



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer Schembri

SUBJECT: SEE BELOW

DATE: September 25, 2018

Approved

Date

10-2-18

SUBJECT: APPROVAL OF BENEFITS CONSULTING AND ACTUARIAL SERVICES AGREEMENT WITH ALLIANT EMPLOYEE BENEFITS

RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute an Agreement with Alliant Employee Benefits to provide benefits consulting and actuarial services for a period of 61 months from December 1, 2018 through December 31, 2023, for a maximum amount not to exceed \$1,158,125, subject to the appropriation of funds by the City Council.

OUTCOME

Approval of the recommendation will allow Human Resources staff to access the expertise, advice and support necessary to provide high quality and cost-effective health and welfare benefits to City employees, retirees, and their dependents, and beneficiaries; as well as provide the City with actuarial services for the self-funded medical and dental PPO plans.

BACKGROUND

The City currently contracts with a consultant for health and welfare benefits consulting and actuarial services for the City's self-funded medical and dental PPO plans. Health and welfare benefits offered to eligible City employees, retirees, their dependents, and beneficiaries include medical, dental, vision, employee assistance program and life insurance plans. Offerings also include voluntary, participant-paid benefits such as long-term disability insurance and supplemental and dependent life insurance.

Actuarial services include the review of historical claims activity and evaluation of the City's dental and medical fund rate-setting methodology in the context of group experience and industry trends with recommendations for funding rates. The funding rate is based on anticipated costs and necessary reserves to keep the funds viable for the following fiscal year.

The City last conducted a request for proposals (“RFP”) for benefits consulting and actuarial services in 2013. In 2016, the City negotiated with its current consultant to expand the scope of services to include medical actuarial services for the City’s new self-funded PPO medical plan. The current contract is set to expire on December 31, 2018, with the option to extend the contract through December 31, 2019.

Because the City will be conducting a medical RFP in early 2019, the City decided to initiate an RFP for benefits consulting and actuarial services in 2018 to secure the consultant prior to the medical RFP in early 2019. The benefits consulting RFP was released in June 2018.

ANALYSIS

Evaluation Committee

Key stakeholders were invited to participate in the RFP process. The RFP Evaluation Committee (“Committee”) consisted of representatives from the Human Resources Department, and the Office of Retirement Services.

Proposals

The City received proposals from eight providers: Alliant Employee Benefits, AON Consulting, Conduent HR Consulting, Dickerson Insurance Services, Gallagher Benefit Services, Keenan & Associates, NFP, and Segal Consulting. All proposals included both benefits consulting services and medical and dental actuarial services.

Evaluation Criteria

As posted in the RFP, the following criteria was used to evaluate the proposals.

Evaluation Criteria	Weight
Proposal Responsiveness	Pass/Fail
Fee Structure/Cost	20%
Services Offered	20%
Quality/Administration	30%
References/Experience	20%
Local Business Enterprise	5%
Small Business Enterprise	5%

Evaluation and Selection

The proposals were thoroughly reviewed and evaluated by the Committee. The Committee determined that five of the eight firms' proposals were very competitive and selected these firms to move forward to the interview phase of the process: Alliant Employee Benefits, Conduent HR Consulting, Gallagher Benefit Services, Keenan & Associates, and Segal Consulting. The Committee determined that the proposals from the remaining three firms, AON Consulting, Dickerson Insurance Services and NFP, were less competitive and as such, these firms were not invited to continue in the process.

The Committee prepared questions which were sent to the finalists to be answered and submitted prior to the interviews. The Committee thoroughly reviewed and evaluated the responses to the finalist questions. The Committee conducted one hour interviews, including having each firm's team complete a prepared finalist exercise during the interview and report out to the Committee. The Committee observed the teams' interactions during the exercise. Reference checks were also conducted for each of the finalists with the results shared with the Committee after the interviews.

