

**RESOLUTION 2022-10
(3-1-2022)**

**RESOLUTION BY THE ADMINISTRATION, PERSONNEL POLICY AND
LEGAL COMMITTEE OF THE VILLAGE OF STURTEVANT AUTHORIZING A
CONTRACT WITH KEY BENEFITS CONCEPTS TO CONDUCT A POST
EMPLOYMENT BENEFIT ACTUARIAL LIABILITY STUDY FOR THE VILLAGE
OF STURTEVANT**

WHEREAS, the issuance of a Government Accounting Standards Board (GASB) requires all municipalities that provide post-employment benefits to have an actuarial study performed every three years; and

WHEREAS, the Village Board of the Village of Sturtevant has reviewed a proposal from Key Benefit Concepts, LLC to prepare a Post-Employment Benefit Actuarial Liability Study; and

WHEREAS, the Village Board of the Village of Sturtevant is satisfied with the proposal submitted by Key Benefit Concepts to conduct a Post-Employment Benefit Actuarial Liability Study for the Village of Sturtevant.

NOW THEREFORE, the Village Board of the Village of Sturtevant, Racine County, Wisconsin does hereby resolve:

1. That the execution of an agreement with Key Benefit Concepts to prepare a Post-Employment Benefit Actuarial Liability Study for the Village of Sturtevant at a cost not to exceed \$14,640.00 over a 4-year period as specified on Exhibit A, is authorized and approved.
2. That the funds shall be taken from account number: 101-51510-290; and
3. The Village President and the Village Clerk are authorized to sign any agreements or other documents necessary to carry out the intent of this resolution.

Adopted by the Village Board of the Village of Sturtevant, Racine County, Wisconsin, this 1st day of March, 2022.

Village of Sturtevant

By 

Michael Rosenbaum, President

Attest 

Cheryl Zamecnik, Village Clerk

Subsequent OPEB Valuation for the Village of Sturtevant

Previous Study

Key Benefit Concepts completed an actuarial liability study for the Village of Sturtevant in November 2019. The study had a valuation date of December 31, 2018. We provided a standard detailed valuation of Other Post-Employment Benefits (OPEB) liability and stipend (supplemental pension) benefits. On pages 7-9 is the summary of benefits for which we based the Village's previous valuation. If the benefits remained the same, we anticipate our fees for an updated detailed valuation to be \$5,900.

If the Village wishes to have an updated study at this time, please sign and return the attached acceptance form and we will begin a subsequent liability study upon acceptance.

If further changes beyond those already noted on pages 7-9 have been made to your Village's post employment benefits, and the Village is interested in an updated study at this time, please sign the attached acceptance as well as send us the modified benefits. We will review the changes and reply with modifications to our fees, if needed, based upon the noted benefit changes.

New Study

Subsequent studies may be more complex than initial studies and require more work than merely updating terminated employees and new hires. The retirement, termination and addition of employees can change the demographics of a group (i.e. average age and years of service, average age of medical plan participant). These demographics are critical in the calculation of the liabilities, particularly in that of the implicit rate subsidy. In other words, when performing a subsequent study, regardless if it is the actuary that performed the prior valuation or some other actuary, calculation of the liabilities is performed as of the new valuation date, based upon the actives and retirees of the Village as of this new valuation date and their associated demographics. So, in this regard, it is as if we are performing an initial study all over again.

Please note that KBC does not provide legal advice. The scope of the project is clearly defined in our proposal and does not include commentary or accountability for whether such benefits and eligibilities comply with state, federal or other required guidelines. The government entity is responsible for assuring that the benefits it provides are in compliance with all current regulations.

Village Funding

Via emails from the Village on February 3, 2022, the Village is funding benefits as follows:

- OPEB: pay-as-you-go basis from general assets (i.e., the Village is *not* funding its benefit via an irrevocable trust or account).
- Supplemental Pension Benefits: pay-as-you-go basis from general assets (i.e., the Village is *not* funding its benefit via an irrevocable trust or account).
- Fully-insured health benefit: The Village provides health benefits on a fully-insured basis

With recent changes in GASB guidelines, it is important to note that this proposal for a new valuation is based upon this Village Funding approach.

