

## Subsequent OPEB Valuation for the City of Dodgeville

### Previous Study

Key Benefit Concepts (now Foster & Foster Consulting Actuaries, Inc.) completed an actuarial liability study for the City of Dodgeville in June, 2023. The study had a valuation date of December 31, 2021. We provided an actuarial valuation of Other Post-Employment Benefits (OPEB) liability. The City has modified the post-employment benefits since the last valuation. Based upon the modified benefits as illustrated on pages 6-7 in the summary of benefits, we anticipate our fee for an updated alternative measurement method (AMM) valuation to be \$4,000.

If the City 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 6-7 have been made to your City's post employment benefits, and the City 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 City 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 Foster & Foster Consulting Actuaries, Inc 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.

### City Funding

Via emails from the City on October 29, 2024, the City is funding benefits as follows:

- OPEB: pay-as-you-go basis from general assets (i.e., the City is **not** funding its benefit via an irrevocable trust or account).
- Fully-insured health benefit: The City provides health benefits on a fully-insured basis through the State health plan – ETF.

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

## 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: 12/31/2023
- Measurement Date: 12/31/2023
- Reporting Date: 12/31/2024

Fees: The fee for services is expected to be no greater than the fee shown. These fees are based upon the City's funding method noted above. Should the City 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. Foster & Foster will provide OPEB table updates for fiscal year end reporting 12/31/2025. 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 75, and assuming that the City 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
<b>OPEB Valuation</b>	
• Fee if paid by cash, check or ACH Transfer	\$ 4,000
In Person Visit to City to Present Updated Report <i>(optional service)</i>	\$ 375
Virtual Meeting with City to Present Updated Report outside of regular business hours <i>(optional service)</i>	\$ 300
<b>Required Table Update - for the 12/31/2025 financial reporting year end OPEB Table Updates GASB 75</b>	
• Fee if paid by check or ACH Transfer	\$ 840

### **Option: 4-year Agreement - (Fee for Valuation 12/31/2023, Table Updates 12/31/2024, Updated Valuation 12/31/2025, and Table Updates 12/31/2026)**

Many entities request multi-year agreements; thus, we have provided this option for the City as well. Below are our fees for the 12/31/2023 (FYE 12/31/2024) valuation, 12/31/2024 (FYE 12/31/2025) table updates, the subsequent valuation as of 12/31/2025 (FYE 12/31/2026), and table updates as of 12/31/2026 (FYE 12/31/2027).

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 City to budget for upcoming expected costs. Further, since the 4-year agreement reduces Foster & Foster'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. With a material change, a current multi-year contract would be superseded by a new proposal/ agreement with revised fees; which the City would have the opportunity to accept for the remaining duration of the initial executed agreement **or** decline, thus terminating the contract for any remaining years. In addition, should it be determined there is no longer a post employment benefit requiring valuation for reporting purposes the contract would terminate for any remaining duration.

<b>Actuarial Valuation &amp; Required Table Update Fees Alternative Measurement Method (AMM)</b>	<b>Check or ACH</b>
<b>1. Subsequent OPEB Valuation</b> GASB 75 as of 12/31/2023 for FYE 12/31/2024	\$ 3,800
<b>2. Required OPEB Table Update</b> GASB 75 for the fiscal year end 12/31/2025	\$ 840
<b>3. Subsequent OPEB Valuation</b> GASB 75 as of 12/31/2025 for FYE 12/31/2026	\$ 4,100
<b>4. Required OPEB Table Updates</b> GASB 75 for the fiscal year end 12/31/2027	\$ 910
<b>Total 4-Year Agreement Fees</b>	<b>\$ 9,650</b>

*Note: If you would like to pay by credit card, please let us know.*

An in person visit to the City to present updated report (optional services) \$375/visit or \$300/ visit for a virtual meeting with the City to present the updated report if outside of regular business hours.

Fees noted in this proposal are valid if accepted by January 15, 2025.

The fees for the table updates assume there will be no changes or modifications to the eligibility or post employment benefits from the 12/31/2023 valuation. Note, the fee for table update services will be invoiced in 2025/ 2026 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 City hereby releases Foster & Foster 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 City or its management. Further, the City understands and agrees to the valuation as prepared by Foster & Foster 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 City before revisions are made.

The valuation and report will be prepared solely for the purposes of providing information required by The Government Accounting Standards Board (GASB) for the City's financial reporting. Foster & Foster 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 Foster & Foster nor its current, former or future owners, agents, employees and personnel shall be liable to the City, whether a claim be in tort, contract or otherwise, for any amount in excess of the total professional fees paid by the City 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.

City Visit: Many government entities do not require a presentation with the subsequent study. Thus, the subsequent valuation does not include a visit to the City 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 City. Payment is due upon receipt. Subsequent invoices will be sent if additional services are requested.

### **Proposal Acceptance**

If the City 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 City's post employment benefits, and the City 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 City of Dodgeville and Foster & Foster Consulting Actuaries, Inc.

Actuarial Valuation including OPEB & Required Table Updates:

**Please check the appropriate boxes:**

<b>The City's medical plan is:</b> <input type="checkbox"/> Fully Insured <input type="checkbox"/> Self-funded	<b>The City's benefits are funded through:</b> OPEB <input type="checkbox"/> General Assets <input type="checkbox"/> Irrevocable Trust
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If response does not agree with notes on page 1 & 2, fee will change.

**Please check one box below:**

- The City accepts the proposal for a 2-year agreement (**Valuation 12/31/2023 and Table Updates 12/31/2024**)
- The City accepts the proposal for the 4-year agreement (**Valuation 12/31/2023, Table Updates 12/31/2024, Updated Valuation 12/31/2025, and Table Updates 12/31/2026**). This agreement allows for early termination if the City no longer has an OPEB 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 City.
- Modifications were made to the City's post-employment benefits beyond those already noted in the Post-Employment Benefit Summary. These additional modifications have been noted as illustrated on pages 6-7. The Post-Employment Benefit Summary **with** the noted changes accurately and completely reflects the retirement benefits currently offered by the City.

### 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, Foster & Foster 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.

### City of Dodgeville

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Lauree Aulik, Clerk-Treasurer

Barry N. Hottman, Mayor

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Date

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