



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Approve request for proposals for benefits administration consultant/broker
MEETING DATE: August 16, 2006
PREPARED BY: Kirk J. Evans, Risk Manager

RECOMMENDED ACTION: That City Council approve the attached request for proposals (RFP) for benefits administration consulting services for distribution to interested firms.

BACKGROUND INFORMATION: A benefits administration consultant/broker provides consultation and delivers services on any matter pertaining to the operation of the City's employee benefits programs. In the past, our broker has reviewed the availability of long-term disability and other ancillary lines of coverage such as life insurance, vision and chiropractic coverage, made recommendations for maximizing benefits within cost constraints, and assisted with implementation of any selected programs. Our broker has been especially valuable in helping the City manage difficult periods associated with the volatile medical insurance environment. When the City has considered changing medical insurance providers, our broker has played an instrumental role in generating analyses regarding new rate structures, developing comparisons between different providers across a very broad range of benefits, and addressing numerous questions and concerns from current and retired City employees. When many Lodi physicians who had served City employees for years decided to move to another network, our broker stepped in once again to answer questions, provide guidance, and ensure a continuity of care to the best of their ability in extremely difficult circumstances.

The City of Lodi currently contracts with ABD Insurance and Financial Services for benefits administration and consulting services. Under the terms of the Agreement with ABD there is an administrative option, which was exercised, to renew the contract up to February 28, 2007. Workload in Human Resources, and the City in general, is always very heavy in the early months of a new year when budget preparation and other projects take place. It is felt there is no more opportune time than the present to start the RFP process and get a new broker and/or agreement in place prior to commencement of calendar 2007. The RFP schedule is as follows:

08/17/2006	Issue RFP.
09/08/2006	RFPs due.
09/15/2006	Conclude review of RFPs and invite selected firms for interviews.
09/27/2006	Conduct interviews with selection committee and determine tentative selection.
10/05/2006	Conclude reference check of tentative selection.
10/06/2006	Submit agenda title to City Clerk.
10/18/2006	Present contract to City Council for designation of Benefits Consultant/Broker.
11/01/2006	Contract for employee benefits consulting/broker services begins.

APPROVED:

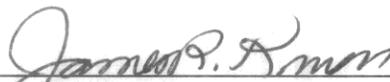

Blair King, City Manager

FISCAL IMPACT: \$35,210 has been budgeted in the 270201 Benefits Administration Fees account for consulting services. The RFP provides that in the event the City decides to proceed with significant plan changes - particularly in the medical benefits arena - the broker may be required to provide additional research, meeting times, presentations, and staff hours to ensure successful implementation. All proposals shall provide a fee schedule for significant plan changes. Should such services be required during the course of the contract with the selected firm, staff will return to Council for approval of these services accompanied by a funding proposal.

FUNDING AVAILABLE:



Ruby Paiste, Financial Services Manager



James Krueger
Deputy City Manager

Attachments

CITY COUNCIL
SUSAN HITCHCOCK, Mayor
BOB JOHNSON,
Mayor Pro Tempore
JOHN BECKMAN
LARRY D. HANSEN
JOANNE MOUNCE

CITY OF LODI



BLAIR KING,
City Manager

JENNIFER PERRIN,
Interim City Clerk

D. STEPHEN SCHWABAUER,
City Attorney

CITY HALL, 221 WEST PINE STREET / P.O. BOX 3006
LODI, CALIFORNIA 95241-1910

REQUEST FOR PROPOSALS:

BENEFITS ADMINISTRATION CONSULTING SERVICES

The City of Lodi is interested in receiving proposals from insurance consultants/brokers who specialize in employee benefit programs. We would be interested in receiving your proposal. If you are not able to respond to this RFP, it would be appreciated if you could refer this document to another interested party.

For more information please contact Mr. James Krueger, Deputy City Manager at (209) 333-6704.

Thank you for your consideration.