Proposed Valuation

This proposal is for a valuation of the OPEB (GASB 74/75) and Supplemental Pension (GASB 73) benefits based upon compliance with the new GASB Statements.

The proposal assumes the following:

- Valuation Date: 12/31/2020
- Measurement Date: 12/31/2020 (*roll back*)
- Reporting Date: 12/31/2021

KBC's Terminology:

This is terminology used by KBC to distinguish the type of valuation being provided and is not necessarily used by auditor or other actuaries in the industry.

Roll Back refers to a valuation with a measurement date 12 months prior to the reporting date
Roll Forward refers to a valuation with a measurement date the same as the reporting date.

Fees: The fee for services is expected to be no greater than the fee shown. These fees are based upon the Village's funding method noted above. Should the Village be using a different funding method than as noted herein, the fees for services are not valid and a new proposal is required.

Under new GASB Statements, it is required for an actuary to update tables in the year between valuations. KBC will provide OPEB and Supplemental Pension table updates for fiscal year end reporting 12/31/2022. Since this is billed separately in the subsequent year, the fee for the table updates are itemized separately. Our fee below is for the table updates, based upon following GASB Statements 73, and 75, and assuming that the Village is agreeable to a measurement date that is 12 months prior to the reporting date for such updates. Our fee is based upon this assumption.

| Subsequent Actuarial Valuation & Required Table Update Fee | |
|--|----------|
| | Fee |
| Standard OPEB & Supplemental Pension Valuation | |
| • Discounted fee if paid by cash, check or ACH Transfer | \$ 5,900 |
| • Paid by Debit/Credit Card (including processing fee) * | \$ 6,077 |
| In Person Visit to Village to Present Updated Report (<i>optional service</i>) | \$ 325 |
| Virtual Meeting with Village to Present Updated Report outside of regular business hours (<i>optional service</i>) | \$ 250 |
| Required Table Update - for the 12/31/2022 financial reporting year end OPEB Table Updates GASB 75 and Stipend Table Updates GASB 73 - Roll Back | |
| • Fee if paid by check or ACH Transfer | \$ 1,600 |
| • Paid by Debit/Credit Card (including processing fee) * | \$ 1,648 |

Option: 4-year Agreement - (Fee for Valuation 12/31/2020, Table Updates 12/31/2021, Updated Valuation 12/31/2022, and Table Updates 12/31/2023)

Many entities request multi-year agreements; thus, we have provided this option for the Village as well. Below are our fees for the 12/31/2020 (FYE 12/31/2021) valuation and 12/31/2021 (FYE 12/31/2022) table updates, the subsequent valuation as of 12/31/2022 (FYE 12/31/2023), and table updates as of 12/31/2023 (FYE 12/31/2024).

The fees for the valuations and the table updates assume there will be no changes or modifications to the eligibility or post employment benefits from the initial year valuation. The subsequent year following the valuation requires table updates. Each new valuation requires calculations of the inflows and outflows and preparation/update of the table of inflows and outflows. This multi-year agreement allows the Village to budget for upcoming expected costs. Further, since the 4-year agreement reduces KBC's administrative time/expense to prepare the proposal and request approval, the fees for the 4-year period reflects the reduced time/expense spread over the 4-year period.

