funding for the proposed amendment is available in the FY 2024 Human Resources General budget. Funding for this contract amendment will come from various funds: General Fund budget code 011-99-900-900-0000-000-412-612990 (for CalPERS actuarial services); various Retiree Medical Trust Funds (Funds 722 through 731); the Payroll Deduction Trust Fund (Fund 013 for the Supplementary Retirement and Income Plan); and the Safety Members Pension Fund Trust Fund (Fund 701 for the Safety Members Pension Fund) for a revised amount not to exceed \$360,000.

Current Contract Amount	\$270,000
Proposed Increase (this amendment)	\$110,000
Total New Contract Amount	\$380,000

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 post-employment benefits 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. Moreover, in creating these post-employment 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 which may be proposed as a result of contract negotiations. Fundamentally, the intent is to provide a thorough overview of the City’s long-term retirement expenditure obligations in a format that is easily understandable.

BACKGROUND

Bartel Associates, LLC 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 which are used for periodic actuarial evaluation, and to determine the fiscal impacts of the

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.

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The City contributes to the following plans in the CalPERS system:

City CalPERS Groups	CalPERS Pension Benefit
Miscellaneous Classic Members	2.7% at age 55
Miscellaneous New Members (as defined by PEPRA)	2.0% at age 62
Safety Fire Classic Members	3.0% at age 50
Safety Fire New Members (as defined by PEPRA)	2.7% at age 57
Safety Police Classic Members Tier I (closed group)	3.0% at age 50
Safety Police Classic Members Tier II	3.0% at age 55
Safety Police New Members (as defined by PEPRA)	2.7% at age 57

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.

On November 16, 2010, the City Council received the City Auditor's report on "Employee Benefits: Tough Decisions Ahead" that included a recommendation that the City Manager determine which employee benefits are the highest risk to the City and, if appropriate, perform actuarial valuations annually, rather than biennially. The City's objective is to recognize current and future liabilities and to establish a funding policy so that assets are available to pay the premium costs as employees retire and not place an undue one-time strain on the City's budget.

The actuarial analyses conducted by Bartel allows the City to comply with the various GASB Statement requirements and to meet the City's objectives in recognizing current and future liabilities, and assists 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

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

RATIONALE FOR RECOMMENDATION

Bartel Associates, LLC offers the City a professional and cost-effective solution to the City's actuarial analysis requirements. In addition, the firm has institutional knowledge of the City's post-employment benefit plans, as well as those of many comparable agencies in the region, which assures the City remains competitive in the labor market.

ALTERNATIVE ACTIONS CONSIDERED

The type of actuarial work is specialized and staff is unable to undertake such an endeavor.

CONTACT PERSON

Donald Ellison, Interim Director of Human Resources, 510-981-6807

Attachment:

1: Resolution

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

CONTRACT NO. 8958F AMENDMENT: BARTEL ASSOCIATES, LLC 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, the City is close to reaching its contract limit of \$270,000 and unless the contract amount is increased, the City would be without the professional actuarial Consulting Services; and

WHEREAS, funding for this amendment is available in the FY 2024 Human Resources Department General Fund budget.

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 Bartel Associates, LLC for actuarial consulting services, for an amount not to exceed \$380,000 effective September 30, 2011 through December 31, 2023. A record signature copy of said contract and any amendments to be on file in the Office of the City Clerk.

