

Proposal for Actuarial and Consulting Services

City of San Francisco
RFP#CON2011-03

May 12, 2011

RFP CONTACT

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REQUEST FOR PROPOSALS FOR Actuarial and Consulting Services RFP#CON2011-03

CONTACT: Jason Renteria, Jason.Renteria@sfgov.org, (415) 554-5328

Proposals received under this RFP that fail to address each of the requested items in this Attachment V, Proposal Template in sufficient and complete detail to substantiate that the Proposer can meet the City's Minimum Qualifications will not be considered. Note that responses of "To be provided upon request" or "To be determined" or the like, or that do not otherwise provide the information requested (left blank) are not acceptable.

Note that all documents under this RFP process are subject to public disclosure. Please redact confidential or proprietary information as appropriate.

A. Executive Summary

1. *Proposer Information and Partner(s)*

Proposer's Name	Aon Hewitt
Proposer's Address	<u>Headquarters:</u> 100 Half Day Road Lincolnshire, IL 60069
Location of Proposer's Office to Perform Services under this RFP	One Embarcadero Center, Suite 1400 San Francisco, CA 94111
Proposer's Website Address	www.aonhewitt.com
Proposer's City Vendor ID	65828
Proposer's Partner(s) Name(s)	Not applicable

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2. *RFP Contact*

Clearly identify the person that will serve as the overall RFP contact. This person will receive e-mail notifications regarding the RFP process.

Name Paul Klein
Title Market Sales Leader
Email paul.klein@aonhewitt.com
Phone (415) 438-2404
Fax (415) 837-1690
Address One Embarcadero Center, Suite 1400, San Francisco, CA 94111

3. *Service Areas*

Indicate which service area(s) your firm is seeking to provide. Check all that apply.

- ☒ Service Area 1: GASB 45 Valuation Services
- ☒ Service Area 2: Actuarial, Healthcare Trust Fund Consulting, Healthcare Reform and General Services.

4. *How did you find out about this RFP Opportunity?*

Aon Hewitt received notification of the RFP directly from the City and County of San Francisco.

5. *Pending Litigation*

Briefly describe any litigation or pending litigation related to services provided by your firm within past three years of this RFP issue date. If none, state "None."

Aon Hewitt is occasionally subject to lawsuits and claims arising in the normal conduct of its business. Currently, we have a small number of suits pending. None of such prior lawsuits or claims has had, and management does not expect the outcome of any pending matter to have, a material adverse effect on the business, financial condition, or results of operations of the company. To our knowledge, there is no *threatened or pending litigation against us that could impact our ability to deliver services to our clients.*

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6. *Clients Relationships Severed for Reasons Other than Convenience*

Provide a list of your clients where the contractual relationship was not completed and was severed for reasons other than convenience. A brief description of why the relationship was severed and the name of the client and the client's project manager are also required. If none, state "None."

We pride ourselves on our long-standing client relationships, some of which span decades. While we do not disclose specific client names regarding clients we have lost, we have had occasions where clients have chosen to move in a different direction. Many of these terminated clients were acquired by another company or went into bankruptcy. For some, we could not match the lower fees of a low-cost, less customized service provider. Other clients left due to client senior management relationship with another firm, client changes in providers for HR outsourcing work, changes in client staff and losses to competitors through bidding and selection.

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B. Minimum Qualifications

The Minimum Qualifications are used by the City to determine whether the Proposer and the proposed staff identified to complete all tasks specified in the scope of work have had experience on projects comparable to the services the City is requesting. Any proposal that does not demonstrate that the Proposer meets these minimum qualifications by the proposal deadline will be considered non-responsive and will not be evaluated or eligible for award of any subsequent contract(s). Be sure to complete this section, as described.

1. *Proposer Certification*

The Proposer certifies that:

- A. RFP ATTACHMENTS: It has completed the requirements and submitted the forms described in RFP Attachments I, II, III, IV, and V (including Prior Project Description templates) as part of Proposal, as applicable.

☒ **Yes**

- B. EXPERIENCE:

B.1 It has submitted a minimum of one (1) and a maximum of two (2) Actuarial and Consulting Prior Project Descriptions clearly demonstrating successful completion of project(s) within the last five (5) years of the date of this RFP (successful completion means project outcomes have been assessed by client).

☒ **Yes**

B.2 It has submitted a minimum of one (1) and a maximum of two (2) Sample Report(s) that includes a detailed project plan similar to services requested by the City within the last five (5) years of the date of this RFP (successful completion means project outcomes have been assessed by client).

☒ **Yes**

- C. STAFFING:

The proposal clearly demonstrates that the project manager and/or technical lead proposed to be assigned to the City's project individually had a similar role in a minimum of one (1) of the Prior Project Descriptions for the Proposer (or proposed partner, if applicable) submitted to quality for Service Area 1 OR Service Area 2. All actuarial, auditing, consulting, and general services must be performed under the direct supervision of a lead staff member who is a Fellow in the Society of Actuaries and/or a Member of the American Academy of Actuaries.

☒ **Yes**

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2. *Prior Project Description(s) and Sample Report(s)*

Using the following template, Proposers must submit a minimum of one (1) and a maximum of two (2) Prior Project Description(s) and a minimum of one (1) and a maximum of two (2) Sample Reports in accordance with the Minimum Qualifications stated above.

Contacts for each project are required and may serve as references for the Proposer. The City will not inform Proposers when references will be contacted. The Proposer should ensure that client contact information listed in the response is up-to-date and should notify clients that the City may be contacting them. See RFP Attachment I, Section 14.

Failure to provide the information as requested will result in rejection of your proposal.

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ACTUARIAL AND CONSULTING PRIOR PROJECT DESCRIPTION 1 (REQUIRED)

Project	City of Portland Health & Benefits, Actuarial, Total Compensation, Medical Claims Audit and GASB
Client	City of Portland, Oregon
Client Unit	Bureau of Human Resources
Client Contact Name and Title	Cathy Bless, Benefits and Wellness Manager
Client Contact Phone	(503) 823-5207
Client Contact E-mail	Cathy.bless@portlandoregon.gov
Timeline	February 2003 to the present
Consultant Firm Name	Aon Hewitt
Consultant Lead(s)	Paige R. Sipes-Metzler, DPA, MS, RN and Anil Kochhar, ASA, MAAA – Proposed co-leads for the City
Fee	Cannot disclose
Number of Hours	1,250 hours

Project Background Include background information regarding the client and/or program, as applicable. What were the goals and desired outcomes of your services? How were they similar or different from the intent of the project described in this RFP?

The City of Portland's Bureau of Human Resources Benefits & Wellness Office is responsible for the management and administration of the health and welfare program available to City employees, retirees and other eligible continuation participants. Approximately 5,575 employees and former employees are enrolled in the City's various plans that cover approximately 13,000 lives.

The Bureau of Human Resources' Benefits & Wellness Office manages two separate benefit programs. The first is for the Portland Police Association (PPA) members and the second is for the balance of city employees (non-represented employees, the District Council of Trade Unions (DCTU), Recreation Employees (Rec), City of Portland Professional Employees Association (COPPEA), Portland Fire Fighters Association (PFFA), Portland Police Commanding Officers Association (PPCOA), and Emergency Communication Operators (BOEC)). The City works with a 12-member Labor Management Benefits Committee to review and recommend potential benefit design changes for possible implementation by the City Council. The Committee includes representatives from all labor groups except the PPA.

Aon Hewitt develops and negotiates annual plan rates as well as completes a long term (five year) health plan cost projections; prepares Requests for Proposals (RFPs) for required services and insured plans; analyzes claims data and trends; and provides information and analysis on new concepts and innovations in employee benefits, especially in the areas of wellness, plan cost management and legislative changes..