Should the GASB guidelines, benefits, eligibility, or measurement date change, the fees below would be subject to change:

| Actuarial Valuation & Required Table Update Fees | Credit Card* | Check or ACH |
|--|------------------|------------------|
| 1. Subsequent Standard OPEB and Supplemental Pension Valuation GASB 73 & 75 as of 12/31/2020 for FYE 12/31/2021 | \$ 5,758 | \$ 5,590 |
| 2. Required OPEB and Supplemental Pension Table Update GASB 73 & 75 for the fiscal year end 12/31/2022 | \$ 1,648 | \$ 1,600 |
| 3. Subsequent Standard OPEB and Supplemental Pension Valuation GASB 73 & 75 as of 12/31/2022 for FYE 12/31/2023 | \$ 6,026 | \$ 5,850 |
| 4. Required OPEB & Supplemental Pension Table Updates GASB 73 & 75 for the fiscal year end 12/31/2024 | \$ 1,648 | \$ 1,600 |
| Total 4-year Agreement Fees | \$ 15,079 | \$ 14,640 |

*Paid by Debit/Credit Card (including processing fee). KBC offers the option of paying the fee by debit or credit card. The difference in the fee is the processing service cost. There is a discounted fee for payment by check, cash or ACH transfer as noted.

An in person visit to the Village to present updated report (optional services) \$325/visit or \$250/ visit for a virtual meeting with the Village to present the updated report if outside of regular business hours.

Fees noted in this proposal are valid if accepted by March 15, 2022.

The fees for the table updates assume there will be no changes or modifications to the eligibility or post employment benefits from the 12/31/2020 valuation. Note, the fee for table update services will be invoiced in 2022/ 2023 after the service is provided.

Subsequent studies and alterations are not included in the above noted fee.

Because of the importance of oral and written representations to an effective agreement, The Village hereby releases KBC and its current, former or future owners, agents, employees, personnel and assignees from any and all claims, liabilities, costs and

expenses attributable to a misrepresentation by the Village or its management. Further, the Village understands and agrees to the valuation as prepared by KBC or assignee according to the following process and outcomes:

The calculations of cost and liabilities illustrated will be determined according to generally accepted actuarial principles and standards. Specific assumptions and actuarial methodology for the study will be defined within the report. Each material assumption will be, in the actuaries' opinion, individually reasonable and falls within the best estimate range, taking into account past experience and reasonable future expectations, and is consistent with each other material assumption. Given that actual experience may vary from the actuarial assumptions projected, developing liabilities and costs may differ from those estimated in the report. Furthermore, in the event of any inaccuracies in the information or data provided, upon which these calculations were based, revisions may be needed. Fees associated with such revisions are not within the scope of this project. Additional fees will be determined and approved by the Village before revisions are made.

The valuation will be prepared in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The actuaries certifying the valuation meet the qualifications of the American Academy of Actuaries required to provide the actuarial opinion detailed in this report.

The valuation and report will be prepared solely for the purposes of providing information required by The Government Accounting Standards Board (GASB) for the Village's financial reporting. KBC assumes neither responsibility nor any liability for use of this report for any other purposes.

Therefore, if the above services and guidelines are met, neither KBC nor its current, former or future owners, agents, employees and personnel shall be liable to the Village, whether a claim be in tort, contract or otherwise, for any amount in excess of the total professional fees paid by the Village under this agreement.

Timetable: Upon receipt of **all required data**, the valuation is scheduled to be completed within a 12-week timetable. However, please note that during periods of high volume, the timetable may be longer.

Review and Report: Our fees include a telephonic review of the draft report and preparation of an electronic version of the report and up to two hard copies of the final valuation report, if requested.

Village Visit: Many government entities do not require a presentation with the subsequent study. Thus, the subsequent valuation **does not** include a visit to the Village to present the finalized report. However, this service is available at an additional cost. Please contact us if you should like a presentation.

Invoicing: Statements for work completed will be invoiced when a draft valuation is provided to the Village. Payment is due upon receipt. Subsequent invoices will be sent if additional services are requested.

Proposal Acceptance

If the Village wishes to have an updated study at this time:

- Please sign and return the attached acceptance form and we will begin a subsequent liability study upon acceptance.

If further changes have been made to your Village's post employment benefits, and the Village is interested in an updated study at this time:

- Please sign the attached acceptance as noted and make the changes on the benefit summaries.
- We will review the changes and reply with modifications to our fees, if needed, based upon the noted benefit changes.

