



Cavanaugh Macdonald

CONSULTING, LLC

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March 21, 2019

Board of Trustees
Omaha School Employees' Retirement System
3215 Cuming Street
Omaha, NE 68131-2024

Re: Proposed Fees for Actuarial Services in 2019 through 2021

Dear Trustees:

We last provided you with an engagement letter regarding the regular actuarial services provided to the Omaha School Employees' Retirement System (OSERS) on August 19, 2014. That letter set out the fees for the annual valuations expected to be performed as of September 1 of 2015, 2016 and 2017. Since the valuation date was subsequently changed to January 1, the actuarial valuation for January 1, 2018 replaced the September 30, 2017 valuation in the proposed schedule.

Since we are beginning the work for the January 1, 2019 actuarial valuation, it seems an appropriate time to revisit the scope of services and related fees for the next few valuations. The regular annual services currently provided to the Board include:

- Preparation of the annual actuarial valuation as of January 1
- Attendance at one Board meeting to present results
- Preparation of the valuation under Governmental Accounting Standard Board Statement Number 67

In addition, we also prepare a report under Governmental Accounting Standard Board Statement Number 68 for the School District. This is not paid from the trust fund, but rather directly by the School District.

From time to time, we have prepared a projection model, based on the actuarial valuation. Given OSERS' current funded status and the likely need for additional contributions by the School District, we strongly recommend the valuation model be created with each valuation. This model can be expanded and used for more robust risk analysis that may be performed under Actuarial Standard of Practice Number 51, which is first effective for the 2019 valuation. It also provides Aon, the investment consultant for the Nebraska Investment Council, with information they need to perform the Asset/Liability study when that project is completed.



Based on current state statutes, an Experience Study must be performed every four years. The last study was based on the period ending August 31, 2016 so the next four-year study period will be January 1, 2017 through December 31, 2020. Therefore, the analysis would be performed in 2021 after the January 1, 2021 valuation has been completed.

The current and proposed fees are summarized in the following table. Note the proposed fees for the valuation are higher than just a cost-of-living adjustment because it reflects the additional time that will be needed for the new analysis regarding risk assessment under ASOP 51 (effective with 2019 valuation). This analysis will include historical data regarding certain maturity measurements like the size of assets divided by payroll, ratio of number of actives to retirees, portion of retiree liability to total liability, and actual change in covered payroll and the relevance of this data to the funding of the System. A comparison of key valuation results using different investment return assumptions will also be included to demonstrate the impact of different investment returns on the funding of the System. Lastly, we intend to include a section in the report that provides a sensitivity analysis showing the projection of future valuation results (funded ratio, unfunded actuarial liability and additional District contributions) under three different investment return scenarios, assuming the valuation model is prepared within the scope of services.

	Fee for Actuarial Services	
	Current	Proposed
Annual actuarial valuation and written report	\$23,700	\$26,000
Attendance at two Board meetings	None	None
GASB 67 report	\$9,000	\$9,500
GASB 68 report*	\$8,000	\$8,500
Valuation model	Not included	\$6,500
Experience study and report	\$25,000	\$28,000

*Paid by the School District

Please note that additional time for special projects, additional meetings or audit support services will be billed at the following hourly rates:

Position/Title	Hourly Billing Rates		
	2019	2020	2021
Principal and Consulting Actuary	\$412	\$420	\$430
Consulting Actuary	\$400	\$410	\$420
Senior Actuary	\$350	\$360	\$365
Actuary	\$320	\$330	\$335
Senior Actuarial Analyst	\$300	\$310	\$315
Actuarial Analyst	\$285	\$292	\$300
Support Staff	\$150	\$155	\$155



Both the firm, and I personally, value our working relationship with the Board and hope to serve you for many years into the future. We are proposing these fees as we believe they are fair to both OSERS and Cavanaugh Macdonald Consulting. If it would be helpful, I would be happy to discuss this proposal with you in person.

Sincerely,

A handwritten signature in blue ink that reads 'Patrice Beckham'.

Patrice A. Beckham, FSA, FCA, MAAA
Principal and Consulting Actuary

The proposal regarding the scope of actuarial services to be provided and the related fees in this letter is accepted on behalf of the Omaha School Employees' Retirement System.

Name

Date

Title