



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 12/3/2024

To: The Board of Supervisors of Sonoma County, Board of Directors of the Sonoma County Water Agency, Board of Commissioners of the Community Development Commission, Board of Directors of the Sonoma County Agricultural Preservation and Open Space District

Department or Agency Name(s): Human Resources Department

Staff Name and Phone Number: Janell Crane - 707-565-2885; Cheryl Thibault, Employee Benefits Manager - 707-565-3033

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Employee and Retiree Benefits Consulting and Third-Party Administration Agreements

Recommended Action:

- A) Authorize the Director of Human Resources to execute a third amendment to the agreement with The Segal Company (Western States), Inc. (Segal) for employee and retiree benefit consulting, actuarial, and brokerage services, extending the term six months from January 1, 2025, through June 30, 2025, and increasing the agreement by \$133,500, for a total agreement amount not to exceed \$1,611,500.
- B) Authorize the Director of Human Resources to execute an agreement with Total Administrative Services Corporation (TASC) to provide third party benefit administration services for a five-year term, from January 1, 2025, through December 31, 2029, with an estimated administration cost of \$228,000 annually.

Executive Summary:

Segal

The County issued a Request for Proposal (RFP) for actuarial and employee benefits consulting services in April 2024 which was widely circulated. The submitted proposals are still in the review process. This amendment allows staff to finalize the request for proposal currently in process, and avoid interruption of these vital consulting services.

Segal was selected through a Request for Proposal (RFP) process conducted in 2018. The initial agreement was approved by your Board for a five-year period from January 1, 2019, through December 31, 2023, with a total not to exceed amount of \$1,190,000. In October 2021, your Board authorized a contract increase of \$30,000 for a total not to exceed amount of \$1,220,000. And in December 2023, your Board authorized a one-year extension to the term of the agreement and an agreement increase of \$258,000 for a total not to exceed amount of \$1,478,000.

The recommended action authorizes the Human Resources Director to execute a third amendment to the agreement to extend the term for 6 months from January 1, 2025, through June 30, 2024, and increase the maximum fees by \$133,500 for a total contract maximum of \$1,611,500.

TASC

Total Administrative Services Corporation (TASC) was selected through a widely distributed Request for Proposal process completed on August 22, 2024, which evaluated three submissions. TASC presented the most favorable response to meeting the County's requirements and expectations. The County staff was successful in negotiating an overall rate reduction of 16%, which reflects a projected savings of \$216,400 over the 5-year agreement term.

TASC will provide administrative services for employee flexible spending account (FSA) administration, health reimbursement account (HRA) administration, and trust management of funds deposited into the County-sponsored HRAs. In addition, TASC will provide continuation coverage administration required under the Consolidated Omnibus Budget Reconciliation Act (COBRA), and retiree direct pay benefits.

TASC is replacing the P and A Group as the provider for these services.

Discussion:

Human Resources (HR)'s Employee Benefits Unit is responsible for management and administration of the County's health and welfare benefit programs for employees, retirees, and their eligible dependents. As part of that responsibility, the County contracts with benefit consultants and third-party benefits administrators to assist the County in maintaining benefit programs that are competitively priced, meeting the needs of County employees, retirees, and dependents, and are innovative and comprehensive to attract human resource talent positioning the County as an employer of choice.

Segal

The County issued a Request for Proposal (RFP) for actuarial and employee benefits consulting services in April 2024 which was widely circulated. The submitted proposals are still in the review process. Participating in the selection process is a subcommittee of the Joint Labor Management Benefits Committee (JLMBC). The requested amendment will allow the County to continue to receive the needed services provided by Segal while the selection committee finalizes their review, and County staff negotiate a new agreement. Staff anticipates the new agreement come before the Board for approval in May 2025.

Segal has provided benefit and actuarial consulting services to the County of Sonoma since January 2008, was the successful bidder during the 2013 and 2018. Segal provides a 100% guarantee for all work performed that doesn't meet the County's satisfaction. Services are billed only for the services requested and provided by Segal, up to the agreement maximum amount, and there is no guaranteed minimum amount of work. The County only pays for requested services completed to the County's satisfaction. Maximum fees payable under the third amendment of the agreement is \$1,611,500 for benefits consulting, brokerage, and actuarial services.

The primary services to be provided by Segal include aggressively negotiating benefit premium costs with health plan vendors, consulting on all benefit programs, providing in depth analysis of current industry comparative cost trends in the public and private sectors, and conveying information on industry best practices. Segal keeps the County apprised on all regional, State, and Federal legislative changes impacting benefits. Segal performs actuarial analysis of the County's self-insured plans as well as the OPEB valuation.

