



Awards for Excellence in Government Finance



2009 APPLICATION FORM

This application form must be completed and returned along with your entry in electronic form to awardsforexcellence@gfoa.org by **January 31, 2009**. If any supplemental supporting materials are not in electronic form, please send five (5) copies along with a copy of this application to GFOA, Awards for Excellence Program, 203 North LaSalle Street, Suite 2700, Chicago, IL, 60601.

Title of Entry: Shared Services for OPEB Actuarial Reporting _____

Category (Select only one):

- Accounting, Auditing, and Financial Reporting
- Budgeting and Financial Planning
- Cash Management and Investing
- Capital Financing and Debt Administration
- Economic Development
- E-Government and Technology
- Management and Service Delivery
- Pensions and Benefits

Subcategory (Select only one):

- Policies and Procedures
- Management and Policy Studies
- Communications and Reporting
- Training and Technical Guides
- Other

Name of government submitting entry: North Central Texas Council of Governments and City of Carrollton _____

Population served: NCTCOG – over 6 million, Carrollton – over 120,600

Number of employees: NCTCOG – 300+, Carrollton – 800+

Name of person submitting entry: Monte Mercer and Bob Scott _____

Title of person submitting entry: Deputy Executive Director (NCTCOG) and Chief Financial Officer (Carrollton) _____

Mailing address: 616 Six Flags Drive, PO Box 5888, Arlington, TX 76005 _____

Telephone: 817.695.9121 or 972.466.3103 _____ Fax: 817.640.7806 _____

E-mail address: mmercerc@nctcog.org or Bob.Scott@ci.carrollton.tx.us _____

If the person submitting the entry is *not* an active member of GFOA, an active member must sponsor the entry. If applicable, provide sponsor information below.

Name of sponsor: _____ Title: _____

Government: _____ Telephone: _____

Mailing address: _____

Please provide simple and direct answers to each of the questions below. If necessary, use additional pages.

A Local Significance and Value (Background)

Please give a brief general description of the project or program being submitted.

The Actuarial Shared Services project was initiated in 2006 by the North Central Texas Council of Governments (NCTCOG), a voluntary association of local governments established by the state of Texas. The NCTCOG is charged with regional planning and with improving cooperation among governments. The purpose of this project is to provide all local governments within the state with access to high-quality, low-cost actuarial valuations, without each government having to write its own request for proposals (RFP) and go through its own selection process.

The coalition of Texas governments agreed to develop a standard approach for acquiring the actuarial services necessary to meet the requirements of Governmental Accounting Standards Board Statements 43 “Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans” and “45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions.” Post employment benefits can be a wide range of benefits provided to prior employees but predominantly involves health care benefits provided to retirees.

1. *Describe the local events and/or problems that led to the undertaking of this project/program.*

Most governments in Texas participate in statewide pension plan arrangements and have historically had little reason to use actuarial services individually. Further complicating the issue, the actuarial profession does not require any separate certification for health-care valuations, and many actuaries with only private-sector pension or risk and insurance experience are viewing GASB Statement No. 45 as a new growth area. This lack of experience – combined with the greater uncertainties that are inherent in a health care valuation, as compared with pension valuations – had produced wildly different results, both between entities and in valuations of the same entity done by different actuaries. It became obvious that a better-researched and more demanding RFP to address these issues could be written, and actuarial costs could be reduced, if multiple governments were involved. As a result, the authors discussed the shared services concept with a number of finance officers in the state and determined that 40 to 50 governments might be interested. Based on the feedback received it was decided to procure actuarial services for the consortium.

In addition, the size of the state, which has thousands of local governments, made the shared services approach particularly beneficial to small or rural governments. Normally, these governments would not be able to get most actuaries to reply to their RFPs, or they would have to pay significant fee premiums to get actuaries – predominantly located in urban areas – to travel to their locations. The RFP indicated that multiple jurisdictions in the same geographic area of the state would coordinate meeting times to ease travel burdens. The RFP also structured pricing so that small governments would be likely to get reasonable pricing, given their size. Finally, given the possibility of attracting a large number of geographically concentrated urban and suburban governments through one RFP, it seemed likely that the actuarial community would be willing to price the more remote cities on an equivalent basis.

2. *Describe the role of the finance officer/finance officers in this project/program.*

A project of this type requires coordination among the participating entity's chief financial officer and human resources director, the pension administrator, the healthcare administrator, the auditor, and the actuary performing the service. The process was streamlined by considering the impact of all the key players before the RFP was drafted. The idea was to standardize wherever it was practical to do so and reduce the overall risk to the project and participants, as well as to the actuaries that responded to the RFP.

