



Memorandum

**TO: Board of Administration for the
Police and Fire Department
Retirement Plan**

FROM: Benjie Chua Foy

SUBJECT: Actuarial Services Agreement Amendment

DATE: March 25, 2024

Approved

Date

03/26/24

RECOMMENDATION

Discussion and action to authorize the CEO to negotiate and execute the third amendment to the agreement between the Board of Administration for the Police and Fire Department Retirement Plan and Cheiron, Inc for actuarial services to add \$100,000 for a not to exceed contract amount of \$2,400,000.

BACKGROUND

Cheiron, Inc. (“Cheiron”) was selected as the Board’s actuary in May 2011 following a Request for Proposal (“RFP”) for actuarial services. The Board entered into a three-year agreement with Cheiron, which was extended to June 2016 for a maximum contract amount of \$1,350,000 following two amendments. During the first half of 2016, an RFP for actuarial services was issued and Cheiron was selected as the Plan’s actuary for the term July 1, 2016 through June 30, 2021 for a maximum contract amount of \$1,000,000. A first amendment was made to add \$500,000 to the contract in August 2018, and a second amendment added \$800,000 and extended the contract to June 30, 2024 in February 2021. At the January 2024 meeting, the Board approved to extend the contract term to June 30, 2025 for an additional year instead of issuing an RFP.

ANALYSIS

By the end of fiscal year 2023-2024, Cheiron will have billed approximately \$2,074,000 in fees, which include the pension and healthcare valuations, four experience studies, the Governmental Accounting Standards Board’s (“GASB”) 67/68 and 74/75 reports, as well as other consulting services. All the fees for the services are fixed fee with escalation per year based on the prior year’s Consumer Price Index (“CPI”) rates. The services that fluctuate on an annual basis is the consulting services, which is also a fixed fee with a starting base of \$50,000 in the first year of the contract that includes 200 hours of services. Anything more than the 200 hours is charged at the actuaries’ prevailing rate based on the level of staff. Staff is requesting an additional \$100,000 through the end of FY24-25 to allow for contingencies.

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Services	Actual							Projected	
	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
Annual Actuarial - Defined Benefit Pension	57,000	58,140	61,058	62,890	64,148	66,072	70,697	72,818	75,731
Annual Actuarial - Postemployment Healthcare Plan (OPEB)	41,000	41,820	43,919	45,237	46,142	47,526	50,853	52,378	54,473
Annual Actuarial - Pension Plan (GASB 67/68)	8,000	8,160	8,570	8,827	9,003	9,273	9,922	10,220	10,629
Annual Actuarial for Reporting (GASB 74/75)		8,160	8,570	8,827	9,003	9,273	9,922	10,220	10,629
Experience Study	-	37,500	-	40,170	-	42,203	-	46,511	
Consulting and Advisory Services	50,000	51,000	53,560	55,167	56,270	57,958	62,015	63,876	66,431
Excess hours	121,473	87,968	72,858	9,135	14,737	55,093	23,747	55,002	57,202
Total	277,473	292,748	248,535	230,253	199,303	287,398	227,156	311,025	275,094
					Grand Total	\$ 2,348,985			
					Current maximum contract	\$ 2,300,000			
					Shortage	\$ 48,985			
					Contingencies	\$ 51,015			
					Amount requested	\$ 100,000			

CONCLUSION

Staff recommends the Board to authorize the CEO to negotiate and execute the third amendment to the agreement between the Board of Administration for the Police and Fire Department Retirement Plan and Cheiron, Inc for actuarial services to add \$100,000 for a not to exceed contract amount of \$2,400,000.

Benjie Chua Foy

Benjie Chua Foy, Accounting Div. Manager