



**Metro**

Metropolitan Transportation Authority

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**16**

**FINANCE AND BUDGET COMMITTEE  
JUNE 17, 2009**

**SUBJECT: HEALTH AND WELFARE BENEFITS**

**ACTION: AWARD A CONTRACT FOR CONSULTING SERVICES**

**RECOMMENDATION**

Authorize the Chief Executive Officer to award a five year, firm fixed price contract, Contract No. PS-52112310, to Mercer for employee benefits consulting and actuarial services, in an amount not to exceed \$1,516,171 inclusive of two one-year options, effective July 1, 2009.

**RATIONALE**

We administer group insurance plans for Public Transportation Services Corporation (PTSC) and Los Angeles County Metropolitan Transportation Authority (LACMTA) employees. In addition, we administer the group insurance plans for the Amalgamated Transportation Union (ATU) Health and Welfare Fund. The cost to provide insured employee benefits for these groups will be \$57.5 million for the next fiscal year. The consulting services are necessary to ensure we receive the best value for the benefit dollars spent. Failure to have an industry leader serve as a benefits consultant may adversely impact the price paid for benefits and the quality of services provided by the selected vendors. Governmental Accounting Standards Board (GASB) 45 requires an actuarial valuation to calculate Metro's expense for retiree medical, dental and life insurance benefits.

**FINANCIAL IMPACT**

Funding of \$395,376 for benefits consulting services is included in the FY10 proposed budget as follows: \$225,000 for MTA/PTSC in cost center 5211, Pensions & Benefits under projects 100003 PTSC Overhead, 100030 Administration – Bus Ops, and 100040 Administration – Rail Ops.; and \$170,376 for the ATU Health and Welfare Fund in cost center 0621, Fringe Benefits under project number 100001 General Overhead. Since this is a multi-year contract, the cost center manager will be accountable for including future years in the budget, including any option exercised. In FY09, \$340,992 was expended on benefits consulting services.

**Impact on Enterprise Fund Bus and Rail Operations Budget**

Approximately 80% of the active and retired employees receiving health and welfare benefits are bus and rail operating employees. The source of funds for these expenditures is a combination of Enterprise Funds (80%) and Prop A and C Administrative Funds (20%). The Enterprise Funds are eligible for bus and rail operating and capital expenses.

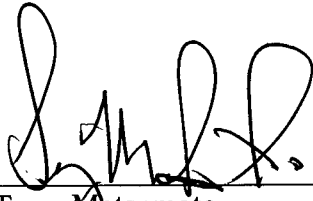
## ALTERNATIVES CONSIDERED

An alternative considered was to complete all benefits marketing and negotiating with in-house staff. This is not recommended, as we would lose access to the consultant's depth of experience with the ever-changing nuances of the marketplace for insured benefits. The benefits consulting firm completes hundreds of renewals each year giving them access to the most comprehensive plan designs and favorable rates offered by the insurers.

## ATTACHMENTS

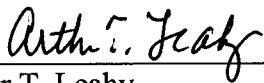
- A. Procurement Summary
- A-1. Procurement History
- A-2. List of Subcontractors

Prepared by: Donna Mills, Assistant Treasurer  
Jan Olsen, Supervisor, Pension and Benefits Department  
Robert Vasquez, Sr. Contract Administrator



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Terry Matsumoto  
Chief Financial Services Officer and Treasurer



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Arthur T. Leahy  
Chief Executive Officer