In designing the RFP, the project team looked for opportunities to standardize the census and claims data that would be used in the actuarial studies. Standardizing the data would increase the productivity of the actuaries, in part by reducing the risk that they would have to clean the data themselves, allowing them to reduce their fees. One of the RFP requirements was that the participating jurisdictions would use a standardized data file layout for submitting their data. In addition, the Texas Municipal Retirement System (TMRS) agreed to provide the shared services actuary for each member city with the TMRS assumptions for turnover rate, mortality rates, expected retirement dates and ages, etc. The participants also agreed to use closed amortization for 25 to 30 years, using level dollar amounts.

One potential problem identified in the exploratory phase was the potential for a deterioration in quality or availability of plan data, since it would only be requested every other year. To ensure that data would be reviewed in a timely manner, the RFP also required participants to continue accumulating census data annually and to send it to the actuary. The actuary was charged with reviewing the off-year census data and reporting back if there has been a material change in the data so that the entity can deal with it.

The project team also recognized that while an overall base level of services was needed, some entities would also need optional services. The RFP anticipated that, based on the first valuation, many participants would want to consider changes in the types and levels of non-pension benefits for retired employees – collectively known as other postemployment benefits (OPEB) – they offered, and that some of the entities with biennial evaluations would want valuations for each of the first two years. The first-year valuation would be prior to the required implementation date and would be used primarily for evaluating options. The actuary would need to identify practical options and be prepared to run multiple scenarios and present them to the governing board, management, and employee groups. The RFP included costing for running scenarios based on different assumptions, funding policies, or benefit provisions to assist governments in modifying their OPEB plans to best meet their funding capabilities. Based on their expertise in the public sector, the actuaries could provide suggestions regarding plan benefit design, plan eligibility conditions, employee cost sharing, benefit capitation, pre-funding, etc. The second-year valuation, prepared after changes had been made to the OPEB types and levels, would be used in preparing the financial statements, notes, and schedules.

The NCTCOG then handled the procurement process and authorized the master agreement with the shared services actuary to perform the services. Participating entities were then able to access the contract by an inter-local agreement with the NCTCOG. The services agreement is between each participating entity and the actuarial firm NCTCOG contracted with. This structure gives all clients a standard engagement letter with the terms and conditions already negotiated, saving administrative time for both the entities and the shared services actuary.

3. *How much time did each participant devote to this program/project? Were outside consultants engaged?*

Monte Mercer and Bob Scott spent considerable hours over several months completing background work and determining that there was sufficient interest and support among Texas local governments to justify the approach. Once the decision was made to proceed with the writing of the RFP an evaluation committee of finance officers and a health plan administrator was created to review the draft RFP and to serve as the selection panel for choosing the winning actuary.

Three actuarial firms in the Dallas area were interviewed regarding the concept and the best way to approach the RFP, including pricing drivers such as covered lives and health-plan options. In these interviews, it became evident that the winning actuary needed to have extensive experience with both GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. That's because techniques for those valuations mirror those for GASB Statement No. 45, and an actuary performing these types of valuations would already have software that could be adapted quickly to a GASB Statement No. 45 valuation. The actuary would also be familiar with the unique aspects of government procurement and contracts such as open records requirements and additional insurance or indemnifications requirements. Health-care experience was also deemed critical because of the volatility of health-care costs and the extreme complexities of health-care plans.

The project was completed based on a core group of 27 cities, along with the Texas Municipal League Inter-Employer Benefit Pool, that worked with NCTCOG staff to gauge jurisdictions' interest in the project and the expectations they had of a service provider. A five-member committee evaluated the eight responses the NCTCOG received to its Shared Request for OPEB Actuarial Evaluation. The criteria for evaluating the responses was pricing, expertise of the management team, references, quality of the written proposal, quality of the oral presentation, and technical expertise.

The evaluation committee reviewed the responses and selected three firms to be interviewed. An actuary was chosen based on best overall combination of experience with health insurance and retiree health insurance benefits, firm capacity and ability to meet participants' time schedules, references, overall reputation, and price. Exhibit 1 excerpts sample pricing from the proposals of the three finalists. This pricing was often half or less that quoted to governments that searched for an actuary on their own. Each participating entity also saves the multiple hours required to research and develop the RFP as well as the time to evaluate the RFP responses. Each participating entity saved a significant amount of time by not having to perform its own procurement process.

