

REQUEST FOR AGENDA PLACEMENT FORM

Submission Deadline - Tuesday, 12:00 PM before Court Dates

SUBMITTED BY:

TODAY'S DATE: 2/7/2022

DEPARTMENT:

Auditor

COMMISSIONERS COURT

SIGNATURE OF DEPARTMENT HEAD:



FEB 14 2022

REQUESTED AGENDA DATE:

2/14/2022

Approved

SPECIFIC AGENDA WORDING: Consideration of Engagement Letter for GASB OPEB Valuation for Johnson County with CapRisk Consulting Group

PERSON(S) TO PRESENT ITEM:

SUPPORT MATERIAL: (Must enclose supporting documentation)

TIME: 5 Minutes

 X

ACTION ITEM:

WORKSHOP _____

(Anticipated number of minutes needed to discuss item)

CONSENT: _____

EXECUTIVE: _____

STAFF NOTICE:

COUNTY ATTORNEY: X

IT DEPARTMENT: _____

AUDITOR: _____

PURCHASING DEPARTMENT: _____

PERSONNEL: _____

PUBLIC WORKS: _____

BUDGET COORDINATOR: _____

OTHER: _____

*****This Section to be Completed by County Judge's Office*****

ASSIGNED AGENDA DATE: _____

REQUEST RECEIVED BY COUNTY JUDGE'S OFFICE: _____

COURT MEMBER APPROVAL _____

Date _____

Johnson County, Texas
(Cleburne, Texas)

GASB Statement No. 75 - OPEB Reporting
(Postemployment Benefits Other than Pensions)

Actuarial Valuations
Fiscal Years: FY2022 - FY2027

Engagement: January 28, 2022

(Valid as proposed 90 days from date shown)

January 28, 2022

(Valid as proposed 90 days from date shown)

Steven Watson
County Auditor
Johnson County
2 N. Main Street
Cleburne, Texas 76033

RE: GASB STATEMENT NO. 75 - OPEB REPORTING
ENGAGEMENT FOR THE SUPPORTING ACTUARIAL VALUATIONS FY2022 - FY2027

Dear Mr. Watson,

Thank you for considering this engagement with CapRisk Consulting Group (CapRisk) to provide actuarial services for Johnson County (the County). The overall purpose of our consulting efforts will be to assist the County and its representatives in the management of its retirement plan for “other (than pension) postemployment benefits” (OPEB). The scope of this assignment, providing the actuarial valuations and projections in support of the GASB Statement No. 75 reporting (replaces GASB 45), will consider expense obligations specific to these benefits.

The assistance shall include:

1. Submission of a ready-to-file document addressing the actuarial valuation of OPEB expense obligations, signed by a fully-credentialed Fellow of the Society of Actuaries.
2. Regular communications and explanation of study results and conclusions.
3. Ongoing consultation, as necessary, with regard to interpretation of values presented and the implementation of recommendations.

Teamwork and quality communication are considered key to the services being requested. CapRisk colleagues offer a true partnership approach to our consulting efforts founded on these considerations. We are prepared to dedicate sufficient resources, tailored to accommodate the specific needs and scheduling requirements of the County. We are an independent consultancy, value long-term relationships, and thus offer a level of commitment toward serving the needs of our clients that may not be found in other consulting practices.

It is CapRisk's position that actuarial models should reflect the unique characteristics of the plan and client operational procedures to the greatest extent possible. CapRisk actuaries have particular expertise working with ***self-funded insurance plans, retiree pension plans, other postemployment benefits (OPEB)*** and are accordingly well-prepared to address the needs for this assignment and any future studies for the County.

1. CAPRISK EXPERIENCE

Our firm's actuaries and consultants offer a combined one hundred plus years experience. One of our strongest and growing practice areas is providing actuarial and related consulting services for retiree medical plans to a wide range of client employers and plan consultants. Since the implementation of FAS 106 (the initial private sector equivalent of GASB 45/GASB 75) our actuaries have provided **audit support and actuarial valuations** for many of our clients that are exposed to these accounting standards. For our public sector clients we are additionally working with those interested in evaluating the impact of potential plan changes under GASB 75 on their financial statements.

The following are offered as representative of our actuaries' current and completed work:

- ◆ Anderson County (Texas)
- ◆ Blount County (Alabama)
- ◆ Bowie County & City of Texarkana (Texas)
- ◆ Chambers County (Alabama)
- ◆ Eastland County (Texas)
- ◆ Cherokee County (Alabama)
- ◆ Freestone County (Texas)
- ◆ Talladega County & City of Talladega (Alabama)
- ◆ Hopkins County (Texas)
- ◆ City of Siloam Springs (Arkansas)
- ◆ Lamar County (Texas)
- ◆ City of Lake Charles (Louisiana)
- ◆ Montague County (Texas)
- ◆ Sabine Parish Police Jury (Louisiana)
- ◆ City of Mount Pleasant (Texas)
- ◆ West Baton Rouge Parish Council (Louisiana)
- ◆ Palo Pinto County (Texas)
- ◆ City of Broken Arrow & Tulsa County (Oklahoma)
- ◆ Rockwall County (Texas)
- ◆ Seminole State College (Oklahoma)
- ◆ Rusk County & City of Henderson (Texas)
- ◆ City of Yukon (Oklahoma)
- ◆ City of Terrell (Texas)
- ◆ Anderson County & EMS (Tennessee)
- ◆ Town of Trophy Club (Texas)
- ◆ City of Brownsville (Tennessee)
- ◆ Wood County (Texas)
- ◆ Montgomery County (Tennessee)
- ◆ Young County & City of Graham (Texas)
- ◆ Wilson County & School Board (Tennessee)

