Date: October 5, 2017

To: Joint Labor-Management Benefits Committee

From: Staff

Subject: Benefits Plan Administration and Communications Consulting Contracts Extension

RECOMMENDATION

That the Joint Labor-Management Benefits Committee (JLMBC) recommend to the General Manager Personnel Department that (a) the term of Contract No. C-127585 with The Segal Company (Segal) to provide employee benefits Plan Administration and Communications consulting services for the City of Los Angeles Civilian Benefits Program be extended by two additional years through December 31, 2020 at an annual cost of $400,000 and the maximum five-year compensation limit for Communications consulting services under this contract be increased by $750,000 to $1,125 million; and (b) the term of Contract No. C-127463 with Keenan and Associates (Keenan) to provide employee benefits Plan Administration consulting services for the City of Los Angeles Civilian Benefits Program be extended by two additional years through December 31, 2020 and the maximum compensation limit be increased by $250,000 to $625,000.

DISCUSSION

A. Background

Per Los Angeles Administrative Code (LAAC) Section 10.5(a)6, the Personnel Department may enter into contracts with service providers for the City’s Civilian Benefits Program for a term of up to five years without Council approval. In December 2015, following a competitive solicitation process, the JLMBC unanimously adopted a motion to recommend to the General Manager Personnel Department that Segal and Keenan be selected as the Civilian Benefits Program’s benefits plan Plan Administration consultants. This multi-vendor model was adopted to provide the JLMBC and staff the maximum flexibility to access the unique resources of each consultant. Specific assignments are evaluated and assigned on a project basis.

Contracts with each vendor were executed for three-year terms from January 1, 2016 to December 31, 2018. The contract with Segal provides for a Plan Administration Consulting fee of $400,000 annually; and, in addition, a three-year cap on Communications consulting costs of $375,000. The contract with Keenan provides for a three-year cap on Plan Administration consulting costs of $375,000.
Since execution of the contracts, staff has utilized Segal and Keenan on a project basis. Both consultants were utilized in the preparation, review, and evaluation of the 2016 medical and dental Requests for Proposal (RFPs). Keenan was utilized exclusively to assist in the preparation, review, and evaluation of the 2016 vision RFP. For both the 2016 and 2017 Open Enrollment periods, Segal has designed and prepared the Open Enrollment Guide and all Open Enrollment related communications materials. Current and ongoing projects requiring expert consultant support include:

- Review and analysis of responses to the JLMBC’s recent RFP for third-party administrator services
- Annual service provider renewal and related financial cost analysis
- Assistance in the review and evaluation of the Employee Assistance Program and Tax-Advantaged Spending Accounts RFPs which were delayed a year due to the disqualification of vendor proposals received in 2017
- Development of a PPO population health and service efficiency engagement strategy
- Assistance in the preparation, review, evaluation, and implementation of responses to the JLMBC’s procurement for wellness-related services
- Benefit service provider monitoring and administrative support
- Ongoing monitoring and guidance regarding legislative, regulatory, and technical compliance
- Development of annual Open Enrollment materials
- Supporting the Ad Hoc Communications Subcommittee in developing and executing a long-term communications strategy to enhance employee engagement, awareness, and satisfaction.

Given the significant scope of these ongoing projects, and given that both Segal and Keenan have effectively provided their contracted services, staff finds that the Personnel Department, JLMBC, and members of the Civilian Benefits Program would be best served by exercising the option to extend the contracts with both consultants for an additional two years. As a result, staff is recommending the following extensions and compensation limit increases relative to their consulting services contracts.

B. Segal Plan Administration and Communications Consulting Service Contract

Contract Term – The current term of the contract with Segal is January 1, 2016 through December 31, 2018. Staff recommends that the JLMBC recommend to the General Manager Personnel Department that the City exercise its option to extend the contract term by two additional years, through December 31, 2020.

Compensation – The contract with Segal provides for two types of consulting services with different compensation structures:
Extending the contract with Segal by two years will extend its annual Plan Administration retainer amount of $400,000 annually for these two additional years.

Following its 2015 competitive bid process, the JLMBC recommended that Segal and Mercer (US) Inc. (Mercer) be jointly selected as the Civilian Benefits Program’s benefits plan Communications consultants. Contracts with each vendor were executed for three-year terms from January 1, 2016 to December 31, 2018 with total compensation not to exceed $375,000 per contract.

The compensation structure translated to approximate total annual communications consulting costs of $250,000 annually, divided evenly between Segal and Mercer over three years ($125,000 each). The compensation structure was divided this way because, at the time, staff was unsure of the degree to which each consultant’s services would be used. The annual total of $250,000 was consistent with prior annual totals for communications consulting when the JLMBC utilized only one consultant (Mercer).

To date, communications consulting services costs have totaled approximately $305,000 for Segal and $39,000 for Mercer, for total expenditures of $344,000. Staff anticipates that the Segal communications consulting services contract cap will be reached after accounting for this year’s Open Enrollment communications related expenses. In practice, staff has primarily used Segal for communications consulting services and had little need for Mercer’s services. Based on this experience, staff is recommending no action at this time relative to the Mercer contract. Instead, staff recommends increasing the ceiling amount for the Segal communications contract by transferring a portion of the remaining contract funding authority ($250,000) from the Mercer contract to the Segal contract for the third contract year (calendar year 2018) and $250,000 annually for the two additional years of the recommended extended contract, for a total compensation not to exceed $1.125 million for the full five-year contract term. To reiterate, the annual amount of $250,000 is consistent with historical communications consulting costs and assumes that the City will not be extending Mercer’s communications consulting services beyond 2018.

This compensation level is a maximum compensation amount only. Actual compensation may be less depending on actual services engaged by the City.

C. Keenan Plan Administration Consulting Service Contract

Contract Term – The current term of the contract with Keenan is January 1, 2016, through December 31, 2018. Staff recommends that the JLMBC recommend to the General Manager Personnel Department that the City exercise its option to extend the contract term by two additional years, through December 31, 2020.

Compensation – The contract with Keenan provides for one type of consulting service with a compensation structure as follows:

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<tr>
<th>Plan Administration</th>
<th>Retainer – $400,000 annually</th>
<th>n/a</th>
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<tbody>
<tr>
<td>Communications</td>
<td>Hourly – varies by service</td>
<td>$375,000</td>
</tr>
<tr>
<td>Consulting Service</td>
<td>Compensation Type</td>
<td>Three-Year Compensation Cap</td>
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<tr>
<td>Plan Administration</td>
<td>Hourly – varies by service</td>
<td>$375,000</td>
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The JLMBC recommended the selection of Keenan to provide Plan Administration consulting services. To date, Keenan’s Plan Administration consulting services costs have totaled approximately $275,500. Staff recommends that the contract ceiling be increased by $125,000 annually for the two additional years of the recommended extended contract or a total of $625,000 for the full five-year contract term.

**CONCLUSION**

The purpose of securing five-year contracting authority for Civilian Benefit Program service providers was to provide flexibility for the JLMBC and the Personnel Department to efficiently and effectively administer services. Extending the contracts with both Segal and Keenan is consistent with efficient and effective program administration and staff therefore recommends the contract extensions and contract compensation adjustments delineated in this report.

Submitted by: ______________________________

Jenny M. Yau

Approved by: ______________________________

Steven Montagna