

MEMORANDUM

To: County Managers, Finance Directors and Personnel Directors
From: Todd Green on behalf of Lisa Nolen, Outreach Coordinator
Date: March 4, 2011
Subject: **Actuarial Studies for Other Post Employment Benefits**

The North Carolina Association of County Commissioners (NCACC) is offering County governments a chance to have actuarial studies done for Other Post-Employment Benefits (OPEB) in accordance with GASB 43 and 45. OPEB includes such post-employment benefits as health, dental, vision, hearing and other health-related benefits (regardless of whether they are separate plans or provided through a defined benefit pension plan), as well as life insurance, long-term care and disability insurance when provided outside of a pension plan. We are also strongly encouraging smaller Counties (with less than 100 active and retired participants) that require only an alternative measurement method to determine the liabilities, to utilize Cavanaugh Macdonald to work with you on the funding and design solutions for your plans.

The NCACC has engaged into a long term contract with Cavanaugh Macdonald Consulting, LLC, to conduct the Post Retirement Medical actuarial studies for Counties. Cavanaugh Macdonald Consulting, LLC, is a premiere actuarial consulting firm founded solely for the purpose of providing actuarial services to state and local governments. They already perform the actuarial valuation for the Special Separation Allowance for Law Enforcement Officers.

NOTE: You must complete ALL of the attached forms in order to participate. The cost to your County and the procedures you must follow are outlined below. Counties who are in the County Health Plan (CHP) and in the North Carolina Local Government Employees Retirement System (NCLGERS) will receive an extra discount:

1. The fee for all County governments will be:

	In NCLGERS and in CHP	All Others
Base Fee		
▪ Less than 20 total active and retired participants	\$1,250	\$1,750
▪ 20-49 total active and retired participants	\$2,000	\$2,500
▪ 50-99 total active and retired participants	\$2,500	\$3,000
▪ 100 or more total active and retired participants	\$3,000	\$3,250
Per Participant Fee		
▪ Less than 50 total active and retired participants	\$4.00	\$4.00
▪ 50-99 total active and retired participants	\$3.50	\$3.50
▪ 100-249 total active and retired participants	\$3.00	\$3.00
▪ 250-499 total active and retired participants	\$2.50	\$2.50
▪ 500 or more total active and retired participants	\$2.25	\$2.25

2. Counties must return the attached 2011 Memorandum of Participation indicating your desire to participate along with all requested data. The OPEB valuations will be completed within 10 to 12 weeks of receipt of all requested information.
3. Counties will receive copies of their actuarial reports and will be billed by Cavanaugh Macdonald Consulting, LLC. **DO NOT PAY CAVANAUGH MACDONALD CONSULTING, LLC IN ADVANCE.**
4. Counties may negotiate other services with Cavanaugh Macdonald Consulting, LLC outside the scope of the agreement. The hourly rates for consulting services are \$100 to \$360.

Note: Unless Cavanaugh Macdonald Consulting, LLC has questions, you may not hear from them until you get your copy of the actuarial report. The main contact person with Cavanaugh Macdonald Consulting, LLC is Todd Green, (ToddG@CavMacConsulting.com) or (678) 388-1705. If you have questions, please contact Todd Green.

**2011 MEMORANDUM OF PARTICIPATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

COUNTY: _____
MAILING ADDRESS: _____
CITY: _____ **ZIP CODE:** _____
NAME: _____ **PHONE #:** () _____
TITLE: _____
E-MAIL ADDRESS: _____

On behalf of the County noted above, we agree to participate in the Joint Actuarial Study Program offered through the North Carolina Association of County Commissioners (NCACC). I understand that Cavanaugh Macdonald Consulting, LLC has been selected as the actuarial firm to perform the studies and may contact us to get additional information as needed.

I understand that ***we will be billed directly by Cavanaugh Macdonald Consulting, LLC*** and copies of the actuarial report will be mailed to our office by Cavanaugh Macdonald Consulting. The fees for a County will vary by population and participation in the NCLGERS. The fees for the Counties that participate in the County Health Plan (CHP) offered by NCACC will be slightly lower than for those Counties who do not participate in the CHP. I understand that the fee structure is as follows:

	In NCLGERS and in CHP	All Others
Base Fee		
▪ Less than 20 total active and retired participants	\$1,250	\$1,750
▪ 20-49 total active and retired participants	\$2,000	\$2,500
▪ 50-99 total active and retired participants	\$2,500	\$3,000
▪ 100 or more total active and retired participants	\$3,000	\$3,250
Per Participant Fee		
▪ Less than 50 total active and retired participants	\$4.00	\$4.00
▪ 50-99 total active and retired participants	\$3.50	\$3.50
▪ 100-249 total active and retired participants	\$3.00	\$3.00
▪ 250-499 total active and retired participants	\$2.50	\$2.50
▪ 500 or more total active and retired participants	\$2.25	\$2.25

Counties must return this 2011 Memorandum of Participation indicating their desire to participate along with all requested data. The OPEB valuations will be completed within **10 to 12 weeks after the receipt of all data requested in items 1 through 8 on the following pages.**

This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.

