

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**  
***Other Post-Employment Benefits (OPEB) Actuarial Valuation Services***  
**SCOPE OF SERVICES**

**I. PROJECT OVERVIEW**

The Santa Barbara Metropolitan Transit District (MTD), a California special district public transit operator, requires actuarial valuation and consulting services to provide Other Post-Employment Benefits (OPEB) valuations which conform to and are in compliance with Governmental Accounting Standards Board Statement No. 75 (GASB 75).

GASB 75 shall be required for the financial reporting of MTD’s post-employment health benefit—the reimbursement for medical insurance for eligible retirees and their spouse until death of the retired MTD employee. Eligibility for the benefit requires that the unrepresented staff member was hired prior to July 1, 2018; eligibility for employees represented by the International Brotherhood of Teamsters Union – Local 186 requires a hire date on or before March 1, 2014. The eligible employee must also be at least 65 years of age at the time of retirement, have worked a minimum of 20 years at MTD, and the employee voluntarily retired from MTD employment. Deductibles and co-payments are the responsibility of the retired employee. MTD reimburses each qualified retiree an amount not to exceed \$285 per month in total. Retirees are responsible for their own Medicare Part B premium.

In an effort to promote fiscal responsibility and reduce future unfunded liabilities of Other Post-Employment Benefits (OPEB) in the form of retiree healthcare obligations, the MTD Board established an irrevocable trust with the California Employers’ Retiree Benefit Trust (CERBT) to prefund OPEB costs. At June 30, 2020, the present value of the District’s unfunded future OPEB obligation was \$2.7 million. Since MTD set aside \$1 million in FY16-17 and \$500,000 in FY17-18 to prefund OPEB costs, the net liability was \$1.1 million and 59% funded.

**II. OPEB TIMING**

Contractor shall prepare OPEB valuations in compliance with GASB 75 every two years. An interim year valuation update shall follow each year GASB 75 is reported. OPEB valuations shall be determined for the following measurement periods:

**Full Reports**

Valuation Date June 30, 2020  
Measurement Date June 30, 2021  
Measurement Period July 1, 2020 to June 30, 2021

Valuation Date June 30, 2022  
Measurement Date June 30, 2023  
Measurement Period July 1, 2022 to June 30, 2023

Valuation Date June 30, 2024  
Measurement Date June 30, 2025  
Measurement Period July 1, 2024 to June 30, 2025

**Interim Reports**

Valuation Date June 30, 2021  
Measurement Date June 30, 2022  
Measurement Period July 1, 2021 to June 30, 2022

Valuation Date June 30, 2023  
Measurement Date June 30, 2024  
Measurement Period July 1, 2023 to June 30, 2024

Valuation Date June 30, 2025  
Measurement Date June 30, 2026  
Measurement Period July 1, 2025 to June 30, 2026

**III. REPORTING**

MTD shall provide Contractor with all financial data, records, transaction listings, reports, schedules, spreadsheets, procedures, support documentation, contracts, etc. required to perform the valuation.

Valuations are to be conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. All actuarial valuation certificates on pricing, final reports, presentations of assumptions, and similar technical documentation from the Contractor must be approved and signed by the supervising actuary.

A. Annual Audits – Contractor shall prepare and provide all of the necessary GASB 75 accounting entries necessary for inclusion in MTD’s audited financial statements for the fiscal years ending on June 30 of each year 2021 through 2026.

B. Valuation Certification – Contractor shall provide the actuarial certification, funding policy certification, and Excel valuation information spreadsheet required by California Public Employees' Retirement System (CalPERS) for agencies funding with the California Employers' Retiree Benefit Trust (CERBT) along with a certified final valuation results outline.

