

**VILLAGE OF WINDSOR
VILLAGE BOARD RESOLUTION 2019-14**

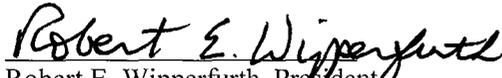
**RESOLUTION REGARDING THE ENGAGEMENT OF
PROFESSIONAL ACTUARIAL SERVICES**

WHEREAS, the Village Board finds that the Village of Windsor has a need to acquire professional actuarial services for the year ended December 31, 2018 as per the attached memo;

NOW THEREFORE, BE IT RESOLVED, by the Village Board of the Village of Windsor that it hereby approves engagement of Key Benefits Concepts, LLC to perform such actuarial services in accordance with the Proposal for Actuarial Valuation of Other Post-Employment Benefits attached hereto as Exhibit C.

The above and foregoing resolution was duly adopted at a meeting of the Village Board of the Village of Windsor, Dane County, Wisconsin, on March 7, 2019, by a vote of 3 in favor and 0 opposed.

VILLAGE OF WINDSOR


Robert E. Wipperfurth, President

Attested by:


Christine Capstran, Clerk

Incorporated by Reference:

Memo dated March 7, 2019: Proposal for Actuarial Valuation of Other Post-Employment Benefits



Growing Forward

To: Village of Windsor Village Board
From: Tina Butteris, Administrator
Date: March 7, 2019
Re: Proposal for Actuarial Valuation of Other Post-Employment Benefits

The Village of Windsor received notice from Tara Bast, CPA Johnson Block, Village of Windsor Auditor on new GASB Statements Impacting Post Employment Benefit Valuations as follows:

*On March 9, 2018, Employee Trust Fund (ETF) released an employer bulletin on Governmental Accounting Standards Board (GASB) Statement No. 75. When applicable **and material**, this statement **must be** implemented in the audited financial statements for the year ended December 31, 2018. Statement No. 75 relates to Other Post-Employment Benefits (OPEB), primarily health insurance coverage for retirees.*

It is our understanding that the Village has its health insurance through ETF. The ETF health plan allows all terminating employees the right to self-pay to remain on the state plan indefinitely. Based on our research, experience, and discussions with actuaries, even when an individual is self-paying 100% of the premium cost, this automatically generates an OPEB liability for the Village as defined by the GASB.

Without getting too technical, an OPEB is deemed to exist since retirees can remain on the state health insurance and be part of the same risk pool as the Village's other healthier, younger employees. The retiree pays a lower premium than they would if part of a separate risk pool. Having older individuals on the plan increases the premiums for active employees – this is known as an “implicit rate subsidy” OPEB liability.

*In their bulletins, ETF has indicated it is the individual employer's responsibility to implement GASB Statement No. 75 relative to the health plan, **including** conducting actuarial valuations as necessary. Calculating an implicit rate subsidy liability takes a significant amount of expertise as it captures numerous different factors (premium cost projections, discount rates, mortality rates, etc.). The liability would include considerations for current retirees as well as considerations for active employees that may continue coverage after retirement.*

We are accountants, not actuaries. Accordingly, we don't feel comfortable concluding if a liability is material or not without first knowing an estimated size of an actuarial determined liability. At least for this 1st year that GASB 75 is becoming effective, we'd like the Village to consult with an actuarial to evaluate the materiality of this liability. If the actuary can clearly tell us the liability is not material, we wouldn't plan on evaluating annually after that, unless something is known to have changed.

Over the past 10 years or so, Johnson Block has worked with multiple actuarial companies for valuing financial statement liabilities for OPEB's and pensions. Key Benefit Concepts, LLC is an actuarial company that our audit clients have worked with the most often. Key Benefits regularly speaks at governmental accounting and auditing conferences that we attend. They've informed us that they are already performing actuarial studies for other governments that have the ETF state health plan when the liability is material.

We recognize that many of our audit clients do not have a significant number of active and retired employees. Accordingly, we'd expect the liability could be immaterial in many instances. In discussion with Key Benefit Concepts, when evaluating these liabilities, for some, they determine outright the obligation would be immaterial and are able to provide a letter to that extent. For others, they prepare a 2-phase proposal- Phase 1 is the valuation and Phase 2 is either a) letter indicating immateriality or b) preparation of the report. Given that we know an implicit rate subsidy exists, we feel an actuary conclusion on the liability is necessary for to issue an unmodified "clean" opinion on the financial statements.

*Key Benefit Concepts, LLC provided us with the attached informational flyers. Johnson Block is sharing these with our audit clients. The "**Checklist - Data Request for Proposals - final.pdf**" attachment provides a listing of information they would need to get started with their evaluation. The flyer indicates they would provide a **no obligation** proposal. We can assist you in filling out the requested information if needed. There is a small fee the actuary charged to provide the letter noted above stating any liability is considered immaterial.*

If applicable, in early October 2018, ETF would have emailed the Village data for its retirees and COBRA participants that were participating in the Local Government Health Insurance Program as of January 1, 2017. I'd imagine that information may be needed to fill out #5. IF you received an email regarding this please also forward it to me.

*The "**New GASB Statements Impacting Post Employment Benefit Valuations - Public.._2018.pdf**" attachment gives a detailed background on GASB statements that have been issued in recent years on OPEB's and pensions. Specifically, page 4 of 6 of this flyer provides good discussion on materiality.*

Thanks, and let us know if you have any questions. We appreciate your help in preparing for this new GASB Statement. I will follow up with a phone call later today or tomorrow on this topic.

The attachment referenced in Tara's notice above is attached hereto as Exhibit A.

