

**Metro**

Los Angeles County
Metropolitan Transportation Authority

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**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 17, 2014**

SUBJECT: HEALTH BENEFITS CONSULTING SERVICES

ACTION: AWARD A CONTRACT FOR CONSULTING SERVICES

RECOMMENDATION

Authorize the Chief Executive Officer to award a seven-year, firm fixed unit rate contract, Contract No. PS14521103, to Aon Hewitt (Aon Consulting, Inc.) for employee health benefits consulting and actuarial services in an amount not to exceed \$2,370,000, inclusive of four one-year options. The effective date of this contract is October 1, 2014.

This contract amount consists of \$1,030,000 for the three-year base period and \$280,000 for option year 1, \$385,000 for option year 2, \$285,000 for option year 3 and \$390,000 for option year 4, for a combined total of \$2,370,000.

ISSUE

Metro provides a comprehensive group medical and dental insurance package to aid in recruiting and retaining qualified employees as part of an overall compensation package. The consulting services are necessary to ensure we receive the best value for the benefit dollars spent. The health benefits consulting firm will help us conduct program assessment and benchmarking, develop strategy and plan design, provide financial and actuarial modeling, assist with carrier selection and negotiation, monitor program performance, and develop employee communications. The consulting firm provides broad industry experience and deep subject matter expertise. With over 450 state and local municipal clients, they have a client base that gives them keen insight into the costs of benefits and emerging strategies that work for public sector employers.

The current contract with Mercer for benefits consulting will expire in December 2014. Contract PS14521103 will replace the current contract.

DISCUSSION

Metro administers group health insurance plans for Public Transportation Services Corporation (PTSC) and Los Angeles County Metropolitan Transportation Authority (LACMTA) employees. In addition, Metro administers the group insurance health plans for the Amalgamated Transportation Union (ATU) Health and Welfare Fund.

The cost to cover benefits for these groups is \$95.6 million in the FY15 budget. Over the course of the existing contract, the benefit consultant negotiated savings of \$11.2 million compared to the \$1.5 million total cost of the five-year contract. We anticipate the selected firm will be equally capable of achieving significant savings on benefit premiums.

Governmental Accounting Standards board (GASB) 45 requires an actuarial valuation to calculate Metro's expense for retiree medical, dental and life insurance benefits.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons, but could influence the health condition of employees through their access of high quality, affordable healthcare.

FINANCIAL IMPACT

Funding of \$400,000 for benefits consulting services is included in the FY15 budget as follows: MTA/PTSC in cost center 5211, Pension & Benefits under projects 100003 PTSC Overhead, and for the ATU Health and Welfare Fund in cost center 0621, Fringe Benefits under project number 100001 General Overhead. Since this is a multi-year contract, the cost center manager will be accountable for including future years in the budget, including any option exercised. In FY14, \$273,900 was expended on benefits consulting services.

Impact to Bus and Rail Operating and capital Budget

The source of funds for Non-Contract and AFSCME benefits is a combination of bus and rail operating and capital funds and non-bus and rail operating capital funds depending upon the combination of employees working on those programs.

ALTERNATIVES CONSIDERED

An alternative considered was to complete all benefits marketing and negotiations with in-house staff. This is not recommended, as we would lose access to the consultant's depth of experience with the ever-changing marketplace for insured benefits. The consulting firm completes hundreds of renewals each year giving them access to the most comprehensive plan designs and favorable rates offered by the insurers.

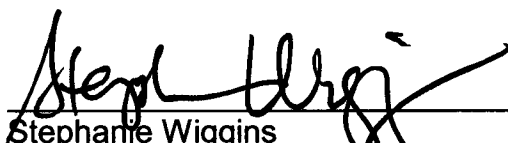
NEXT STEPS

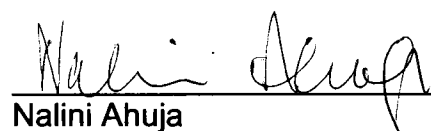
Upon Board approval, the contract will be finalized with the selected firm.

ATTACHMENT

A. Procurement Summary

Prepared by: Jan Olsen, Pension & Benefits Manager, 213-922-7151
Donna Mills, Treasurer, 213-922-4047


Stephanie Wiggins
Executive Director, Vendor Contract Management


Nalini Ahuja
Executive Director, Finance & Budget


Arthur T. Leahy
Chief Executive Officer

PROCUREMENT SUMMARY

BENEFITS CONSULTING SERVICES

1.	Contract Number: PS14521103	
2.	Recommended Vendor: Aon Hewitt (Aon Consulting, Inc.)	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: 3/14/14	
	B. Advertised/Publicized: 3/14/14	
	C. Pre-proposal/Pre-Bid Conference: 3/27/14	
	D. Proposals/Bids Due: 4/28/14	
	E. Pre-Qualification Completed: 8/21/14	
	F. Conflict of Interest Form Submitted to Ethics: 8/27/14	
	G. Protest Period End Date: 9/15/14	
5.	Solicitations Picked up/Downloaded: 43	Bids/Proposals Received: 2
6.	Contract Administrator: Jennifer Brueggemann/Tommye Williams	Telephone Number: 213-922-1051
7.	Project Manager: Jan Olsen	Telephone Number: 213-922-7151

A. Procurement Background

This Board Action is to approve Contract No. PS14521103 for Employee Health Benefits Consulting and Actuarial Services.

The RFP was issued in accordance with Metro's Acquisition Policy and the contract type is a Firm Fixed Unit Price.

