



AGENDA REPORT

Meeting Date: March 11, 2009
Item Number: F-7
To: Honorable Mayor & City Council
From: Scott Miller, Chief Financial Officer,
Subject: APPROVAL OF AMENDMENT NO.2 TO THE AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND AON CONSULTING FOR ACTUARIAL SERVICES; AND
APPROVAL OF A CHANGE ORDER IN THE AMOUNT OF \$78,000 TO THE PURCHASE ORDER FOR A TOTAL OF NOT-TO-EXCEED AMOUNT OF \$150,000

Attachments: 1. Contract Amendment No. 2

RECOMMENDATION

Staff recommends that the City Council move to approve Amendment No. 2 to the agreement with Aon Consulting for actuarial consulting services related to the City's liabilities stemming from its contractual obligations with its bargaining units. The total compensation under this amendment is \$150,000, per year.

INTRODUCTION

The City engaged Aon to prepare its Actuarial Accrued Liability and Annual Required Contribution for Other Post Employment Benefits (OPEB), which was reported for the first time in the City's FY2007-2008 CAFR. These figures were reported as a result of the new financial accounting and reporting standard from the Governmental Accounting Standards Board (GASB) Statement No. 45, which requires governmental agencies to recognize the future liabilities (other than pensions) arising from contractual obligations with their bargaining units. In FY 2007-2008 Aon Consulting provided the City with an actuarial report addressing the requirements of GASB 45, and under Amendment No. 1, Aon has also provided the City with projections of other related liabilities under various funding scenarios.

DISCUSSION

Based on the figures provided for addressing the GASB 45 requirement, as well as the figures requested to provide estimates of various future labor costs and funding scenarios, staff would like to engage with Aon to provide actuarial consulting services on an on-going basis through November of 2013. As information about the economy and labor negotiations arise the ongoing services are needed to address OPEB funding scenarios as well as options available for liability reduction.

FISCAL IMPACT

The fiscal impact of funding \$150,000 for this second amendment over the next three and a half years will be discussed during the budget process for each year under the amendment. The fiscal impact that these consulting services will provide will be to reduce the City's future financial liability to retirees and to effectively plan a funding strategy that would result in the least amount of cost for the City.


Sharon Rahban, Accounting Manager

Finance Approval


Scott Miller, CFO

Approved By

AMENDMENT NO. 2 TO AN AGREEMENT BETWEEN THE
CITY OF BEVERLY HILLS AND AON CONSULTING FOR
ACTUARIAL SERVICES

NAME OF CONSULTANT: Aon Consulting

RESPONSIBLE PRINCIPAL
OF CONSULTANT: Bradley J. Au, Senior Vice President

CONSULTANT'S ADDRESS: 707 Wilshire Boulevard, Suite 5700
Los Angeles, California 90017
Attention: Bradley J. Au, Vice President.

CITY'S ADDRESS: City of Beverly Hills
455 N. Rexford Drive
Beverly Hills, CA 90210
Attention: Scott G. Miller, Director of
Administrative Services/CFO

COMMENCEMENT DATE: May 1, 2007

TERMINATION DATE: November 30, 2013

CONSIDERATION: Not to exceed \$150,000 per year (including
materials and reimbursement);

Based on the rates set forth in Exhibit B-1

AMENDMENT NO. 2 TO AN AGREEMENT BETWEEN THE
CITY OF BEVERLY HILLS AND AON CONSULTING FOR
ACTUARIAL SERVICES

This Amendment No. 2 is to that certain Agreement, dated September 12, 2007, and identified as Contract No. 380-07, as amended by Amendment No. 1, dated July 8, 2008 and identified as Contract No. 260-08 (the "Agreement"), copies of which are on file in the office of the City Clerk, between the City of Beverly Hills, (hereinafter called "CITY"), and Aon Consulting (hereinafter called "CONSULTANT") for actuarial services.

RECITALS

A. CITY entered into a written Agreement, dated September 12, 2007, for actuarial services, which was previously amended.

B. CITY desires to expand the Scope of Services and increase the Consideration to compensate CONSULTANT for the additional work.

NOW, THEREFORE, the parties hereto do amend the Agreement as follows:

Section 1. The Consideration is hereby amended as set forth above and more specifically described in Exhibits A-1 and B-1.

Section 2. The Termination Date is hereby amended as set forth above.

Section 3. Exhibit A-1, the Scope of Additional Services, shall be amended as attached hereto and incorporated herein by this reference.