2. ACTUARIAL QUALIFICATIONS

Wilfred L. Thornthwaite, FSA, EA, MAAA, Consulting Actuary with more than 30 years professional experience is presented as lead consultant for this project. Mr. Thornthwaite is a **fully-credentialed Fellow** of the Society of Actuaries, an Enrolled Actuary, a Member of the American Academy of Actuaries, and a Fellow of the Conference of Consulting Actuaries.

3. PROPOSED METHODOLOGY

Our valuation methodology will follow GASB 75 in consultation with client representatives regarding assumptions. The valuation system we employ is widely used in the public sector for valuation of both pension plans and welfare plans. We have utilized this **state-of-the-art valuation system** for the past ten years.

Upon request we can provide the 'Executive Summary' and 'Accounting Information' sections from a sample report for reference. These cover our approach to the valuation as well as providing an illustration of the summary detail provided. The remainder of the report contains supporting detail on the actuarial development of various GASB 75 cost and liability components. Since the projected impact of the current plan may result in changes in the existing medical plan for retirees, we can also calculate alternative valuations reflecting these plan changes where requested.

4. PRESENTATION OVERVIEW

Draft report sections may be presented for review with an opportunity for discussion while we are preparing the complete report. The complete report will contain a signed **Statement of Actuarial Opinion** outlining the assumptions upon which the analysis is based and the conclusions reached. The balance of the report will document the sources of data, the material considerations, and the methods used in sufficient detail for regulators or an auditor to evaluate the analysis performed and the conclusions reached.

5. VALUATION TIMELINE

As outlined here in our proposed engagement and depending on receiving complete data in a timely manner, we will prepare the complete report for review within 30 days (flexible). We will communicate with the County and its representatives during the project and go over any questions to ensure we properly reflect applicable information. Barring major changes, if a subsequent report revision is needed it will be delivered within a week after discussion.

6. FEE SCHEDULE

Our fee includes the development of claims costs and other assumptions for the valuation as well as the preparation of the data files to be used in the valuation. This fee also includes the consultation to prepare the report and the actual preparation of the report. Based on our understanding of the plan¹, the total cost for each GASB 75 valuation **will not exceed \$7,950**, with the next valuation scheduled for reporting with the fiscal year ending September 30, 2022. Corresponding rollforward calculations if required for “interim years” can be provided at ***no additional cost***.

As further evidence of our better value proposition, CapRisk will continue to honor this **all-inclusive flat fee schedule through FY2027** for additional valuations to be performed during the extended timeframe. The frequency and timing for additional valuations to be determined by the County in consultation with its outside auditor or accounting firm.

Either party may terminate this engagement, with or without cause, upon thirty (30) days written notice. Following termination, the parties shall agree upon an amount of payment for all services properly performed or furnished prior to the effective date of termination.

[¹ The fee indicated is for a number of participants *fewer than 600*, where we will utilize the appropriate measurement method in accordance with the Actuarial Standards of Practice and the Governmental Accounting Standards Board to provide each actuarial valuation of major medical with other benefits or options specified.]

Additional consulting projects can be provided for the County’s consideration, such as a review of the likely impact of potential changes to the retiree plan benefits under GASB 75 reporting. Associated fees will be discussed and confirmed in writing before any additional projects are undertaken.

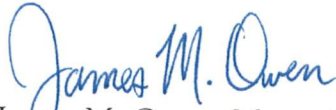
The invoice for each project will become due with first transmittal of the complete report. Our fee reflects the understanding that the County and its representatives will be available to assist in efforts to gather and compile available data as may be required for the purpose of each analysis. Unless otherwise previously agreed to in writing, the total cost to the County for all services and expenses associated with performance hereunder shall not exceed the amount(s) quoted.

Regular communications and any draft report sections presented prior to delivery of the complete reports should provide assurance that our selected assumptions conform to your knowledge of the plan and provide an opportunity for any questions to be addressed. Follow-up consultations can be provided to address any concerns that arise after the complete reports have been delivered, and we will remain available to confer with the County and its representatives.

We appreciate the opportunity to offer these services to Johnson County, and we look forward to working with you on this assignment.

Respectfully submitted,

CAPRISK CONSULTING GROUP:



James M. Owen, Managing Principal
877.747.5238, Ext. 411 / JOwen@CapRiskGroup.com

Cc: Wilfred L. Thornthwaite, Consulting Actuary

The undersigned hereby authorizes CapRisk Consulting Group to commence work under this engagement with Johnson County to provide the actuarial services outlined above.


Name/Title County Judge

2-14-22
Date