B Technical Significance

- I. *What financial concepts, standards, or techniques are displayed or advanced by this entry? Why is this important to the public finance profession?*

Early valuations in Texas had produced dramatically different results, and a goal of the RFP was to promote both consistency between subsequent valuations of the same entity and comparability between Texas entities. It was felt that differences between valuations should be a direct result of substantive differences in the health plans offered or the demographics of the individual governments, rather than differences in the valuation approach or the assumptions used. The RFP was for a six-year period, which would allow for three biennial valuations by the same actuary.

While the primary purpose of the actuarial services is complying with the requirements of GASB Statement No. 43 and No. 45, the RFP recognized from the start that GASB Statement No. 45 represents a significant opportunity for governments to improve their retiree health practices. A section of the RFP, titled “Group-Wide Services,” included educational classes for participants and annual benchmarking services using the data gleaned from all participants. In addition, the actuaries will routinely provide observations to shared-services participants regarding what other governments have done in the retiree health area that has proven effective and could be easily replicated. One example of a direct benefit to a shared-services client was apparent when a participant’s finance department discovered that employees who had left the city years before were allowed into the city’s OPEB plan upon retirement. The costs associated with this informal policy were significant, and the practice was ended.

Before the shared services contract was awarded, conversations with other governments revealed that some actuaries were hesitant to provide their clients any projections of future cash claims payments, annually required contribution amounts, or net OPEB obligation balances under the existing plan or with proposed plan changes. Any government that is evaluating a potential plan change or considering only partially funding its OPEB liability should insist on seeing plan projections for five and ten years out. This information is vital because options that produce savings today may be far more costly over a period of several years. This information is readily available in the calculations that support the valuation results, and actuaries should be willing to share this information with their clients. The hesitation, of course, is because the projections will always vary from the actual results, as no one can predict the future with 100 percent accuracy. The shared-services actuary deals with this issue by clearly disclosing the underlying assumptions used in the projections and using confidence levels, standard deviation, and other statistical techniques to disclose the probability that actual results will vary from projected numbers.

The actuary that was chosen also provided a Web portal that allowed participants to model selected assumption sets, contribution patterns, and benefit designs to show projected future benefit patterns, liabilities, and contribution requirements. This additional feature gave participants a great deal of latitude in estimating the financial impact of changes without needing to ask for optional services from the shared-services actuary. After the participant provided the actuary with the model scenario that best met its needs, the actuary would study the impact in more detail and give an actuarial opinion and certification.

With Phase I governments just beginning to report GASB 45 information in their financial statements, the success of the shared-services approach is becoming clear. To

date, 70 governments are under contract, and an additional 31 jurisdictions have requested information prior to seeking their governing board approval for the inter-local agreements and contracts. Representatives of numerous governments that had their initial valuation done by other actuaries, at far higher costs, have indicated that they will probably switch to the shared-services arrangement when it comes time for the next valuation. In addition, feedback from governments that have participated has been positive. With the Phase II deadline approaching, requests for information have increased significantly. A recent Government Finance Officers Association of Texas survey of its membership showed that 91 percent of survey respondents have implemented or will be implementing GASB 45. Thus, the ultimate participation rates in this shared-services project could easily exceed 100 governments – far more than originally estimated. There are no easy solutions for addressing soaring health-care costs, in general, and retiree health costs, in particular, but Texas governments are finding that banding together to reduce costs, improve quality, and share information is a step in the right direction.

C Transferability

- I. *How can this project/program be adapted for use by other organizations? Who else might benefit by its adoption? Would significant modifications be required for implementation?*

This procurement process and contract administration could easily be replicated by another entity for the benefit of others by a coordinating entity. In order to realize the benefits of purchasing for multiple organizations an organization could follow the same game plan that NCTCOG used. The expectation would be that the coordinating entity would save significant time since all the heavy lifting has already been done. The first step would be to organize a group of core entities to determine interest in the project. After determining initial interest the next step would be to request a statement of interest for participation in the project. The statement of interest is generally non binding however it will be useful as an incentive to the proposers to have an idea of the volume that could be expected from the project. The coordinating entity then could use the existing NCTCOG Actuarial RFP modified as needed for their constituency by utilizing the core group. The core group could serve as the evaluation team for grading the RFP and provide a recommendation for the vendor of choice. The coordinating entity's governing board could then make the award. The participating entities could then utilize the interlocal agreement to directly access the actuarial services via a contract.

