

**CITY OF AUSTIN  
SCOPE OF WORK  
ACTUARIAL AND CONSULTING SERVICES FOR BENEFIT PROGRAMS  
AND CONSULTING SERVICES FOR COMPENSATION PROGRAMS  
SOLICITATION NUMBER: RFP RWS0503**

**1. PURPOSE**

The City of Austin, hereinafter referred to as the “City”, seeks qualified firms, agents, and brokers with public sector experience and current public sector clients to provide actuarial and/or consulting services for the City’s benefit and compensation programs, commencing on October 1, 2017. Services shall include but shall not be limited to review of current benefit and compensation programs and assistance in the design and development of future benefit and compensation programs.

Service Requested	Section
Benefit Programs	3.2
Compensation Programs	3.3

**2. BACKGROUND**

The City provides access to benefit programs for City of Austin eligible employees, retirees, Consolidated Omnibus Budget Reconciliation Act (COBRA) participants, eligible dependents and, if applicable, employees and retirees of Affiliated Employers (the City of Austin Employees’ Retirement System, the Austin Fire Fighters Relief and Retirement Fund and the Austin Police Retirement System) and their eligible dependents.

The City operates on a fiscal year beginning October 1 and continuing through September 30. The City’s benefit plan year is January 1 through December 31. Towers Watson is the current benefits actuarial and consulting firm. The current Contract began January 1, 2012 and will end December 31, 2017. The current Contract does not include a compensation component.

**2.1 Employees:**

As of January 2017, there were approximately 12,500 City employees and 21 employees of Affiliated Employers eligible for benefits. The medical and dental plan enrollment as of January 2017 was:

- United Healthcare – Self-funded: Preferred Provider Organization (PPO) plan enrollment was 8,957; Health Maintenance Organization (HMO) plan enrollment was 2,329, and the Consumer Driven Health Plan with Health Savings Account (CDHP with HSA) enrollment was 953
- Dental Assistance Plan – Self-funded: plan enrollment was 12,211

For further details, including full-time and part-time eligibility and other benefits, see Attachment I: **2017 Employee Benefits Guide**.

**2.2 Retirees:**

As of January 2017, there were approximately 6,951 retirees, including surviving dependents of retirees, eligible for benefits. The medical plan enrollment as of January 2017 was:

- United Healthcare – Self-funded: PPO plan enrollment was 3,496; HMO plan enrollment was 1,276; and Consumer Driven Health Plan with Health Reimbursement Arrangement (CDHP with HRA) enrollment was 27

For further details, see Attachment II: **2017 Benefits Enrollment Guide for Retirees & Surviving Dependents**.

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**3. SCOPE OF WORK**

**3.1 General Information:**

- 3.1.1 The Actuary assigned to this Contract shall have a current membership in the American Academy of Actuaries, and experience in medical, prescription, and dental actuarial services for governmental entities.
- 3.1.2 The Benefits Consultant assigned to this Contract shall have a minimum of at least 10 years combined consulting experience in the procurement and administration of insurance products and programs for employees (including medical, vision, dental, disability, and life insurance) for governmental entities; the administration of cafeteria plans and flexible spending arrangements (such as dependent care and health care reimbursement accounts); and the identification of and compliance with all federal and state laws and regulations relevant to the administration of the aforementioned products and plans.

**3.2 Program Coverage Requirements – BENEFIT PROGRAMS:**

The following outlines potential projects that may be required of the Contractor. The City reserves the right to select the actual projects to be performed annually. The City reserves the right to set the start and completion dates for each project. For each section it is anticipated that the Contractor will meet with City management at least once in addition to any required conference calls.

**3.2.1 Fiscal Year Expenditures and Rates**

There are three categories for medical rates: employees, retirees without Medicare and retirees with Medicare. The City subsidy for retirees varies depending on the years of service.