The City engaged Aon Hewitt to perform the following services:

- Provide routine group benefit and general health care consulting advice. Assist the City in establishing a strategic plan for employee benefits;
- Provide ongoing analysis and planning of new approaches to employee benefits, especially in areas of wellness and cost containment strategies;
- Develop and monitor claims and cost trends, actuarial assumptions and annual rate calculations under the self-insured medical program;

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- Develop five year rate projections for all health plans to meet City budgeting requirements;
- Perform annual rate analyses, evaluate and negotiate all insured plan renewals for each fiscal year;
- Provide actuarial and benefit plan cost modeling analyses related to collective bargaining;
- Prepare and manage RFPs for employee benefits as required by the City;
- Ensure accurate follow-through on all negotiated contractual arrangements made between the City of Portland and any administrators or insurance carriers utilized by the City; and
- Ensure compliance with the self-funding arrangements and other arrangements with any administrator and/or insurance carriers.

The goals and activities required for the City of Portland are very similar to the City. They want to maintain a solvent health fund that will provide quality and cost-efficient health services for the employees (both active and retired) and their dependents. This requires regular monitoring of trends, benefit designs, legislation and other industry factors that have impact on the satisfaction of the City's goal.

Project Scope What were the project activities your firm completed? How were they similar or different from what is described in RFP Section 2? Provide sufficient information to give the City insight into the size/complexity and scope of the project.

The services Aon Hewitt provides to the City of Portland are similar to those requested by the City.

- **Rate projections and trend analysis**
 - Annually develop rates for active employees, COBRA and retired enrollees
 - Prepare annual and five (5) year financial projections for City budget decision-making
 - Provide information on rate projection methodology and alternative methodology options
 - Assess confidence in short term (e.g., 2 year) versus long term (e.g., 5 year) projections
 - Provide information on medical trend analysis techniques and factors and weighting used in methodology
- **Provide information on best practices for joint labor and management strategies to reduce medical trends using Citywide wellness initiatives:**
 - Assess short (e.g., 2 year) and long term (e.g., 5 year) Return on Investment and access confidence in potential rate reductions from wellness initiatives, disease management, centers of medical excellence, health coaching and other cost management approaches
 - Assess short term (e.g., 2 year) and long term (e.g., 5 year) Return on Investment and potential rate reductions from employee wellness incentives as health plan cost management tools
 - Negotiate carrier contracts and make recommendations to City's Project Manager
 - Prepare monthly loss-ratio report by employee group
- **Prepare an annual benefit cost management report including:**
 - Summary of carrier and third party administrator (TPA) performance, innovations and issues
- **Statement of projected financial requirements for all City-paid benefits for the coming year with updated cost history and cost trend lines, for medical and pharmacy claims reported**

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separately, with written and graphic documentation including:

- PEPM (Per Employee Per Month) cost as well as per all members per month
- Total cost of claims Total cost of administration, internal and vendor Average price per Rx
- Average number of Rx PEPM
- Total annual cost of Rx
- Identification of wellness and cost-containment measures and documentation of cost-savings realized through proactive management of the program
- Identification of areas of additional cost savings including City plans benefits or features that promote adverse selection, with estimated projected savings
- **Assist in the placement of all insurance and Third Party Administrators contracts as requested by the Project Manager, including but not limited to:**
 - Development of marketing specifications
 - Development of RFPs
 - Evaluation of Proposals
 - Identification of market conditions pertinent to successful carrier, TPA and network negotiations
 - Assist in the development and negotiation of final terms and conditions of contracts with various vendors
- **Assist in the management of insurance and TPA contracts, including:**
 - Underwriting analyses for annual contract renewal negotiations
 - Contract compliance audits (claim turnaround, under/over payment, Coordination of Benefits and Utilization Review)
 - Pro-actively inform the City of existing and pending legal and tax requirements with respect to employee benefit plans
- **Conduct special ad hoc studies and analyses, which may include, but are not limited to the following:**
 - Benefit surveys
 - Requests for competitive data with respect to best practices in benefit administration and design
 - Utilization analysis
 - Analysis with respect to suggested plan design changes
 - Provide assistance in the development of employee communication materials on new benefits and wellness issues
 - Provide support to Project Manager with respect to City Council presentations
 - Provide consulting and actuarial support to union negotiations regarding employee benefit issues
 - Conduct retiree medical valuation as needed to comply with Other Post Employment Benefits (OPEB)

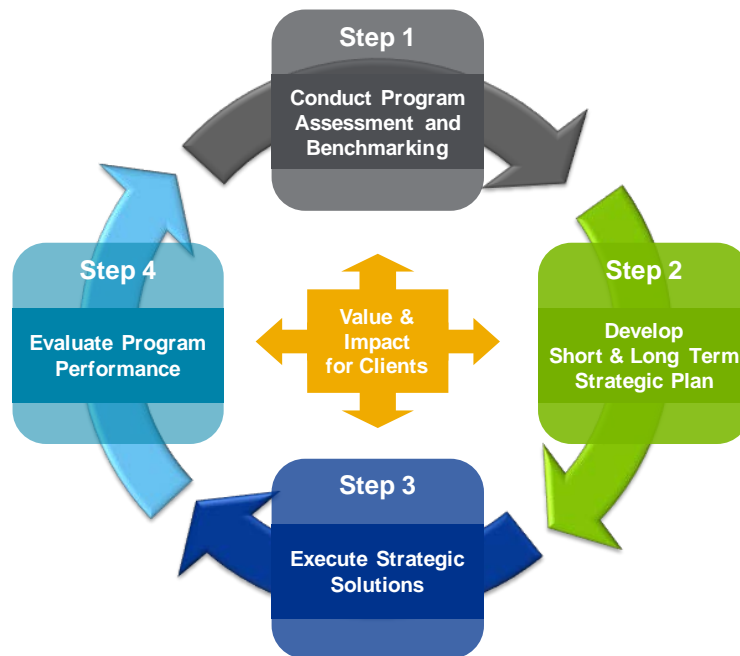
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- Attend meetings with Labor Management Benefit Committee, Office of Management & Finance, Human Resources and vendors as requested by Project Manager
- Medical Audit of current TPA due to change in claims processing software
- Total compensations modeling to support labor negotiation regarding salary, premium pay changes and other compensation related issues
- Manage the Early Retiree Refund Program process from application through claim submittal

Project Approach How did you approach the project? What methodologies were used, and how did those address the project goals? Describe any challenges you have faced, including strategies you used to address them. Were you able to complete the project on time and within budget?

Aon Hewitt approaches each engagement with a critical first step—Listening to the client. Once we have agreed upon the expectations, Aon Hewitt used a 4-stage process to satisfy all the deliverables. We were able to deliver timely services within budget as Aon Hewitt strives to be a good steward of public monies. The four steps are defined below.

Each phase of our four-step process illustrates the goals and outcomes. The phases of the four-step approach are not hard-coded. If retained as your business partner, we will review which steps take priority for you. The following chart (Figure 1) illustrates our model with the key steps discussed beneath.