Section 4. Exhibit B-1 is hereby amended as attached hereto and incorporated herein by this reference.

Section 5. Except as expressly amended herein, the Agreement shall remain in full force and effect.

EXECUTED this ____ day of _____, 200__ at Beverly Hills, California.

CITY OF BEVERLY HILLS
A Municipal Corporation

Mayor of the City of Beverly Hills,
California

ATTEST:

BYRON POPE
City Clerk

(SEAL)

CONSULTANT: AON CONSULTING



BRADLEY J. AU
Senior Vice President



MARK BLUMENTHAL
Chief Financial Officer

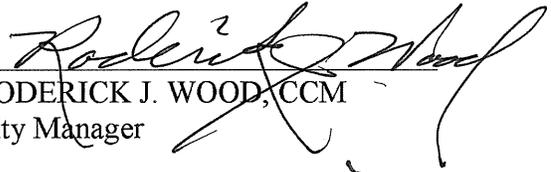
[Signatures continue]

APPROVED AS TO FORM:



LAURENCE S. WIENER
City Attorney

APPROVED AS TO CONTENT:



RODERICK J. WOOD, CCM
City Manager



SCOTT G. MILLER
Director of Administrative Services/CFO



KARL KIRKMAN
Risk Manager

EXHIBIT A-1

SCOPE OF ADDITIONAL SERVICES

A. Between January 1, 2008 and June 30, 2011, CONSULTANT shall provide the following additional services:

1. Currently, based on the December 28, 2007 Government Accounting Standards Board) 45 Other Post Employment Benefits ("OPEB") Report, the Annual Required Contribution ("ARC") for a fully funded liability is \$3-million. CONSULTANT shall develop an OPEB scenario and calculate the ARC based on a \$5-million contribution. Upon request by CITY, CONSULTANT shall develop additional OPEB funding scenarios and calculate the ARC.

2. Determine the viability of making individual retirement medical benefits portable based on OPEB present values by determining the cash value equivalent to the current benefits. CONSULTANT shall provide a liability for a) past service, and b) the annual cost for future service.

3. Analyze the impact of vesting on contribution allocations under item 2 of this exhibit, using a 2-year vesting program, a 5-year vesting program, and an immediate vesting (no forfeiture) program, comparing the forfeiture values of current population using current turnover assumptions

4. Every other year, or as requested by CITY, CONSULTANT shall estimate the CITY's cost of "PERS on PERS" for Employee Associations who adopt this PERS contract amendment. These estimates shall follow PERS' staff initial estimate; and shall be done in accordance with PERS rules.

5. Review the current CITY formula for the Public Safety Officer Tax Override for payment increased CalPERS Retirement Costs for Police and Fire Personnel and assist CITY staff in determining the proper financial model to use in conjunction with the voter approved tax override.

6. Assist CITY in determining a total cost value for accumulated retiree health benefits for employees eligible for these benefits and a monthly cash contribution value to substitute for current retiree health benefits that are entitled by current employees.

B. Between January 1, 2009 and November 30, 2013, CONSULTANT shall provide the following additional services:

1. Conduct actuarial studies as required for Labor Relations and Memorandum of Understanding negotiation.

2. Conduct actuarial studies on Future Retirement Health Options.

3. Assist in development of actuarial analysis of options to reduce CITY OPEB liabilities.

4. Conduct actuarial studies as required for Tier Two Retirement and Medical Benefit Options for future employees.

EXHIBIT B-1

SCHEDULE OF RATES

CONSULTANT shall provide the services outlined in Exhibits A and A-1 to the satisfaction of CITY for an amount not to exceed One Hundred Fifty Thousand Dollars (\$150,000) per year, based on the rates set forth below:

	Hourly Rate	Estimated Hours	Estimated Cost
Sr. Vice President	\$410	1	\$400
Vice President	\$350	10	\$3,500
Assistant Vice President	\$280	12	\$3,300
Consultants	\$200	25	\$5,000
Associates	\$120-\$160	15	\$1,800
Total			\$14,000

CITY shall reimburse CONSULTANT for reasonable expenses incurred in the performance of the services under this Agreement, include the following:

- (a) Sales or use tax levied on any good or services under the Agreement
- (b) Out of pocket expenses: Out of pocket expenses shall be reimbursed at actual cost. Mileage shall be reimbursed at the current Internal Revenue Service rate.