

**Actuarial Valuation Services Related to Other Post Employment  
Benefits (OPEB)  
RFP P-07-001**

**1. INTRODUCTION AND BACKGROUND INFORMATION**

The Finance Department of the City of Rapid City (herein referred to as "City") invites proposals from qualified vendors for an actuarial valuation of the its Other Post Employment Benefit (OPEB) programs as defined by the Governmental Accounting Standards Board (GASB) Statement Number 45 – *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The purpose of this valuation will be to provide the City with all of the essential reporting requirements of GASB Statement No. 45. This information will be used to generate accounting entries during the January 1, 2008, through December 31, 2008, fiscal year and for financial reporting information that will be included in the December 31, 2008, Comprehensive Annual Financial Report (CAFR).

The City intends to retain the selected firm as its actuary for purposes of determining OPEB reporting requirements for a period of three years. The completion of the initial and subsequent studies will be coordinated between the selected firm and the City in conformance with the requirements of GASB Statement No. 45, which requires at a minimum biennial valuation.

**A. Employee Retirement System**

The City currently participates in the South Dakota Retirement System (SDRS), which is a statewide multi-employer retirement system and covers all City employees. Active employees are vested in SDRS after three (3) years of contributory service with normal retirement after the age of 55 for Public Safety employees and 65 for all other employees.

SDRS does not provide any Other Post Employment Benefits to the City's retirees other than pension payments.

**B. Accounting, Budgeting and Auditing Procedures**

The City currently produces financial statements that are in conformity with generally accepted accounting principles. The City has implemented the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. A firm of independent certified public accountants, in accordance with generally accepted governmental auditing standards, audits the financial records of the City annually. The annual audit for the fiscal year ending December 31, 2006 will be performed by Ketel Thorstenson, LLP, Rapid City, South Dakota.

An annual budget is prepared under the direction of the Mayor and is submitted to the City Council for approval prior to the fiscal year commencing on January 1 for the City. The budget is legally enacted through the adoption of an ordinance.

### C. Employee and Retiree Information

The City workforce comprises approximately 685 active, full-time, permanent employees. These employees are broken out in the following groups:

Public Safety employees-	261
All Other employees-	424

The City's workforce includes five (5) bargaining units representing approximately 500 of the above employees.

There are approximately 202 retirees or surviving spouses receiving medical benefits through the City. Of these approximately 66 are over 65 years of age and are eligible for Medicare benefits.

## 2. PLAN DESCRIPTION

The City of Rapid City provides health insurance to former employees (retirees), and dependents, who are receiving a full pension benefit through the SDRS. In order to receive full pension benefits through SDRS, an employee must meet a combination of age and credited service for his/her class of employee. This health insurance is provided through the City's self-funded, single-employer plan. The cost for this benefit to the retiree is the same as for current employees until he/she is eligible for Medicare at which time the premium is reduced. The premiums for this benefit are paid 100% by the retiree.

The City does not provide any other post employment benefits whose liability is to be evaluated.

The City currently does not have an Other Post Employment Benefits Plan, other than the City's agreement (per union contract) to provide health benefits. The City does not have designated plan assets for this purpose.

## 3. SCOPE OF SERVICES

**The selected firm will be expected to perform the following services, with desired completion date of October 31, 2007, as the City is required to implement GASB Statement No. 45 for periods beginning after December 15, 2007:**

- A. Analyze the City's Other Post Employment Benefits, as defined by GASB Statement No. 45 and all applicable underlying data.
- B. Prepare an actuarial valuation following GASB Statement No. 45 standards. This should include the following information relative to applicable OPEB benefits:
  - 1. The actuarial present value of total projected benefits.
  - 2. Actuarial accrued liability.
  - 3. Actuarial value of assets.
  - 4. The unfunded actuarial accrued liability.
  - 5. Normal cost.

6. Annual required contribution of the employer as a level dollar amount and as a level percentage of covered payroll.
  7. Net OPEB obligation (for employer disclosure under GASB Statement No. 45, if necessary).
  8. Any other GASB Statement No. 45 reporting requirements that are not otherwise listed.
- C. Prepare the necessary material for the Comprehensive Annual Financial Report to comply with GASB Statement No. 45 OPEB reporting and disclosure requirements. Since the GASB Statement No. 45 reporting requirements are different for the City's Enterprise Funds versus Governmental Funds, sufficient information will be required in order to differentiate the valuation results between these two groups of both active employees and retirees.
- D. GASB Statement No. 45 requires the City to obtain this actuarial valuation of the City's OPEB plans on a minimum frequency of every other year. If the City chooses to rely on biennial valuations of this information then sufficient information should be provided in the interim years, for the periods not specifically being evaluated, in order for the City to prepare the necessary accounting entries and reporting requirements relative to GASB Statement No. 45 requirements. As an alternate proposal response item, please identify the benefits, if any, of conducting annual valuations and the applicable cost.
- E. Prepare an analysis to determine reasons for the annual changes in the unfunded actuarial accrued liability, whenever a prior actuarial valuation is available to support this.
- F. Determine the impact of the City's implicit rate subsidy resulting from common premium rates for both active employees and retirees. Identify and quantify the impact this issue has on the GASB Statement No. 45 reporting requirements.
- G. As appropriate, prepare an analysis to determine how establishing various funding options for the City's OPEB plans would affect the valuation results. Timing considerations of establishing the trust should also be considered. (Show this as an optional item with an associated cost, if applicable.)
- H. As appropriate, prepare a sensitivity analysis showing the impact of alternative assumptions on the City's OPEB plans (e.g. healthcare trend rates, investment rate assumptions, etc.). (Show this as an optional item with an associated cost, if applicable.)
- I. As appropriate, provide recommendations on managing the OPEB liability. This may include changes in plan design features. (Show this as an optional item with an associated cost, if applicable.)
- J. As appropriate, review the City's OPEB plan documents and design. Make recommendations as to formalizing practices for any informal plans encountered or modifying existing documented plans. (Show this as an optional item with an associated cost, if applicable.)