



Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole Meeting of October 25, 2007.

From: Teri W. Mantony, Deputy General Manager, Administration and Development  
Joseph M. Wire, Auditor- Controller  
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE EXECUTION OF A PROFESSIONAL SERVICES AGREEMENT WITH MERCER, INC., DBA MERCER HEALTH & BENEFITS, RELATIVE TO REQUEST FOR PROPOSALS NO. 2008-D-1, CONSULTANT TO PROVIDE HEALTH AND WELFARE INSURANCE BROKER SERVICES**

### **Recommendation**

The Finance- Auditing Committee recommends that the Board of Directors authorize execution of a Professional Services Agreement relative to Request For Proposals No. 2008-D-1, *Consultant to Provide Health and Welfare Insurance Broker Services* with Mercer Health & Benefits (Mercer), of San Francisco, CA, in an amount not to exceed \$731,204, consisting of a three-year contract effective November 1, 2007, and two one-year options to be exercised at the General Manager's discretion at a cost not to exceed \$151,857 for the first option year, and \$157,931 for the second option year. Funds for the first year of service of \$135,000 are included in the FY 07/08 District Division Operating Budget with requisite funds to be budgeted accordingly for each future fiscal year.

### **Summary**

On April 3, 2007, the District issued a Request for Proposals to Consultant to Provider Health and Welfare Insurance Broker Services by the due date of April 30, 2007. The Office of the District Secretary received proposals from three firms as follows:

Mercer Health & Benefits, San Francisco, CA  
Towers Perrin, San Francisco, CA  
Gallagher PBI, Larkspur CA

The Selection Committee, consisting of staff from Risk Management/Safety, Human Resources, and the Auditor-Controller's office screened the three proposals. All three proposals were selected for further interviews.

After the completion of all interviews, the Selection Committee applied the evaluation criteria set forth in the Request For Proposals and determined that Mercer Health & Benefits is best qualified to perform these services.

In accordance with the Request For Proposal's evaluation criteria, Mercer was ranked highest for a combination of factors which included:

1. Strong public sector experience; and,
2. Excellent approach to a quality work plan and future objectives; and,
3. A thorough transition plan, ensuring a smooth transition from the current broker with minimal impact upon the District; and,
4. Employee communication and wellness tools available as part of core services; and,
5. \$20,000 Performance Guarantee; and,
6. Competitive pricing.

No contract specific disadvantaged business enterprise (DBE) goal was established for this contract. However, proposers were urged to obtain DBE participation and were required to document their activities in the solicitation and selection of subconsultants to ensure that this process was carried out in a nondiscriminatory manner. The DBE Program Administrator has determined that Mercer has complied with the DBE requirements applicable to this contract. At this time, no DBE participation is anticipated during the performance of this contract.

### **Background**

The District is seeking services of a Broker to ensure that the health benefits offered to employees are of the highest quality at a fair market price by conducting annual coverage renewals/requests for quotations for its insurance packages and employee benefits program components. Additionally, the Broker would assist with a detailed evaluation of coverages in an effort to assure that cost containment strategies are used where possible. The annual renewal services requested would include, but would not be limited to: an annual planning meeting, market updates, reporting of claims experience and utilization, renewal solicitation and negotiation, and assistance with required plan filings.

Advisory services, as requested by the District, would include projects such as: employee communication services, wellness programs, account management services, and plan marketing services. Mercer has agreed to track the costs for renewal and advisory services separately with a cap of \$65,000 for renewal/financial management services and \$70,000 for advisory/account management services.

### **Fiscal Impact**

The maximum cost of these professional services relative to Request For Proposals No. 2008-D-1, including the option years, is \$731,204. The maximum costs for the first three years' are \$135,000, \$140,400, and \$146,016, respectively. The first option year maximum cost is \$151,857. The second option year maximum cost is \$157,931. The FY 07/08 Operating Budget includes \$135,000 for the first year's costs.