

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: REQUEST FOR AUTHORIZATION TO AWARD REQUEST FOR PROPOSAL (RFP) 094-FF10, ADMINISTRATIVE SERVICES—SECTION 125 FLEXIBLE BENEFITS PROGRAM AND ENROLLMENT

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

At the Board meeting of June 14, 2006, the Board authorized the Superintendent to issue Request For Proposal (RFP) 094-FF10, to seek competitive proposals for a company to provide administrative services for its comprehensive employee benefits program including Section 125 Flexible Benefits and enrollment services for new employees and annual open enrollment.

A pre-proposal conference was held on June 30, 2006, in the Board's auditorium at which four companies attended including Bank of America, Colonial Supplemental Insurance, Inc., Fringe Benefits Management Company (FBMC) and Sunbelt Worksite Marketing. At the bid opening of August 8, 2006, one proposal was received in response to the RFP from FBMC, which is the incumbent.

Pursuant to School Board Rule 6Gx13- 3F-1.021, Professional Services Contracts for Insurance or Risk Management Programs – Policy, the members of the Superintendent's Ad-Hoc Insurance Committee were informed of the receipt of one proposal and that staff would begin negotiations with that company, pursuant to the authority provided by State Board Rule 6A-1.012(11). The committee met on September 25, 2006, and reviewed the initial rates proposed by FBMC, as well as the pricing discussions which were part of the negotiations which occurred between Risk and Benefits Management staff and FBMC as reflected below:

Current Rate – per employee/month:	\$6.12
Estimated Annual Expenditure – 2006:	\$3,157,920*
Initial Proposed 3 year Rate – per employee/month:	\$7.03 (14%)
Proposed Annual Expenditure – 2007:	\$3,627,480*

* Annual fee based upon active and leave employee base of 43,000

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The first round of negotiations to implement fee increases over the three year term of the contract, as opposed to a flat 3 year fee, resulted in the following proposed rate structure:

Negotiated Rate (3 years)	\$6.48	2007
	\$6.81 (5% Increase)	2008
	\$7.15 (5% Increase)	2009

Because Risk and Benefits Management staff felt that the contract should be based upon all compensation going to FBMC, staff entered into final negotiations with FBMC with two major goals to achieve a new contract. The first goal was to delay any pricing increase until fiscal year 2007-2008 so that the increase could be budgeted and not negatively impact the 2006-2007 fiscal year. The second was to have any future increases be a range dependent upon the commissions received by FBMC through the sale of Board authorized universal life and long term care coverages during spring enrollments. Based upon these two goals, the following proposal was received from FBMC and was presented to the members of the Superintendent's Ad-Hoc Insurance Committee on September 25, 2006:

Contract Term (3 years)	1-1-07 to 12-31-09
Initial Fee Pricing (1-1-07 to 6-30-07)	\$6.12/employee/month (no increase over current)
Fee increase (effective 7-1-07 to 6-30-08)	Range between 4.9% and 9.8% increase to be determined by commissions received by FBMC for spring enrollment of Universal Life and Long Term Care coverages.
Fee increase 7-1-08 to 6-30-09:	5% Increase
7-1-09 –to12-31-09:	5% Increase

Based upon past commission levels, staff's projections for spring enrollment will result in a fee increase, effective 7-1-07 in the range of 6.86% to 8.8%. Since the fee increase is delayed by six months, the net annual increase over the 3 year period is approximately 5%.

After analyzing the pricing strategy provided to them, the members of the Superintendent's Ad-Hoc Insurance Committee voted unanimously to recommend this 3 year pricing strategy.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida, award Request For Proposal (RFP) 094-FF10, Administrative Services—Section 125 Flexible Benefits Program and Enrollment to Fringe Benefits Management Company (FBMC), effective January 1, 2007 for a three year term, subject to the following pricing structure:

<u>Contract Period</u>	<u>Fee Structure</u>
1-1-07 to 6-30-07	\$6.12/employee/month
7-1-07 to 6-30-08	\$6.42 to \$6.72 per employee/month, subject to received commissions for Universal Life and Long Term Care coverages.
7-1-08 to 6-30-09	5% increase from actual rate determined for period of 7-1-07 to 6-30-08.
7-1-09 to 12-31-09	5% increase from actual rate determined for period of 7-1-08 to 6-30-09.

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