Finance Officer Signature

Signed this ____ day of _____, 2011.

**Mail form to:
Cavanaugh Macdonald Consulting, LLC
3550 Busbee Parkway, Suite 250, Kennesaw, Georgia 30144**

Should you have questions regarding the information requested in this letter, please contact **Todd Green** (ToddG@CavMacConsulting.com) at Cavanaugh Macdonald Consulting, LLC at (678) 388-1705.

DATA COLLECTION SHEET FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB) COVERED BY GASB 43 AND 45

Please provide information listed below as of **December 31, 2010**.

COUNTY: _____

UNIT'S RETIREMENT SYSTEM I.D. NUMBER(S): _____

1) **Demographic Data Requirements** – All demographic data must be submitted in an Excel spreadsheet file as of December 31, 2010. **(If you are submitting data via e-mail you must password protect the Excel spreadsheet file and send the password in a separate e-mail.)** For your convenience, a template can be downloaded at <http://www.ncacc.org> in the Recent Mailings section. We encourage the use of this template to provide complete data.

a) Please provide a listing of all active employees with the County as of **December 31, 2010** with the following information:

- i. Social Security Number
- ii. Name
- iii. Date of Hire
- iv. Years and Months of Service (YY/MM) as of **December 31, 2010**
- v. Enterprise Fund (applicable only if results need to be separately reported)

b) Please provide a listing of all retired employees and dependents receiving other post employment benefits with the County as of **December 31, 2010** with the following information:

- i. Social Security Number
- ii. Name
- iii. Gender (M or F)
- iv. Date of Birth
- v. Date of Hire
- vi. Date of Retirement
- vii. Retirement Type (Service, Disability, Surviving Spouse)
- viii. Years and Months of Service (YY/MM)
- ix. Employment Group (Fire, Police, General, etc.)
- x. Enterprise Fund (applicable only if results need to be separately reported)
- xi. Medical Plan Election (e.g., HMO, PPO option 1, Indemnity 1, Medicare Supplement, etc.)
- xii. Medical Coverage Tier (e.g., single, two-person, one person complimentary, family, etc.)
- xiii. Spouse Date of Birth (applicable only if spouse gets benefits)
- xiv. Dental Plan Tier (applicable only if retirees get dental coverage)
- xv. Vision Plan Tier (applicable only if retirees get vision coverage)
- xvi. Base Life Insurance Amount (applicable only if retirees receive life insurance benefits paid by the County)
- xvii. Medicare Eligible (Y or N)
- xviii. Monthly Medical Retiree Contributions associated with the premiums in question 4
- xix. Monthly Dental Retiree Contributions (if applicable) associated with the premiums in question 4
- xx. Monthly Vision Retiree Contributions (if applicable) associated with the premiums in question 4
- xxi. Total Monthly Premiums (Retiree & Employer) for Medical, Dental, and Vision coverage as of most recent renewal date

2) **Plan Provisions** – ***If we previously provided an OPEB valuation for your County, please provide a copy of the Schedule D (Summary of Benefit Contribution Provisions) and note any approved benefit or policy changes since the prior valuation.*** In addition, please provide copies of the appropriate pages of the County's employee handbook or personnel policy that provides a description of the current approved retiree health care benefit provisions (substantive plan).

- 3) **Medical Coverage Summary** - Please provide a summary of medical coverage for each health care option. The summary should include items such as co-pays, deductibles, out of pocket maximums, office co-pays, etc., for each separate plan option (e.g., HMO, PPO option 1, Indemnity 1, etc.).
- 4) **Premium Rate Information** - Please submit the two most recent years of monthly active, pre-65 retiree, and post-65 retiree and retiree health premium rates divided by coverage for each coverage tier. If other benefits are available to retirees, please include premium rates for the other retirement benefits (dental, vision, life, etc.). Please indicate the premium effective dates for each type of benefit (medical, Medicare Supplement plan, Medicare Part D, dental, vision, life, etc.). ***If you have premium rates that are effective after December 31, 2010, please submit those rates along with the current premium rates.***
- 5) **Aggregate Claims Experience, Administrative, and Other Fixed Fees** - Does the County participate in the County Health Plan? If YES, skip question 5 as the CHP will provide this information to us.