Staff provided Key Benefits Concepts, LLC information via a questionnaire, attached hereto as Exhibit B which allowed them to provide the Village with a proposal for Actuarial Valuation of Other Post Employment Benefits, attached hereto as Exhibit C. The service will determine if the Village liability is material and is required to be reported under GASB 75. The review covers all staff and the costs of the review can be allocated proportionately among the General, Water, Sewer and Community Center.

I am recommending approval of the Alternative Measurement Method, Phase 1 and Phase 2 a. or b. (Preparation of report or letter, depending on findings). In addition, I am recommending if Phase 2 results in a valuation report the OPEB tables be updated for fiscal year ending 12/31/2019.



New GASB Statements Impacting Post-Employment Benefit Valuations

Public Entities

Purpose of New Statements

The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions and post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for pensions and OPEB that is provided by other entities. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

New GASB Statements

GASB 67 – Effective for fiscal years beginning after 6/15/2013 (Financial Reporting for Pension Plans administered through trusts or equivalent arrangements).

GASB 68 – Effective for fiscal years beginning after 6/15/2014 (Accounting and Financial Reporting for Pensions provided through pension plans that are administered through trusts or equivalent arrangements).

GASB 73 – Two different effective dates

1. Effective for fiscal years beginning after 6/15/2016 (Accounting and Financial Reporting for Pensions not within the scope of GASB 68, i.e. those not administered through a trust).
2. Effective for fiscal years beginning after 6/15/2015 (Financial reporting for assets accumulated for purposes of providing those pensions). Also, GASB 73 clarifies the application of certain provisions of Statements 67/68.

GASB 74 – Effective for fiscal years beginning after 6/15/2016 (Financial Reporting for OPEB Plans administered through trusts or equivalent arrangements **AND** for governments that hold assets accumulated for purposes of providing OPEB through OPEB plans not administered through trust or equivalent arrangements).

GASB 75 – Effective for fiscal years beginning after 6/15/2017 (Accounting and Financial Reporting for OPEB provided through OPEB plans that are administered through trusts or equivalent arrangements **AND** for OPEB provided through OPEB plans not administered through trusts or equivalent arrangements).

New GASB Statements Effective Dates

	Plan Reporting		Accounting and Financial Reporting	
	Administered		Administered	
	Through a Trust	Through General Assets	Through a Trust	Through General Assets
Pension Benefits	Fiscal year beginning after 6/15/2013	Fiscal year beginning 6/15/2015	Fiscal year beginning after 6/15/2014	Fiscal year beginning after 6/15/2016
OPEB Benefits	Fiscal Year beginning after 6/15/2016	Fiscal Year beginning after 6/15/2016	Fiscal Year beginning after 6/15/2017	Fiscal Year beginning after 6/15/2017

Terminology

OPEB	Pension	New GASB Statement Definitions
Fiduciary Net Position (FNP)		Trust assets as of the measurement date.
Total OPEB Liability (TOL)	Total Pension Liability (TPL)	The portion of the actuarial present value of projected benefit payments attributed to past periods of employee service also known as the accrued benefit.
Service Cost		The portion of the actuarial present value of benefits allocated to valuation years.
Net OPEB Liability (NOL)	Net Pension Liability (NPL)	The difference between the Total OPEB or Pension Liability and Plan Fiduciary Net Position. This amount may also be negative indicating the presence of a surplus of actuarial assets over TOL or TPL.
OPEB Expense	Pension Expense	Measures cost (or change in costs) of the pension benefits over the measurement period and includes service cost, changes/gains/losses, interest on the TOL or TPL, inflows/outflows of resources, etc. This will change year to year.
Actuarially-Determined Contribution (ADC)		The employer's annual contribution comprised of the service cost plus the portion of the net pension liability to be amortized in the valuation year.

Entry-Age Normal: The one actuarial method for which post-employment valuations must be performed under the new GASB Statements.

Actuarially-Determined Contribution (ADC): Similar to the Annual Required Contribution (ARC) but only applicable if the post-employment benefit is administered through a trust.

Implicit Rate Subsidy: The actuarial difference between the value of the benefit provided and the premium/cost applied by the plan. Actuarial Standards of Practice indicated that it applies to plans that are community-rated. May not apply if COBRA is the only benefit offered.

Valuations: Now completed every 2 years for most public entities. Guidelines require valuations at least every 2 years regardless of size or benefit. Table updates provided by the actuary in the year when a valuation is not completed.

Materiality

Financial statement items are material if they could influence the economic decisions of users.

An obligation isn't required to be identified if the net impact of doing so has such a small effect on the financial statements that a reader of the financial statements would not be misled. Determination of immateriality of an OPEB or pension benefit obligation should be determined by the auditor. However, the auditor is not able to make this decision unless/until they are aware of the amount of the liability. Two situations currently exist:

The materiality concept is the universally accepted accounting principle that all material matters are to be disclosed. <https://www.accountingweb.com/.../auditing-special-purpose-frameworks-materiality->

- Some government entities have not been reporting a post-employment obligation (beyond their state pension obligations) since under prior GASB Statements the annual requirement contribution (ARC) may have been immaterial and not itemized in the footnotes. Now, under newly issued GASB compliance, the OPEB Liability (accrued obligation) may be significant and require reporting. Thus, even though not reported in the past, and no changes have been made to the government employer post-employment benefits, government employer may now need to value and report the obligation on their financial statements.
- The second situation is the opposite of the first. Significant changes to the post-employment benefits may cause the benefit and its related obligation to decrease significantly over time and in some cases be eliminated after a number of years.

In this situation it is important to review with the auditor and actuary the number of employees/retirees remaining who are eligible for the benefit and the amount of the reducing obligation. As the obligations decreases, there may come a point when the remaining outstanding obligation is no longer material.



