



COMMONWEALTH OF VIRGINIA  
COUNTY OF HENRICO

DEPARTMENT OF FINANCE  
CECELIA H. STOWE, CPPO, C.P.M.  
PURCHASING DIRECTOR

November 6, 2018

**Request for Proposal: RFP#18-1773-10CHS**

**Subject: Annual Contract for Consulting Services – Employee Benefits Program**

Gentlemen/Ladies:

Please make the following changes, corrections, additions or deletions to the above referenced Request for Proposal:

This RFP and any addenda are available on the County of Henrico Purchasing website at <http://henrico.us/purchasing>. To download the (IFB or RFP), click the link and save the document to your hard drive. To receive an email copy of this document, please send a request to: [sto05@henrico.us](mailto:sto05@henrico.us)

- **See attached Questions and Answers #1**

Unless otherwise changed by an addendum, all other information will remain the same.

Sincerely,

Cecelia H. Stowe, CPPO, C.P.M.  
Purchasing Director  
[Sto05@henrico.us](mailto:Sto05@henrico.us)  
804-501-5685

**RFP#18-1773-10CHS**  
**Consulting Services - Employee Benefits Program**  
**Question and Answers**  
**November 6, 2018**

1. How long has US Insurance Services National, Inc. been providing services to the County?

**USI began providing services in 1999 while operating as Wells Fargo Insurance Services**

2. What is the reason for issuing the RFP? For example, contractual and procurement requirements or service issues with the incumbent(s)?

**The current County contract will expire on December 31, 2018.**

3. Regarding the annual retainer fee of \$53,800/200 hours per year, what is included and what is defined as additional services? Are all items under III.-A included as part of the retainer?

**The retainer includes strategy development, financial tracking and analysis, population health management/wellness, plan management, technology solutions, employee communications, annual IBNR calculation of healthcare program and long-term disability actuarial valuation.**

4. For pricing outside of the annual retainer, does the County prefer budgeting based on one fixed hourly rate or some other arrangement?

**Currently, services outside of retainer are priced based on the anticipated project timeline and scope of services.**

5. Are there any particular pain points/issues the County is experiencing with the current plans?

**The County is focused on sustainable strategies to contain medical costs while providing first rate coverage to our employees.**

6. What RFPs are expected to be run over the possible 5 years of the contract?

**Expected RFPs would include medical and pharmacy, STD and LTD and retiree healthcare HRAs**

7. Was the work required in prior years similar to that described in the current RFP? Are there any improvements, or additional services that the County is seeking through this RFP?

**The work required in prior years is similar to that described in the current RFP. Additional services, as needed, will be discussed.**

8. Please describe the role the benefits consultant plays during open enrollment.

**The benefits consultant reviews plan and recommends any design changes and propose other programs as needed as well as reviewing HIPAA Privacy Notices, Notices of Creditable Coverage (Part D), Plan Document, Evidence of Coverage and other communications required for compliance. The consultant does not provide enrollment assistance or attend open enrollment events.**

9. Please describe the role the benefits consultant plays regarding benefits communications.

**The consultant reviews HIPAA Privacy Notices, Notices of Creditable Coverage (Part D), Plan Document, Evidence of Coverage and other communications required for compliance.**

10. What is the anticipated frequency with which the consultant would be expected to attend meetings with the County?

**The consultant will be expected to attend quarterly Employee Health Benefits Committee meetings, renewal meetings and any other meetings required to address the needs of the County in accordance to the contract.**

11. Provide a copy of the FYE 6/30/2017 OPEB valuation. If this was based on a roll-forward (or typically called an interim OPEB valuation), please provide a copy of the last full OPEB valuation.

**The most recent OPEB valuation is not available. Attached is the last full valuation available.**

12. Does the City require multi-year budget projections that show the OPEB Actuarially Determined Contribution? If yes, how many years of projections are required?

**There is a budget for the actuarially required contribution for the Healthcare OPEB, it is not done on a multi-year basis but is part of the County's new budget each year.**

13. When was the last experience study completed for the OPEB valuation and does the City plan on completing one in the near future?

**The last experience study was done on July 1, 2016 and is performed every 4 years.**

14. Please describe what types of assistance may be required for the Post Retirement Earnings Plan (PREP).

**Program review may be requested based on any changes to legislation or best practices for compliance.**

15. Please confirm that the fee proposal is to be included in the same document as the technical response.

**Yes. Please provide fee proposal as requested in Section VII. B.4.**

16. In the previous solicitation, there was a separate fee for producing the GASB report (Item III A. 13) that was in addition to the annual retainer. Please clarify whether offerors can quote a separate fee for the GASB report in addition to the requested annual retainer. What is the current fee for this service?