August 17, 2006

CITY OF LODI

REQUEST FOR PROPOSALS:

BENEFITS ADMINISTRATION CONSULTING SERVICES

The City of Lodi is desirous of receiving proposals for benefits administration consulting services for its employee benefit programs, including group purchase and self-insurance programs.

I. Background

The City of Lodi provides health benefit programs for its full-time employees and their eligible dependents, as well as eligible retired employees and COBRA participants. The benefit programs include medical, dental, vision, chiropractic, employee assistance, life insurance, accidental death insurance, unemployment insurance and long-term disability. Employees may also use a Section 125 plan to offset childcare costs, pre-tax premium payments, or unreimbursed medical and dental expenses.

Currently, there are approximately 448 budgeted positions of which 415 are currently filled, along with 123 retirees, five (5) COBRA enrollees, and five (5) council members who are eligible for benefits. Employees may receive cash back for not participating in the medical plan. As of this date, 30 employees are participating in this plan. This option does not apply to the dental plan or any other benefit.

The City provides the CalPERS Health Benefits plan which renews on January 1, 2007. The City provides a self-insured dental plan administered by the Stanislaus Foundation for Medical and Dental Care. Long-term disability protection is provided by UnumProvident. Exhibit A presents an inventory of employee group insurance plans and annual expenditures associated with each.

The City currently has a benefits broker. Continuation of professional consultation services from a benefits broker is desired, including administrative support for Human Resources staff in administering benefit plan activities and resolving provider problems. The City believes there may be a need to restructure its insurance plans - particularly with regard to long-term disability and medical benefits. The City may need to examine alternate medical insurance plans, insurer performance standards, and benefits administration service performance expectations.

II. Scope of Work

The City envisions that the broker's work will consist of a three-phase process. The first phase is to perform a review and provide guidance on those benefit programs which historically have been most costly to the City - medical, dental and long-term disability. The second phase is to assist in the implementation of any recommended plan changes the City may decide to pursue. The third phase, or component, will be comprised of a review of all other benefit programs while providing the City with recommendations for improvement, particularly regarding the establishment of a cafeteria benefits plan. Completion of all work on the first or second phase is not necessary in order for work on the third phase to commence.

1. Review the operation of the City's long-term disability, dental and medical plans from the standpoint of loss ratio, claims expenses, premium generation, provider contracts and other relevant factors.
2. Review the availability of alternative long-term disability, dental and medical plan insurers and/or administrators and plan designs in the local market place, make recommendations for maximizing benefits within cost constraints, and assist with implementation of selected recommendations.
3. Provide ongoing consultation and advice on City coverage including advice on the design of benefit programs relative to changes in employee demographics, legal requirements, impact of taxation, legislation, benefit trends, government programs and mandated benefits, and local market provider availability.
4. Attend meetings upon request of the City for the purpose of providing subject matter expertise and reviewing services provided in items 1 through 3 above. Anticipate up to six separate appearances in the first year of contracted services; thereafter, attendance should be limited to two or three meetings per year.
5. Provide consultation or other services as requested on any matter pertaining to the operation of the City's employee benefit programs.
6. Upon request of the City, potentially upon short notice, produce probable cost of actual or hypothetical changes in one or more of the City's insurance programs.
7. Assist the City with preparation of specifications and requests for proposals to be submitted to prospective carriers/providers of employee benefits.
8. Analyze proposals received from carriers in terms of premium, retention, policy provisions, plan design, administrative services, financial strength, claims handling, customer service, and stability of performance.
9. Monitor, and participate in as necessary, the writing of insurance contracts in corporation with the provider(s) and City.