Four amendments were issued during the solicitation phase of this RFP.

- Amendment No. 1, issued on March 21, 2014, provided responses to questions.
- Amendment No. 2, issued on April 4, 2014, provided responses to additional questions and extended the proposal due date.
- Amendment No. 3, issued on April 21, 2014, provided responses to administrative questions concerning DBE participation goals, Pre-Qualification, and Ethics/Lobbyist Registration matter.
- Amendment No. 4, issued on April 23, 2014, clarified the cost proposal submittal form and extended the proposal due date.

A total of two proposals were received on April 28, 2014.

B. Evaluation of Proposals/Bids

A total of two proposers responded to this solicitation. The current contractor declined to submit a proposal. A Proposal Evaluation Committee consisting of staff from Metro's Pensions & Benefits Department, Metro Operations, the Metropolitan Water District, and from the County of Los Angeles was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were first reviewed to determine whether each proposer met the stated minimum qualifications. Both proposers met the minimum qualifications.

Proposals were then evaluated based on the following evaluation criteria and point values:

- Qualifications of the Firm/Past Performance 35 points
- Qualifications of Personnel/Regulatory Requirements 20 points
- Planning Documents/Work Plan/Activity Chart 15 points
- Price 30 points

The evaluation criteria are appropriate and consistent with criteria developed for similar procurements. Several factors were considered when developing these point values, giving the greatest importance to the technical components.

Both proposers were determined to be within the competitive range. The firms within the competitive range are listed below in alphabetical order:

1. Aon Hewitt (Aon Consulting, Inc.)
2. Wells Fargo Insurance Services

During the week of June 23rd, the evaluation committee met and interviewed both firms. The firms' project managers and key team members had an opportunity to present each team's qualifications and respond to the evaluation committee's questions.

Qualifications Summary of Firms:

Aon Hewitt (Aon Consulting, Inc.)

Aon Hewitt (Aon Consulting, Inc.) provides human capital consulting services in the United States. It provides integrated solutions in the areas of employee benefits, compensation and rewards, human resources outsourcing, communication consulting, talent solutions and development, and human resource leadership. The company also offers solutions in the areas of management consulting, mergers and acquisitions, workforce strategies, and research on human capital issues. In addition, it provides specialized services, such as actuarial and financial consulting, and employee and compensation survey information for various industries.

Wells Fargo Insurance Services

Wells Fargo Insurance Services designs or restructures benefits programs providing medical, pharmacy, dental, vision, voluntary benefits, disability, life, long-term care, and spending and savings account strategies tailored to meet the needs of the organization. Services include comprehensive benchmarking, contractual oversight, financial management, and strategic assessment and benefit analysis.

Conclusion

Aon Hewitt's (Aon Consulting, Inc.) proposal was determined to offer the best value to LACMTA. Their proposal was very detailed and thorough, their experience with labor negotiations with comparable agencies was more in line with Metro's current organizational structure and they have significant public sector experience. Aon's client list includes the City of Los Angeles and the County of Los Angeles as well as other public and transit agencies.

1	FIRM	Average Score	Factor Weight	Weighted Average Score	Rank
2	Aon Hewitt (Aon Consulting, Inc.)				
3	Qualifications of the Firm/Past Performance	95.00	35.00%	33.25	
4	Qualifications of Personnel/Regulatory Requirements	100.00	20.00%	20.00	
5	Planning Documents/Work Plan/Activity Chart	100.00	15.00%	15.00	
6	Price	96.20	30.00%	28.86	
7	Total		100.00%	97.11	1
8	Wells Fargo Insurance Services				
9	Qualifications of the Firm/Past Performance	65.72	35.00%	23.00	
10	Qualifications of Personnel/Regulatory Requirements	68.75	20.00%	13.75	
11	Planning Documents/Work Plan/Activity Chart	95.00	15.00%	14.25	
12	Price	100.00	30.00%	30.00	
13	Total		100.00%	81.00	2

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon historical pricing, technical evaluation, adequate competition and comparison with the independent cost estimate.

1.	Bidder/Proposer Name	Independent Cost Estimate	Proposal Amount
2.		\$3,360,000	
3.	Aon Hewitt (Aon Consulting, Inc.)		\$2,370,000
4.	Wells Fargo Insurance Services		\$2,280,000

D. Background on Recommended Contractor

The recommended firm, Aon Hewitt (Aon Consulting, Inc.) headquartered in Chicago, Illinois has been in business for thirty-two years and is a leader in the field of benefits analysis. The firm also maintains offices in the Los Angeles area.

Nationally, Aon Hewitt has over 450 state and local municipal clients – including the City of Los Angeles, the City and County of San Francisco, and the Counties of Los Angeles, Riverside, and Ventura. Their State and Local Government (SALG) industry council works with Aon’s consulting teams to develop solutions for public sector organizations as they face challenges affecting employee health care and retirement.

E. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) established a 15% Disadvantaged Business Enterprise (DBE) goal for this solicitation. Aon Hewitt (Aon Consulting, Inc.) met the goal with a 15% DBE commitment.

DISADVANTAGED BUSINESS GOAL	15% DBE	DISADVANTAGED BUSINESS COMMITMENT	15% DBE
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	DBE Subcontractors	Ethnicity	% Committed
1.	Cumbre, Inc.	Hispanic American	15%
Total Commitment			15%

F. All Subcontractors Included with Recommended Contractor’s Proposal

	Subcontractor	Services Provided
1.	Cumbre, Inc.	Assist with enrollment, benefits, claims, etc.