(Figure 1)

Step 1—Conduct Program Assessment and Benchmarking

- Review and benchmark current health & benefit plans
- Evaluate and benchmark employee contributions
- Access and analyze claim data, as available

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- Evaluate HR regulatory compliance issues
- Evaluate and benchmark elective benefits programs
- Assess information needs and gaps

Identification of:

- Plan costs and plan design competitiveness
- Compliance issues and benefit liabilities

Step 2—Develop Short and Long Term Strategic Plan

- Gain understanding of your organization and business
- Review corporate benefit philosophy
- Conduct pre-renewal meeting (current and cost projections)
- Forecast future health care costs
- Discuss employee communications
- Prepare timeline for execution of strategic plan

Defines:

- Your benefits philosophy and an understanding of your expectations
- Plan's cost projections and the financial impact of making plan changes and timeline to execute plan

Step 3—Execute Strategic Solutions

- Market your plan using Aon Hewitt's proprietary tools
- Analyze and negotiate benefit renewals
- Conduct renewal and marketing results meeting
- Institute performance guarantees on new/existing vendor relationships
- Develop employee communications programs
- Implement programs

Delivers:

- Optimum market-based solutions and plan pricing
- User-friendly benefits information for employees
- Appropriate time to communicate plan decisions

Step 4—Evaluate Program Performance

- Monitor financial performance of plans
- Perform claim data analysis, as available
- Monitor critical milestones
- Monitor performance guarantees
- Establish service calendar for next plan year

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- Prepare stewardship report and conduct meeting
- Refine communication/ education program

Assures:

- Plan provisions are being met and adherence to performance metrics
- Mutual understanding of client expectations
- Deadlines for next plan year are defined and full disclosure of our services and compensation

While this process did ensure that adequate information was available, it was not without challenges. Special interest groups were lobbying for their benefits and required diplomatic presentations of fact that satisfied both parties. The Mayor and City Council experienced change during our tenure and each new electorate has different interests and priorities. Maintaining a balanced benefit plan that accomplished the City's goals required constant monitoring and confirmation of changing priorities. Lastly, Patient Protection and Affordable Care Act changed the rules which required additional discussions with the City.

Project Staffing Identify each key person on the project team with titles and roles and hourly rate, including all subcontractors. Include brief narrative descriptions of the responsibilities each person had on the project.

The project team for the City of Portland consists of the following members:

Paige R. Sipes-Metzler, DPA, MS, RN—Assistant Vice President

Project Lead—Responsible for completion of all tasks and activities, on time within budget.

Anil Kochhar, ASA, MAAA—Assistant Vice President

Lead Health Care Actuary—Responsible for all financial projections, reserve calculations and other financial modeling.

Damon Rutherford, BA—Actuarial Student

Senior Consultant—Responsible for underwriting activities.

Daniel McMonagle, ASA, MAAA—Assistant Vice President

Lead Retirement Actuary—Responsible for all GASB 43 and 45 valuations.

The current hourly rate for all personnel above is \$405 per hour.

Involvement of Client and/or Stakeholders Discuss how client and any stakeholders were involved in the project, major opportunities for input, client staff contributions, etc.

A joint Labor Management Benefits Committee (LMBC) determines the benefits for the City. This arrangement removed health benefits from labor negotiations for all unions but the Portland Police Association which does not participate in the LMBC.

Aon Hewitt staff regularly attends all LMBC meetings and provides information to support benefit changes, legislative issues and financial reserve calculations. Aon Hewitt staff meets as requested with all vendors, special interest groups and providers, supporting the City personnel as issues are

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addressed. In addition, Aon Hewitt prepares informational materials for presentation to the Portland City Council. When requested, Aon Hewitt also attends the Council meetings to support the City staff.

Aon Hewitt staff has almost daily contact with the City personnel providing guidance and resources for benefit issues as needed. The City, as the client, is involved at all levels of review and decision making. The work products are a representative blend of City goals and objectives and Aon Hewitt's technical expertise and guidance.

Project Outcomes What, if any, measurable service deliverables or outcomes can be attributed to your services? How did you add value to the client? Examples include but are not limited to the amount of cost savings as a result of services provided, legislative or policy changes, organizational changes, or other measurable indicators of successful implementation of findings from your services.

At the time, Aon Hewitt became the consultant of record for the City of Portland; the health care reserve account demonstrated that additional management and projections were required in order to maintain solvency. Aon Hewitt moved to an every six month reserve calculation as well as benefit modification. With the support of Aon Hewitt staff, the LMBC was given more information and decision authority which resulted in a closer working relationship between labor and management. In 2010, the City made significant changes to its copay and deductible requirements. These adjustments have not resulted in employee dissatisfaction although the deductible was increased. The current rate increase for the 2011-2012 Plan Year is 0.5% for medical. In addition, the City will be moving to a self-insured status for dental in 2011-2012.

Health care reserve now exceeds the required threshold by several million dollars. The City is able to stabilize rate growth for its employees. For 2011-2012, the City reduced the premium increase for the self-insured plan from 6.4% to 0.5%. As demonstrated below (Table 1), the City has been able to maintain trend below the standard employer trend except for 2010-2011 in which a significant number of high claims were incurred.

<i>Plan Year</i>	<i>CityCore</i>	<i>Standard Employer Trend (PPO w/Rx)</i>
2004 – 2005	22.0%	14.2%
2005 – 2006	16.7%	13.0%
2006 – 2007	9.6%	12.4%
2007 – 2008	3.8%	11.2%
2008 – 2009	3.4%	10.7%
2009 – 2010	3.1%	10.7%
2010 – 2011	12.5%	10.7%
2011-2012	0.5%	10.7%

Table 1

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ACTUARIAL AND CONSULTING PRIOR PROJECT DESCRIPTION 2 (OPTIONAL)

Project	<u>Project Name</u>
Client	<u>Client Name (City, County, etc.)</u>
Client Unit	<u>Client Agency, Department, or Unit Name</u>
Client Contact Name and Title	
Client Contact Phone	
Client Contact E-mail	
Timeline	<u>Month/Year to Month/Year; Length of project beginning to end</u>
Consultant Firm Name	
Consultant Lead(s)	<u>Staff Lead Name(s) – same as lead proposed to City?</u>
Fee	<u>\$00,000.00</u>
Number of Hours	<u>XX hours</u>

Project Background Include background information regarding the client and/or program, as applicable. What were the goals and desired outcomes of your services? How were they similar or different from the intent of the project described in this RFP?

Insert Response Here.

Project Scope What were the project activities your firm completed? How were they similar or different from what is described in RFP Section 2? Provide sufficient information to give the City insight into the size/complexity and scope of the project.

Insert Response Here.

Project Approach How did you approach the project? What methodologies were used, and how did those address the project goals? Describe any challenges you have faced, including strategies you used to address them. Were you able to complete the project on time and within budget?

Insert Response Here.

Project Staffing Identify each key person on the project team with titles and roles and hourly rate, including all subcontractors. Include brief narrative descriptions of the responsibilities each person had on the project.

Insert Response Here.

Involvement of Client and/or Stakeholders Discuss how client and any stakeholders were involved in the project, major opportunities for input, client staff contributions, etc.

Insert Response Here.

Project Outcomes What, if any, measurable service deliverables or outcomes can be attributed to your services? How did you add value to the client? Examples include but are not limited to the amount of cost savings as a result of services provided, legislative or policy changes, organizational changes, or other measurable indicators of successful implementation of findings from your services.

Insert Response Here.

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ACTUARIAL AND CONSULTING SAMPLE REPORT 1 (REQUIRED)

Project	City of Portland Health & Benefits, Actuarial, Total Compensation, Medical Claims Audit and GASB
Client	City of Portland, Oregon
Client Unit	Bureau of Human Resources
Client Contact Name and Title	Cathy Bless, Benefits and Wellness Manager
Client Contact Phone	503-823-5207
Client Contact E-mail	Cathy.bless@portlandoregon.gov
Timeline	February 2003 to the present
Consultant Firm Name	Aon Hewitt
Consultant Lead(s)	Paige R. Sipes-Metzler, DPA, MS, RN and Anil Kochhar, ASA, MAAA – Proposed co-leads for the City
Fee	Cannot disclose
Number of Hours	1,250 hours

Sample Report

A sample report has been provided as an attachment to this Proposal.