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What is the Measurement Date?

Overview

Below is an illustration regarding what we call a roll back (measurement date 12 months prior to reporting date) and a roll forward (measurement date the same as the reporting date). This is probably the most confusing element of the new GASB Statements pertaining to post employment benefits. Hopefully this bulletin will aid in understanding the concept.

Scenarios

Let's assume your organization's valuation will be for financial reporting for the year-end 12/31/18. The new GASB guidelines require that the actuary complete all the tables when preparing the valuation report. No longer will you see the "TBD" lines in the tables (except possibly one in the deferred inflows/outflows exhibit). Under new guidelines, the valuation and report can be prepared one of two ways:

- Measurement date 12 months prior to the reporting date
- Measurement date the same as the reporting date

There is no right or wrong answer – it is up to the government entity which reporting approach to us. However, please know that once you begin reporting in this manner, you cannot change it without justification for a change.

Measurement date 12 months prior to the reporting date

We call this a roll back. The valuation is based upon the trust or pay-as-you-go information (i.e., earnings, contributions, withdrawals, etc.) and the covered payroll for the prior year. So for our example, if the valuation date is 12/31/17 and is for the year ending 12/31/2018 (reporting date 12/31/2018), the valuation report will include such information for the period ending 12/31/17 –12 months prior to the reporting date. This is the way some state retirement programs are providing reporting. Further, most governments that do not have an irrevocable trust are using the roll back approach.

Actuaries prefer to do a valuation on this basis, as all the information is available any time after the valuation date.



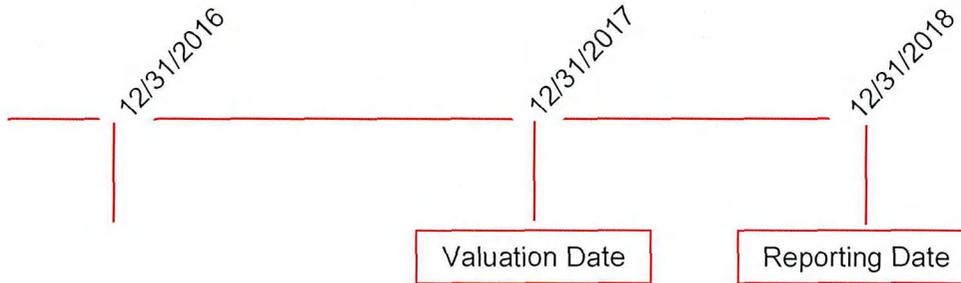
Measurement date the same as the reporting date

We call this a roll forward. The valuation is based upon the trust or pay-as-you-go information (i.e., earnings, contributions, withdrawals, etc.) and the covered payroll for the current year. So, for our example, if the valuation is for the year ending 12/31/2018, (reporting date 12/31/2018), the valuation report will include financial information for the period ending 12/31/18 –same date as the reporting date. Some governments with irrevocable trusts report using the roll back and others prefer the roll forward.

For those governments and auditors using a roll forward, the valuation can begin during the year. The accrued liability can be determined, but the valuation and tables cannot be completed until the organization's trust statement including interest, contributions, withdrawals, etc. as well as covered payroll for the year ending 12/31/18 are received. Thus, the actuaries must wait to complete the valuation until after the year-end (January, in our example, of the year following the financial reporting year). The time we are seeking data is also the time when audits are being conducted, so valuations must be started during the year so when the data becomes available it will take substantially less time to complete as compared to beginning the valuation after the information is available.

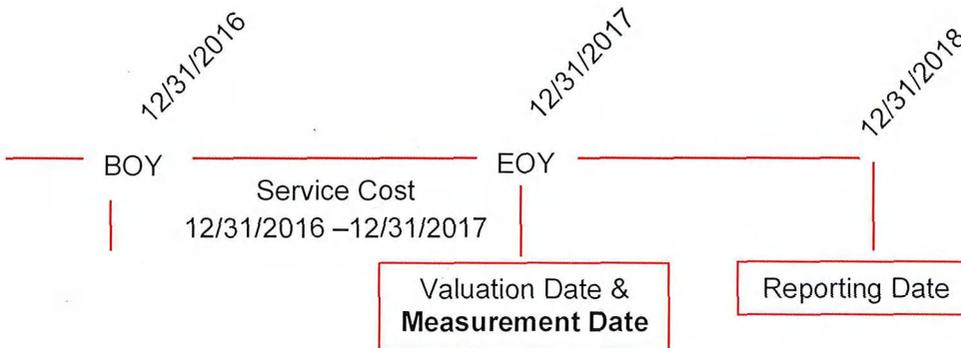
Illustration of Roll Back and Roll Forward

Illustration of Reporting on Government's Financial Statements for the fiscal year ending 6/30/2018:
 In both cases, the valuation date is 12/31/2017 and the reporting date is 12/31/2018



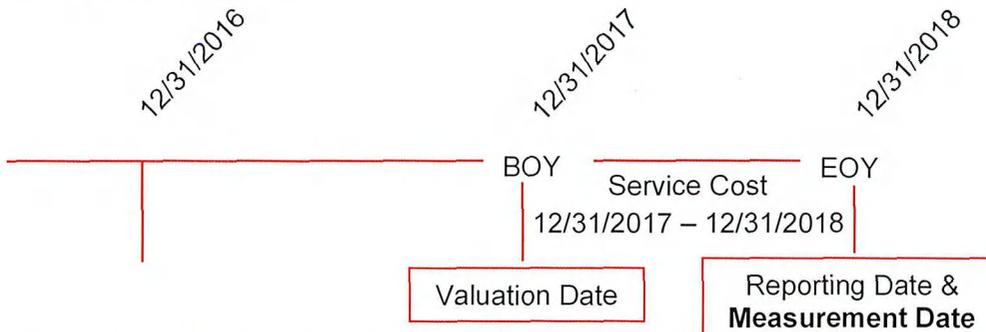
Roll Back: Measurement Date same as **valuation** date.
 Valuation date is 12/31/2017, so the valuation includes