The Contractor shall:

- 3.2.1.1 Update the current fiscal year projected expenditures for the City's self-funded Medical, Prescriptions and Dental plans based on December claims information supplied by United Health Care.
- 3.2.1.2 Compare budgeted to actual expenditures and explain variances.
- 3.2.1.3 Calculate incurred but not paid (IBNP) claims amount as of the end of the fiscal year in accordance with Governmental Accounting Standards Board (GASB) 10.
- 3.2.1.4 Provide Total Claims paid during the current fiscal year for prior periods.
- 3.2.1.5 Project fiscal year expenditures for the upcoming fiscal year for the City's self-funded medical and dental plans.
- 3.2.1.6 Project annual rates for the self-funded medical and dental plans.
- 3.2.1.7 Provide rate scenarios at different contribution levels for actives, retirees and the City for all plans.
- 3.2.1.8 Evaluate tier structures as necessary.
- 3.2.1.9 Recommend funding levels for the City's Stop-Loss Reserve and Claims Reserve above the current individual stop-loss coverage. The City also carries an individual medical stop-loss policy.
- 3.2.1.10 Estimate cost based on updating expenditures and rates at least four times between December and April of each year.

Please refer to Exhibit III: **Plan Design Change Summary** for items aforementioned.

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**3.2.2 Plan Design Changes**

The Contractor shall:

- 3.2.2.1 Identify possible plan design changes based on review of current plan experience as well as industry trends and client practices.
- 3.2.2.2 Evaluate proposed plan design changes from staff, City's Benefits Advisory Committee, and City's Employee Work Force Committee.
- 3.2.2.3 Model or estimate the cost savings that could result from proposed changes in plan design.
- 3.2.2.4 Cost should be based on 10 plan design changes per year.

**3.2.3 GASB Compliance - Other Postemployment Benefits**

The Contractor shall provide GASB valuation for GASB Statements 45 and 75, as applicable, up to twice annually as required by City. Additionally, the Contractor shall furnish compliance assistance and a discussion of pre-funding options. Currently, the City Retiree medical programs are not pre-funded.

**3.2.4 Quarterly Performance Report**

The Contractor shall provide a quarterly report detailing the performance of the medical, prescription and dental plans. The report shall be broken down by Actives, Retirees without Medicare, and Retirees with Medicare and/or by plan. The reports shall be based on the fiscal year and shall be provided no later than 30 days following each quarter end. (i.e., 1<sup>st</sup> quarter report will be provided no later than January 30). The report shall include the following:

- 3.2.4.1 Financial Measures: Per Member, Per Month (PMPM) costs for current quarter, year to date and fiscal year estimate.
- 3.2.4.2 Medical Utilization Measures: Base period, current quarter and year to date for major categories, such as inpatient, outpatient, physicians, diagnostic lab/x-ray, mental health/substance abuse, etc.
- 3.2.4.3 Medical Network Discount Analysis: Base period, current quarter and year to date.
- 3.2.4.4 Prescription Drug Measures: Base period, current quarter and year to date.

**3.2.5 Annual Report**

The Contractor shall provide an annual report by March of each year of the City's employee and retiree medical and dental benefits programs. At a minimum the report shall include the following:

- 3.2.5.1 A financial analysis of contributions, benefit expenses and operating costs of the programs. These items are to be compared to the original projected rates to actual cost and explain any significant variations. Significant variations should be highlighted along with reasons for the occurrence and recommendations for improvement.
- 3.2.5.2 Benchmarking of the City's experience to regional and national comparative information for all benefits.
- 3.2.5.3 Review of medical and pharmacy discounts to ensure they are at the Contracted levels.
- 3.2.5.4 A summary of research performed and recommendation of changes in plan design and funding administration.

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**3.2.6    Annual Employer Survey**

The Contractor shall provide an annual Employer Survey by February of each year that shows a comparison of other public sector entities' plan design, rates, wellness programs, leave programs, current and future strategy, and other benefits to those of the City. This study shall be nationally benchmarked against cities of comparable size to Austin.

- 3.2.6.1    The Contractor shall contact each entity on behalf of the City to gather data.
- 3.2.6.2    The Contractor shall provide a detailed timeline for completion of the survey, from creation of the survey language/questions to notifications to survey recipients, and shall supply updates on distribution and responses as requested by City.