Acceptance for a Subsequent Actuarial Liability Study

This proposal forms an agreement between the Village of Sturtevant and Key Benefit Concepts, LLC.

Standard Valuation including OPEB, Supplemental Pension & Required Table Updates:

Please check the appropriate boxes:

| | |
|---|--|
| The Village's medical plan is: <input type="checkbox"/> Fully Insured <input type="checkbox"/> Self-funded | The Village's benefits are funded through: OPEB <input type="checkbox"/> General Assets <input type="checkbox"/> Irrevocable Trust Stipend <input type="checkbox"/> General Assets <input type="checkbox"/> Irrevocable Trust |
|---|--|

If response does not agree with notes on page 1 & 2, fee will change.

Please check one box below:

- The Village accepts the proposal for a 2-year agreement (**Valuation 12/31/2020 and Table Updates 12/31/2021**)
- The Village accepts the proposal for the 4-year agreement (**Valuation 12/31/2020, Table Updates 12/31/2021, Updated Valuation 12/31/2022, and Table Updates 12/31/2023**). This agreement allows for early termination only if the Village no longer has an OPEB or Supplemental Pension liability.

Please check one box below:

- The Post Employment Benefit Summaries as provided in this proposal, accurately and completely reflect the current retirement benefits offered by the Village.
- Modifications were made to the Village's post-employment benefits beyond those already noted in the Post-Employment Benefit Summary. These additional modifications have been noted as illustrated on pages 7-9. The Post-Employment Benefit Summary **with** the noted changes accurately and completely reflects the retirement benefits currently offered by the Village.

Disclaimer

- Upon receipt of the eligibility and post employment benefit data required for valuation, should we find that eligibility and/or benefits are significantly different than outlined in this proposal or changes in GASB requirements have occurred, KBC reserves the right to revise our proposal and the associated fees for the study.
- **To avoid additional charges, please make sure the benefit summaries provided are correct.** Upon review of the draft report should further modifications be required beyond those noted in the summary with the acceptance, wherein the calculated liabilities are affected, additional fees will be charged. These fees will be based upon the additional time required to recalculate the liabilities. With the inclusion of the additional fee, the total due may exceed the fee noted in this proposal.

Village of Sturtevant

Amanda Gain, Village Administrator/ Treasurer

Date

Facsimiles of acceptance signatures shall be as valid as the original signatures.

Village of Sturtevant

Post-Employment Benefit Summary

Professional Police

| Hired Prior to December 31, 2017 | |
|---|---|
| Eligibility | OPEB |
| At least 57 with 20 continuous years of service | <p>Medical Insurance: The Village shall reimburse the same coverage (single or family) provided to retirees prior to retirement at 100% until age 65. Retirees may only remain on the Village's plan for the duration of COBRA. Thereafter, the Village will continue to reimburse 100% of the retiree's premiums (towards an outside providers premiums) until age 65.</p> |
| | Non-OPEB: Supplemental Pension |
| | <p>Cash in Lieu: For employees electing retirement at ages 53 – 56 with 20 years of service, the Village will contribute \$1,000 (cash) per month until age 65 in lieu of Village provided retiree insurance.</p> |
| | Non-OPEB: Compensated Absence |
| | <p>Vacation and Holiday Payout: Upon death or retirement, accumulated unused holiday and vacation days will be paid out in cash.</p> <p>Sick Leave Payout: Upon death, retirement or resignation, accumulated unused sick leave up to 150 days (1200 hours) will be paid out at the rate of \$50 a day.</p> <p><i>(Note: One police officer has more than the 150 days (1200 hours) which they are allowed to keep but can't accrue for any additional hours until below 150 days (1200 hours))</i></p> <p><i>Vacation, holiday and sick leave is not an OPEB benefit, but a compensated absence under GASB 16 and is not be included in the valuation.</i></p> |
| <p>Notes:</p> <ul style="list-style-type: none"> • <i>Currently there are 5 active police employees (Karasek, Bieganski, Lamster, McCoy, and Grunewald)</i> • <i>2 retired Police officers (Gelden & Kovacs) qualify for retiree medical insurance as noted above and will remain on the Village's plan only for the duration of COBRA through 10/31/2019, since the Village's insurance does not allow the retirees to stay on their plan. The retirees will then obtain insurance in the open market and provide the premium amounts to the Village and the Village will reimburse the retiree through an HRA Premium Reimbursement plan set up with Diversified Benefit Services until age 65.</i> • <i>One Retiree (retired August 2018 - Rakow) is receiving the \$1,000 retirement benefit.</i> • <i>Effective 1/1/2026, eligible Police employees who retire will contribute the same amount of monthly premiums for the duration of their benefit frozen at the amounts at the time of retirement.</i> | |

