

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



ITEM: 3.28
(ID # 23855)

MEETING DATE:

Tuesday, January 09, 2024

FROM : HUMAN RESOURCES:

SUBJECT: HUMAN RESOURCES: Ratify and approve Amendment No. 6 to the Professional Service Agreement with Aon Consulting, Inc. for continued Employee Benefits Consulting and Actuarial Services for an annual amount of \$180,000 through December 31, 2024 with the option to renew annually for up to four (4) additional years through December 31, 2028 without seeking competitive bids; and approve an annual amount of \$200,000 for the term of Amendment 6 to pay for 401(a) late retirement calculations and Actuarial cost, All Districts. [Total Cost \$1,900,000; plus, not to exceed a total aggregate amount of \$150,000 in additional compensation for future as-needed services, 47% Health and Welfare Benefits plans assets, 53% 401(a) plan assets]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Ratify and approve Amendment No. 6 to the Professional Service Agreement with Aon Consulting, Inc. for continued Employee Benefits Consulting and Actuarial Services for an annual amount of \$180,000 through December 31, 2024, with the option to renew annually for up to four (4) additional years through December 31, 2028, without seeking competitive bids; and

Continued on Page 2

ACTION:

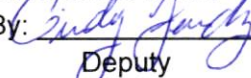

Sarah Franco, Assistant County Executive Officer 12/21/2023

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Gutierrez
Nays: None
Absent: None
Date: January 9, 2024
xc: H.R.

Kimberly A. Rector
Clerk of the Board

By: 
Deputy

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

RECOMMENDED MOTION: That the Board of Supervisors:

2. Approve an annual amount of \$200,000 for the term of Amendment 6 and authorize the Purchasing Agent to issue Purchase Orders (POs) for Human Resources (HR) to pay Aon Consulting, Inc. for 401(a) late retirement calculations and Actuarial cost, funds will be offset through commissions and reimbursed from health and retirement plan assets; and
3. Authorize the Purchasing Agent, in accordance with Ordinance No. 459, based on the availability of fiscal funding and approved as to form by County Counsel to: (a) Sign amendments that exercise the options of the agreement including modifications of the statement of work; and (b) sign amendments that stay within the intent of the Agreement including increase to the compensation provisions that do not exceed \$30,000 annually; and
4. Authorize the Chair of the Board to sign three (3) copies of the Amendment and direct the Clerk to retain one copy and return two copies to HR for distribution.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 190,000	\$ 380,000	\$ 1,900,000	\$
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$
SOURCE OF FUNDS: 47% Health and Welfare Benefits plans assets, 53% health and retirement plan assets.			Budget Adjustment: No	
			For Fiscal Year: 23/24-28/29	

C.E.O. RECOMMENDATION: Approve

Prev. Agn. Ref.: 06/28/11 3.73; 12/15/15 3.23; 08/30/22 3.35

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.

On December 15, 2015 (Agenda Item 3.23), the Board approved Amendment No. 3, which extended the period of performance, amended language to allow additional services to be funded through commissions, revised indemnification requirements, and adjusted the annual compensation provision to \$160,000.

Amendment Nos. 1, 2, and 4 was to exercise the options of the agreement to extend the period of performance per each optional year.

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On August 30, 2022 (Agenda Item 3.35), the Board approved Amendment No. 5, which extended the period of performance through December 31, 2023. At which time HR had planned to do a complete study of all employee benefits, draft an all-encompassing scope of work, and release, evaluate, and award an RFP. Since then, the Exclusive Care plan has been eliminated, and administration of the Affordable Care Act's (ACA) compliance has become more complex with the additional requirements for the TAP (Temporary Assistance Program) and Per Diem employees. The complexity of compliance and benefit services has been redirected, and after an extensive review of Aon's services HR has determined continuing with Aon is in the County's best interest.

Approval of Amendment No. 6 would further extend the period of performance through December 31, 2024, with the option to renew annually for up to four (4) additional years through December 31, 2028. HR and Purchasing plan on releasing a new RFP for these services within the next 18 - 24 months.

Impact on Residents and Businesses

There is no adverse impact on residents or businesses within the County of Riverside.