Liabilities:	As of 12/31/2016
Service Cost:	12/31/2016 – 12/31/2017
Measurement of Liabilities:	As of 12/31/2017



Roll Forward: Measurement Date same as **reporting** date.
 Valuation date is 12/31/2017, so the valuation includes

Liabilities:	As of 12/31/2017
Service Cost:	12/31/2017 – 12/31/2018
Measurement of Liabilities:	As of 12/31/2018



Many government entities have post-employment benefits that consist solely of the right for retirees to remain on their health benefit plan. The Government Accounting Standards Board (GASB) has indicated that the implicit rate subsidy should be valued and identified as a liability of the government entity.

To determine the benefits to be valued, and if the benefits would create an obligation worthy of the time and expense to value (are they material), the following information is gathered from the public entity.

Upon receipt of the following information, KBC should be able to provide you with a (no obligation) proposal in accordance with GASB Statement 75. Of course, if you have questions or concerns along the way, please feel free to contact us by phone or email.

1. Has your entity had a prior actuarial valuation of post-employment benefits?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If a prior valuation was completed, please provide a copy of the report. If a valuation has not been completed in the past or there have been changes in benefits since the most recent valuation, please provide the handbook or contract language that notes any and all post-employment benefits provided to employees of the organization (including the sick leave payout).		
2. Does the organization fund the post-employment benefit via:	<input checked="" type="checkbox"/> General Assets - On a pay-as-you-go basis	<input type="checkbox"/> Funded via an irrevocable trust
3. Does the organization provide health insurance through the State ETF Plan?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
* 4. How many active full time employees are eligible for and participating in health plan coverage?	Eligible: <u>20</u> (15 FT 5 PT)	Participating: <u>16</u> ^{15 active employees; 1 retiree on our health plan until 4-30-2019}
* 5. How many retirees under and over age 65 are currently on the organization's health plan?	Under 65: <u>1</u>	Over 65: <u>0</u>
6. Please identify the name/title of the individual for the proposal acceptance line	<u>Tina Butteris, Administrator</u> Name and Title <u>Village of Windsor</u>	
7. Please provide your auditor's contact information - Firm Name, Contact Name, Email, Phone Number	Firm Name: <u>Johnson Block</u> Auditor Name: <u>Tara Bast</u> Email Address: <u>TBast@johnsonblock.com</u> Phone Number: <u>608-274-2002 ext. 215</u>	
8. Does your organization have a high deductible health plan (If no, skip a. below)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
a. Does the employer make HRA or HSA Contributions towards deductible reimbursements for:	<input type="checkbox"/> Actives - Yes <input type="checkbox"/> Retirees - Yes	<input type="checkbox"/> Actives - No <input type="checkbox"/> Retirees - No

* Upon completion of this questionnaire, please send the items noted in #1 above and this completed questionnaire to Sarahp@keybenefits.com. Thank you.

** 5: If an employee retires from the Village they can convert unused sick leave time to pay for health insurance premium.

* 4 - In order to be eligible for health insurance, an employee must be WRS eligible. Part time employees are also eligible for health insurance if they are enrolled in WRS.

N/A



Key Benefit Concepts, LLC

Village of Windsor



Proposal for Actuarial Valuation of Other Post-Employment Benefits

February 2019



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Village of Windsor

Post Employment Benefit Actuarial Liability Study

About Key Benefit Concepts, LLC

Key Benefit Concepts, LLC (KBC) is an actuarial and employee benefits consulting firm. Established in 1992, our mission statement is grounded in the delivery of unbiased counsel to employers in the evaluation, design and implementation of employee benefit programs. Over the years, we have provided innovative solutions to public and private employers in addition to Taft Hartley groups.

As consultants, we do not receive commissions, overrides, bonuses, trips, etc. as payment for our services. Our compensation comes from our clients based on an hourly fee or project basis. This guarantees that our motivation is to serve our clients' needs.

We bring to our clients a variety of experiences and diversity of talents. From strategists to claim audit experts, we add value by providing a depth and breadth of knowledge, which has defined our success. Associations with individuals who provide legal and clinical expertise assure that we provide thorough assessments and comprehensive solutions that meet our clients' goals.

Summary and Objectives

With the issuance of a Government Accounting Standards Board ("GASB") statement on Other Post Employment Benefits ("OPEB"), the Village of Windsor ("the Village") desires to have an actuarial study conducted that will provide a calculation of their OPEB liability. (This statement requires a change from cash to an accrual basis for retiree benefit programs.)

In preparing this proposal, KBC has identified the following objectives for the Village:

- Address the requirements under GASB Statements 74 and 75.
- Engage an actuary experienced in healthcare benefits and retirement actuarial valuations.
- Prepare a measurement of the Village's OPEB liabilities.
- Quantify the Village's OPEB liabilities to determine the magnitude and impact of the liability.
- Report the liability on the Village's financial statements.

Sick Leave Benefit

The Village provides eligible employees with a sick leave payout. Unused sick leave accumulated upon retirement, up to a maximum of 240 hours, will be converted at the employee's final rate of pay prior to retirement. These funds may be used to purchase health insurance

A sick leave benefit is regarded as a termination payment and should already be account for under GASB Statement 16 as a compensated absence. According to GASB regulations, when converted sick leave benefits are used for continued health coverage, then only the implicit rate subsidy is regarded as an OPEB benefit and as such needs to be accounted for under GASB Statement 75.

