

**LAKE HAVASU UNIFIED SCHOOL DISTRICT #1  
EMPLOYEE BENEFIT TRUST  
BOARD OF TRUSTEES WORK SESSION – SEPTEMBER 19, 2017**

**TRUST MEMBERS PARTICIPATING**

Kari Thompson, Hal Christiansen, Pat Rooney, Marcia Cox & Sam Scarmardo

**OTHERS PARTICIPATING**

Mike Murray & Mary Heronema – LHUSD #1

**OTHERS ATTENDING:**

Nichole Cohen & Katherine Cox

Meeting called to order at 2:31 p.m.. Roll call was taken. Pledge to the flag followed.

Mr. Rooney made a motion to review and accept the agenda for this session. The motion was seconded by Mr. Christiansen. Approved unanimously.

**REVIEW AND DISCUSS EBT CONSULTANT PROPOSALS:**

Mr. Murray said that five firms submitted proposals in response to the District's request for proposals for employee benefit trust consulting services. Each member of the LHUSD#1 employee benefit trust board of trustees reviewed the proposals and completed evaluation sheets, scoring each vendor per the rubric provided. For today's meeting, each of the five vendors was assigned an identifying letter, i.e. A through E, and each trustee was given a binder with the evaluation forms for each vendor, along with an evaluation summary, showing the point totals for each vendor. Mr. Murray said the purpose of today's meeting was to rank the vendors and determine how to proceed.

**Vendor A**

Mrs. Thompson said she felt this firm has a very well trained staff, including an attorney. She also liked the fact quarterly updates were included in the proposal. The negatives were higher fees and whether there would be added costs if other services were requested.

Mrs. Cox said she thought the proposal was well done and also appreciated the range of services available, including access to legal services, actuarial services, experience with on-site and near-site clinics (having implemented over 100 clinics for 40 clients) and have a registred dietician/diabetes educator, attorney, CPA and Doctor of Pharmacy on staff. Three out of five references provided were school districts, which is also a positive. This firm did research on the LHUSD#1 employee benefit trust, which Mrs. Cox found impressive. She said the costs didn't seem out of line compared to the \$88,383 currently being paid. Mrs. Cox suggested we might see a savings in our current attorney and actuarial fees because this firm has an attorney and actuary on staff. The firm has been incorporated since 1998.

Mrs. Thompson reiterated that she would want some clarification on the fee structure. Mr. Scarmardo agreed, saying costs for additional services could add up quickly.

**Vendor B**

Mr. Scarmardo said his impression, when reviewing this firm's proposal, is that it is a very large company and he wondered if it would be too big to fit the needs of the LHUSD#1 EBT. Mrs. Thompson said the firm does have an office in Phoenix. Mrs. Cox said the firm currently works with 22 school districts in Arizona, 17 of which have 800 or fewer members, and has been in business since 1987. She said it seems like a good firm with broad experience. The proposed fees did include on-line employee enrollment (that the firm said has a \$30,000 value) and live, as well as recorded, webinars available to employees, district staff and the EBT. The firm also proposed that 10% of their fee be considered "at risk" based on service provided and the rate is guaranteed for three (3) years.

Mr. Scarmardo asked if the software offered by this firm would "sync" with the district's software. Mr. Murray said this should not be an issue since they work with other Arizona school districts.

Mrs. Cox said she liked the fact daily audits for 3% of the claims would occur. Mrs. Thompson said she liked the timeline provided in the proposal and the fact they addressed key issues already discussed by the EBT Board of Trustees. Mr. Christiansen said he just wants to make sure the fee schedules presented by the different vendors can be compared

"apples to apples." Mrs. Thompson appreciated the statement in the firm's proposal that they "will not accept incentives, bonuses, etc." Mrs. Cox said she would like more information regarding the potential lab savings included in the proposal.

