

June 4, 2004

**Public
Transportation
Services
Corporation**

SUBJECT: EMPLOYEE HEALTH AND WELFARE BENEFITS

ACTION: AWARD A CONTRACT FOR CONSULTING SERVICES

One Gateway
Plaza, Los
Angeles, CA 90012

213 922 4611

RECOMMENDATION

Award a fixed price contract, under RFP PS –F03-5211-07 to Mercer Human Resource Consulting for employee benefits health and welfare consulting services for five (5) years for a total contract value of \$614,866, inclusive of four (4) one (1) year renewal options. The total contract value of \$683,184 includes \$68,318 for services provided on behalf of MTA employees.

RATIONALE

The PTSC will spend about \$21 million on insured employee benefits in the next fiscal year. The consulting services are necessary to ensure that the PTSC receives the best value for the benefit dollars spent. Failure to have experienced industry consultant support may adversely impact the price paid for benefits and the quality of the services provided by the PTSC selected vendors.

The current contract which was awarded as a three year contract with two (2) one (1) year renewals as a result of a competitive bid process expires June 30, 2004 and is for both PTSC and MTA employees.

FINANCIAL IMPACT

Ninety percent (90%) of the total award value or \$614,866 is for consulting services for PTSC employee benefits. The ten percent balance for consulting services related to benefits for MTA employees will be approved through an administrative request adhering to internal procedures.

Funding of \$170,000 for benefits consulting services is budgeted in the PTSC Operating Budget for FY05. Since this is a multi-year contract, the cost center manager and the Executive Officer, Finance & Treasurer will ensure that future years will be included in the budget process.



Metropolitan Transportation Authority

Metro

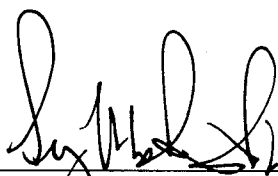
ALTERNATIVES CONSIDERED

An alternative is for PTSC/MTA to complete all benefits marketing and negotiating with in-house staff. This is not recommended, as PTSC/MTA would lose the experience necessary to fully understand the ever-changing nuances of the market

ATTACHMENT(S)

Attachment A – Procurement Summary
Attachment A-1 Procurement History
Attachment A-2 List of Subcontractors

Prepared by: Edward J. Myatt, Sr. Analyst, Pension and Benefits Department
Tommye Williams, Contract Administration Manager, Procurement
Department



Terry Matsumoto
Executive Officer, Finance & Treasurer

REPORT ATTACHMENT A
PROCUREMENT SUMMARY

EMPLOYEE HEALTH AND WELFARE BENEFITS

Contract Number: PS-F03-5211-07		
Recommended Vendor: Mercer Human Resource Consulting		
Cost/Price Analysis Information:		
Bid/Proposed Price: \$683,184	Recommended Price: \$ 683,184	
B. Details of Significant Variances are in Attachment A-1.D		
Contract Type: Firm Fixed Price		
Procurement Dates:		
A. Issued: February 20, 2004		
B. Advertised: February 20, 2004		
C. Pre-proposal Conference: March 2, 2004		
D. Proposals Due: March 22, 2004		
E. Pre-Qualification Completed: March 30, 2004		
F. Conflict of Interest Form Submitted to Ethics: May 26, 2004		
Small Business Participation:		
A. Bid/Proposal Goal: 15% DBE	Date Small Business Evaluation Completed: May 18, 2004	
Small Business Commitment: 15% Details are in Attachment A-2		
Invitation for Bid/Request for Proposal Data:		
Notifications Sent: 15	Bids/Proposals Picked up or downloaded: 24	Bids/Proposals Received: 1
Evaluation Information:		
A. Bidders/Proposers Names: Mercer Human Resource Consulting Los Angeles, CA	<u>Original Bid/ Proposal Amount:</u> \$ 669,204	<u>Revised Amount</u> \$683,184 - offer revised to increase DBE participation to meet established goal
B. Evaluation Methodology: Details are in Attachment A-1.C		
Protest Information: N/A		
A. Protest Period End Date:		
B. Protest Receipt Date:		
C. Disposition of Protest Date:		
Contract Administrator: Tommye Williams	Telephone Number: 213/922-1051	
Project Manager: Ed Myatt	Telephone Number: 213/922-7185	

BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY

EMPLOYEE HEALTH AND WELFARE BENEFITS

A. Background on Contractor

Mercer Human Resource Consulting, with a local office in Los Angeles servicing Southern California, has operations in 150 cities and 40 countries worldwide. The firm was established in 1937 under the name of Marsh & McLennan, Inc. Mercer and their predecessors have been providing services to the MTA for the past 15 years.

Past performance on these contracts has been satisfactory.

Clients of Mercer include California Institute of Technology, Los Angeles County, City of Los Angeles and Department of Water and Power.

B. Procurement Background

This is a competitive solicitation for consultant/broker services to assist the MTA Benefits Department in implementation and maintenance of the benefits program. Contract award is made to the firm that met the technical acceptability requirements with the lowest evaluated price.

The contract type is firm fixed price.

The Diversity & Economic Opportunity Department (DEOD) established a 15% Disadvantaged Business Enterprise (DBE) goal for project. The recommended awardee, Mercer Human Resource Consulting, originally committed to 13 % DBE participation for this contract; however, Mercer revised its proposal to increase DBE participation to 15% to meet the DBE goal for this project.

C. Evaluation of Proposals

The Source Selection Committee reviewed Mercer's proposal in accordance with MTA Procurement Policy and the criteria established in the Request for Proposal. The Source Selection Committee, which was comprised of MTA staff and two representatives from external agencies, determined that Mercer Human Resource Consulting, the single proposer, met all of the technical acceptability requirements. Technical acceptability requirements included a minimum of five years experience performing health and welfare benefits consulting services for medical, dental, life, vision, long

term disability, etc. for agencies which had employee populations of 2,000 lives or more, satisfactory past performance and qualified staff including a Board-certified actuary.

D. Cost/Price Analysis Explanation of Variances

The recommended price of \$683,184 has been determined to be fair and reasonable by the contract administrator and the project manager. The proposed amount was compared against the independent cost estimate and historical costs for these services. Over the previous five-year period, Metro has paid approximately \$747,000 for these services.

BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS

EMPLOYEE HEALTH AND WELFARE BENEFITS

PRIME CONTRACTOR – Mercer Human Resource Consulting

Small Business Commitment

Other Subcontractors

The Unisource Group, LLC
Healthcare consulting

None

Total Commitment 15%.