C. Full Reports – Accounting requirements for full reports include, but are not limited to:

- Net OPEB obligation
- Development of Net OPEB Expense
- Reconciliation of Net OPEB Liability
- OPEB assets both market value and actuarial value
- The Actuarial Present Value (APV) of benefits
- Actuarial Accrued Liability (AAL)
- Gain and loss analysis with changes in AAL since the prior valuation
- Annual gain/loss analysis to determine the cause and magnitude of changes in the Unfunded Actuarial Accrued Liability (UAAL) due to variance of each actuarial assumptions
- Annual OPEB costs
- Normal cost
- Determination of the Actuarially Determined Contribution (ADC) as a rate of covered payroll
- Charts showing funding ratio and amortization period projections, including the ADC and the gain/loss
- Deferred Outflows/Inflows
- Implied subsidy
- Summary of data used for the valuation
- Summary of actuarial methods and assumptions
- Detailed participant statistics
- Historical valuation results and demographic information
- Historical asset information including returns
- Measurement of funding progress and testing of the adequacy of statutory contributions
- Plan Fiduciary Net Position Projection
- Projection of contributions and benefit payments (ten years)
- Interest Rate Sensitivity
- Disclosure—Changes in Net OPEB Liability and Related Ratios
- GASB 75 reports on the health care trusts
- Additional disclosures and supplementary information, beyond what is included in the annual actuarial valuation report, as required under GASB 75
- Additional information needed for MTD to prepare the financial notes to be included in the for inclusion in MTD’s Comprehensive Annual Financial Report (CAFR), Compliance Reports, Audits, or as independent documents

D. Interim Reports – Interim reports shall include, but are not limited to: OPEB Assets, GASB 75 Expense Estimate for Fiscal Year; Development of Net OPEB Expense; Reconciliation of Net OPEB Liability; Gain/Loss

Analysis; Deferred Outflows/Inflows; Plan Fiduciary Net Position Projection; Interest Rate Sensitivity; Disclosure—Changes in Net OPEB Liability and Related Ratios.

E. Delivery – An electronic version of the actuarial valuation and reports shall be delivered to MTD no later than ten (10) weeks after MTD has delivered complete data for the valuation to the Contractor. Upon MTD’s request, in addition to PDF and Excel files, up to five printed copies of the actuarial valuation, plus an original suitable for reproduction, shall be provided.

#### **IV. CONSULTING**

General – Contractor shall provide MTD with professional expertise regarding OPEB costs, funding strategies, and liability projections. MTD shall make all final decisions regarding the actuarial assumptions to be used subject to being in compliance with any applicable standards or requirements.

A. New GASB Statements – Contractor shall assist MTD in implementing any new GASB statements and other financial pronouncements related to OPEB.

B. Meetings – Upon MTD request, and at Contractor expense, Contractor shall meet with MTD Director of Finance and Administration, Financial Committees and/or Board of Directors to discuss and review the report.

#### **V. QUALIFICATIONS & STAFFING**

Professional actuarial valuation services for MTD shall be performed by qualified actuaries that are bound by the actuarial code of conduct, using all applicable and current Actuarial Standards of Practice (ASOP). All actuarial services shall be performed under the direct supervision of a member of the Contractor’s firm who meets or exceeds the standards for a supervising actuary by the Society of Actuaries (SOA), with a Fellow of the Society of Actuaries (FSA) or Member of the American Academy of Actuaries (MAAA) designation.

A. Primary Contact – Contractor shall designate a primary point of contact for MTD. Unless directed otherwise, Consultant’s primary contact at MTD shall be the Director of Finance and Administration (CFO). If the Director of Finance and Administration is unavailable, the General Manager (CEO) shall be the contact.

B. Contractor Substitutions – Contractor shall provide written notification of any proposed substitution of actuary personnel assigned to MTD at least twenty-five (25) calendar days in advance of the effective date, whenever possible. Notifications shall provide an explanation of the circumstances necessitating the proposed substitution, a complete resume for the proposed substitute, and any other information requested by MTD.

#### **VI. CONTRACT PRICE**

The Contractor shall provide all necessary resources including, but not limited to, qualified personnel, software, hardware, internet access, licenses, equipment and supplies necessary to carry out the professional actuarial valuation services for the fixed annual price(s) and measurement period(s) indicated in the MTD Master Agreement.

**End of Scope of Services Text**