Our proposal does not include valuation of the compensated absences, as it should already be reflected on the Village's financials. However, the resulting implicit rate

subsidy, when applicable, from use of such funds to remain on the Village's medical plan will be accounted for and included within the OPEB valuation.

Summary of Post-Employment Benefits

Based upon conversations with staff at Village, the TOTAL post-employment benefit is comprised of implicit rate subsidy related to the following:

1. Currently, Village obtains health insurance coverage through the State (Wisconsin) Health Plan.
2. Retirees may choose to self-pay to remain on the health insurance plan.
3. Eligible retirees may use sick leave funds to remain on the health insurance plan.

Approximately 15 active employees are currently eligible for health coverage and are participating on the plan. There is 1 retiree on the health plan at this time.

A summary of benefits is included in this proposal on page 8.

In an OPEB valuation, the GASB guidelines require that the OPEB be based upon the value of the health care benefit. Thus, when the benefits are insured, the value above the premium cost of benefits must be determined. This applies to all classifications and arises from the value of benefits in excess of the payments made from use of the sick leave dollars until exhaustion. This amount is determined and incorporated in the determined liability of the health care benefit.

Additionally, since GASB guidelines require the OPEB be based upon the value of the medical care benefit, when an individual self-pays 100% of the premium cost, the standard valuation also includes the difference between the premium cost and the value cost of the benefit. This is known as the Implicit Rate Subsidy.

Implicit Rate Subsidy exists when an employer's retirees and current employees are covered together as a group wherein the premium rate or premium equivalent rate paid by the retirees may be lower than they would be if the retirees were rated separately. The final GASB Statements declare that even if the retirees pay 100% of the premium, without a contribution from the employer, the employer is required to treat the implicit rate subsidy as an OPEB liability.

As used above, *value* refers to the cost to the plan for providing coverage, which is greater than the aggregate premium charged for older participants. *Amount* refers to the dollar amount of premiums paid.

Phase 1:

Tasks

- a. Review data gathered from Village.
- b. Follow up with Village, vendors or any other party to obtain additional information, as needed.
- c. Create data worksheets.
- d. Evaluate and prepare demographic and service tables.
- e. Determine appropriate assumptions to complete valuation.

- f. Calculate the present value of future benefits, based upon the data provided and current GASB actuarial liability methodologies. This will be calculated for each employee and retiree - valuing the implicit rate subsidy
- g. Calculate the OPEB liability scenario based upon trends, plan design and/or interest assumptions.

Results

- a. Determine the Total OPEB Liability (TOL) based upon the benefit as identified.
- b. Calculate the service cost and Net OPEB Liability
- c. Provide the Village and its auditor with tables identifying the above information:
 - o If found to be material, KBC will proceed with phase 2a;
 - o If found to be immaterial, KBC will proceed with phase 2b.

Phase 2:

Tasks

- a. Develop and prepare the Summary Report for Village including a telephonic review of the draft report and or
- b. Prepare a letter indicating the determined obligation should the auditor determine the amount is immaterial.
- c. One visit to Village to present the finalized report to Village. The fee for the visit is noted separately.

Results

Prepare an actuarial report:

- a. Identifying the methods and assumptions of the valuation and
- b. Including all the tables and data required for the auditor to account for the post-employment benefit liability in the public entity's financial statements.

The study involves valuation of the implicit rate subsidy to remain in the Village's medical insurance benefit plan. Included in the proposal are summaries of the retiree eligibility and benefits based upon the data provided by the Village. These summaries are the basis by which our proposal was developed.

Note that the implicit rate subsidy is only applied when retirees are enrolled in a Village's medical plan. It is not applied, however, when retirees participate in a Village's dental insurance plan.

Alternative Measurement Method (AMM):

The GASB final statements permit sole employers of OPEB plans with fewer than 100 eligible employees to apply the alternative measurement method to determine their OPEB liability. This method modifies the parameters by allowing the use of certain simplifying assumptions. Examples of such simplified parameters are the use of an average age of retirement rather than retirement rates based upon WRS. However, the American Academy of Actuaries has indicated that use of this method may overstate the Village's OPEB liabilities. Therefore, our approach is using the same valuation methodology and assumptions as the standard study prepared by the same actuarial consultants. The AMM does not require certification by an actuary. Thus, the fee is less as it is internally reviewed by not certified by the chief actuary.

Value

Successful outcomes are assured when our clients play an active role in their projects, which in turn provides value to the Village. We understand that establishing a solid relationship with an actuarial firm is a proactive approach that will help the Village plan for long-term financial and business goals. As such, Key Benefit Concepts, LLC engages in projects when we know we can deliver value to our client.

The value to the Village of Windsor is to:

- Meet accounting and reporting requirements
- More thoroughly and thoughtfully address the provision of retiree health care benefits.
- Gain an understanding of how the obligation impacts the Village, its employees and retirees.
- Utilize the information developed to assess and evaluate benefit program cost and strategy, particularly as it relates to retiree health benefits.

New GASB Statements

GASB Statements 74 and 75 have replaced GASB Statements 43 and 45. However, this transition did not occur until the time period as noted below:

GASB 74 – Effective for fiscal years beginning after 6/15/2016 – applies to the Village's plan year beginning 1/1/2017 (Financial Reporting for OPEB Plans administered through trusts or equivalent arrangements **AND** for governments that hold assets accumulated for purposes of providing OPEB through OPEB plans not administered through trust or equivalent arrangements)

GASB 75 – Effective for fiscal years beginning after 6/15/2017– applies to the Village's plan year beginning 1/1/2018 (Accounting and Financial Reporting for OPEB provided through OPEB plans that are administered through trusts or equivalent arrangements **AND** for OPEB provided through OPEB plans not administered through trusts or equivalent arrangements)

KBC is well aware of the changes and has been coordinating the transition of the valuation process and services as well as the accounting with the public entities and their auditors.