D Documentation

- I. *What documentation describes the entry (e.g., reports, forms, memoranda, software, audio-visual materials, etc.)? All materials must be provided, preferably in electronic format.*

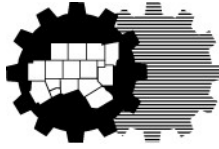
Attached as exhibits are:

Exhibit A (see attached) - Statement of Interest

Exhibit B (see attached) - Brochure for Actuarial Services

Exhibit C (see attached) - NCTCOG web page – Actuarial Shared Services

Exhibit D (see attached) – NCTCOG OPEB Valuation Portal



North Central Texas Council of Governments

ACTUARIAL SHARED SERVICES

FACT SHEET



STATEMENT OF PURPOSE

Actuarial Shared Services is a coalition of Texas governments that have agreed to develop a standard approach for acquiring the actuarial services necessary to meet the requirements of Governmental Accounting Standards Board Statements 43 “Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans” and “45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions.”

Post employment benefits can be a wide range of benefits provided to prior employees but predominantly involves health care benefits provided to retirees.

APPROACH TO JOINT SERVICES

- The general approach to the joint services will be to provide benefits to both participating governments and to the winning actuary.
- The proposal and the resulting services will be structured to be more than

simply a lower cost due to economies of scale. The services acquired will also be structured to allow the actuary to effectively plan and smooth work load and to avoid inefficiencies due to incomplete or varying formats for data.

- The participating governments will have attended educational sessions and have agreed to provide data in certain formats.
- The actuaries will also have the advantage of a uniform contract for all participating governments.

Governments will benefit since the joint approach will make it cost effective to invest more time in researching and structuring the RFP. A larger potential client base will also attract more actuaries to the proposal process.

Retiree health benefits are an actuarial specialty that not all actuarial firms will provide. The joint approach will allow relatively small governments to contract with larger firms at a reasonable cost. Governments will also have the benefit of having a shared data base of information that can be used for benchmarking and developing strategies for reducing retiree health costs.

STRUCTURE OF THE REQUEST FOR PROPOSAL

The North Central Texas Council of Governments (NCTCOG) would coordinate and oversee the RFP process but each government would contract directly with the winning actuary using the standard contract, schedule of services, fee schedule and timing of services agreed to in the RFP. NCTCOG would also disseminate the benchmarking information obtained through the joint services agreement. NCTCOG would charge a nominal amount to cover the cost of these services.

The contract period would be for six years. This longer period will allow those governments utilizing the biennial option and not beginning the actuarial cycle until the second year of the contract to have three actuarial valuations performed.

STEPS NECESSARY TO PARTICIPATE

Governments wishing to participate in the process need to:

- (1) Fill out a statement of interest form and return to NCTCOG
- (2) Participate in the review of the draft RFP
- (3) Pay NCTCOG's administrative fee¹
- (4) Agree to provide the actuary the necessary census information

¹ Fee be nominal in amount (\$50 to \$100) designed to cover out of pocket expenses. Timing and amount of fee will be determined by number of participants when the decision is made to pursue the joint RFP. No fee is due currently.

TIMING AND GO FORWARD DECISION

A preliminary timetable for the RFP and reviews is attached. In order to justify the time and effort to coordinate a joint RFP, a minimum of 30 governments will need to commit to participate before distributing the RFP.

CONTACTS

Contacts for more information:

Monte Mercer
Director of Administration
North Central Texas Council of Governments
(817) 695-9121
mmerc@nctcog.org

Bob Scott
Chief Financial Officer
City of Carrollton
(972) 466-3103
bob.scott@cityofcarrollton.com

REQUEST FOR PROPOSAL

ACTUARIAL VALUATION OF OTHER POST EMPLOYMENT BENEFITS

EVENTS TIMETABLE

April 3, 2006 conference	Information distributed at GFOAT spring
April 21, 2006 reviewed	Interest meeting at NCTCOG, Draft RFP
May 1, 2006 joint RFP	Decision made on whether to proceed with a
May 17, 2006	RFP issued to Interested Actuaries
June 1, 2006	Pre-proposal Conference
Week of July 31, 2006	Interviews with Finalists
Mid-August 2006	Winning Proposer Named
Mid September 2006	Two hour classes held to allow participants to meet actuary and to learn more about the actuarial process, information needed, etc.
October 2006	First actuarial valuations performed

JOINT RFP FOR ACTUARIAL SERVICES

STATEMENT OF INTEREST FORM

An electronic version is available at www.nctcog.dst.tx.us.
Return completed form to mmercerc@nctcog.org or mail to:
Monte Mercer
616 Six Flags Drive, Suite 200
Centerpoint Two
P.O. Box 5888
Arlington, TX 76005-5888

I. General Information

Once the decision is made to proceed, you will be asked to pay NCTCOG administrative fee and to authorize inclusion of the information below into the resulting RFP.