**BOARD REPORT ATTACHMENT A  
PROCUREMENT SUMMARY**

**HEALTH AND WELFARE BENEFITS**

1.	Contract Number: PS52112310		
2.	Recommended Vendor: Mercer		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$1,516,171	Recommended Price: \$1,516,171	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Firm Fixed Price		
5.	Procurement Dates:		
	A. Issued: 02/06/09		
	B. Advertised: 02/06/09 - 02/12/09		
	C. Pre-proposal Conference: 02/19/09		
	D. Proposals Due: 03/06/09		
	E. Pre-Qualification Completed: 04/16/09		
	F. Conflict of Interest Form Submitted to Ethics: 05/18/09		
6.	Small Business Participation:		
	A. DALP: 15%	Date Small Business Evaluation Completed: 04/28/09	
	B. Small Business Commitment: 6.4% (Details are in Attachment A-2)		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 5	Bids/Proposals Picked up: 23	Bids/Proposals Received: 3
8.	Evaluation Information:		
	A. Bidders/Proposers Names:	<u>Bid/Proposal Amount:</u>	<u>Best and Final Offer Amount:</u>
	Mercer	\$1,516,171	\$ N/A
	Hay Group, Inc.	\$1,820,000	\$ N/A
	Dickerson Employee Benefits (did not meet minimum qualifications)	\$ 755,000	\$ N/A
	B. Evaluation Methodology: Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: 06/23/09		
	B. Protest Receipt Date: T.B.D.		
	C. Disposition of Protest Date: T.B.D.		
10.	Contract Administrator: Robert Vasquez	Telephone Number: 213-922-1044	
11.	Project Manager: Yvette Nixon-Thompson	Telephone Number: 213-922-7185	

## BOARD REPORT ATTACHMENT A-1 PROCUREMENT HISTORY

### HEALTH AND WELFARE BENEFITS

#### A. Background on Contractor

Mercer is a wholly owned subsidiary of Marsh & McLennan Companies, and has over 18,000 employees serving clients in over 180 cities and 40 countries and territories worldwide. Mercer, which is headquartered in New York and has a local office in Los Angeles, specializes in Human Resources consulting and related financial advice, products and services. Mercer is the incumbent contractor and has been providing Benefits Consulting Services to us for over 20 years under consecutive contracts. Its performance has been satisfactory overall. Some of Mercer's other current or recent public agency clients include the County of Los Angeles, the City of Los Angeles, the Los Angeles Department of Water and Power (DWP), and the Torrance Unified School District.

#### B. Procurement Background

This negotiated procurement was handled using a competitive Request for Proposals (RFP). The contract shall be awarded on a Firm Fixed Price (FFP) basis for a three-year base period plus two one-year options. Three proposals were received by the due date but only two met the Minimum Qualifications. The RFP contained a 15% DBE Anticipated Level of Participation (DALP) which encouraged DBE participation but was not a condition of award or responsiveness.

#### C. Evaluation of Proposals

After a review of Minimum Qualifications, we used the explicit factors/weighted criteria method to evaluate the proposals in accordance with our Procurement Policies and Procedures. The Source Selection Committee consisted of a non-voting chairperson from Procurement and four voting members with direct experience in the Employee Benefits field, two of which were from outside our agency.

The Request for Proposals (RFP) contained a set of Minimum Qualifications which proposers had to meet on a pass or fail basis in order to be considered for further evaluation. Dickerson Employee Benefits' proposal did not meet the Minimum Qualifications in four of the six Pass/Fail criteria and was, therefore, eliminated from further consideration. Proposals from the other two firms, Mercer and Hay Group, Inc., met the Minimum Qualifications and references checked were found to be acceptable overall, and in some cases outstanding. Scoring was conducted in accordance with the RFP evaluation criteria and Mercer was rated the higher of the two firms.

#### D. Cost/Price Analysis Explanation of Variances

The recommended price for the five-year contract has been determined to be fair and reasonable based upon adequate competition and a comparison with current contract pricing. There are no significant variances since Mercer's proposed pricing is virtually identical to current contract pricing and lower than estimated pricing.

BOARD REPORT ATTACHMENT A-2  
LIST OF SUBCONTRACTORS

HEALTH AND WELFARE BENEFITS

PRIME CONTRACTOR – Mercer

Small Business Commitment

Other Subcontractors

Unisource Consulting: 6.4%

None

Total Commitment 6.4%