10. Assist the City in administering its medical, self-insured dental, vision, LTD, and life insurance plans; respond to questions from, and provide information to City staff; settle claims disputes; and provide other oversight services during the course of the contract.
11. Provide monthly eligible billing reconciliation services where appropriate.
12. Participate in the development of a cost containment strategy for the City as required.
13. Advise the City on performance and measurement standards for insurance companies and new trends and developments in the employee benefit field, including state and federal legislation.
14. Review and evaluate periodic reports of claims experience and other statistical reports submitted by insurance providers and report findings to the City.
15. Conduct bi-annual actuarial analyses of all self-insured programs, including recommendation of appropriate premium rates and liability accounting data to meet GASB reporting requirements.
16. Participate in negotiations with carriers regarding premium rates and conditions and advise the City accordingly.
17. Attend, when requested, as a subject matter expert, negotiation sessions between the City and employee bargaining units.
18. Assist the City in obtaining, preparing and distributing employee benefit plan literature and materials and maintaining inventories of these materials.
19. Assist the City in educating employees regarding the features of existing benefit programs, implementing changes to existing programs, or implementing entirely new programs. This includes preparing employee handbooks and/or descriptive literature and attending workshops and meetings as necessary as determined by City staff.

III. Instructions for Preparing and Submitting Proposals

Preparation of the Proposal

Each proposal shall include, at a minimum, the following information:

1. Background information pertaining to type of organization and specialization including a brief description, length of time in business, number of staff, ownership and/or agency connections with insurance companies or other employee benefit vendors including compensatory arrangements.

2. Current client list with minimum employee group size of 200 - specifically including public sector agencies when available, the name and address of each client and the name, title and telephone number of each client's benefit manager.
3. Description of the firm's ability to provide services outlined in the scope of work, a description of the work to be conducted, and listing of additional services that will be included without additional cost.
4. Detail of firm's experience and experience of staff member(s) proposed to serve the City.
5. Schedule of compensation based on a three (3) year agreement with renewal to be negotiated. Compensation shall be structured as follows:
 - a. Consulting services - proposed maximum annual fee for services rendered as outlined in the Scope of Work.
 - b. Plan Change Implementation services - in the event the City decides to proceed with significant plan changes - particularly in the medical benefits arena - the broker may be required to provide additional research, meeting times, presentations, and staff hours to ensure successful implementation. The broker shall identify the types of benefits plan changes which will require these fees, and shall propose a Plan Change Implementation services fee schedule - flat fee basis only.
 - c. Biannual actuarial study for self-insured programs - flat fee basis only.
 - d. For services rendered to the City, the broker may be entitled to commission and service allowances paid by insurance carriers in connection with the City's insurance programs. However, any such commission or service allowance shall serve to offset the maximum annual fee.
6. Identify type and coverage amounts for firm's own liability coverages, errors and omissions policy, and workers' compensation.

Submission of Proposal

1. Send 10 copies of the written proposal by Friday, September 8, 2006, no later than 3:00 p.m. to the following address:

City of Lodi
Human Resources Division
221 West Pine Street
Lodi, CA 95240

Late proposals received after the specific due date and time will be rejected. Proposals must be in written form, fax proposals will not be accepted. The wall clock in the Human Resources Division will be used to determine timeliness of submitted proposals.

IV. Evaluation and Award

The proposal will be rated and ranked based on the following criteria (which are not in rank order of importance):

1. Ability to provide all services as outlined in the Request for Proposal.
2. Experience of the firm and expertise of its personnel assigned to the City's account in provision of services.
3. Past record of performance including control of costs, quality of work, and completion of tasks in a timely manner.
4. Cost of services.
5. Concept and proposed solutions, including responsiveness to the RFP, completeness and thoroughness of proposal.
6. Additional services available from firm, which are deemed to be advantageous to the City.

V. Related Qualifications and Experience

Qualified firms must currently be providing consulting services on employee benefit issues to an organization with a minimum employee group size of 200. To be considered for this RFP, the successful firm must also have:

1. Broad knowledge of state and federal benefit laws including up to date information on all tax reform issues.
2. Comprehensive knowledge of technical requirements in the establishment, funding and operation of benefit programs.
3. Broad knowledge of prevailing benefit practices and trends in the public and private sectors.
4. Sufficient resources and expertise in a broad range of benefit areas to respond to the need for telephone consultation and to be available for meetings.