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ACTUARIAL AND CONSULTING SAMPLE REPORT 2 (OPTIONAL)

Project	<u>Project Name</u>
Client	<u>Client Name (City, County, etc.)</u>
Client Unit	<u>Client Agency, Department, or Unit Name</u>
Client Contact Name and Title	<u></u>
Client Contact Phone	<u></u>
Client Contact E-mail	<u></u>
Timeline	<u>Month/Year to Month/Year; Length of project beginning to end</u>
Consultant Firm Name	<u></u>
Consultant Lead(s)	<u>Staff Lead Name(s) – same as lead proposed to City?</u>
Fee	<u>Cannot disclose.</u>
Number of Hours	<u>XX hours</u>

Sample Report

Insert Sample Report Here or Attachment

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C. Proposer (and Partner) Firm Qualifications – 25 points

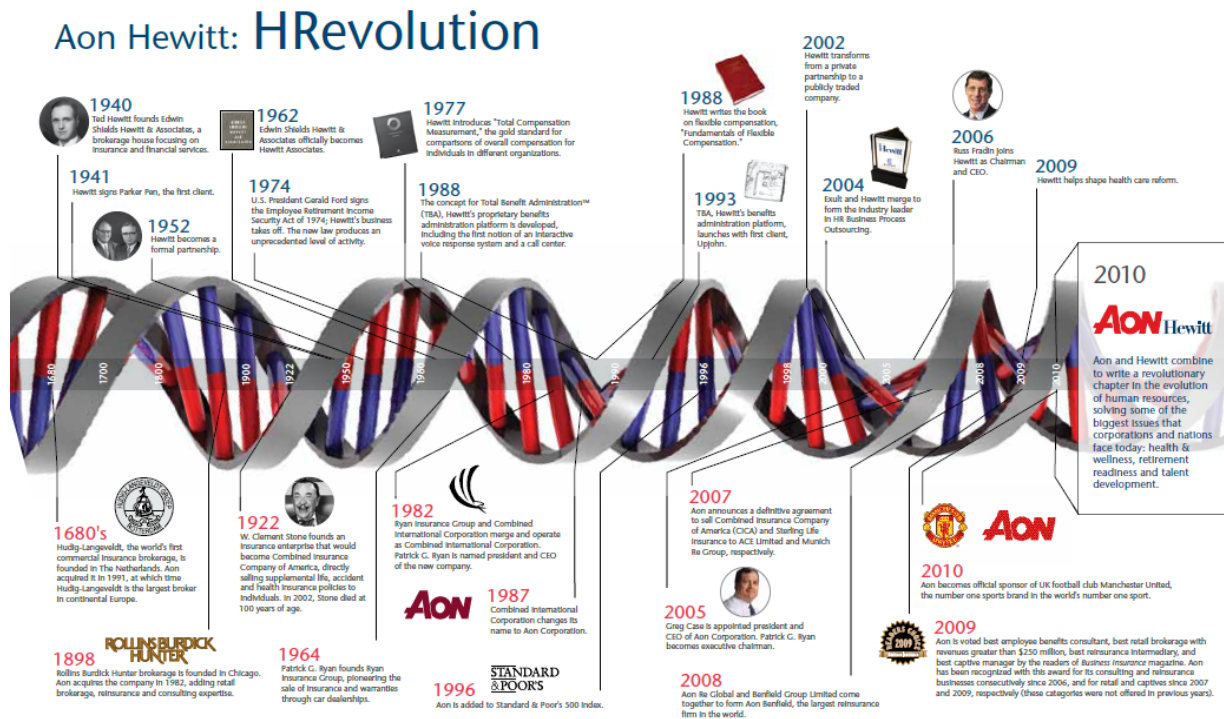
Even if using an alternative format for your responses, the following information must be included in the order specified to be scored appropriately.

1. Firm History and Structure

Briefly describe your firm, including history, number of years in business, organizational structure, ownership structure, names of principals, staff size and composition.

Firm History

On October 1, 2010, Hewitt Associates LLC and Aon Consulting (a subsidiary of Aon Corporation) merged to become Aon Hewitt. After the merger, Aon Hewitt will operate as a subsidiary of Aon Corporation which is a publicly traded corporation. Both Aon and Hewitt came to the table with strong and prominent histories in delivering human capital solutions to organizations around the world. A brief overview of each firm's history is provided below (Figure 2).



(Figure 2)

Aon

With roots that date back to 1899, Aon Corporation has grown from an insurance partnership into the leading global provider of risk management services, insurance and reinsurance brokerage, and human capital consulting. Recognizing specific client needs for advisory services in the human resource and benefits area, Aon Corporation began to offer human resources related consulting services in 1934.

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For 40 years, Aon has been supporting client goals through consulting and brokerage services; throughout this long history, Aon has worked closely with a wide variety of public and government entities to provide annual reviews and analysis for benefit plans and programs as well as to provide solicitation and placement/renewal services for public insurance and benefit plans.

Hewitt

Since its founding in 1940, Hewitt has continuously expanded its human resources service offering. Early in its history, Hewitt specialized in providing actuarial services for sponsors of retirement plans and executive compensation consulting; these remain core competencies today.

The passage of major benefits legislation in the 1970s and the proliferation of flexible benefits in the 1980s substantially increased companies' needs for advisory and administrative services related to health and welfare benefits, retirement benefits, and compensation programs. In 1991, Hewitt introduced Total Benefit Administration™¹—the first technology platform for outsourcing the administration of the three major benefit service areas in an integrated fashion. Our very first human resources business process outsourcing client began its journey with us in 1999 with a market share between 16 and 20 percent.

Aon Hewitt

As a combined entity called Aon Hewitt, we are a global leader in human capital solutions with the following strengths:

- Combined Aon Hewitt revenues of \$4.3 billion and 29,000 colleagues globally
- Leading global brand and client service recognized worldwide
- Complementary product and service portfolio across Consulting, Benefits Administration, and Human Resources Business Process Outsourcing
- Diversified presence across large corporate and middle market globally

Structure

Aon Consulting (which does business as “Aon Hewitt”) is a subsidiary of Aon Corporation (NYSE: AON) which is a publicly traded company. Human resources is not a peripheral business for us. It shapes our identity, our vision, and our plans for the future.

Our three business segments—benefits outsourcing, human resources business process outsourcing, and consulting—help clients develop, implement, and deliver strategies and programs that embed effective human resources business process design, administration, and technologies into our business environment. At the same time, these services help our clients manage the complex human elements necessary to acquire, develop, motivate, and retain the talent required to meet business objectives.

2. Firm Experience

Describe your firm's experience providing services to comparable large, complex, public sector clients.

Aon Hewitt is uniquely positioned to provide GASB 45 disclosures and consulting on long-term strategies for liability (OPEB) management for the following reasons:

¹ Total Benefit Administration is a trademark of Hewitt Associates LLC

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- Experienced and knowledgeable government sector team
- Aon Hewitt GASB thought leadership
- Cutting-edge GASB actuarial tools
- Proactive consulting
- Focus on cost management and pain-free transitions

We have provided further details on each of these items below.

Experienced and Knowledgeable Public Sector Consulting Team

The recent merger of our two firms means that Aon Hewitt brings a depth and breadth of service to our clients that is unequalled by any other consulting resource. We have a long and valued heritage of service to some of the world's largest and most complex public and private organizations throughout the United States, Canada, Asia, and the Middle East.

Aon Hewitt has a deep working knowledge of public sector organizations. We have worked with more than 1,000 clients in the public sector on GASB 45 issues, benefit plan strategy, design, analysis, and management in the last several years. Our public sector experience includes such organizations as the State of Hawaii, the Commonwealth of Massachusetts, the City of Providence, New Jersey Transit, State Teachers Retirement System of Ohio, the State of Georgia, the State of Ohio, and the State of Rhode Island, as well as numerous public education institutions. We will draw on this experience and industry knowledge to execute on the project.