Additional Fiscal Information

Aon consulting receives a small percentage of premiums (commissions) directly from health and welfare benefit carriers. Commissions are used to support the consulting services for the administration of health and welfare benefit offerings. Fees for annual benefit administration services for health and welfare plans (dental, vision, long-term and short-term disability, and life insurance), are offset by these commissions. The County is invoiced, and Departments pay for other retirement, underwriting, and actuarial services, which include actuarial valuations for districts, 401(a) Part-Time Temporary Retirement plan, Short Term Disability and Unemployment Insurance (STD/UI), and Other Post-Employment Benefits (OPEB) reporting as required by the Government Accounting Standards Board (GASB).

With changes in recent years to GASB requirements for Actuarial services, and increases in the number of retirements, and those retirement calculations that must go to an actuary, our Actuarial costs have increased. The 401(a) late retirement calculations cost is incurred when a participant postponed retirement after the normal retirement date. All late retirement calculations must be reviewed by the plan actuary. The administrative expenses incurred for the 401(a) Part-Time and Temporary plan is reimbursed from the plan, including as-needed plan review, actuarial calculations, legal review and plan compliance.

The following table summarizes all estimated costs by fiscal year:

Service Description	FY 23/24	FY 24/25	FY 25/26	FY26/27	FY 27/28	FY 28/29
Funds Offset through Commissions and Reimbursed through Health and Welfare Benefits plans						
Employee Benefits Consulting and Actuarial Services	\$90,000	\$180,000	\$180,000	\$180,000	\$180,000	\$90,000

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401(a) plan assets						
401(a) Late Retirement Calculations and Actuarial cost	\$100,000	\$200,000	\$200,000	\$200,000	\$200,000	\$100,000
Additional compensation for future as-needed services	\$15,000	\$30,000	\$30,000	\$30,000	\$30,000	\$15,000

Contract History and Price Reasonableness

Aon Consulting is the nation's largest benefits consulting firm and is the current partner with the County to provide consulting services for benefits consulting services and actuarial services for the County's health, welfare, well-being, and retirement program. 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.

With changes in recent years to GASB requirements for Actuarial services, and increases in the number of late retirements, and those retirement calculations that must go to an actuary, our Actuarial costs have increased. The 401(a) late retirement calculations cost is incurred when a participant postponed retirement after the normal retirement date. All late retirement calculations must be reviewed by the plan actuary. The administrative expenses incurred for the 401(a) Part-Time and Temporary plan is offset through 401(a) plan assets. Commissions are used to support the consulting services for the administration of our health and welfare benefit offerings. Fees for annual benefit administration services for health and welfare plans, are offset by the commissions. Aon has not increased their rates since 2015. This request would increase the annual compensation amount from \$160,000 to \$180,000.

ATTACHMENTS:

- Attachment 1: Amendment No. 6 with Aon.
- Attachment 2: Single Source Justification for Aon.


 Meghan Hahn, Director of Procurement 12/26/2023


 Alonzo Barrera, Principal Management Analyst 1/2/2024


 Gregg Gu, Chief Deputy County Counsel 12/28/2023

COUNTY OF RIVERSIDE
AMENDMENT NO. 6 TO THE AGREEMENT
WITH
AON CONSULTING, INC.

Contract Term:	May 1, 2011 through December 31, 2023
Effective Date of Amendment:	January 1, 2024
Contract Term Extended To:	December 31, 2024 with the option to renew annually through December 31, 2028
Original Annual Maximum Contract Amount:	\$566,000 including commissions
Previously Amended Ann. Max. Contract Amount:	\$160,000 after commissions
Amended Annual Maximum Contract Amount:	\$180,000 after commissions
Original Contract ID:	HRARC-91840-001-03/12
Amended Contract ID:	HRARC-91840-001-12/28

This Amendment No. 6 to the Professional Service Agreement for Employee Benefits Consulting and Actuarial Services is entered into by and between the County of Riverside, a political subdivision of the State of California, on behalf of its Human Resources Department ("COUNTY") and Aon Consulting, Inc., a New Jersey Corporation ("CONTRACTOR"), effective January 1, 2024. COUNTY and CONTRACTOR are collectively referred to herein as the "Parties", and individually as the "Party".

