

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

133



FROM: Human Resources Department

SUBMITTAL DATE:
December 2, 2015

SUBJECT: Approval of Amendment No. 3 for Benefits Consultant Services and Actuarial Services for the County's health, welfare, well-being, and retirement programs with Aon Consulting, Inc., for five years. [All Districts]; [Total Cost - \$800,000]; [SOURCE OF FUNDS - Departmental Budget]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and execute Amendment No. 3 for FY 2015/16-2020/21, to the professional service agreement with Aon Consulting, Inc., and;
2. Authorize the Purchasing Agent, in accordance with Ordinance No. 459, based on the availability of fiscal funding, to sign amendments that do not change the substantive terms of the agreement, including amendments to the compensation provision that do not exceed 10%, as approved by County Counsel.

BACKGROUND:

Summary

On June 28, 2011, Agenda Item 3.73, the Board of Supervisors approved the Benefits Consulting and Actuarial Professional Service Agreement with Aon Consulting, Inc. ("Aon"). The Agreement contained the scope of services and the fees associated with the consulting and actuarial services provided by Aon.

Michael T. Stock
Asst. County Executive Officer/
Human Resources Director

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 80,000	\$ 160,000	\$ 800,000	\$	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$	\$	\$	\$	

SOURCE OF FUNDS: Department Budget	Budget Adjustment: No
	For Fiscal Year: 15/16-20/21

C.E.O. RECOMMENDATION:

APPROVE

BY:
Lani Sison

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Benoit, seconded by Supervisor Jeffries and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley
 Nays: None
 Absent: None
 Date: December 15, 2015
 xc: HR, Purchasing

Kecia Harper-Ihem
Clerk of the Board
By:
Deputy

3-23

FORM APPROVED COUNTY COUNSEL
BY:
ANITA C. WILLIS
DATE: 12-2-15

Departmental Concurrence

Purchasing & Fleet Services

Teresa Summers, Assistant Director

A-30 Positions Added
4/5 Vote Change Order

BACKGROUND:

Summary (continued)

The third amendment to the Professional Service Agreement amends the following:

Section 1.3 – Description of Services

Amends performance of services and prices contained in this amendment. The amendment ensures, if necessary additional services added or enhanced after the agreement will be funded through commissions where permissible.

Section 2.1 - Period of Performance

The period of performance is a five-year period that will begin on January 1, 2016 and extend through December 31, 2021.

Section 3.1 – Compensation

Compensation for Section 1 Other Retirement and Underwriting Services. This section includes the scope of services for the: 401(a) retirement plan; OPEB GASB 45 valuations for Parks, Waste, Flood, and the Regional Conservation Authority; the Short-term Disability and Unemployment insurance valuation; and provides for a 2% annual increase adjustment factor to the 401(a) and OPEB GASB 45 rate.

Section 19.6 – Indemnification

Indemnification was revised to include language consistent with the County specific Indemnification requirements.

Exhibit B – Payment Provisions

The fees listed in Section I – Description of Annual Services with the exception of Other Retirement and Underwriting Services are included in the annual commissions. The Other Retirement and Underwriting Services cannot be paid by commissions and will be billed on separate invoices.

The fees listed in Section II - Amends the payment of commissions and deficits at the end of each year to allow for any surplus up to 25% to be carried over into the following calendar year.

Impact on Residents and Businesses

There is no direct impact to residents or businesses in the County of Riverside.

SUPPLEMENTAL:

Additional Fiscal Information

Contract fees for health plans, life insurance, long-term and short-term disability, are paid out of commissions from employee paid benefit premiums. Departments pay and the County is invoiced for actuarial services and other County paid benefits which include actuarial evaluations of unemployment insurance, 401(a) Part-Time Temporary Retirement plan, and OPEB GASB reporting.

Contract History and Price Reasonableness

The County has partnered with Aon for over a decade. The skills and level of expertise provided to the County continues to expand the County's abilities to proactively design strategies while staying abreast of changes to state and federal laws.

All services are included with the agreed upon commissions, with the exception of the Other Retirement and Underwriting Services. The Other Retirement and Underwriting Services includes a 2% annual increase as an adjustment factor. Additional Districts for OPEB GASB 45 will be added at the same rate of \$9,000 plus the 2% annual adjustment factor.

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Approval of Amendment No. 3 for Benefits Consultant Services and Actuarial Services
for the County's health, welfare, well-being, and retirement programs with Aon Consulting, Inc., for
five years. [All Districts]; [Total Cost - \$800,000]; [SOURCE OF FUNDS
DATE: December 2, 2015
PAGE: 3 of 3**

If approved by the Board, the Other Retirement and Underwriting Services, will be paid at an annual rate not to exceed \$160,000, including all expenses.

ATTACHMENTS:

- A. County of Riverside's Third Amendment to Benefits Consultant Professional Service Agreement with Aon Consulting, Inc.

COUNTY OF RIVERSIDE
AMENDMENT NO.3 TO THE AGREEMENT
WITH
AON CONSULTING, INC.

Original Contract Term: May 1, 2011 through December 31, 2015
Effective Date of Amendment: January 1, 2016
Annual Maximum Contract Amount: \$160,000 (for Section I Other Retirement and Underwriting Services Section)

The Agreement between County of Riverside, herein referred to as COUNTY and Aon Consulting, Inc, herein referred to as CONTRACTOR, entered into as of (May 1, 2011), is amended as follows:

1. On page 3 of the Agreement, replace in its entirety Section 1.3 "Description of Services:"

To amend the paragraph to read: CONTRACTOR affirms this it is fully appraised of all the work to be performed under this Agreement; and the CONTRACTOR agrees it can properly perform this work at the prices it has provided to the COUNTY. The parties may, at any time, make additions and/or changes to the Services. Such additional and/or changes shall be confirmed between the parties and may be documented with an Exhibit, an amended Exhibit, or other mutually agreeable writing. Any such changes shall be funded through commissions where permissible.