**Offerors may quote a separate fee for the GASB report in addition to the annual retainer. The current fee for this service is \$12,000 for full GASB and \$2,000 for off year.**

17. Please provide a copy of the most recent funding and GASB 74/75 actuarial report(s).

**The County does not have the recent funding and GASB 74/75 analysis and therefore are unable to provide.**

18. What is the deadline for the preparation of the GASB OPEB report each year, and when does the County traditionally provide data for the valuation?

**The terms and scope of services is decided by the Department of Finance and the actuarial firm. The deadlines may vary but typically data is provided early July.**

19. Does the County perform a full valuation each year or every other year?

**Full valuations are performed every 2 years.**

20. Please provide the current contract hourly rates by labor category/title.

**Lead: \$325**

**Account Executive II: \$175**

**Account Executive I: \$95**

**Consulting Actuary: \$250**

**Legal/Compliance: \$250**

**Clinical Strategies: \$175**

**HR Technology: \$175**

## Summary of Report

An actuarial valuation of the postemployment Medical insurance benefits provided by County of Henrico has been performed as of July 1, 2015. The purpose of the valuation is to determine the Annual Required Contribution for County of Henrico under selected actuarial cost methods and amortization methods as prescribed by Statement No. 45 of the Governmental Accounting Standards Board.

On the basis of the valuation, it has been determined that the Annual Required Contribution for the years ending June 30, 2016 and June 30, 2017 for the plan, as described in the Schedule of Benefits, are as follows:

### Annual required contribution

Projected unit credit liability

	<u>2015 - 2016</u>	<u>2016 - 2017</u>	<u>% Increase</u>
Number of active employees	10,685	10,685	0.00%
Total projected payroll	\$ 530,043,517	\$ 536,071,713	1.14%
Average per active employee	\$ 49,606	\$ 50,170	1.14%
Annual Required Contribution	\$ 7,782,707	\$ 7,788,672	0.08%
% of Payroll	1.47%	1.45%	(1.05)%
Projected Payouts	\$ 5,979,378	\$ 6,538,795	9.36%
% of Payroll	1.13%	1.22%	8.13%
Net Cost	\$ 1,803,329	\$ 1,249,877	(30.69)%
% of Payroll	0.34%	0.23%	(31.47)%

## Yearly comparison of selected plan information

	<u>2014 - 2015</u>	<u>2015 - 2016</u>	<u>2016 - 2017</u>
Number of Participants			
Actives (Covered)	8,866	9,159	9,159
Actives (Not Covered)	1,600	1,526	1,526
Retirees (Covered)	1,732	1,072	1,072
Disableds (Covered)	126	53	53
Retiree Spouses and Beneficiaries (Covered)	581	94	94
Annual Projected Payroll	\$ 524,795,561	\$ 530,043,517	\$ 536,071,713
Average Projected Earnings	\$ 50,143	\$ 49,606	\$ 50,170
Present Value of Benefits	\$ 130,675,647	\$ 132,493,813	\$ 138,583,993
Unfunded Accrued Liability	\$ 55,641,056	\$ 46,414,314	\$ 50,041,301
Market Value of Assets (BOY)	\$ 38,959,417	\$ 42,288,920	\$ 44,841,294
Annual Funding Levels			
Normal Cost	\$ 6,420,480	\$ 4,995,563	\$ 4,624,569
% of Payroll	1.22%	0.94%	0.86%
Annual Required Contribution	\$ 9,761,726	\$ 7,782,707	\$ 7,788,672
% of Payroll	1.86%	1.47%	1.45%
Projected Payouts	\$ 6,273,058	\$ 5,979,378	\$ 6,538,795
% of Payroll	1.20%	1.13%	1.22%
Net Cost	\$ 3,488,668	\$ 1,803,329	\$ 1,249,877
% of Payroll	0.66%	0.34%	0.23%
Actual Contribution	\$ 9,738,183	\$ 7,759,164	\$ 7,765,131
% of Payroll	1.86%	1.46%	1.45%