Village Employees

Hired Prior to January 1, 2013
 (Gottschalk, Marschke, O'Neill, and Gebhardt)

| Eligibility | OPEB |
|--|--|
| <p>At least 57 with 20 continuous years of service</p> | <p>Medical Insurance: The Village shall contribute the same amount as is provided to active employees (currently 88%) at the time of retirement for single or family coverage until age 65. The retiree shall be offered enrollment in the same health insurance plan and coverage he/she participated in prior to retirement, except that if the Village changes its health insurance plan, the retiree will be required to change to that plan as well. Retirees may only remain on the Village's current plan for the duration of COBRA. Thereafter, the Village will continue to reimburse 88% of the retiree's premiums (towards an outside providers premiums) until age 65.</p> <p>Survivor Benefit: If coverage ends because the retiree has reached age 65 or death, the surviving spouse or dependent child(ren) may elect continuing health insurance coverage for the duration of COBRA. The entire premium shall be the sole responsibility of the spouse and/or dependent child(ren).</p> <p>Non-OPEB: Compensated Absence</p> <p>Sick Leave Payout: Unused sick leave accumulated upon layoff, retirement, death or resignation up to a maximum of 212 days, will be paid out at the rate of \$50 a day.</p> <p>Upon retirement, an employee may elect to receive \$50 per day of their unused accumulated sick leave up to a maximum of 212 days or the retiree may elect to have this amount aid towards continued health insurance under the Village's medical plan.</p> |

Note:

- *Gottschalk has retired as of 9/20/2019 and will remain on the Village plan for the duration of COBRA contributing her 12%.*
- *Since Dept. of Public Works decertified, 2 active employees (Gresk and Gebhardt) qualify for retiree medical insurance as noted above. Since the Village's insurance does not allow the retirees to stay on their plan, the retirees will obtain insurance in the open market and provide the premium amounts to the Village and the Village will reimburse the retiree through an HRA Premium Reimbursement plan set up with Diversified Benefit Services until age 65. Gresk termed 5/23/2021 and is on the retiree HRA plan noted herein.*

Village Employees Cont.

| Hired On or After January 1, 2013 (Kangas, Roe, Smith, Hasko, Gain, Gall, Sharp, Feiner, Zamecnik, and Winkler) | |
|--|--|
| Eligibility | OPEB |
| Retire prior to Medicare Eligibility | <p>Medical Insurance: Retirees may choose to remain on the Village's group medical plan by paying the full (100%) amount of required premiums only for the duration of COBRA.</p> |
| Eligibility | Non-OPEB: Compensated Absence |
| Upon retirement | <p>Sick Leave Payout: Unused sick leave accumulated upon layoff, retirement, death or resignation up to a maximum of 212 days, will be paid out at the rate of \$50 a day.</p> <p>Upon retirement, an employee may elect to receive \$50 per day of their unused accumulated sick leave up to a maximum of 212 days or the retiree may elect to have this amount aid towards continued health insurance under the Village's medical plan.</p> |
| <p><i>Note: Sick leave is not an OPEB benefit, but a compensated absence under GASB 16 and is not included in the valuation. However, implicit rate subsidy from use of such funds to remain on the Village's health plan is an OPEB and was included in this valuation.</i></p> | |