Village Funding

Via emails from the Village on February 4, 2019, the Village is funding benefits as follows:

- OPEB: pay-as-you-go basis from general assets (i.e., the Village is **not** funding its OPEB benefit via an irrevocable trust or account).

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.

Post-Employment Benefit Project Fee

Our fee for this project is based upon plan/classifications as described on the Post Employment benefit summaries at the end of the proposal and preparation of the obligations under the Alternative Measurement Method.

Proposed Valuation

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

The proposal assumes the following:

- Valuation Date: 12/31/2017
- Measurement Date: 12/31/2017 (*roll back*)
- Reporting Date: 12/31/2018

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.



Other Post Employment Benefit Valuation Fee	
Alternative Measurement Method (AMM)	
Phase 1	\$ 1,400
Phase 2	
a. Preparation of report	\$ 950
b. Preparation of Letter	\$ 350
c. On-site Presentation (Visit)	\$ 350
Note that Phase 1 is required, and Phase 2 will either be completion of a. or b. but not both. C. is optional.	

1400
950
350

The above fees are discounted for payment made by cash, check or ACH Transfer. If payment is made by credit card, the following fees apply.

Fee if Paid by Credit Card	
Alternative Measurement Method (AMM)	
Phase 1	\$ 1,442
Phase 2 (a. or b. – but not both)	
a. Preparation of report, or	\$ 979
b. Preparation of Letter	\$ 361
c. On-site Presentation (Visit) (optional)	\$ 361
Note that Phase 1 is required, and Phase 2 will either be completion of a. or b. but not both. C. is optional.	

**KBC now 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 or ACH transfer as noted.*

Fee for updating tables for the fiscal year ending 12/31/2019

If the obligations determine in the initial valuation are determined to be material, table updates will be required in the subsequent year.

Our fee below is for the table updates for the 2019 calendar year/fiscal year reporting, based upon following GASB Statement 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.

OPEB Table Updates for fiscal year ending 12/31/2019 Fee Roll Back	
Only required if Phase 2 results in a valuation report	
	<u>Total Fee</u>
OPEB Table Updates - GASB 75	
<ul style="list-style-type: none"> • Paid by Debit/Credit Card (including processing fee) * • Fee if paid by cash, check or ACH Transfer 	\$ 480 \$ 465

465

The fees for the table updates assume there will be no changes or modifications to the eligibility or post-employment benefits from the 12-31-2017 valuation. Note, the fee for table update services will be invoiced in 2019/ 2020 after the service is provided.

Fees noted in this proposal are valid if accepted by March 15, 2019.

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

Our fees include preparation of an electronic version of the report and up to 2 hard copies of the final valuation report, if requested. Additional expenses such as travel, additional copies of the report, and/or materials other than correspondence will be billed at cost. Statements for work completed will be invoiced on a monthly basis. The first invoice will be sent following completion of the draft report. Payment is due upon receipt. A second invoice will be sent if/when a presentation of the final report is provided to the Village.

The Village understands and agrees to the valuation according to the following process and outcomes:

The calculations of cost and liabilities 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. 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.

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

Because of the importance of oral and written representations to an effective agreement, Village hereby releases KBC and its current, former or future owners, agents, employees and personnel from any and all claims, liabilities, costs and expenses attributable to a misrepresentation by Village or its management. Further, neither KBC nor its current, former or future owners, agents, employees and personnel shall be liable to Village, for any amount in excess of the total professional fees paid by Village under this agreement, except to the extent finally determined to have resulted from KBC's willful misconduct or fraudulent behavior relating to such services.

Acceptance

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

Alternative Measurement Method Valuation:

The Village accepts KBC's proposal for a Post-Employment Actuarial Valuation.

Please check the appropriate boxes:

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

- If the obligation is found to be material, the Village would also like KBC to provide OPEB table updates for fiscal year end reporting 12/31/2019, if appropriate, and agrees to the additional charge as noted in the Fee Table on page 6. Note, the fee for table updates will be invoiced in 2019/2020 after the service is provided.

We will need to have updated tables for 2019 audit. A full study is required every two years.

Please check one box below:

- The Post Employment Benefit Summaries as provided in this proposal, accurately and completely reflect the retirement benefits offered by the Village.
- The Post Employment Benefit Summaries accurately and completely reflect the retirement benefits offered by the Village given the modifications made by the Village and noted with this acceptance. KBC will review the changes and reply with modifications to our fees, if needed, based upon the noted benefit changes. (Please mark changes on page 8.)

Disclaimer:

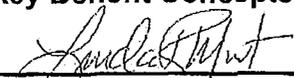
- Upon receipt of the eligibility and post-employment benefit data required for valuation, should we find that eligibility and/or benefits are significantly different than outlined in this proposal, KBC reserves the right to revise our proposal and the associated fees for the study.
- **To avoid additional 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 range noted in this proposal.
- GASB only allows the Alternative Measurement Method (AMM) to be used for entities with less than 100 eligible employees (active and retired) for an OPEB upon retirement – whether a portion of the contributions are paid by the Village or paid in full by the retiree. Therefore, for those Village's that elect an AMM, upon receipt of the census data required for the valuation should we find that more than 100 employees are eligible, by default the Standard Detailed Valuation will be performed and the associated fee shall be billed.