Aon Hewitt GASB Thought Leadership

Aon Hewitt is proactive in nurturing the research and thought leadership that assists public sector clients in tackling retiree health care design, GASB 45 accounting, and liability management strategies. For example, Aon Hewitt participated in the TIAA-CREF Institute Retiree Health Care Symposium for Higher Education. In preparation for this symposium, Aon Hewitt made significant investments to research and develop a white paper that was provided to symposium attendees. The white paper discusses current retiree medical landscape, plan design, Medicare Part D, GASB accounting, pre-funding vehicle alternatives, and liability management.

Aon Hewitt has also developed a broad range of capabilities and expertise to help the City identify alternatives for managing the liability and expense under GASB 45. For example, as part of our initial meeting to discuss liability management, we will discuss the following strategies and resources:

- **Funding policy**—While pre-funding is not required, the anticipated level of funding has an impact on the liability discount rate assumption. This in turn has an impact on the size of the actuarial liabilities and expense. The City may want to review whether your best option is to (1) pay as you go (i.e., no pre-funding), (2) fund the entire annual required contribution, or (3) fund something in between.
- **Quasi-endowment funding**—This unique funding approach can substantiate the use of a higher liability discount rate, which effectively lowers liabilities and expense. This alternative often is not understood or presented by other firms. This unique funding approach does not require the use of a segregated trust fund.
- **Marginal cost analysis**—These adjustments effectively reduce the per capita claims reflected in a GASB valuation. The factors reflect actual retiree utilization of the City facilities and the level of margin and fixed costs that are included in reported paid claims.

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- **Cost-projection tools**—These dynamic tools allow clients to do short- and long-term forecasting and evaluate the impact on the income statement and statement of net assets.
- **Actuarial cost methods**—GASB 45 permits the use of six different actuarial cost methods. We would like to review the alternative methods with the City so the most appropriate method is selected based on your objectives.
- **Basic GASB accounting methodology**—We will look at the different amortization techniques, periods, and alternatives for calculating the ARC adjustment.
- **Medicare Part D coordination alternatives**—As required by GASB, only certain Part D coordination methods are allowed to be reflected in the valuation and will provide direct GASB 45 savings.
- **Retiree health care design options**—We will review effective strategies for changing retiree eligibility, subsidy structure, and plan options to manage GASB liability while continuing to provide meaningful benefits to all participating members.
- **Health management strategies**—We will review strategies for providing cost savings through means other than retiree cost shifting. These strategies involve managing the health of the retiree population and optimizing the return of the retiree medical program (e.g., population health management, such as smoking cessation; vendor and network discount management; select networks; alternative Medicare Part D programs).

Proactive Consulting

Aon Hewitt provides consulting that goes beyond just crunching the numbers. We are proactive in keeping clients up to date on the latest GASB issues (before they hit), and we make sure that clients understand how these issues affect their own financials and plans. For example, we were quick to update our clients on the release of GASB Technical Bulletin (No. 2008-1) on Determining the Annual Required Contribution Adjustment for Post-employment Benefits. Noel Thomas, one of our GASB thought leaders, was instrumental in working with GASB to create this technical bulletin which allows organizations to lower their accounting cost by reflecting the theoretically correct ARC adjustment for situations where the amortization of prior year bases is separately tracked and known.

We are proactive in helping the City understand and manage GASB 45's impact on long-term finances. Although the rating agencies have indicated that there is no expectation of immediate and widespread credit rating adjustments, they have indicated that managing the obligation and meeting actuarial funding requirements will be a stabilizing factor and protect credit over time.

In response, Aon Hewitt has developed a GASB 45 cost-projection tool that allows you to track the aggregate GASB 45 financial position versus other revenue projections. The tool provides the flexibility to run "what-if" scenarios by varying assumptions, such as the funding policy, actuarial cost method, discount rate, and marginal cost adjustments. In effect, the tool allows you to properly weigh the merits of pre-funding the liabilities and determine how the Statement of Net Assets will be affected.

We maintain a close ongoing relationship with GASB, whose offices are literally around the corner from our office in Norwalk, Connecticut. Our GASB thought leaders are responsible for directly discussing questions with GASB regarding GASB 45 and its interpretation; many of these questions have already been raised nationally by Aon Hewitt. For example, we previously educated GASB on issues related to the ARC Adjustment and how to properly reflect this component of expense in the annual calculations.

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Focus on Cost Management and Pain-Free Transitions

In this proposal we have provided fixed fees for all work, and we will proactively inform you if the scope changes. As part of the actuarial transition from your prior actuary, we will match the prior actuary's GASB 45 valuation results free of charge. We will also work directly with the prior actuary to collect census data and discuss any related transition questions. We will transition the work in a way that minimizes your workload and stress, including establishing a complete history and database. We have performed these transitions for hundreds of clients and have tools and processes to make this painless and fast.

3. *Familiarity with City and County of San Francisco's Health Benefits Plans and Legislation*

Describe your firm's familiarity with San Francisco's Health Benefits Plan and Legislation

Aon Hewitt believes that as a corporation with an office in San Francisco, there is an obligation to support the community. As the City developed the Health Services System and passed enabling legislation, Aon Hewitt closely monitored the passage and, when appropriate, participated in community outreach. As this legislation became effective, Aon Hewitt became a student of the process in order to provide superior advice and support to our clients in complying with new rules. Lastly, Aon Hewitt has supported Scott Heldfond in his role as a Health Services Commissioner.

4. *Relevance of Prior Project Description to Services under this RFP*

Describe how your firm's prior projects are relevant to the services requested in this RFP.

As the trusted consulting partner for some of the largest and most complex organizations in the world, we are confident that we can assist the City in achieving your objectives. Aon Hewitt has a deep working knowledge of public sector organizations. We have worked with **more than 600 public sector clients** on GASB 45 issues; benefit plan strategy, design, analysis, and management in the last several years. Our public sector experience includes such organizations as the Commonwealth of Massachusetts, the City of Providence, New Jersey Transit, State Teachers Retirement System of Ohio, the State of Georgia, the State of Ohio, and the State of Rhode Island, as well as numerous public education institutions. We will draw on this experience and industry knowledge to execute on the project. We believe we bring unique value to you because **we help clients succeed**.

A few examples of our experience are provided below:

- For County of Riverside, Aon Hewitt has provided health and benefits consulting services, retirement consulting, GASB, and other actuarial support.
- For San Joaquin County, Aon Hewitt has provided health and benefits consulting services, retirement consulting, GASB, and other actuarial support.
- For the University of Kentucky, Aon Hewitt has provided GASB 45 financial management strategy consulting, full GASB 45 valuation services, and retiree health care benefits design consulting.
- For the State of New Jersey, Aon Hewitt has performed and continues to perform a full range of GASB actuarial, reporting, evaluative and consulting services. Additionally, we provide various health and welfare benefit strategy, pricing, research and consulting services, both as ongoing and as ad hoc projects, based on the specific needs of the State HR and benefits teams.

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- For the State of Montana, beginning in 2009, Aon Hewitt provided health care benefits redesign consulting.

5. *Capacity and Resources*

Describe your firm's general capacity and local resources to provide the services under this RFP.

Our team is experienced, knowledgeable, and easily accessible. We maintain one of the largest health and welfare practices with more than 1,000 associates, including approximately 150 actuaries and actuarial students. Our health care consultants are hired primarily with experience in the insurance industry, corporate benefits, or consulting. This includes specialists from a variety of educational backgrounds including lawyers, physicians, actuaries, and pharmacists. These specialists are embedded into our consulting practice and work with clients across industries and functional areas. In addition, the team assigned to the City has extensive experience working with public sector entities on GASB 45 valuations and consulting. The local core team will be supplemented with experts from other areas as needed to ensure the right resources at the right time. Since we do not maintain individual profit centers, we have a unique ability to communicate effectively across our consulting areas.