The Committee members submitted individual scoring sheets which rated the five finalists based on the proposal response, answers to the finalist questions, presentation in the interview, team interaction and report out on the interview exercise and their references. Based on the average scores, Alliant Employee Benefits ("Alliant") ranked as the top firm by the Evaluation Committee. Alliant met or exceeded the City's requirements and offered a competitive cost with a multi-year rate guarantee. Additionally, Alliant took no exceptions to the City's standard Consultant Agreement terms and conditions and no exceptions to the City's insurance requirements. The Committee recommends Alliant Employee Benefits to provide benefits consulting and actuarial services to the City.

The Notice of Intended Award, announcing the successful proposer, was sent to all proposers, and was posted on BidSync on September 6, 2018. The protest period concluded on September 16, 2018 with no protests received.

Key Terms of the Proposed Agreement

The Agreement with Alliant Employee Benefits will provide benefits consulting and actuarial services for a period of 61 months from December 1, 2018 through December 31, 2023.

The Agreement will contain the City's standard terms and conditions from its Consulting Agreement.

The total costs under the Agreement for the full period of 61 months shall not exceed \$1,158,125.

The proposed rates are guaranteed for the first 43 months, with a five percent increase for the remainder of the contract period.

A breakdown of the costs for the 61-month period is included in the Cost Summary/Implications section of this memo.

EVALUATION AND FOLLOW-UP

This project addresses the Human Resources' performance measure of the cost of benefits administration and operations per budgeted full-time employee. Human Resources also ensures that City of San José employees and retirees receive quality and cost-effective benefits by subjecting benefit plan providers to regular competitive processes.

PUBLIC OUTREACH

The local business community was given the opportunity to compete by the posting of the RFP on the BidSync website. Additionally, targeted outreach was conducted to several known benefits consulting and actuarial service providers. Interested providers were asked to submit proposals that integrated both benefits consulting and actuarial services.

This recommendation was shared with the Benefits Review Forum on September 20, 2018.

This memorandum will be posted on the City's website for the October 16, 2018, City Council Meeting.

COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

The amount for benefits consulting and actuarial services in the Adopted Budget for FY 2018-2019 is \$225,224. With this Agreement with Alliant, the total cost for benefits consulting and actuarial services for FY 2018-2019 will not exceed the adopted amount.

The chart below summarizes the costs to the City for the recommended Consultant Agreement with Alliant Employee Benefits for a period of 61 months from December 1, 2018 through December 31, 2023.

Fiscal Year	Alliant Benefit Consulting Cost	Alliant Actuarial Services Cost	Alliant Total Cost
FY18/19*	\$113,750	\$15,000	\$128,750
FY19/20	\$195,000	\$30,000	\$225,000
FY20/21	\$195,000	\$30,000	\$225,000
FY21/22	\$195,000	\$30,000	\$225,000
FY22/23	\$204,750	\$31,500	\$236,250
FY23/24**	\$102,375	\$15,750	\$118,125
TOTAL	\$1,005,875	\$152,250	\$1,158,125

*Seven months of the fiscal year.

**Six months of the fiscal year.

BUDGET REFERENCE

The Adopted FY 2018-2019 Budget includes funding of \$225,224 for Benefits Consulting and Actuarial Services. This amount is sufficient to cover the costs of the incumbent Consultant and the costs for the new Consultant for FY 2018-2019. Therefore, no additional funding is required for FY 2018-2019. The costs for future years are subject to the appropriation of funds and will be included as part of the annual budget process.

The table below identifies the FY 2018-2019 funds and appropriations proposed to fund the contract recommended as part of this memorandum.

Fund #	Appn # / RC#	Appn Name	Current Total Appn	Amount for Contract	2018-2019 Proposed Operating Budget Page	Last Budget Action (Date, Ord. No.)
155	0482	Non-Personal/ Equipment	\$486,000	\$7,500	X-9	06/19/2018 Ord. No. 30124
158	0482	Non-Personal/ Equipment	\$15,271	\$7,500	X-11	06/19/2018 Ord. No. 30124

160	3759	Benefits Consultant Fee	\$222,000	\$113,750	X-7	06/19/2018 Ord. No. 30124
Total Funding			\$723,271	\$128,750		

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.



JENNIFER SCHEMBRI
Director of Employee Relations/
Acting Director of Human Resources

For questions, please contact Emily Hendon, Benefits Division Manager, at (408) 975-1448.