Village of Windsor



Tina Butteris, Administrator

Key Benefit Concepts, LLC



February 11, 2019

Linda R. Mont, RHU, Senior Benefit Consultant, Managing Member

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

Village of Windsor

Post-Employment Benefit Summary

Alternative Measurement Method (AMM)

All Employees

Eligibility	OPEB
Upon retirement and eligible for WRS	<p><u>Medical Insurance: (<i>Implicit Rate Subsidy Only</i>)</u> Retirees may choose to self-pay the full (100%) amount of premiums to remain on the Village's group medical plan indefinitely, provided they continue to pay all required premiums. Note: <i>payment is made directly to ETF.</i></p>
	<p>Non-OPEB - Compensated Absence</p> <p><u>Sick Leave Benefit:</u> Unused sick leave accumulated upon retirement up to a maximum of 240 hours, will be converted at the employee's final rate of pay prior to retirement. These funds may only be used towards health insurance premiums.</p> <p><i>The Sick Leave Benefit is not an OPEB benefit, but a compensated absence under GASB '16. However, the resulting implicit rate subsidy, when applicable, from use of such funds to remain on the District's medical plan should be accounted for as an OPEB.</i></p>

Notes:

- *The Village offers one health plan through the Wisconsin Department of Employee Trust Funds.*
- *There are 15 active employees (20 total eligible - 15 FT/ 5 PT) and 1 retiree (under age 65 - on plan using sick leave hours until 4-30-2019) on the Village's health plan at this time (February 2019).*
- *The Village would like its liabilities broken out by classification as follows:*
 - *Administration (General Fund)*
 - *Community Center Employees*
 - *Water and Sewer*

References: KBC Experience with Similar Projects

Note: KBC has many more references, if so requested.

Dawn DeuVall
Director of Accounting & Purchasing/
Deputy City Treasurer
City of Beloit
100 State Street
Beloit, Wisconsin 53511
Phone: (608) 364-6686
Type of Project: Actuarial Valuation of
OPEB

Melissa Bohse
Assistant Finance Director / Human
Resources Manager
City of Middleton
7426 Hubbard Avenue
Middleton, Wisconsin 53562
Phone: (608) 821-8348
Type of Project: Actuarial Valuation of
OPEB

Maxwell Gagin
Finance Director
City of Janesville
18 N. Jackson Street
PO Box 5005
Janesville, Wisconsin 53547
Phone: (608) 755-3037
Type of Project: Post Employment
Valuation

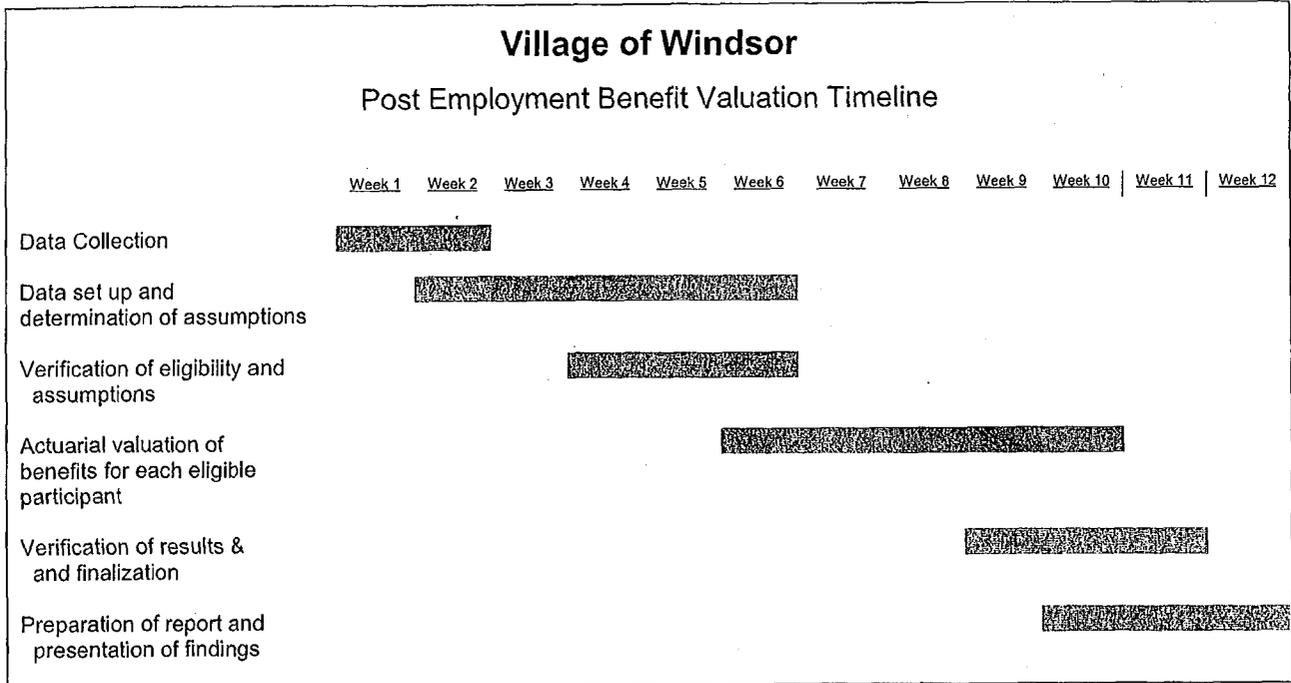
Kathleen Davis
Director of Business & Auxillary Services,
DO
DeForest Area School District
520 East Holum Street
DeForest, Wisconsin 53532
Phone: (608) 842-6504
Type of Project: Actuarial Valuation of
OPEB

More actuarial valuation references upon request:

- 14 Existing WI Municipality Clients
- 30 - 2018 New Municipality Clients
- Over 350 School District clients
- Numerous Counties

Timetable

Below is a 10-12-week timetable for the completion of the post-employment benefits as proposed.