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D. Proposed Staff Qualifications – 25 points

Even if using an alternative format for your responses, the following information must be included in the order specified to be scored appropriately.

As previously noted in RFP Attachment I:

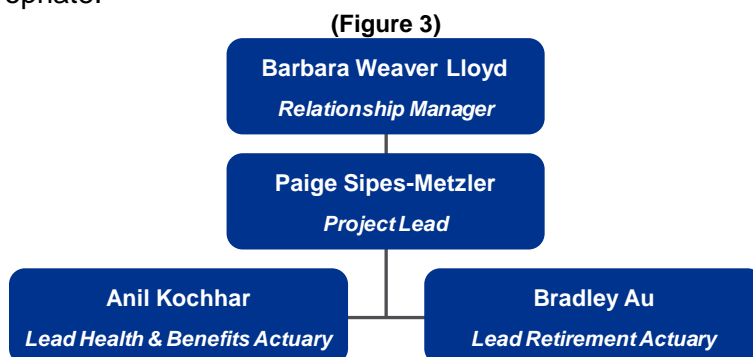
- If Proposer is selected for a contract, the City will contractually obligate the Proposer to assure that the key individuals listed and identified in the Proposal will be performing the work and will not be substituted with other personnel or reassigned to another project by the Proposer/Contractor without the City's prior approval or request. The City, in its sole discretion, shall have the right to review and approve all staff assigned to provide services throughout the duration of the contracts negotiated under this RFP. If selected for interviews, the Proposer's key individuals, including partner/subcontractor representatives, will be required to meet with the City prior to selection for contract negotiations.
- The selected Proposer(s) will be expected to take the lead role in project management and staff/subcontractor coordination. Proposals should factor this assumption into pricing.
- The City has approval rights over the use of all subcontractors. Proposer must identify all subcontractors in its proposal and these subcontractors must conform to all City policies regarding subcontractors.

1. Staffing Structure

Describe the staffing structure proposed for services under this RFP, including a proposed staff organization chart.

Our goal is to make the City feel like you are our only client. We are committed to meeting your standards for responsiveness, quality, and stability—and to do so cost-effectively. We have developed a broad and deep benefits team comprised of the members outlined below, including consultants with experience working within your industry, actuarial resources, and our subject matter experts. In addition, we have associates in our centers of expertise that we call upon as needed, including physicians, pharmacists and behavioral health, life, and disability experts, as well as compliance and Web solutions communication experts to name a few. These specialists are embedded in our consulting practice and work with clients across industries and functional areas.

The organization chart (Figure 3) should be in graphic format as follows (example only). The organization chart should include sufficient detail on the staff levels to be assigned to the services by specialization, as appropriate.



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2. *Staff Roles, Responsibilities, Qualifications, and Education*

Expanding on the proposed staff organization chart information provided above, use the following tables or alternative format to provide detailed narrative information on the proposed project roles and responsibilities, qualifications, and educational background of project principals and key staff members, **including subcontractor staff**, proposed to perform services for the City. The project manager or technical lead must be a Fellow in the Society of Actuaries and/or a Member of the American Academy of Actuaries. Include as many tables as needed.

Name, Title	Barbara Weaver Lloyd—Senior Vice President
Proposed Role and Responsibilities	Relationship Manager Will ensure that all needed Aon Hewitt resources are available
Experience	<p>Barbara is a senior vice president and the San Francisco Health and Benefits practice leader. She has been with Aon Hewitt for nine years.</p> <p>Barbara has over 25 years of experience in the health care industry with major benefits consulting firms. She provides health care consulting services to corporations of all sizes and industries with regard to managed care, flexible benefits, consumer-driven health care, active and retiree plan design, and financial analysis of both insured and self-funded group insurance programs.</p> <p>Barbara's specific expertise includes health care strategy development and tactical deployment; project planning, management, and implementation; plan design, funding, and pricing; and financial forecasting. Her expertise extends to the health care operations side, with capabilities in assessment of carrier administrative capability and pricing; operational assessments of administrators and employers; development and assessment of quality and effectiveness performance; benchmarking; network management; direct provider contracting; and claim auditing. She is well-versed in assisting organizations to align their employee benefit and HR strategies with their business strategies.</p> <p>Barbara is the lead health care strategist for clients that include 24 Hour Fitness, MV Transportation, Sybase, and West Marine. Prior to joining Aon Hewitt, she was a principal and client relationship manager at the actuarial consulting firm Howard Johnson & Company.</p>
Education	Barbara received degrees in mathematics and physics from the University of Washington. She holds the certified employee benefits specialist designation.
Membership	<p>Is the proposed staff a Fellow in the Society of Actuaries? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Is the proposed staff a Member of the American Academy of Actuaries? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>

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Name, Title	Paige Sipes-Metzler, DPA, MS, RN—Assistant Vice President.
Proposed Role and Responsibilities	Project Manager and Lead on all non-actuarial activities required by the City.
Experience	<p>Dr. Sipes-Metzler is an assistant vice president in Aon Hewitt's Health and Benefits practice in Portland. She joined Aon Hewitt in 2007. Paige focuses her account management on state and local entities. She is a member of the National Clinical and Health Solutions practice for Aon Hewitt.</p> <p>Dr. Sipes has more than 20 years of experience in all phases of employee benefit design with the last 4 dedicated to consulting for government clients. Her responsibilities have included evaluating funding arrangements, and plan administration. She has assisted clients in developing solutions to rising benefit costs; managed competitive bid/vendor searches, which align with client's strategic benefit objectives; problem-solved and developed solutions for vendor performance issues.</p> <p>Paige has been responsible for the development of benefit designs derived from evidence based medicine since 1990. Her prior experiences include developing the prioritized health services list for the State of Oregon and implementing the first selective provider contract program for the State of California. She has also managed carrier provision of wellness and chronic disease care.</p> <p>She has consulted with the World Bank and Pan-America Health Organization on benefit designs as well as served a member for the Institute of Medicine Population Based Measures. Paige has written numerous articles on the application of a prioritized health services list in benefit design.</p>
Education	Dr. Sipes-Metzler has a Doctorate of Public Administration from the University of Southern California, a Master of Science in Nursing Administration from the University of California, San Francisco and Bachelor of Science in Nursing from the University of Pennsylvania.
Membership	<p>Is the proposed staff a Fellow in the Society of Actuaries? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Is the proposed staff a Member of the American Academy of Actuaries? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>

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Name, Title	Anil Kochhar, ASA, MAAA—Assistant Vice President.
Proposed Role and Responsibilities	<p>Lead Health and Welfare Actuary</p> <p>Oversees all actuarial and financial activities that are provided to the City.</p>
Experience	<p>Anil is an assistant vice president in the Health and Benefits Practice in the San Francisco office of Aon Hewitt. He has over 20 years experience as an actuary in the Health Benefits Industry. His primary role at Aon Hewitt is to assist self insured organizations in accessing the financial performance, underwriting, design and pricing for their health care programs. He also works with the Aon Hewitt retirement practice in establishing organization's post retirement benefits liabilities. His expertise includes strategic planning, including budget development for self funded plans, development of incurred but not reported (IBNR) reserves, flex pricing, trend analysis, and complex rate development all health care plans. Anil currently works with 5 clients.</p> <p>Anil joined Aon Hewitt in 2002. Prior to joining Aon Hewitt, he was a self employed consulting health actuary and worked for numerous national health insurance carriers including Blue Shield, Blue Cross and PacifiCare.</p>
Education	Anil has a bachelor's degree in economics from the University of North Carolina and a master's degree in actuarial science from Georgia State University.
Membership	<p>Is the proposed staff a Fellow in the Society of Actuaries?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Is the proposed staff a Member of the American Academy of Actuaries?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