**3.2.7    Auditing**

The Contractor shall, at the request of the City, perform claim audits of the third party administrators. Areas to be audited may include medical, prescription, pre-implementation, dental, Section 125 (FLEXTRA) health care and dependent care spending accounts, and COBRA. Areas to be audited may include:

- 3.2.7.1    Procedural accuracy
- 3.2.7.2    Payment accuracy
- 3.2.7.3    Claims turnaround time
- 3.2.7.4    Effectiveness of all cost controls
- 3.2.7.5    Plan provisions accuracy
- 3.2.7.6    Reasonable cost guidelines
- 3.2.7.7    Claimant eligibility for benefits
- 3.2.7.8    Coordination of benefits

**3.2.8    Contractor Proposal Development, Evaluation and Negotiation Assistance**

The Contractor shall assist in the development, evaluation and negotiation of future Requests for Proposal(s) that may include medical claims administration, individual medical stop-loss, care management and pharmacy benefit management. If the City elects to utilize the Contractor for assistance in any part of the solicitation, negotiation, or contract process, the Contractor cannot submit a response to the solicitation or be considered for Contract award for these services.

- 3.2.8.1    The Contractor shall adhere to the policies, procedures, and guidelines provided by the City's Purchasing Office and Human Resources Department.
- 3.2.8.2    The Contractor shall provide a written summary to City of each proposal review conducted, including Contractor's recommendation for award. The summary shall include as applicable:
  - 3.2.8.2.1    Provider discounts
  - 3.2.8.2.2    Provider networks
  - 3.2.8.2.3    Pharmacy discounts – both mail and retail
  - 3.2.8.2.4    Pharmacy networks
  - 3.2.8.2.5    Alternative plan design options, such as individual medical stop-loss deductibles.
- 3.2.8.3    The Contractor shall assist the City in negotiating competitive fees, rates, discounts and services.

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**3.2.9 Retiree Medical Plan Options**

The Contractor shall assist the City with Pre-65 and Post-65 medical plan options for its retired population. The Contractor shall provide benchmarking, plan comparisons, presentations, strategy planning, and data related to Medicare Advantage plans, Health Insurance Exchanges, and other post-employment medical options.

**3.2.10 Compliance Assistance**

The Contractor shall provide Centers for Medicare and Medicaid Services (CMS) annual retiree actuarial attestation of the City's retiree medical plans necessary for filing for Medicare Part D claim subsidy with CMS.

**3.2.11 Annual Strategy Meeting**

The Contractor shall annually provide strategic planning of the City's benefit programs to forecast the next 3-5 years of benefits programs based on industry trends, legislative requirements, claims experience, and City of Austin Management focus.

**3.2.12 Other Services**

The Contractor shall conduct research or additional vendor proposal reviews, provide presentations, attend meetings, and perform other work similar in scope, as requested by the City.

**3.2.13 Legislative and Regulatory Review, Notice and Compliance**

The Contractor shall monitor proposed and/or enacted state and federal legislation or regulatory changes and procedures from entities including, but not limited to: Internal Revenue Service (IRS), Department of Labor (DOL), CMS, and other agencies that affect benefits such as the Health Insurance Portability and Accountability Act (HIPAA), Medicare Part D, etc. The Contractor shall notify the City of changes in law, regulations, or other requirements that affect the City within 30 days of enactment. The Contractor shall be responsible for the implementation of any changes required by state or federal laws or administrative rules or regulations. This task shall be provided at no additional cost to the City.

**3.2.14 Publications**

The Contractor shall provide the City with regularly scheduled publications on benefit related topics at no additional cost.

**3.3 Program Coverage Requirements – COMPENSATION PROGRAMS:**

The following outlines potential projects that may be required of the Contractor. The City reserves the right to select the actual projects to be performed annually. The City reserves the right to set the start and completion dates for each project. For each section it is anticipated that the Contractor will meet with City management once in addition to conference calls.

The City's compensation program's objectives are: to attract and retain qualified employees who will be paid equitable salaries; to provide fair salaries; and to provide the City with a salary structure that enables the City to maintain a competitive position with other cities and organizations within the same geographic area.

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The City's compensation program includes approximately 8,800 management, professional, technical, administrative, clerical, and general labor full time and regular part time positions (excluding sworn, seasonal and non-regular part-time employees) in 974 Job Classifications.