2. On page 3 of the Agreement, amend Section 2.1 the "Period of Performance":
To amend all reference to the Period of Performance from expiration of December 31, 2015 to an expiration of December 31, 2021, unless terminated as specified in Section 5 TERMINATION.

3. On page 3 of the Agreement, replace in its entirety Section 3.1 the "Compensation":

The COUNTY agrees to pay CONTRACTOR for services performed in Section I Other Retirement and Underwriting Services at an annual rate not to exceed one hundred and sixty thousand dollars (\$160,000), including all expenses, based on the availability of fiscal funding.

4. On page 11 of the Agreement, replace in its entirety Section 19.6 the "Contractor's Indemnification":

To amend the paragraph to read: The total aggregate liability of either party to the other party for any and all damages, costs and expenses(including but not limited to attorneys' fees) in connection with this Agreement shall be limited to the sum of three million dollars (\$3,000,000). The limitations on each party's liability to the other party contained in the preceding sentence will not apply to losses arising from: (i) a party's willful, fraudulent or criminal misconduct, (ii) a party's breach of the confidentiality provisions of this Agreement or of the HIPAA Business Associate Attachment to this Agreement, (iii) bodily injury, including death, or damage to tangible personal or real property incurred while CONTRACTOR is performing the services and to the extent caused by the negligent or willful acts or omissions of

CONTRACTOR'S personnel or agents in performing the services; (iv) a party's infringement of the proprietary rights or a third party. In no event will either party be liable to the other party for incidental, consequential, special or punitive damages (including loss of profits, data, business or goodwill, or government fines, penalties, taxes or filing fees), regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise, and even if advised of the likelihood of such damages.

5. On page 19 of the Agreement, replace in its entirety Exhibit B the "Payment Provisions":

All inclusive fees for tasks listed below are included in annual commissions unless a specific amount is given:

I. Description of Annual Services:

Vendor Management (Medical, Dental, Vision, Disability, Life, Stop Loss)
Benefits Strategy Management and Development
Financial/Experience Monitoring Reporting
Pricing/Contributions
Renewal and Negotiations
Benchmarking (HHVI, Spec Select)
Vendor RFPs, when necessary
Provider/Facility Disruption Analysis, when necessary
High-level Compliance Updates
Health Care Reform – Financial Implications
Medical Discount Analysis, if necessary
Communication Support for Annual Guides
Communication Support for Regular Member Communication
Communication Support for Culture of Health
Living Well and Segmentation Index Communication Surveys (every 3-5 years)
Annual Communication Strategy Consulting (which includes Culture of Health)
Culture of Health Consulting
Advocacy Services
Non-Discrimination Testing
Required audits when necessary, when permissible for commission use

Other Retirement and Underwriting Services

- | | |
|---|-----------------------|
| 1. Retirement Plan 401(a)* | \$22,000 |
| 2. OPEB GASB 45: Parks, Waste, Flood, Regional Conservation Authority @ \$9,000 each* | \$36,000 |
| 3. STD Unemployment Insurance | \$12,000 |
| 4. Predictive Modeling Application fee basis @ \$0.63 PEPM | (Based on enrollment) |

*** Note: Retirement Plan 401(a) and OPEB GASB 45 will include a 2% annual increase as adjustment factor. Additional Districts for OPEB GASB 45 will be added at the same rate of \$9,000 plus the 2% annual adjustment factor.**

II. Fees and Other Payment Terms:

- In return for delivery of the services described above, Aon Consulting will be compensated through commissions from the client's vendors, in lieu of invoice on a fee-for-service basis for the duration of the extension of the Professional Service Agreement between County of Riverside and Aon Consulting until the new contract expires. Additional services not included in core services will be paid through commissions collected by Aon Consulting during the contract period. Other Aon Consulting services and programs may be substituted or added to services listed above during the new contract period. Aon Consulting will provide estimated fees before starting the work for any services not covered under the listed services.
 - Travel related expenses, and all applicable taxes for which COR is liable, and any out-of-pocket expenses Aon Consulting has incurred on behalf of COR will be deducted through commissions when permissible.
 - Each quarter, Aon will provide the County with a detailed quarterly reconciliation showing all commissions received and all projects and hours worked by Aon. Surpluses and deficits will be carried over to the next quarter.
 - At the end of each contract year, Aon will provide the County with a final, year-end accounting documenting all commissions received and consulting work (project and hours) performed. In the event Aon receives commissions for projects included or approved by the County, any surplus up to 25% of those commissions will be rolled over into the following contract year. All deficits will be written off.
 - In the event of termination of the contract a final accounting will be conducted. Any surplus or deficit will be written off at termination of the contract.
6. All other terms and conditions of the Agreement are to remain unchanged.

IN WITNESS WHEREOF, the Parties hereto have caused their duly authorized representatives to execute this Amendment.

IN WITNESS WHEREOF, the Parties hereto have caused their duly authorized representatives to execute this Agreement.

COUNTY OF RIVERSIDE, a political subdivision of the State of California

CONTRACTOR NAME HERE
Aon Consulting, Inc

By: Marion Ashley
Marion Ashley, Chairman
Board of Supervisors
Dated: DEC 15 2015

By: Thomas R. Keiler
Name: Thomas R. Keiler
Title: VP - Legal
Dated: 12/2/15

ATTEST:

Kecia Harper-Ihem
Clerk of the Board

By: [Signature]
Deputy

APPROVED AS TO FORM:

Gregory P. Priamos
County Counsel

By: [Signature]
Anita Willis,
Assistant County Counsel