The valuation process can not begin until **all required data is received**. Assuming that all data is obtained from the Village within 2 weeks of acceptance, the valuation will be completed within the 12-week timetable noted above. Note that during periods of high volume, the timetable may be longer.

KBC's Consulting Team

KBC's consulting services are provided by a team of highly qualified experienced professionals. Linda Mont is a senior consultant and managing member. As such, she is responsible for overseeing all work performed. The biographies of KBC personnel actively involved in the actuarial and technical portions of the projects are at the end of this proposal.

Linda R. Mont, RHU

Linda Mont is the senior benefit consultant at Key Benefit Concepts and has over 25 years experience providing health care benefit services to private and public sector employers.

Linda's areas of expertise include:

- ❖ Analyze claims data to evaluate appropriate use, overuse and abuse
- ❖ Review and analysis of current health care plan designs and recommendations for plan modifications
- ❖ Review and evaluation of utilization review programs and prescription drug benefit managers and programs
- ❖ Evaluate and develop elements of flexible benefit programs, administration and communication
- ❖ Review and/or develop summary plan descriptions and master plan documents
- ❖ Auditing of claims and administrative services of insurance companies and third party administrators
- ❖ Develop bid specifications, bidding, analysis and implementation of new claims administration
- ❖ Analyze plan experience and renewal negotiations with insurance companies, provider networks and third party administrators
- ❖ Evaluation of funding options and plan risk tolerance. Assisting employers in the determination of appropriate aggregate and specific stop-loss levels.

Linda Mont has been a benefits consultant with KBC over 20 years. Prior to that, she was a health and welfare consultant in the Milwaukee office of William M. Mercer, Incorporated and a service representative in the Brookfield, WI office of CNA Insurance Companies.

She has a Bachelors of Arts degree in Management & Communications from Concordia University, Mequon, Wisconsin. She is a registered health underwriter (RHU). She is also a licensed life, health, property and casualty insurance intermediary for the State of Wisconsin, a member of the Milwaukee Claim Association, the International Foundation of Employee Benefit Plans and the Greater Milwaukee Employee Benefit Council. She is also an affiliate member of the Wisconsin School Board Association. Linda Mont is an experienced speaker for several organizations providing relative information on topics within her expertise as noted above.

Email: lmont@keybenefits.com

Sarah B. Plohocky

Sarah B. Plohocky is an operations manager and benefit consultant at Key Benefit Concepts. Sarah assists in the coordination of benefit projects and services. She is a highly organized individual with outstanding communications and interpersonal skills.

Having a keen eye for detail, Sarah provides exceptional support in the following areas:

- ❖ Responding to Requests for Proposals (RFP) received from private and public entities; corresponding with employers and outside vendors
- ❖ Following up on outstanding proposals
- ❖ Processing accepted proposals and monitoring the process of projects through the various stages from start to completion
- ❖ Identifying, defining and developing employment benefit summaries
- ❖ Investigation and collection of data components for benefit valuations
- ❖ Assisting in the draft and finalization of the actuarial valuation and other project reports
- ❖ Coordinating KBC client benefit and wellness support services
- ❖ Maintaining follow-up logs, timetables for subsequent studies and related benefit changes as well as other consulting services provided by KBC staff

Sarah Plohocky has an Associates of Applied Science degree in Massage Therapy from High-Tech Institute in Brookfield, Wisconsin. She is also a licensed life and health insurance intermediary for the State of Wisconsin.

Email: sarahp@keybenefits.com

John Lavarda

John Lavarda is an actuarial consultant at Key Benefit Concepts (KBC). He is experienced with both statistical and mathematical analysis.

John's areas of expertise include:

- ❖ Statistics and Probability
- ❖ Calculus based Mathematics
- ❖ Numerical Analysis
- ❖ Financial Mathematics
- ❖ Regression Analysis

As an actuarial consultant, John performs a wide variety of services including:

Health and Welfare benefits

- ❖ Calculations of incurred but not reported health liabilities (IBNR)
- ❖ Analysis and design of funding and reserves for insured and self-funded programs
- ❖ Demographic studies
- ❖ Pricing and plan design studies

Post-employment benefits

- ❖ Valuation of retiree health liabilities
- ❖ Valuation of post retirement life insurance
- ❖ Valuation of post retirement discounts
- ❖ Projection of future benefit payouts

John Lavarda has a Bachelor's of Business Administration degree in Actuarial Science from the University of Wisconsin – Madison. John is currently taking courses/exams to become an Associate of the Society of Actuaries.

Email: johnl@keybenefits.com

Devin Pearson

Devin Pearson is an actuarial analyst at Key Benefit Concepts (KBC). He is experienced with both statistical and mathematical analysis.

Devin's areas of expertise include:

- ❖ Statistics and Probability
- ❖ Calculus based Mathematics
- ❖ Numerical Analysis
- ❖ Financial Mathematics
- ❖ Regression Analysis

As an actuarial analyst, Devin performs a number of services including:

- ❖ Assisting in creation of tables used in final actuarial reports
- ❖ Communicating with clients to clarify and obtain unclear or missing information
- ❖ Reviewing census data received from clients, properly formatting it in preparation for the valuation

Post-employment benefits

- ❖ Valuation of retiree health liabilities
- ❖ Valuation of post retirement life insurance
- ❖ Valuation of post retirement discounts
- ❖ Projection of future benefit payouts

Devin Pearson has a Bachelor's of Business Administration degree in Actuarial Science and Risk Management & Insurance from the University of Wisconsin – Madison. Devin is currently taking courses/exams to become an Associate of the Society of Actuaries.

Email: devinp@keybenefits.com

Village of Windsor



Windsor

Growing Forward



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