RECITALS

WHEREAS, COUNTY and CONTRACTOR entered into that certain Professional Service Agreement (Contract ID HRARC-91840-001-03/12) for Employee Benefits Consulting and Actuarial Services (the "Agreement") for a contract term of May 1, 2011 through December 31, 2013, with the option to renew for two (2) additional years, renewable in one year increments by written amendment, unless terminated earlier; and

WHEREAS, the Parties have since amended the Agreement five (5) times as follows:

- a. **Amendment No. 1** effective on January 1, 2014, extended the period of performance through December 31, 2014; and
- b. **Amendment No. 2** effective on January 1, 2015, extended the period of performance through December 31, 2015; and
- c. **Amendment No. 3** effective on January 1, 2016, extended the period of performance through December 31, 2021, amended language to allow additional services to be funded through commissions where permissible, decreased the compensation provision not to exceed \$160,000 annually, and revised to include language consistent with the County specific indemnification requirements; and
- d. **Amendment No. 4** effective on January 1, 2022, extended the period of performance only for six months through June 30, 2022; and
- e. **Amendment No. 5** effective on July 1, 2022, extended the period of performance through December 31, 2023.

WHEREAS, the Parties now desire to extend the period of performance through December 31, 2024 with the option to renew annually for up to four (4) additional years through December 31, 2028, unless terminated earlier, and increase the annual maximum contract amount.

COUNTY OF RIVERSIDE
AMENDMENT NO. 6 TO THE AGREEMENT
WITH
AON CONSULTING, INC.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

1. The above recitals are true and correct and are incorporated herein by reference.
2. Contract Identification (ID) number (#) HRARC-91840-001-03/12 (previously amendment to HRARC-91840-001-12/21) and any mention thereof is hereby amended to HRARC-91840-001-12/28.
3. On page 3 of the Agreement, amend Section 2.1, Period of Performance, to read as follows: This Agreement shall be effective May 1, 2011 through December 31, 2024 with the option to renew annually for up to four (4) additional years through December 31, 2028, unless terminated earlier. The Parties may extend the Agreement by way of written amendment signed by both Parties.
4. On page 3 of the Agreement, replace in its entirety Section 3.1 with the following: The COUNTY agrees to pay CONTRACTOR for services performed and expenses incurred in accordance with Exhibit B Section I Other Retirement and Underwriting Services at an annual rate not to exceed one hundred eighty thousand dollars (\$180,000), including all expenses, based on the availability of fiscal funding. Any costs or fees beyond those listed in Exhibit B must be approved in advance by the COUNTY in writing.
5. On page 19 of the Agreement, replace in its entirety Exhibit B ("Payment Provisions") with the following:

Fees for tasks listed under Commission Services below are included in annual commissions, if commissions are available.

I. Description of Annual Services:

Commission Services

- Vendor Management (Dental, Vision, Disability, Life)
- Benefits Strategy Management and Development
- Financial Reporting – includes runout IBNR
- Pricing/Contributions
- Excess Reserve Actuarial Analysis
- Renewal and Negotiations
- Benchmarking (SpecSelect)
- Vendor RFPs, when necessary
- Annual Enrollment Communication Support (up to \$100,000)
- Provider/Facility Disruption Analysis for dental & vision, when necessary
- High-level Compliance Updates including Health Care Reform
- Health Care Reform – Financial Implications
- Non-Discrimination Testing
- OPEB Actuarial Valuations
- County*\$80,000

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 WITH
 AON CONSULTING, INC.