### **Vendor C**

Mr. Scarmardo said that only two references were provided. He looked this vendor up on-line and found virtually no information, compared to the other four vendors. Mr. Christiansen said the package submitted was not comprehensive. Mrs. Cox said she checked with the Arizona Corporation Commission and found an incorporation date of June 2009 and none of the staff assigned to us listed the firm on their resumes. Mr. Rooney said he was also bothered by the lack of references and didn't think a lot of effort went into the proposal submitted. He said the proposed fee structure is worrisome because he would like to know what is going to happen up front and did not want any surprises down the line. Mrs. Cox said the 1.2% of the total annual contribution proposed fee would not provide any guarantee, unless based upon prior year figures and the fee did not include a net-30 term for payment.

Mrs. Thompson said that, relative to staffing, the experience was good but education and the number of staff members was not up to par with other vendors submitting proposals. The proposal did not flow well.

### **Vendor D**

This vendor was awarded the most varied scores. Mr. Christiansen said the firm seemed to have more experience with municipalities than school districts. Mrs. Cox said the work experience was strong, but the specialty staff was not as broad as other candidates. The firm was incorporated in 1994. The proposed fees were structured differently than the other vendors with a combination of a flat fee guaranteed for 2 years and a 10% commission for voluntary plans offered by the EBT.

Mrs. Thompson said she was concerned with lack of experience with on-site and near-site clinics and would like reports to be done more frequently than annually. She would also like to request that a more senior person with the firm be assigned to the LHUSD#1 EBT account.

There is an additional cost for benefits software. Mr. Murray suggested this could be something discussed if this candidate was called back for an interview. Mrs. Cox said it would be nice to have a tutorial for new employees who want to sign up for benefits and she was concerned that we could not get to the \$2,000 per month minimum fee for eligibility tracking, 1093-C reporting, etc. because the PEPM is \$1.10.

### **Vendor E**

The trustees discussed the fact the cost schedule for this vendor was not clear. Mrs. Thompson said she would also need to see a timeline and a more succinct list of services to be provided. Mrs. Cox said no public school clients were listed, only community colleges and charter schools.

It appears this firm works with subsidiaries on additional services, i.e. legal and actuarial. This would need to be spelled out. Mr. Christiansen said it appeared the proposal used boilerplate language and not much thought was put into putting it together.

Mrs. Cox said this firm did not recommend an online employee enrollment program but, instead, said they would work with "whatever technology you want". This firm also said there would be a separate project fee for an online employee enrollment program.

### **Conclusion**

Mr. Christiansen asked if the group would want to narrow down the candidates to three and request face to face interviews. His suggestion would be to eliminate vendors C & E. It was decided to ask vendors A, B and D to travel to Lake Havasu City to make a short presentation to the EBT Board of Trustees, in order to clarify their proposals and present more specific information on their costs/fees and to address the transition from the current contracted consultant.

Mr. Murray was asked to notify vendors A, B and D and arrange presentations on October 2, 2017. The first one will take place at 3:00 p.m. and that vendor will be given 45 minutes for a presentation, along with questions and answers. The second vendor will be scheduled at 4:00 p.m. and the third at 5:00 p.m. Mr. Murray asked Mrs. Thompson to send him an e-mail with a description of what the EBT Board of Trustees would like to see in the vendor presentations.

After the presentations are done on October 2, 2017, the EBT Board of Trustees may vote at that meeting to accept one of the proposals, after which Mr. Murray will provide an informational item to the District's Governing Board at the

October 17 meeting. The contract for the chosen vendor will become effective January 1, 2018.

Mr. Murray was also asked to contact vendors C & E, as soon as possible, to let them know their proposals were no longer being considered.

Mr. Rooney made a motion to adjourn the meeting at approximately 4:00 p.m. The motion was seconded by Mr. Scarmardo. Approved unanimously.

Respectfully submitted,

A handwritten signature in black ink that reads "Kari Thompson". The signature is written in a cursive style with a long horizontal flourish at the end.

Kari Thompson, Chairman, LHUSD #1 Employee Benefit Trust