VI. Timeline

8/17/2006	Issue RFP
9/8/2006	RFPs due
9/15/2006	Conclude review of RFPs and invite selected firms for interviews
9/27/2006	Conduct interviews with selection committee and determine tentative selection

10/5/2006	Conclude reference check of tentative selection
10/6/2006	Submit agenda title to City Clerk
10/18/2006	Present contract to City Council for designation of Benefits Consultant/Broker
11/1/2006	Contract for employee benefits consulting/broker services begins

The City reserves the right to adjust the time schedule as needed. Any changes in date for RFP submissions will be communicated to all firms sent RFP documents.

VII. Disclaimers

1. Costs for developing proposals are entirely the responsibility of the party responding to the RFP and shall not be chargeable in any way to the City.
2. City shall review proposals and those deemed to be most qualified at the sole discretion of City shall be scheduled for a presentation with the selection committee.
3. Consultant/broker presentations will be scheduled at the discretion of the City and firms shall bear any expense associated with such presentation. Firms not available to attend the presentation may be removed from further consideration.
4. The City shall not discriminate on the basis of race, color, ancestry, religion, creed, national origin, gender, sexual orientation, physical handicap, age or marital status in the award or performance of any contract or subcontract resulting from or relating to this Project.
5. The proposal will not constitute an agreement, but rather, will supply provisions that will, if accepted, be incorporated by reference into an agreement between the parties for benefits administration consulting services.
6. The City contemplates a three (3) year agreement with renewal to be negotiated annually thereafter; a 30-day written cancellation clause by either party will be included.
7. Payment for services will be made in arrears upon submittal of statement with terms of net 30 days.
8. The City reserves the right to withdraw this RFP at any time without prior notice. The City also makes no representations that any agreement will be awarded to any firm responding to this RFP. The City expressly reserves the right to reject any and all proposals and to be the sole judge of the responsibility of any firm and of the suitability of the materials and/or services to be rendered. The City reserves the right to waive any minor irregularities, informalities, or oversights at its sole discretion. The term "minor" as used herein means any proposer or City irregularities or oversights that do not materially affect or alter the intent

and purpose of the RFP, and do not provide an unfair advantage or disadvantage to any firm responding to this RFP.

9. Any firm submitting a proposal shall not contract or lobby any City Council member or staff, City official, employee, or agent regarding the RFP. Any party attempting to influence the RFP, RFP submittal, and review process may have their proposal rejected for violating this provision of the RFP.

VIII. Information

Any questions concerning this RFP shall be directed to:

James Krueger, Deputy City Manager
City of Lodi
221 West Pine Street
Lodi, CA 95240
(209) 333-6704

If unavailable, questions may be directed to:

Kirk Evans, Risk Manager
City of Lodi
221 West Pine Street
Lodi, CA 95240
(209) 333-6704

IX. Date of Request for Proposal:

August 17, 2006

Exhibit A - Employee Group Insurance Inventory

Fiscal Year 2006-07

Medical – CalPERS Health Benefits Program

400 Active	\$	4,500,093	annual premiums
123 Retirees	\$	547,523	annual premiums

Dental - City Self-Insured Plan administered by Stanislaus Foundation

428 Active	\$	372,425	annual claims
	\$	25,000	claims admin fees

Long-Term Disability Insurance - UnumProvident Plan

300 Active	\$	214,215	annual premiums
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Vision - Vision Service Plan

432 Active	\$	95,898	annual premiums
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Chiropractic - Landmark Healthplan

386 Active	\$	22,205	annual premiums
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Term Life - Standard Insurance Plan

321 Active	\$	71,228	annual premiums
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Accidental Death Insurance - Standard Insurance Plan

240 Active	\$	14,559	annual premiums
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Blanket Accident Insurance – AIG, Inc., Plan

239 Active	\$	1,875	annual premiums
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