## Net OPEB obligation

	<u>2014 - 2015</u>	<u>2015 - 2016</u>	<u>2016 - 2017</u>
Net OPEB Obligation – July 1	\$ (2,365,897)	\$ (2,365,897)	\$ (2,365,897)
Annual Required Contribution (ARC)	\$ 9,761,726	\$ 7,782,707	\$ 7,788,672
Interest on Net OPEB Obligation	(165,613)	(165,613)	(165,613)
Adjustment on ARC	142,070	142,070	142,072
Annual OPEB Cost	\$ 9,738,183	\$ 7,759,164	\$ 7,765,131
Annual Employer Trust Contribution	\$ (2,888,529)	\$ (1,779,786)	\$ (1,226,336)
Employer Payments for Retiree Benefits	(6,849,654)	(5,979,378)	(6,538,795)
Total Contribution	\$ (9,738,183)	\$ (7,759,164)	\$ (7,765,131)
Increase in Net OPEB Obligation	\$ 0	\$ 0	\$ 0
Net OPEB Obligation – June 30	\$ (2,365,897)	\$ (2,365,897)	\$ (2,365,897)

## Basis of Valuation

### Summary of actuarial assumptions

<u>2016 – 2017 Disclosure Assumptions</u>	<u>Sample Values per 1,000 Lives</u>			
	<u>Attained Age</u>			
	<u>20</u>	<u>35</u>	<u>50</u>	<u>60</u>

#### Mortality rates – pre-commencement

*County:*

Mortality – RP-2000 Employee Mortality Table projected with Scale AA to 2020; then set forward 2 years for males and set back 3 years for females. Future mortality improvement is projected to be fully generational with Scale AA. Sample rates for 2016 are shown here.

Male	.255	.814	1.605	4.304
Female	.137	.295	.906	2.709

*Schools:*

Mortality – RP-2000 Employee Mortality Table projected with Scale AA to 2020; then set back 3 years for males and set back 5 years for females. Future mortality improvement is projected to be fully generational with Scale AA. Sample rates for 2016 are shown here.

Male	.201	.505	1.259	2.534
Female	.121	.214	.800	2.140

#### Mortality rates – post-commencement

*County:*

Mortality – RP-2000 Combined Mortality Table projected with Scale AA to 2020; then set back 1 year for females. Future mortality improvement is projected to be fully generational with Scale AA. Sample rates for 2016 are shown here.

Male	.231	.696	1.460	4.809
Female	.138	.352	1.060	3.997

*Schools:*

Mortality – RP-2000 Combined Mortality Table projected with Scale AA to 2020; then set back 2 years for males and set back 3 years for females. Future mortality improvement is projected to be fully generational with Scale AA. Sample rates for 2016 are shown here.

Male	.211	.568	1.323	3.758
Female	.137	.295	.906	3.130



**Mortality rates – post-disablement**

*County:*

Mortality – RP-2000 Disability Life Mortality Table; then set back 3 years for males. No future mortality improvement is projected.

Male	22.571	22.571	25.124	38.026
Female	7.450	7.450	11.535	21.839

*Schools:*

Mortality – RP-2000 Disability Life Mortality Table; then set back 1 year for males. No future mortality improvement is projected.

Male	22.571	22.571	27.687	40.668
Female	7.450	7.450	11.535	21.839

**Disability rates**

*County:*

VRS 2015 Disability Rates for General Employees

Male	.900	1.800	4.500	7.200
Female	.100	1.500	5.500	10.000

*Schools:*

VRS 2015 Disability Rates for Teachers

Male	0.000	.100	1.330	3.080
Female	0.000	.100	.900	2.400

**Withdrawal rates**

*County:*

VRS 2015 Termination Rates for General Employees

Male (3 years of service)	130.0	93.0	65.0	85.0
Female (3 years of service)	157.0	110.0	67.0	90.0
Male (7 years of service)	130.0	93.0	65.0	0.0
Female (7 years of service)	157.0	110.0	37.0	0.0

*Schools:*

VRS 2015 Termination Rates for Teachers

Male (3 years of service)	118.0	73.0	72.5	76.5
Female (3 years of service)	120.0	90.0	61.0	69
Male (7 years of service)	118.0	73.0	37.5	0.0
Female (7 years of service)	120.0	90.0	32.0	0