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Name, Title	Bradley J. Au, Senior Vice President
Proposed Role and Responsibilities	<p>Lead Retirement Actuary</p> <p>Oversees all activities related to GASB 45 valuation and consulting services</p>
Experience	<p>Mr. Au is an actuary and Senior Vice President in Aon Hewitt's Los Angeles office. Overall, he has over 15 years of experience consulting on various employee benefit and retirement programs.</p> <p>Mr. Au assists senior management in the strategy and design of retirement programs that meet organizational goals. His experience in the private and public sector includes advising on the financial management of pension, retiree medical, supplemental retirement, and other benefit programs. This includes studies analyzing the cost of new benefit programs and changes to existing programs, design and costing of supplemental retirement programs for executives, and costing and funding of post retirement health and welfare programs.</p> <p>In addition, Mr. Au has advised clients on employee communications and ongoing administration. He also assists with employee benefit issues in mergers and acquisitions, and with benefit costing in union negotiations. Mr. Au is experienced with the budgeting and financial statement impact of benefit programs in organizations reporting under FASB, governments reporting under GASB, and other entities such as trusts that report under SOPs issued by AICPA.</p> <p>Mr. Au joined Aon upon its merger with ASA, following ASA's acquisition of KPMG's California retirement practice. He has been with Aon Hewitt, including predecessor organizations, for his entire career.</p>
Education	Mr. Au received a Bachelor of Science degree in Mathematics/Economics from the University of California at Los Angeles and a Masters in Business Administration from the Anderson School at the University of California at Los Angeles. He is an Enrolled Actuary under ERISA and a Member of the American Academy of Actuaries. He also serves on Aon Hewitt's Public Sector Task Force and Professional Standards Task Force.
Membership	<p>Is the proposed staff a Fellow in the Society of Actuaries?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Is the proposed staff a Member of the American Academy of Actuaries?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

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3. *Continuity of Qualified Staff*

Describe your firm's commitment to providing continuity of qualified staff through completion of contract.

Continuity within a client team is maintained by focusing on continual knowledge sharing among the team members. There is not just one consultant that understands your business, the initiatives we have undertaken, and status of ongoing projects, the entire team is kept apprised of all activities. We will maintain a comprehensive database for the City that includes every document and key emails that provide a complete history regarding our work with the City. In the event of a staffing change, this database allows the new consultant access to all relevant historical information.

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E. Project Approach— 30 points

Describe your firm's proposed approach to services and activities described in Section 2, Scope of Work of the RFP. Even if using an alternative format for your responses, the following information must be included in the order specified to be scored appropriately.

For reference please note the Service Area Specific Approaches must match the Service Areas selected in Question 3 “Service Areas” under Section A “Executive Summary” above.

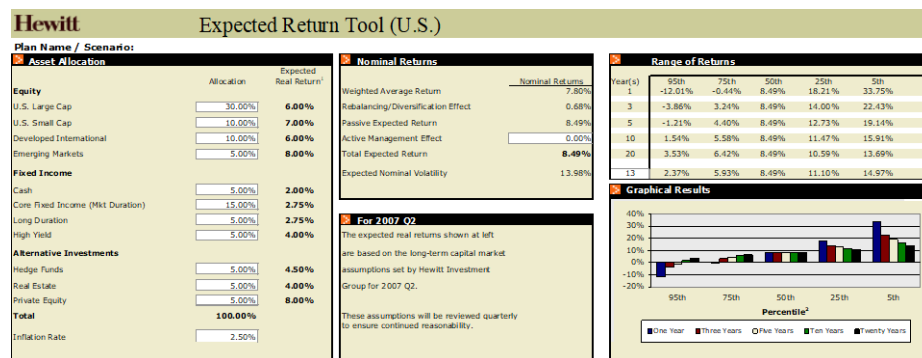
1. General Work Plan/Approach

(Must be completed by all Proposers)

Describe your general work plan/approach for the indicated tasks, including associated activities and deliverables, to successfully complete the Scope of Work.

Service Area 1—GASB 45 Valuation Process

Like having an annual physical, a GASB valuation can be divided into two parts: (1) diagnosis (valuation) and (2) recommendations based on this diagnosis. At the foundation of the first step is the assumptions used. We feel it is extremely important that the valuation is as accurate a measure of each plan's health (funded status) as it can be. This can be best accomplished by using assumptions and methods that take a long view and minimize the year-to-year actuarial noise (i.e., surprises). Given the financial constraints of most local governments, the assumptions used and corresponding valuation accuracy are even more important than for many other types of employers.



(Figure 4)

The actuarial assumption-setting process is an interactive process among the City, investment advisors (if the plan is funded), and the actuary. We take a holistic approach to help clients set assumptions that incorporate many inputs:

- Past experience (especially recent experience)
- Future expectations that will deviate from recent experience
- Size of the plan (e.g., large enough to base assumptions on plan experience or the use of standardized rates and tables)
- Expected long-term asset performance (if the plan is funded)
- If directly funded, the City's objectives on reserve levels (e.g., assets equal to 110 percent or more of the actuarial reserve)
- Impact of participant's ability to select against the plan

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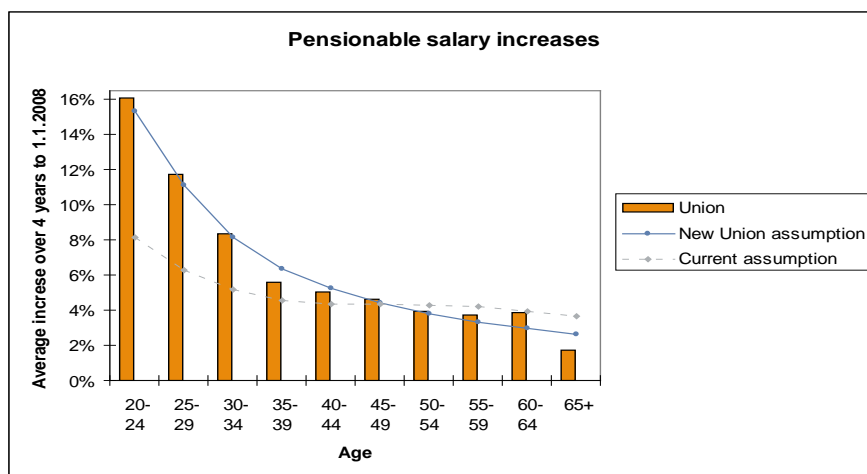
- Consistency of assumptions and methods with OPEB plan structure

In working through an analysis and assumption-setting process, it is always important to be mindful of the ultimate goal of helping keep the plan appropriately reserved now and into the future.

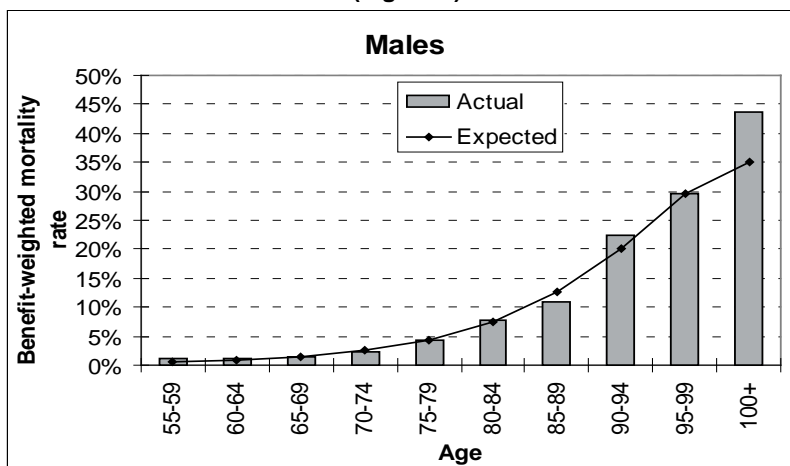
We monitor actual experience versus assumptions to ensure reasonableness.