If you do not participate in the CHP, please provide the following information in **electronic format**:

- a) The monthly enrollment headcounts and paid aggregate claims (separately for each coverage type) for the most recently available 24 months. Enrollment data should include active employees, retirees, and covered dependents. Enrollment headcounts and claims should be summarized separately by:
- Active members vs. retirees
 - Non-Medicare eligible (pre-65) vs. Medicare eligible (post-65) retirees
 - Claim type:
 - o Medical
 - o Prescription drugs
 - o Dental
 - o Vision
- b) By month, separately for each coverage type (e.g., Medical, Rx, Dental) and subgroup (e.g., active, Medicare eligible retirees) all stop-loss reimbursement totals reported for the most recent 24 months.
- c) Separately for each coverage type (e.g., Medical, Rx, Dental) and subgroup (e.g., active, Medicare eligible), the most recent aggregate stop-loss and specific stop-loss rates, and attachment points.
- d) Separately for each coverage type (e.g., Medical, Rx, Dental) and subgroup (e.g., active, Medicare eligible retiree), all monthly administrative expenses for the current period by category (e.g., claims administration, utilization review, PPO fees, capitated service fees), if appropriate. These are all fees paid by the plan(s) in addition to claims. If only one vendor is paid for all administration functions then the breakdown by category is not necessary.
- e) List the claims administrators utilized for the past three (3) years and the period they provided service.

Some of the above data may have to be obtained from the health plan claims administrator.

- 6) **Asset Information** – Does the County have assets in a qualified GASB OPEB funding vehicle (i.e., a Trust or Trust like arrangement for the sole purpose of providing OPEB benefits for retirees that cannot be used to pay active health care costs or any other benefits) as of December 31, 2010?

(Please circle one) Yes / No

7) Contribution Amounts for Current Retirees – Cavanaugh Macdonald Consulting GASB 43/45 OPEB Valuation reports have been updated to include an Annual OPEB Cost and Net OPEB Obligation exhibit. This exhibit will assist the County in preparing the Notes to the Financial Statements section in the Certified Annual Financial Report. In order to complete the exhibit, please provide the following information for retiree only coverage for the fiscal year ending 2011.

Please provide the following (if fully insured):

- a) The retiree contributions during the last fiscal year for pre-65 retiree only medical coverage;
- b) The retiree contributions during the last fiscal year for dependent medical coverage;
- c) County contributions during the last fiscal year for pre-65 retiree only medical coverage;
- d) County contributions during the last fiscal year for post-65 (if applicable) retiree only medical coverage;
- e) County contributions during the last fiscal year for post-65 (if applicable) dependent medical coverage; and
- f) The County dental, vision, and life insurance premiums paid (if applicable) during the last fiscal year for eligible retirees.

Please provide the following (if self-insured):

- a) Total claims paid (net of stop loss reimbursements) on behalf of retirees for the last fiscal year;
- b) Total stop loss premiums paid (if applicable) on behalf of retirees for the last fiscal year; and
- b) The County dental, vision, and life insurance premiums paid (if applicable) on behalf of eligible retirees during the last fiscal year.

If we do not receive the contributions for the most recent fiscal year, then the Net OPEB Obligation will be indicated as TBD in the report.

8) Additional Information

- a) Please provide a copy of the most recent GASB 43/45 OPEB valuation performed by the previous actuary (**other than Cavanaugh Macdonald Consulting**), if applicable.
- b) Please provide a copy of the section of the most recent Certified Annual Financial Report (CAFR) that contains GASB OPEB reporting and any supporting financial statements or supplementary information. If the County has already implemented GASB 43/45, the CAFR information provided should include the Net OPEB Obligation exhibit as well as the other OPEB exhibits reported in the CAFR.
- c) Please provide the name and e-mail address of someone who can be contacted to answer questions, should they arise.

Please note that as we review the data submitted and work through the project, we may require additional information.

**PLEASE RETURN FORM ALONG WITH CD
AND ANY OTHER REQUESTED MATERIALS TO:
CAVANAUGH MACDONALD CONSULTING, LLC
3550 BUSBEE PARKWAY, SUITE 250
KENNESAW, GA 30144
– OR –
E-MAIL FORM AND REQUESTED MATERIALS TO:
NCOPEB@CAVMACCONSULTING.COM**