

Financial Services
Richard H. Hinds, Chief Financial Officer

SUBJECT: REQUEST FOR AUTHORIZATION TO RENEW CONTRACT WITH FRINGE BENEFITS MANAGEMENT COMPANY (FBMC) FOR ADMINISTRATIVE SERVICES – SECTION 125 FLEXIBLE BENEFITS PROGRAM AND ENROLLMENT

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO DISTRICT STRATEGIC PLAN: IMPROVE FINANCIAL SERVICES

At the Board meeting of October 11, 2006, the Board awarded a contract pursuant to Request For Proposal (RFP) 094-FF10, Administrative Services – Section 125 Flexible Benefits Program and Enrollment, to Fringe Benefits Management Company (FBMC) for a three year term, effective January 1, 2007.

The pricing which was approved for this contract as compared to negotiated actual fees is below on a per employee/per month basis:

	FEES APPROVED AGENDA ITEM E-67 10-11-06	ACTUAL NEGOTIATED FEES
1-1-07 – 6-30-07	\$6.12	same
7-1-07 – 6-30-08	\$6.42 - \$6.72	\$6.60
7-1-08 – 7-1-09	5% increase on current fee	2.5% on current fee (\$6.76)
7-1-09 – 12-31-09	5% increase on current fee	\$6.76 – no increase

The fee structure for the contract period of 7-1-07 – 6-30-08 was negotiated based upon authorized commissions received for sale of Spring Enrollment products which are offered to employees on an individual policy basis. This strategy was outlined in Agenda item E-67, Board meeting of October 11, 2006 as a way to negotiate the most attractive rates possible for that year. Future increases as authorized in the agenda item were to be applied to the negotiated base for contract year 7-1-07 – 6-30-08.

Pursuant to the Term of Contact provisions in Request For Proposal (RFP) 094-FF10, the contract became effective January 1, 2007 for a three-year term, with renewals to be based upon satisfactory service as may be determined in the sole discretion of the Board. The recommendation for an initial three-year contract was structured based upon the original implementation date for the Employee Benefits component of the SAP software of 2009. With the re-structuring of the SAP implementation, the revised implementation date for the Employee Benefits component is in 2011.

The scope of services required for Employee Benefit Administrative Services, following the implementation of the Employee Benefits component, will change significantly. For example, SAP has its own enrollment software, so the current schedule calls for open enrollment to be conducted utilizing the SAP software platform for the 2011 open enrollment (for 2012 benefits), tentatively scheduled for Fall, 2011. Open enrollment in 2010 (for 2011 benefits) will continue to require the services of a third party administrator.

As current work towards implementation of the SAP software proceeds (tentatively scheduled for January, 2011), the scope of services required for administrative services will be finalized. Staff is already aware that some services currently outsourced will need to continue. Such services include all premium payment receipts including retirees, leave employees, and part time employees, as the SAP software does not support this function.

Once the final scope of services is determined, a new Request For Proposal (RFP) can be developed to seek competitive proposals for a new contract. However, the importance of continued services through implementation of the SAP software is crucial to the support of the Board's newly developed self insured healthcare program, as well as program continuity through full SAP implementation.

To provide this continuity of services, staff has negotiated a two-year extension of the current contract with FBMC to provide necessary services for calendar year 2010 and 2011. During the course of this contract period, staff will outline a timeframe for the re-marketing of its Employee Benefit Administrative Services contract to become effective upon successful implementation of the SAP Employee Benefits Module.

Staff has successfully negotiated a two-year renewal of the current FBMC contract, including all current services and Performance Standards and Guarantees with a rate decrease of 2.5%, or \$6.60/employee/month. This is the rate which was in place during the 2007-2008 contract year. Once the Employee Benefit Module of SAP is implemented, staff will create a Request For Proposal (RFP) to seek competitive proposals for a new contract which will become effective no later than January 1, 2012.

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

1. authorize renewal of its existing contract with Fringe Benefits Management Company (FBMC), pursuant to the renewal provision in Request For Proposal (RFP) 094-FF10, for a two-year term, effective January 1, 2010 through December 31, 2011, with a fee structure of \$6.60/employee/month; and
2. authorize staff to finalize the scope of services required of a third party administrator, once the Employee Benefits Module of SAP is implemented, in order to create a Request For Proposal (RFP) to seek competitive proposals for a new contract which will become effective no later than January 1, 2012.

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