- A. Name of Entity: _____
- B. Size of Jurisdiction: _____
- C. Total Annual Operating Budget: _____
- D. Total Active Employees: _____
- E. Total Retirees from the Jurisdiction: _____
- F. Total Retirees currently receiving OPEB: _____
- G. Total non active employees who will be eligible to receive OPEB: _____
- H. Total OPEB Members (Sum of D, F & G) include F also if a retiree can opt back in to receive benefits: _____

II. Description of Postemployment Benefits:

- A. Health & Dental Care
 - 1. Self insured or utilize outside insurance?
 - 2. If self-insured, who administers the plan?

3. If outside insurance who are the carriers?
 4. Briefly describe the number and type of health insurance plan options that employees can choose from including number of employees enrolled in each.
 5. Briefly describe the number and type of health insurance plans that employees can choose from including number of retirees enrolled in each.
 6. List total premiums or if self insured total claims and administrative expenses paid for the last three fiscal years.
 7. Attach the schedule of premiums paid by plan members for the latest plan year.
- B. Life Insurance
1. Describe benefits provided.
- C. Other
1. Describe other postemployment benefits provided.

III. Description of OPEB Benefits:

- A. What is the name of the retirement (pension) plan that employees participate in?
- B. What are the eligibility requirements for that retirement plan?
- C. How do employees qualify to continue receiving benefits after they retire?
- D. Does their status change when they become eligible for Medicare?
- E. Are all employees eligible for Medicare?
- F. Attach a schedule of retiree premiums.
- G. Attach the GASB 12 (OPEB) footnote from the last three annual reports.

IV. GASB 43 & 45 Options

(If you do not know the answer, simply state so. Also, give opinions or inclinations even if you feel that your entity may change its mind later.)

- A. Has your entity established a formal plan for OPEB benefits including placing assets in an irrevocable trust?
- B. Do you have plans to do so?
- C. Are your OPEB benefits committed by statute, collective bargaining agreement or some other binding agreement?
1. GASB 45 is effective for Phase 1 cities for years ending December 31, 2007 and later (i.e. FY 2008 for most us) and Phase 2 & 3 governments one and two years later respectively.

Using the GASB 34 definition, which phase government are you?

2. Would you want to early implement?
3. Would you want an actuarial study prior to implementing for the purpose of evaluating options but not for generating financial statement numbers?
4. GASB 45 allows biennial actuarial reviews.

The obvious advantage is reduction in cost.

The disadvantages are that:

- a) there will be more volatility in the numbers between reviews.
- b) it will be more difficult to produce two years of data biennially than one years worth annually.
- c) if there are gaps or uncertainty regarding data, the actuary will have to perform additional procedures and possibly record greater liabilities to maintain confidence levels.

If the cost of two annual reviews is less than 30 percent more than one biennial review would your government opt for the more frequent reviews?

5. GASB 45 does not require that the actuarial valuation be performed as of the balance sheet date but rather provides a 36-month window prior to the balance sheet date in which the review can be performed.

Would your government be willing to schedule the review any time during the first fiscal year that the review covers?
(i.e. up to a 24-month window for biennial reviews)



Shared Services Program

The North Central Texas Council of Governments (NCTCOG) and Gabriel, Roeder, Smith & Company (GRS) have teamed up to provide a program for actuarial and consulting services designed to assist governments in complying with the requirements of GASB Statements 43 and 45 (OPEB). Through a procurement process, NCTCOG selected GRS to deliver actuarial and consulting expertise on a shared services basis.

About Gabriel Roeder Smith & Company

Gabriel, Roeder, Smith & Company (GRS) is an actuarial and benefits consulting firm that has served public sector clients since 1938. We have locations across the country and enjoy long-standing relationships with over 600 public sector clients. Several of our consultants worked with GASB on the OPEB project, from serving on the original OPEB Task Force to providing input on the GASB OPEB implementation guide. GRS has provided retiree health valuations to governments for over 25 years. Our GASB OPEB work is supported by innovative web-based technology that is client accessible. GRS' OPEB software offers robust reporting capabilities, what-if scenario modeling tools, and an automated data submission process.