- Districts: County subsidized @ 8,000 each*.....\$24,000
- Additional Communications Support for Member Communications and Culture of Health.....**cost based on project scope**
- Required Audits, when necessary.....**cost based on project scope**

Non-Commission Services

Other Retirement and Underwriting Services (under separate invoice) (cost based on project scope where cost is not listed)

1. OPEB Actuarial Valuations: Districts (Parks, Waste, Flood @ \$12,000 each)*\$36,000
2. Part-Time Temporary Retirement Plan 401(a) / TAP*\$50,000
3. STD/UI Unemployment Insurance*\$20,000
4. ACA Affordability Subsidy Analysis (TAP) every 3 years.....\$15,000
5. Additional Actuarial Valuations and Related Services
6. Actuarial administration and special calculations (e.g., late retirement, QDROs)
7. Plan design and miscellaneous consulting
8. Legal review and compliance
9. Agency certifications and reporting (e.g., CalPERS)
10. Ad hoc projects

*** Note: OPEB, Retirement Plan 401(a), and STD/UI will include 2% (or Employment Cost Index if higher from preceding 12 months) increase as 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, if commissions are available. 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.

COUNTY OF RIVERSIDE
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- 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 not modified herein shall remain unchanged.
7. The "Effective Date" of this Amendment No. 6 shall be January 1, 2024.
8. This Amendment No. 6, Amendment Nos. 1 through 5 listed above, and the Agreement taken together with the amendments contain the entire understanding of the Parties. There are no other oral or written representations, understandings, ancillary covenants, undertakings, or agreements that are not contained or expressly referred to within this Amendment No. 6.
9. The Parties agree to execute such other documents and to take such other actions as may be necessary to further the purpose of this Amendment No. 6 and the Agreement.
10. USE OF ELECTRONIC SIGNATURES: This Amendment may be executed in any number of counterparts, each of which will be an original, but all of which together will constitute one instrument. Each party of this Amendment agrees to the use of electronic or digital signatures that meet the requirements of the California Uniform Electronic Transactions Act ("the Act") Cal. Civ. Code §§ 1633.1-1633.17), for executing this Amendment. The parties further agree that the electronic or digital signatures of the parties included in this Amendment are intended to authenticate this writing and to have the same force and effect as manual signatures. The Act authorizes use of an electronic signature for transactions and contracts among parties in California, including governmental agencies. For purposes of this section, a digital signature is a type of "electronic signature" as defined in subdivision (i) of Section 1633.2 of the Civil Code.
11. CORPORATE SIGNERS: Pursuant to California Corporations Code Section 313, please provide signature of chairperson of the board, president, or any vice president, and the secretary, any assistant secretary, the chief financial officer, or any assistant treasurer. If providing only one signature, please also provide a resolution or other proof of delegated authority that shows signer can legally bind the corporation.

[SIGNATURES ON FOLLOWING PAGE]

COUNTY OF RIVERSIDE
AMENDMENT NO. 6 TO THE AGREEMENT
WITH
AON CONSULTING, INC.

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

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

By: *Chuck Washington*
CHUCK WASHINGTON, Chair

Board of Supervisors

Dated: 1/9/24

AON CONSULTING, INC., a New Jersey corporation

DocuSigned by:
By: *Rebecca Feldman*
AZ18DEC34E73D2
Rebecca Feldman,

Sr. Vice President – Health Solutions Risk Mgr.

December 6, 2023
Dated: _____

MT

December 6, 2023

ATTEST:

Kimberly Rector
Clerk of the Board

By: *Bonnie Sitt*
Deputy

[Proof of Delegated Authority Received]

APPROVED AS TO FORM:

County Counsel
Minh C. Tran

By: *Katherine Wilkins*
Katherine Wilkins,
Deputy County Counsel

JAN 9 2024 3.28



Date: December 19, 2023
From: Sarah Franco, Assistant CEO, Interim HR Director
To: Purchasing Agent
Via: John Farrar, Procurement Contract Specialist
Subject: Single Source Procurement; **Employee Benefits Administration, Consulting, and Actuarial Services**

The below information is provided in support of my Department requesting approval for a single source.

