

Office of Superintendent of Schools
Board Meeting of September 12, 2002

September 10, 2002

Financial Affairs
Richard H. Hinds, Chief Financial Officer

SUBJECT: RECOMMENDATION FOR AWARD OF REQUEST FOR PROPOSAL (RFP) #093-BB10, ADMINISTRATIVE SERVICES - SECTION 125 FLEXIBLE BENEFITS PROGRAM AND ENROLLMENT

COMMITTEE: FINANCIAL AFFAIRS

Pursuant to the Board's approval at the Board meeting of April 17, 2002, RFP 093-BB10, Administrative Services - Section 125 Flexible Benefits Program and Enrollment, was distributed to fourteen vendors, as well as being posted on the Board's Office of Procurement Management's web-site where it is distributed to vendors through various bid clearing houses including www.bid.net, www.Governmentbids.com, and www.demandstar.com.

A non-mandatory pre-bid conference was held on June 12, 2002 at which time vendors both on the original bid list, along with those who were not, but had received the RFP, participated. Subsequent to the pre-bid conference, an addendum was distributed to all vendors, as well as also being placed on the district's web site.

Proposals were received at the bid opening of July 2, 2002, which included full proposals from two vendors, and no bid letters from five others. One additional no bid letter was received following the official bid opening.

At the Board meeting of April 17, 2002, the Board approved the Ad-Hoc Committee which was assembled pursuant to School Board Rule 6Gx13- 3F-1.022, Professional Service Contracts for Insurance or Risk Management Programs - Policy. This Ad-Hoc Committee met on Monday, August 19, 2002; however due to scheduling conflicts some members who had committed that they would be in attendance, were unable to attend. As a result, the meeting was cancelled and re-scheduled.

Another meeting of the Ad-Hoc Committee was held on Tuesday, September 3, 2002. At the meeting an analysis of the two received proposals was presented. These proposals were received from Ceridian Benefit Services Inc., St. Petersburg, Florida, and Fringe Benefits Management Company, Tallahassee, Florida.

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Following lengthy discussions of whether or not the RFP was distributed as widely as possible, a review of the two proposals was presented which had been completed by staff and the Board's benefits consulting firm, Deloitte & Touche LLP. Among the minimum qualifications required in the RFP were that the company was required to hold a valid Third Party Administrator's License, pursuant to the provisions of Section 626, Florida Statutes, and that the proposer must administer Internal Revenue Code Section 125 Plans for at least three employer clients with a minimum of 10,000 employees.

In both instances, Ceridian Benefit Services did not meet the minimum qualifications as they do not have a State of Florida third party administrator license, and their proposal stated that they would only provide a listing of clients for whom they administered Section 125 plans in the event that they were selected as a vendor with whom the Board would enter into negotiations.

Based upon those two minimum qualifications not being met, the committee felt that further review of Ceridian's proposal was not warranted. A letter was received from the law firm of Greenberg Traurig, PA., outlining the necessity that the proposers meet the RFP's minimum requirements, along with an analysis as to why the stated minimum requirements were in the Board's best interest.

Following further discussions among the committee regarding Fringe Benefit Management Company's pricing structure for 2003, the committee proposed that staff enter into negotiations with them to further negotiate their base rate, which does not include the requested additional services outlined in the RFP, and separately negotiate a fee for the services which would be added, effective January 1, 2003.

Although the RFP was written with a contract term to coincide with the Board's Audit Committee recommendation of an initial three-year contract, with the ability to extend the contract for two additional one-year terms, the committee recommended that the best negotiated rates be taken for recommendation to the Board at its meeting of September 12, 2002, with the contract to become effective January 1, 2003, for a one-year period, with the ability to extend that contract for at least an additional one-year term.

A request was also made to have staff provide the Board a report outlining the benefits and costs associated with outsourcing the administrative services as compared to having such services provided within the district, no later than the Board meeting in March, 2003. This report is to include opportunities for future savings on printed materials and enrollment representatives, if on-line benefit enrollment became mandatory.

An analysis of the current services and pricing, as compared to the recommended services and pricing is as follows:

	Calendar Year 2002	Calendar Year 2003
<u>Monthly Fees</u>		
Cafeteria Plan Admin.	\$4.42	\$ 1.18
FSA Claims Admin	Included	\$ 0.12
Communication Materials:		
Typesetting	Included	\$ 0.08
Printing	Included	\$ 0.41
Collation & Assembly	Included	\$ 0.06
Distribution	Included	\$ 0.08
Enrollment Administration	Included	\$ 0.80
Toll-Free Phone Lines	Included	\$ 1.38
On-site liaison	<u>Included</u>	<u>\$ 0.80</u>
	\$4.42	\$ 4.91
On-Line Enrollment	\$0.96	\$ 0.75
TOTAL CURRENT SERVICES	\$5.38	\$ 5.66

	CALENDAR YEAR 2002	CALENDAR YEAR 2003
TOTAL CURRENT SERVICES	\$5.38	\$ 5.66

Fringe Benefits Management Company has negotiated an additional monthly fee as follows for the listed additional services which is currently not being provided:

Dependent Eligibility Services	N/A	\$ 0.66
Retiree Billing and Enrollment	N/A	\$Included
Leave employee Billing and Enrollment	N/A	\$Included
TOTAL ADDITIONAL SERVICES		\$ 0.66

TOTAL MONTHLY FEES	\$5.38	\$ 6.32
TOTAL ANNUAL FEES (40,000 EE'S)	\$2,582,400	\$3,033,600

It is important to note that since the original term stated in the RFP was for an initial three-year term with the ability to extend for two additional one-year periods, that negotiation of the fees, especially on required additional services, was difficult as the recommended vendor was not able to rely on a return of their investment for additional computer programming and systems implementation for more than one year. Nevertheless, negotiations have resulted in an annual savings to the Board of \$172,800, as compared to the original pricing offered by Fringe Benefits Management Company and a recommended monthly fee \$.03 less than the proposal offered by Ceridian.

As a result of these negotiations, staff is recommending that effective January 1, 2003, the Board enter into a contract for services, pursuant to the proposal received in response to RFP 093-BB10, Administrative Services-Section 125 Flexible Benefits Program and Enrollment, with Fringe Benefits Management Company, with rates to be paid by the Board as Account A - Board Paid on a monthly amount per employee of \$6.32 for a one-year period, with the ability to extend that contract for at least one additional one-year period.

RECOMMENDED: That The School Board of Miami-Dade County, Florida:

1. award its contract for Administrative Services - Section 125 Flexible Benefits Program and Enrollment, pursuant to the provision of Request For Proposal (RFP) 093-BB10, including applicable negotiations, to Fringe Benefits Management Company (FBMC), at a monthly fee of \$6.32 per eligible employee for a one-year term, with the ability to extend the contract for at least one additional one-year term, subject to the provisions of RFP 093-BB10, which was issued for an initial three-year term, with two additional one-year extensions, effective January 1, 2003; and
2. instruct the Superintendent to provide the Board a report no later than the Board Meeting of March, 2003, outlining the benefits and costs of outsourcing its administrative services contract as opposed to having such services being provided by district staff.

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