**3.3.1 Total Compensation (Rewards) Report**

The Contractor shall provide a total compensation report of the City's competitive analysis to include compensation programs, employee benefits, retirement plans, and paid leave benefits to determine how the City compares to other organizations –public and private and industry specific (i.e. electric).

- 3.3.1.1 The analysis shall identify differences in competitor's programs; assess the relative value of the components of the current Total Compensation programs; and identify elements of the benefits program that may warrant redesign.
- 3.3.1.2 The results shall be applied to employee subgroups (or job classifications) and different lines of business as the City deems appropriate to obtain a Total Compensation value.
- 3.3.1.3 The benchmark comparison shall include similar organizations from the following:
  - 3.3.1.3.1 Austin and Central Texas area
  - 3.3.1.3.2 State of Texas
  - 3.3.1.3.3 Municipalities and public entities
  - 3.3.1.3.4 Utilities
  - 3.3.1.3.5 National area

**3.3.2 Equity Study**

The Contractor shall provide an equity study of the City's compensation structure to determine if employee's pay is affected by gender or race, as opposed to other performance, experience or expertise factors.

The Contractor shall:

- 3.3.2.1 Provide sound research and understanding of the City's current pay history and issues.
- 3.3.2.2 Collect employee demographic data (gender, race and ethnicity) and data on other factors that are typically related to pay levels, and other data such as, experience, tenure and performance.
- 3.3.2.3 Develop statistical procedures and conduct analysis.
- 3.3.2.4 Provide findings, conclusions and recommendations (pay equity strategies).

**3.3.3 Market Study**

Contractor shall provide a market study of the City's classification and compensation systems utilizing accepted practices in the management and design of such systems.

The Contractor shall:

- 3.3.3.1 Include an examination of the City's current compensation plan and related components.
- 3.3.3.2 Develop a study that is in accordance with generally accepted compensation methods and in accordance with applicable federal and state laws.
- 3.3.3.3 Conduct a comprehensive labor market salary survey that reflects cities, other public sector entities and private industry.

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- 3.3.3.4 Update or develop a new pay plan identifying specific parameters (i.e. percent spreads between ranges and within ranges).
- 3.3.3.5 Review and assign all positions to an appropriate pay grade.
- 3.3.3.6 Provide additional services which may include an analysis of existing internal hierarchy based on job relationships, identifying problem areas within the internal hierarchy system, and proposing implementation methods to correct identified problems.
- 3.3.3.7 Provide additional services which may include conducting a comprehensive review of the current classification and grade methodology, review and make recommendations regarding the consolidation/expansion of job families and titles, and proposing implementation strategies for any recommended changes.

**3.4 Customer Service Requirements:**

The Contractor shall:

- 3.4.1 Respond to telephone calls and electronic mail from City within one business day, excluding holidays.
- 3.4.2 Attend all necessary meetings in the period specified and agreed upon by the City, and shall participate in meetings as required with or on behalf of City Management. Meetings may be called on short notice (within 24 hours) and a Contractor senior staff member shall be available to attend in person.
- 3.4.3 Provide a dedicated staff and account representative. Additionally, the Contractor shall provide the names of employees, including the dedicated account representative, who will be assigned to work under this Contract, their direct contact numbers, and their direct e-mail addresses. If these assignments are changed the City shall be notified within one business day. These employees shall be available for contact by the City Monday-Friday from 8:00 a.m. to 5:00 p.m. Central Standard Time.
- 3.4.4 Utilize the Contract Manager identified in Section 0400 as their City point of contact. The Contract Manager or designee shall be the recipient of all reports, surveys and other Contractor deliverables under this Contract. The Contract Manager or designee shall also originate requests for Contractor's services and shall coordinate scheduling of meetings.

- 3.5 Transition and Implementation Timelines:** Within 30 calendar days of Contract award a draft work plan shall be submitted to the City. This work plan shall include Contractor's proposed timeline for conducting the reports and studies detailed in the Program Coverage Requirements - Benefit Programs and Program Coverage Requirements - Compensation Programs sections of this Scope of Work. The Contractor shall meet with the City to finalize the work plan within 45 calendar days after Contract award.