TASC

The County released a Request for Proposal (RFP) for third party administration of certain employee benefits

in April 2024 which was widely circulated. A total of three national third-party benefits administrators submitted proposals which were accepted into the review process. Participating in the selection process were a subcommittee of the Joint Labor Management Benefits Committee (JLMBC) comprised of HR Benefits Unit staff; a representative from the Service Employees' International Union (SEIU); a representative from the Engineers and Scientists of California (ESC); and a representative from the Auditor-Controller-Treasurer-Tax Collector. The evaluation process focused on scope of services, fees, ability to perform requested services, experience in providing requested services, and willingness to agree to performance standards and required County contract language. Following the evaluation of the data provided in the RFP responses, P&A Group and TASC were selected as finalists and interviewed. Based upon the written RFP responses, information obtained during the interview process, and Best and Final offer terms, TASC was selected.

Estimated annual administration costs for all services provide by TASC is approximately \$228,000 which reflects an annual rate reduction of approximately \$43,280 below existing vendor terms. The overall rate reduction is 16%, with an estimated savings of \$216,400 over the 5-year agreement term.

The following provides more specific information about the benefit administrative services provided under each program:

Consolidated Omnibus Budget Reconciliation Act (COBRA): COBRA as well as California law requires employers with at least 50 employees to provide continuing access to health benefits (medical, dental, vision and employee assistance program) for a set period-of-time after termination of employment and other qualifying events where health coverage would otherwise terminate.

Health Reimbursement Account (HRA): The County of Sonoma has provided a retiree HRA for employees hired after January 1, 2009. An HRA is an employer-funded group health benefit that provides tax-free reimbursement for qualified medical expenses. Over the years, the HRA was expanded to include an active employee HRA plan (Active HRA) available to active employees in certain bargaining groups effective June 1, 2013, through 2016, and added a Post-employment Retiree HRA for certain bargaining groups retiring on or after August 28, 2018, as authorized by the Board. The County ceased contribution to the Active HRA in 2016, and participants are still able to use remaining funds for reimbursement of qualified medical expenses.

SCARE Retiree HRA: As part of the settlement of the lawsuit entitled Sonoma County Association of Retired Employees vs. County of Sonoma, the County agreed to fund a Retiree HRA in the amount of \$12 million to be divided evenly among all the members of the settlement class.

The largest enhancement resulting from this RFP process is the addition of opportunity for participants to earn interest. TASC offers the ability for the County to lock in the interest rate credited to eligible participant balances for 2-year increments through a Stable Value Fund. For the initial 2 years, from January 2025 through December 2026, eligible participant balances will earn 3.0% interest. This guaranteed interest rate will be renegotiated every two years based on market conditions.

Health and Dependent Flexible Spending Account (FSA): The County provides eligible employees with Medical and Dependent Care FSA services. A Flexible Spending Account is a benefit that allows employees to set aside money from their paycheck, pre-tax, to pay for healthcare and dependent care expenses.

Retiree Direct Pay: These services are provided as a courtesy when a retiree or survivor is eligible to be

enrolled in a County-sponsored medical, dental, or health insurance plan, but does not receive a pension benefit or does not have sufficient pension proceeds to pay for the cost of benefits.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

December 12, 2023 (item 19) Board authorized extension amendment to agreement with Segal.

December 11, 2018 (item 37) Board authorized agreement with Segal.

FISCAL SUMMARY

Expenditures	FY24-25 Adopted	FY25-26 Projected	FY26-27 Projected
Budgeted Expenses	\$439,000	\$166,000	\$166,000
Additional Appropriation Requested			
Total Expenditures	\$439,000	\$166,000	\$166,000
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$439,000	\$166,000	\$166,000
Use of Fund Balance			
General Fund Contingencies			
Total Sources	\$439,000	\$166,000	\$166,000

Narrative Explanation of Fiscal Impacts:

Costs associated with employee and retiree benefit consulting, actuarial, and brokerage services through the Segal agreement are budgeted in three internal services funds: Employee Benefits Administration Fund 51210, County Health Plan Fund 51215, and Other Post-Employment Benefits (OPEB) Fund 51605. Costs associated with the third-party administration fees charged by TASC are budgeted in two internal services funds: Employee Benefits Administration Fund 51210, and Other Post-Employment Benefits (OPEB) Fund 51605.

The Employee Benefits fund is funded by a per employee annual internal services rate charged to General Fund and non-General Fund departments. Consulting support to the County Health Plan is funded by employer and employee premiums, with the employer contributions paid by both General Fund and non-General Fund departments. Actuarial valuation reports for OPEB is funded by a percentage of payroll employer contributions paid by both General Fund and non-General Fund departments.

The Benefits Administration ISF rate is distributed to County departments and agencies, allocated by FTE (full-

time equivalent).

The cost of the employee benefits consulting professional services agreement and the third-party administration services will be absorbed within existing HR budget appropriations in FY 2024-25 and will be included in future departmental recommended budgets.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)
N/A			

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

1. Third Amendment to Segal Agreement, effective January 1, 2025
2. New TASC Agreement, effective January 1, 2025

Related Items "On File" with the Clerk of the Board:

None