

**TO:** ALA Executive Board

**DATE:** October 10, 2022

**RE:** Director of Financial Reporting and Compliance Report

**ACTION REQUESTED/INFORMATION/REPORT:**

Action requested/Information

**CONTACT PERSON:**

Denise Moritz, Director of Financial Reporting and Compliance, 312-280-5834

**DRAFT OF MOTION:**

The Finance & Audit Subcommittee recommends to the Executive Board acceptance of the Retirement Plan audit as issued by PKF Mueller.

**BACKGROUND:**

This report highlights the following:

- Retirement Plan audit for calendar year 2021
  - Δ **Action Item**
- Audit for the fiscal year ended August 31, 2022
  - Δ Actuarial analysis

# Report of the Director of Financial Reporting and Compliance

Retirement Plan audit for the calendar year ended December 31, 2021

A change in the auditing standards for the calendar year ended December 31, 2021, expanded the auditor's report and required management's assessment regarding the certification of the investments.

No findings resulted from the audit.

Audit for the fiscal year ended August 31, 2022: Actuarial analysis

ALA's Finance Department conducted planning activities in August 2022 with ALA's actuary and financial statement auditors. Assumptions to be used in the calculation of the post-retirement benefit obligation were discussed.

## Historical recap

Change to Medicare Advantage Plan – In FY 2017, ALA created two pools of insureds: (1) retirees → Blue Cross Blue Shield (BCBS) Medicare Advantage Plan and (2) current employees → regular BCBS plan. This change resulted in a decrease in the projected expense of approximately \$12.5 million.

Amendment to Post-retirement Benefit Plan in FY 2018 - Effective August 23, 2018, the Post-retirement Benefit Plan was amended to change the definition of eligibility to 5 years of service rendered after age 57. Prior to this amendment, benefits were provided to employees who attain age 62 with 5 years of service.

The most significant impact of this amendment was the employee's age that the benefits start accruing. There were no changes to employee's benefits. The dollar impact of the change was a decrease in the projected expense of approximately \$5 million.

The above two changes resulted in decreases in the post-retirement benefit obligation as follows:

FY 2017 – from \$22.8 million to \$12.3 million

FY 2018 – from \$12.3 million to \$7.3 million

## Discount Rate

The yield curve analysis as of August 31, 2022, produced a FTSE (Citigroup) yield curve of 4.43%.

Following ALA's practice and upon consultation with ALA's actuary and independent auditors, management proposed a 4.5% discount rate for fiscal year-end calculations. The selection of this rate will minimize the impact of discount rate swings on ALA's financial statements.

<u>Recap</u>	<u>Rate</u>	<u>Liability</u>
FY 2022	4.50%	\$ 8,332,311
FY 2021	3.00%	\$ 9,616,607
FY 2020	3.00%	\$ 8,993,303
FY 2019	3.25%	\$ 9,615,300
FY 2018	4.25%	\$ 7,305,786
FY 2017	4.25%	\$ 12,266,478
FY 2016	4.50%	\$ 22,829,193