The Shared Services Program

Basic Services

Actuarial valuation of employer OPEB in compliance with GASB 45. Valuations can be performed annually or biennially and will include:

- A measurement of the actuarial liability, present value of projected benefits and normal cost as of the valuation date
- The estimated actuarially determined contribution for the applicable fiscal years
- The estimated annual required contribution (ARC) and accounting expense for the applicable fiscal years as required under GASB Statement Nos. 43 and 45
- Information needed to complete the "Notes to the Financial Statement" and "Required Supplementary Information" as defined in paragraphs 30 and 31 of GASB No. 43
- Information needed to complete the "Notes to the Financial Statement" and "Required Supplementary Information" as defined in paragraphs 24, 25 and 26 of GASB No. 45
- Required Supplementary Information as defined in paragraph 26 of GASB 45
- Sensitivity analysis for health care trend rates and providing valuation results based on a higher and a lower health care trend
- A set of actuarial results using alternative discount rates based on hypothetical funding and investment policies

Basic Services (continued)

- ❑ Two in-person or conference call meetings as mutually agreed upon by the government and GRS. Out of pocket travel expenses for governments located 100 miles or more from downtown Houston or DFW Airport will be charged to the government.
- ❑ Attendance at education sessions designed to orient participants with the GASB requirements and actuarial valuation process.
- ❑ Access to GRS' web based Aggregate Reporting Module. This module allows for benchmarking of valuations for all participants in the Shared Services program.
- ❑ Access to the Scenario Planning Module. This module allows the user to change specified plan variables to create "what-if" scenarios with respect to modifying the OPEB liability.

Options Study

It is anticipated that a participant may want to consider what options are available for mitigating the OPEB liability. These Options Studies would include alternative discount rates, alternative health care trend rates, benefit capitations, and changes in retiree cost sharing arrangements.

Additional Services

Fees for additional consulting services (such as plan design and eligibility provision changes, etc.) not included under Basic Services or included in the Options Studies will be priced separately upon request.

Actions Steps for Participating in the OPEB Shared Services Program

- ❑ Visit the GRS/NCTCOG Shared Services web site to request a proposal by filling out a questionnaire. The proposal defines the scope of services and the associated fees. The web site address is: <https://enterprise.gabrielroeder.com/nctcog>
- ❑ You will receive the proposal letter via email. If the proposal is acceptable and you wish to participate in the Shared Services program, contact GRS at the following email address: NCTCOG.sharedservices@gabrielroeder.com. We will respond by sending the sample contract and inter-local agreement.
- ❑ Once the contracts are signed, you will be given a log-in and password for the portal. Either via the internet or through email from GRS, you will be provided a description of the data elements and documentation that is necessary for our actuarial team to prepare an OPEB valuation. We will assist you in gathering the required information as necessary.
- ❑ During the data gathering process, GRS will create time lines and meetings will be scheduled based on the needs of the project. The entire valuation process typically takes six to eight weeks to complete.
- ❑ For more information regarding the Shared Services program, please contact GRS at 469-524-0000 or via email at NCTCOG.sharedservices@gabrielroeder.com.

NCTCOG
North Central Texas Council of Governments

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Actuarial Shared Services

Other Post-Employment Benefit (OPEB)


Actuarial Shared Services is a coalition of Texas governments that have agreed to develop a standard approach for acquiring the actuarial services necessary to meet the requirements of Governmental Accounting Standards Board statements 43 (Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans) and 45 (Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions). Through a procurement process, NCTCOG selected Gabriel, Roeder, Smith & Co. (GRS) to deliver actuarial and consulting expertise on a shared services basis.

To request a quote for services, visit the [NCTCOG OPEB Valuation Portal](#).

For more information about Actuarial Shared Services, contact

Monte Mercer
Deputy Executive Director
North Central Texas Council of Governments
(817) 695-9121
[Email](#)

Texas Municipal Retirement System



Texas Municipal Retirement System (TMRS) is in the process of transitioning actuarial methods for those cities with annually repeating updated service credits and annuity increases resulting in a substantial reduction in the funded status that cities report in their 2008 financial statements and a substantial increase in the TMRS required rate beginning January 1, 2009. To assist members in this major transition, the Government Finance Officers Association of Texas (GFOAT) has worked with NCTCOG in coordinating a joint RFP for actuarial services similar to what was done to help cities with their GASB45/OPEB implementations. Through a procurement process, NCTCOG selected Gabriel, Roeder, Smith & Co. (GRS) to deliver actuarial and consulting expertise on a shared services basis.