1. **Supplier being requested:** Aon Consulting, Inc.
2. **Vendor ID:** 0000002911
3. **Single Source** **Sole Source**
4. **Have you previously requested and received approval for a sole or single source request for this vendor for your department?**
 Yes **No**
- 4a. **Was the request approved for a different project?**
 Yes **No**
5. **Supply/Service being requested:** Consulting services for benefits consulting services and actuarial services for the County's health, welfare, well-being, and retirement program. Aon has helped the County to proactively keep up with the changes to the state and federal laws. Services includes Annual benefit administration for dental, vision, long-term and short-term disability, and life insurance. Other retirement, underwriting, and actuarial services, which include actuarial valuations for districts and county, 401(a) Part-Time Temporary Retirement plan, Short Term Disability and Unemployment Insurance (STD/UI), and Other Post-Employment Benefits (OPEB) reporting as required by the Government Accounting Standards Board (GASB).
6. **Unique features of the supply/service being requested from this supplier:** Aon Consulting is the nation's largest benefits consulting firm and is the current partner with the County to provide consulting services for benefits consulting services and actuarial services for the County's health, welfare, well-being, and retirement program. 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.

7. Reasons why my department requires these unique features from the vendor and what benefit will accrue to the county: Each year the County and its employees pay an estimated \$130 million in premiums for benefit programs. Because County sponsored benefit programs are a significant cost item, it is critical to retain expert benefit consultants who provide analysis and facilitate cost effective and innovative programs. In CY 2010, in a time of double digit healthcare rate increases, Aon worked with the County to negotiate new medical and dental plan contracts that resulted in no rate increases for active employees and a savings of \$3.4 million in premiums. A continued relationship with Aon will enable the County to maintain innovative and cost effective benefit programs such as the predictive modeling component currently used by the County's fully insured plans to analyze wellness data, address specific challenges of health plans, provider networks, and health care services. Aon also advises the County on complex regulatory requirements, performs actuarial data analysis, and reviews market trends to develop appropriate rates for both self-insured and insured benefit programs.

8. Period of Performance: From: January 1, 2024 through December 31, 2028 (unless terminated earlier)

Is this an annually renewable contract? No Yes
 Is this a fixed-term agreement: No Yes

9. Identify all costs for this requested purchase:

Service Description	FY 23/24	FY 24/25	FY 25/26	FY26/27	FY 27/28	FY 28/29
Funds Offset through Commissions and Reimbursed through Health and Welfare Benefits plans						
Employee Benefits Consulting and Actuarial Services	\$90,000	\$180,000	\$180,000	\$180,000	\$180,000	\$90,000
401(a) plan assets						
401 (a) Late Retirement Calculations and Actuarial cost	\$100,000	\$200,000	\$200,000	\$200,000	\$200,000	\$100,000
Additional compensation for future as-needed services	\$15,000	\$30,000	\$30,000	\$30,000	\$30,000	\$15,000

10. Price Reasonableness: Aon Consulting is the nation's largest benefits consulting firm and is the current partner with the County to provide consulting services for benefits consulting services and actuarial services for the County's health, welfare, well-being, and retirement program. 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.

With changes in recent years to GASB requirements for Actuarial services, and increases in the number of retirements, and those retirement calculations that must go to an actuary, our Actuarial costs have increased. The 401(a) late retirement calculations cost is incurred when a participant postponed retirement after the normal retirement date. All late retirement calculations must be reviewed by the plan actuary. The administrative expenses incurred for the 401(a) Part-Time and Temporary plan is offset through commissions and reimbursed directly from health and welfare benefit carriers. Commissions are used to support the consulting services for the administration of our health and welfare benefit offerings. Fees for

annual benefit administration services for dental, vision, long-term and short-term disability, and life insurance, are offset by the commissions. Aon has not increased their rates since 2015. This request would increase the annual compensation amount from \$160,000 to \$180,000.

11. Projected Board of Supervisor Date (if applicable): January 9, 2024




 Department Head Signature (or designee) Print Name Date

The section below is to be completed by the Purchasing Agent or designee.

Purchasing Department Comments:

Approve



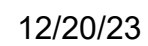
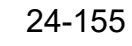
Approve with Condition/s

Disapprove

Condition/s:
 Approved; with cost not to exceed FY limitations noted above.

Not to exceed:

One-time \$ _____
 Annual Amount \$ _____ / per fiscal year through _____ (date)
(If Annual Amount Varies each FY)
 CY _____ : \$ _____
 CY _____ : \$ _____
 CY _____ : \$ _____
 CY _____ : \$ _____
 CY _____ : \$ _____





 Purchasing Agent Print Name Date Approval Number