**Retirement rates**

*County:*  
VRS 2015 Retirement Rates for  
General Employees

*Schools:*  
VRS 2015 Retirement Rates for  
Teachers

<u>Age</u>	<u>Less than 30 Years of Service</u>	<u>Over 30 Years of Service</u>	<u>Age</u>	<u>Less than 30 Years of Service</u>	<u>Over 30 Years of Service</u>
50 - 54	3%	10%	50 - 54	2%	17.5%
55 - 60	5%	10%	55 - 58	5.7%	22.5%
61	10%	15%	59	7%	22.5%
62	15%	25%	60	7.5%	22.5%
63 - 64	15%	20%	61	11%	30%
65	30%	30%	62	17%	35%
66 - 69	30%	25%	63	17%	30%
70+	100%	100%	64	18%	30%
			65 - 69	30%	40%
			70	100%	100%

**Discount rate**

7.0% per annum

**Salary increases**

2.5% per annum

**Expected long-term rate of return on plan assets**

None Assumed

**Plan participation**

77% of future eligible retirees and their spouses are assumed to elect medical coverage upon retirement.

**Marital status**

Actual spouse participation and dates of birth were used for retirees.

25% of eligible active employees are assumed to be covering a spouse, and males were assumed to be three years older than female spouses.

**Medical claims cost**

	<u>Pre-65 Cost</u>
Retiree/Spouse	\$ 11,114

**Age variance**

Claims were adjusted downward 3.0% each year for aging from attained ages 65 to 55.

**Health care cost trend rate**

Medical: 7.5% graded down to 5.0% over 5 years.

**Retiree contributions – monthly**

	<u>Premier POS</u>	<u>Standard POS</u>	<u>PPO</u>	<u>Lumenos (HAS)</u>
Retiree	\$ 534.38	\$ 463.98	\$ 534.38	\$ 320.14
Spouse	\$ 491.54	\$ 426.78	\$ 491.54	\$ 294.52

Retiree contributions were assumed to increase at the health care cost trend rate.

**Administrative expenses**

Pre-65 administrative expenses for the medical plan are assumed to be included in the medical claims cost.

**Valuation date**

July 1, 2015

**Actuarial valuation method**

Retiree postemployment benefit expenses are determined under the Projected Unit Credit actuarial cost method. Under this method, benefits are projected for life and their present value is determined. The present value is then amortized from the hire date to the date of full eligibility.

**Asset valuation method**

Market Value of Assets

**Funding policy**

The benefits of the County of Henrico Post Retirement Benefits Plan are funded through contributions to a trust through the Virginia Pooled OPEB Trust Fund.

## Coordination with Medicare

Benefits for retirees are deemed to be similar to those benefits provided for actives. The retiree medical plan is assumed to be the primary plan of benefits prior to age 65. Once an employee becomes Medicare eligible, he or she may elect to move to a Medicare Advantage plan. This plan is available at full cost to the retiree and dependents. For the purposes of this report, it is assumed there is no post-Medicare liability.

## Legislative changes

The valuation results provided in this report reflect a best estimate of the potential impact of the Patient Protection and Affordable Care Act (PPACA). Consideration has been made for provisions of the law that are effective as of the valuation date as well as those provisions that will take effect in the future.

In particular, the anticipated future excise tax has been valued and added to the liability reflected in this valuation report. The estimated present value of all future excise tax payments was determined to be immaterial at this time.

## Plan Provisions and Eligibility

The County provides health and dental insurance during retirement for retirees and their dependents. Employees who wish to have County sponsored retiree health care and dental coverage must be enrolled within 31 days of the date their employment coverage ends. Employees retiring with an immediate VRS monthly retirement payment may elect to be covered under the County sponsored medical and dental plans at the time they retire.

Eligible retirees, under age 65, and their dependents can remain in the County's health and dental plans. Retirees, at age 65 (Medicare eligible), move to a Medicare carve-out plan which is coordinated with Medicare.

The County also provides a Retiree Health Care Supplement for retirees with the following conditions:

1. Retirees who are not eligible for the VRS health care credit may qualify for the Henrico County supplement.
2. Retirees must have a minimum of 20 full years of VRS service, 10 of which must be with the County.
3. The supplement will be paid only to eligible retirees who choose to remain in the County's group plan.
4. Employees retiring on a VRS disability will receive the monthly supplement for the greater of 30 years or their actual years of VRS service.

Effective January 1, 2006, the monthly supplement is \$3.00 for each full year of service. The former cap of 30 years of service has been removed. Therefore, all VRS service will be recognized for the supplement.