The purpose of the TMRS Actuarial Procurement RFP is:

- To provide cities an independent valuation separate from TMRS that will give them the assurance that the substantial rate increases being discussed are really necessary.
- To provide city staff an actuarial resource that can help explain the difficult and complex issues involved and develop feasible options for reducing the rate impact. The actuarial resource would also be available to attend their city council meetings and meet with employee groups.
- Reduce the impact on TMRS since many cities were planning on hiring their own actuaries and this will allow TMRS a single point of contact between TMRS and those cities utilizing the joint RFP.
- Obtain a highly qualified and experienced actuarial firm at a lower cost than each city could obtain individually.

To request a quote for services, visit the [NCTCOG TMRS Valuation Portal](#).

[TMRS Presentation - February 13, 2008](#) [Flash]

[Introducing a Shared Services Program](#) [PDF]

[TMRS Interlocal Agreement](#) [Word]

[Gabriel, Roeder, & Smith Master Agreement](#) [Word]

[TMRS Non-Disclosure Agreement](#) [PDF]

NCTCOG OPEB Valuation Portal

<https://enterprise.gabrielroeder.com/Rainbow2005/?alias=NCTCOG>

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Welcome

Welcome to the NCTCOG Valuation Portal!

The North Central Texas Council of Governments (NCTCOG) and Gabriel, Roeder, Smith & Co. (GRS) announce a program of actuarial and consulting services designed to assist local governments in complying with the requirements of GASB Statements 43 and 45 (OPEB). Through a procurement process, NCTCOG selected GRS to deliver actuarial and consulting expertise on a shared services basis.

If you are a prospective user and would like a price estimate and project summary emailed to you, please fill out the questionnaire below.

The following is a list of services provided through the arrangement.

- Actuarial valuation of employer OPEB in compliance with the requirements of paragraphs 11-27 of GASB 45. Valuations can be performed annually or biennially and will include:
 - A measurement of the actuarial liability, present value of projected benefits and normal cost as of the valuation date
 - The estimated actuarially determined contribution for the applicable fiscal years
 - The estimated annual required contribution and accounting expense for the applicable fiscal years as required under GASB Statement Nos. 43 and 45
 - Information needed to complete the "Notes to the Financial Statement" and "Required Supplementary Information" as defined in paragraphs 30 and 31 of GASB No. 43
 - Information needed to complete the "Notes to the Financial Statement" and "Required Supplementary Information" as defined in paragraphs 24, 25 and 26 of GASB No. 45
 - Required Supplementary Information as defined in paragraph 26 of GASB No. 45
 - Sensitivity analysis for health care trend rates, providing valuation results based on a higher and a lower health care trend
 - A hypothetical set of actuarial results using an alternative discount rate based on pre-funding
- Two in person or conference call meetings as mutually agreed upon by the government and actuary.
- Attendance to one or more initial classes designed to orient participants with the actuarial valuation process including understanding 1) the information that will be required to perform the study 2) the possible impact of the various actuarial options available under the RFP and 3) the meaning of the final report. Please see flyer above for times and locations.
- Access to aggregate reporting module that allows for the aggregate reporting of all valuations for members of the shared services agreement on a real time basis over the web. The aggregate reporting includes current and historical information on plan provisions, assumptions, and even actuarial results.

Please contact us if you have any questions: NCTCOG.shareservices@gabrielroeder.com

Thank you,

Joe Newton 469-524-1807

Lewis Ward 469 524 1804

Jim Schaefer 469 524 1808

E Cost/Benefit

1. *Quantify the total resources (money and time) devoted to this project/program and identify the value added (tangible and/or intangible) as a result of its undertaking.*

As related in Technical Significance above, there are expected savings for implementing plan changes or cost avoidance from recognition of the impacts of using partial funding alternatives. The paragraph below is provided for ease of reference purposes.

Before the shared services contract was awarded, conversations with other governments revealed that some actuaries were hesitant to provide their clients any projections of future cash claims payments, annually required contribution amounts, or net OPEB obligation balances under the existing plan or with proposed plan changes. Any government that is evaluating a potential plan change or considering only partially funding its OPEB liability should insist on seeing plan projections for five and ten years out. This information is vital because options that produce savings today may be far more costly over a period of several years. This information is readily available in the calculations that support the valuation results, and actuaries should be willing to share this information with their clients. The hesitation, of course, is because the projections will always vary from the actual results, as no one can predict the future with 100 percent accuracy. The shared-services actuary deals with this issue by clearly disclosing the underlying assumptions used in the projections and using confidence levels, standard deviation, and other statistical techniques to disclose the probability that actual results will vary from projected numbers.

The actuary that was chosen also provided a Web portal that allowed participants to model selected assumption sets, contribution patterns, and benefit designs to show projected future benefit patterns, liabilities, and contribution requirements. This additional feature gave participants a great deal of latitude in estimating the financial impact of changes without needing to ask for optional services from the shared-services actuary. After the participant provided the actuary with the model scenario that best met its needs, the actuary would study the impact in more detail and give an actuarial opinion and certification. This option saved the participants significant dollars.

Exhibit 1 excerpts sample pricing from the proposals of the three finalists. This pricing was often half or less that quoted to governments that searched for an actuary on their own. Each participating entity also saves the multiple hours required to research and develop the RFP as well as the time to evaluate the RFP responses. The time saved for each entity that participates to not have to perform the procurement is significant. In addition, standardizing the data increased the productivity of the actuaries, in part by reducing the risk that they would have to clean the data themselves, allowing them to reduce their fees.

F Complexity

1. *Describe the complexity of the project/program. How much training and technical skill is required for employees to make use of this solution?*

The project was complex in several respects:

- the difficulty obtaining a critical mass of governments to commit to participation in order to justify the writing of the RFP.
- the very nature of GASB 43 & 45 and actuarial projections made the writing of the RFP complex
- coordinating the group-wide training in various locations across the state.
- Writing the RFP in broad enough terms to anticipate the needs of both current and future participants and scoping base services to encompass majority of needs without making the base fees too expensive.

The project included training that was performed by the vendor (GRS). Training was conducted on a regional basis in our state. The standardized approach allows for organizations to contact entities in their local area to receive insight in a variety of areas such as how they gathered their data, scenario options considered or interpreted the results.

G Originality, Creativity, and Innovation

1. *To your knowledge, is this the first time this type of project/program has been implemented by a government entity? If not, identify previous work in this area and explain the uniqueness of your approach.*

To my knowledge this type of procurement has not been done for actuarial services. This project was very challenging to pull off and could not have been done without Bob Scott being both a champion for the project and serving as the technical advisor for the project. The number of hours Bob put in researching issues and talking with actuarial professionals to ensure we were able to design an RFP that would get the optimum results for the project participants were significant.

In addition, our strategic decision to require the local entities to standardize the census and claims data utilizing a standardized data file layout for submitting their data that would be used in the actuarial studies created economies of scale and reduced risk. This approach did require significant work prior to publishing the RFP to determine where it was practical to standardize. Standardizing the data increases the productivity of the actuaries, in part by reducing the risk that they would have to clean the data themselves, allowing them to reduce their fees.

H Other Distinguishing Features (Optional)

1. *Highlight any other noteworthy features about your project/program.*

Advantages of a Shared-Services RFP for Government

- Lower prices
- High-quality actuary

- No need to go through a selection process
- Uniform contract
- Specifications with pre-decided key assumptions and actuarial options
- Benchmarking information
- Ready-made network for exchanging ideas and information
- Valuation portal and electronic modeling of most common options

Advantages of a Shared-Services RFP for the Actuary

- Multiple clients with just one proposal
- Standard engagement letter and price list, eliminating the need for individual contract negotiations
- Economies of scale base on using standard assumptions and reducing the number of actuarial alternatives
- Increased market penetration and ability to sell other services
- Standard report formats
- Educational meetings initial contact meeting to be conducted with multiple clients

Exhibit 1: Excerpts of Proposed Fees from Actuarial Finalists for Biennial Study

Plan Structure	Finalist A	Finalist B	Finalist C
Fewer than 100 participants, insured, 1 health plan	\$3,750	\$5,000	\$8,500
Between 500 and 749 participants, self-insured, 2 health plans	\$6,950	\$8,000	\$15,750
Between 1,000 and 1,500 participants, insured, 3 health plans	\$8,500	\$8,000	\$18,000
Between 2,500 and 5,000 participants, self-insured, 3 health plans	\$13,500	\$11,000	\$25,000

ROBERT B. (BOB) SCOTT, CPA, is assistant city manager/chief financial officer for the City of Carrollton, Texas. He can be contacted at Bob.Scott@cityofcarrollton.com or 972-466-3110. **MONTE MERCER**, CPA, is deputy executive director, North Central Texas Council of Governments. He is available at mmercerc@nctcog.org or 817-695-9121. The council’s Web site page for actuarial shared services can be found at www.nctcog.org.