**Dependent coverage**

Upon the death of a retiree, surviving spouses may elect to remain in the County's plan.

## Plan Assets

### Summary of operations

	<u>2014 - 2015</u>	<u>2015 - 2016</u>
Trust Fund, July 1	\$ 38,959,417	\$ 42,288,920
Increases		
Employer Contributions	\$ 9,738,183	\$ 7,759,164
Net Investment Gains	440,974	772,588
Total increases	<u>\$ 10,179,157</u>	<u>\$ 8,531,752</u>
Decreases		
Benefit payments	\$ 6,849,654	\$ 5,979,378
Other Expenses	0	0
Total decreases	<u>\$ 6,849,654</u>	<u>\$ 5,979,378</u>
Trust Fund, June 30	\$ 42,288,920	\$ 44,841,294

## Actuarial Computations

### Actuarial balance sheet as of July 1

		<u>2015 - 2016</u>	<u>2016 - 2017</u>
<b>Assets</b>			
	Actuarial Asset Value	\$ 42,288,920	\$ 44,841,294
	Unfunded Accrued Liability	46,414,314	50,041,301
	Present Value of Future Normal Costs	<u>43,790,579</u>	<u>43,701,398</u>
	Total	\$ 132,493,813	\$ 138,583,993
<b>Liabilities</b>			
	Present Value of Benefits		
	Active Participants	\$ 103,014,200	\$ 106,295,735
	Inactive Participants	<u>29,479,613</u>	<u>32,288,258</u>
	Total	\$ 132,493,813	\$ 138,583,993

### Determination of annual required contribution

The funding requirements for the plan are equal to the normal cost plus the amortization bases of annual outstanding balances. An interest adjustment has been added to reflect payment at the midpoint of the fiscal year.

	<u>2015 - 2016</u>	<u>2016 - 2017</u>
Normal Cost	\$ 4,995,563	\$ 4,624,569
Sum of Amortized Bases	2,694,434	2,905,024
Interest	<u>.92,710</u>	<u>259,079</u>
Annual Required Contribution	\$ 7,782,707	\$ 7,788,672
ARC as a percentage of projected pay	1.47%	1.45%

## Sensitivity testing of actuarial assumptions

The results of this valuation must be viewed as estimates of the actual results that will occur in the future. It is important to realize that actual results will likely be either higher or lower than these estimates. In addition, certain assumptions are more critical to the valuation results. The impact caused by change or volatility in these key assumptions can be illustrated by providing valuation results after varying these assumptions. In particular, sensitivity results are shown below for the revision of two key assumptions: (a) increasing the health care cost trend assumption from 7.5% grading to 5.0% over 5 years to 8.5% grading to 6.0% over 5 years and (b) decreasing the discount rate from 7.0% to 5.0%.

<u>2016 - 2017 Plan Year Comparison</u>	<u>Base Results</u>	<u>Revision (a)</u>	<u>Revision (b)</u>
Normal Cost	\$ 4,624,569	\$ 5,291,904	\$ 6,208,550
Sum of Amortized Bases	2,905,024	4,093,314	4,317,733
Interest	259,079	322,927	259,947
Annual Required Contribution	\$ 7,788,672	\$ 9,708,145	\$ 10,786,230
ARC as a percentage of projected pay	1.45%	1.81%	2.01%



## Financial Disclosure

### Schedule of funding progress

Fiscal Year Beginning July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2013	\$ 32,336,432	\$ 93,927,209	\$ 61,590,777	34.43%	\$ 466,788,116	13.19%
2014	\$ 38,959,417	\$ 94,600,473	\$ 55,641,056	41.18%	\$ 524,795,561	10.60%
2015	\$ 42,288,920	\$ 88,703,234	\$ 46,414,314	47.67%	\$ 530,043,517	8.76%
2016	\$ 44,841,294	\$ 94,882,595	\$ 50,041,301	47.26%	\$ 536,071,713	9.33%

### Schedule of employer contributions

Fiscal Year Ending June 30	Annual OPEB Cost	Total Contribution	Percentage Contributed
2013	\$ 9,904,121	\$ 7,686,102	77.61%
2014	\$ 9,377,348	\$ 9,377,348	100.00%
2015	\$ 9,738,183	\$ 9,738,183	100.00%
2016	\$ 7,759,164	\$ 7,759,164	100.00%
2017	\$ 7,765,131	\$ 7,765,131	100.00%