Aon Hewitt analyzes the impact of actual plan experience compared with the actuarial assumptions as part of the annual valuation cycle. Each actuarial report and management summary report includes an experience section. This experience analysis includes a quantitative review of actual events versus anticipated on an individual assumption basis. The focus of the review is on the impact of any deviations from the actuarial assumptions on the plan's funded status. This helps identify why the funded status may change from year to year.

Annual differences in actual and anticipated experience are common. These will be highlighted in the valuation reports, annual valuation results meetings, and correspondence. However, the experience of the plan over several years is a more important analysis. At least every three to five years, depending on client preferences and the magnitude of experience gains/losses, we will suggest a more thorough review of all assumptions. This review will be similar to the process for selecting assumptions described above. In addition, we will identify which assumptions consistently produce gains or losses.



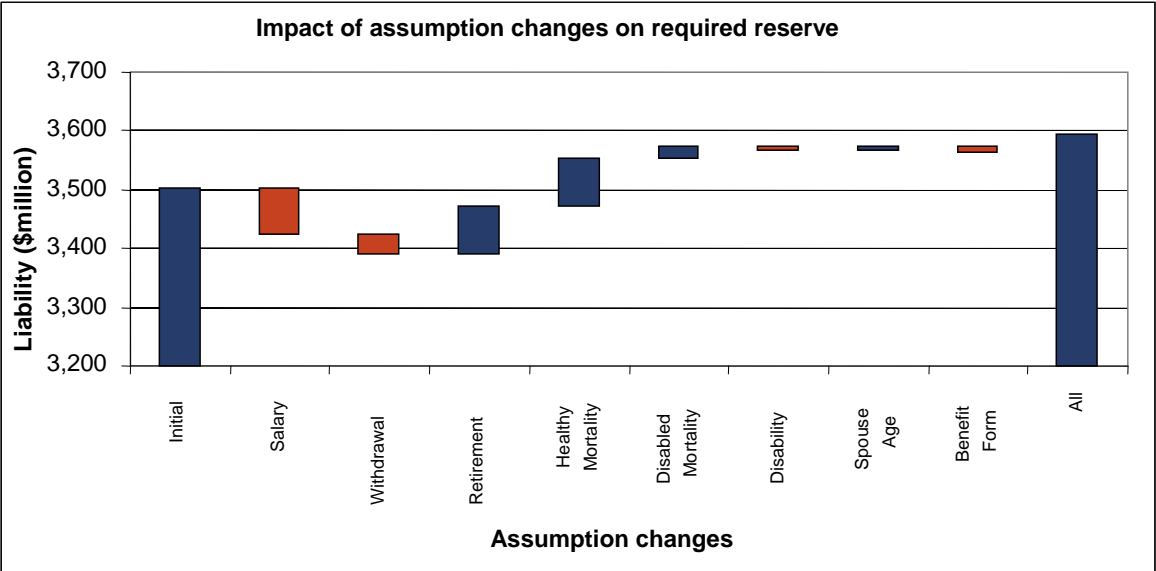
(Figure 5)



(Figure 6)

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Aon Hewitt was actively involved with the Society of Actuary’s development of the RP-2000 generational mortality table.



(Figure 7)

Aon Hewitt provided valuable technical insight to the IRS during the development of PPA mortality assumptions now required for all private pension plans.

Valuation Results by Actuarial Funding Method

Our quote is based on continuing to use the valuation’s current projected entry age normal cost. That said, we would be happy to measure and explore the alternatives with the City, but we suggest that you first discuss this with your auditors. While Q/A #48 of the implementation guide appears to allow year-over-year changes, there are some minor constraints. Typically, the actuarial methods are analyzed in detail as part of the initial implementation with the intention of choosing the one that produces the appropriate long-term results for the City. However, plan and demographic changes could warrant a fresh review.

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Annual Reporting

We will work proactively to ensure that all reports and auditor requests are completed accurately and in a timely manner. During our planning meeting, we will establish a timetable with the City outlining deadlines and tasks required of Aon Hewitt and the City.

Financial accounting disclosure information presented in accordance with GASB 45 will be developed based on results from the most recent valuation. It will be available once key assumptions such as the interest rate has been chosen by the City and financial results (e.g., assets (if any), premiums, retiree contributions) are final.

Delivery of Final Valuation Reports

The final actuarial valuation report will often contain the same information as presented with the preliminary results but will reflect changes made during the preliminary results review. It will include a number of supporting details and schedules of the valuation. Our actuarial reports are designed to be understandable and functional, and contain all the information required to explain results. The valuation results are typically presented in the following sections:

- **Summary and Results:** Provides senior management with an overview of key items to highlight the current valuation results and presents comparisons with the results of prior years.
- **Accounting Requirements:** Presents results of the accounting valuation in more detail including any required expense allocations.
- **Background Information—**Includes the following elements:
 - **Personnel Information:** Summarizes the employee data used in the valuation. While the actuarial calculations are made separately for each employee, average characteristics are shown to provide some indication of the reasons for changes in expense over a period of years.
 - **Plan Provisions:** Contains a summary of the plan provisions that are important in determining the expense requirements including narrative on the history of plan changes. Many clients use this as a quick reference for HR and business managers.
 - **Actuarial Assumptions:** Discusses the purpose and processes of an actuarial valuation and lists the actuarial assumptions and methods used.

Valuation Review

We anticipate meeting with the City at least twice each year on issues related to the GASB valuation process. The first is a planning session to confirm any changes to methodology that the City may wish to consider and discuss required timing. After completion of the draft results, we anticipate a discussion of any changes or additional information that will need to be considered. Upon completion of the final report, we will meet with the City to review and discuss final results.

Robust Employer Data

We have two robust databases of employer retiree health care strategy information. These provide valuable insights into the current retiree health care market, the challenges employers are facing, and the directions in which employer organizations are likely to take their programs in the future. These databases can be used to benchmark the competitive position of your current strategy relative to a targeted comparator group and understand the competitive implications of potential strategy changes. Additionally, these databases can help insurers and health care vendors understand the large employer retiree health care market and how they may position their products and services to meet their clients' evolving needs.

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Benefit SpecSelect™²

Our Benefit SpecSelect database is updated annually and contains information on the benefit plans for employees of over 1,300 major U.S. organizations, including their current pre-65 and post-65 retiree health care strategies.

Retiree Health Care Administrative Expertise

We are well-known for our leadership in the active and retiree group benefits administration and customer service arena and currently support the health and welfare program administration for 90 large and complex employer programs providing benefits for 1.6 million retirees. We work with every major national and regional health plan provider to service our clients and are keenly aware of the specific health plan vendor administrative issues, key requirements, legislative impacts, and potential pitfalls. These experiences are especially valuable when consulting with our insurance company clients on their product offerings.

Retiree Health Plan Election Patterns and Choice Making Feedback

Through our Benefits Administration platform, we talk to thousands of retirees every day about the benefit programs we design, the vendors we implement, and the challenges they face. We study their decision-making behavior and the types of benefit choices they make, and we answer their questions regarding how their benefits and vendors work. This retiree feedback collection process functions as an ongoing and robust retiree focus group, allowing us to uniquely inform our retiree health care subject matter experts who design solutions that meet employer, retiree, and vendor needs.

General Retiree Health Care Vendor Products and Service Database

Through periodic discussions and meetings with the major health plans, PBMs, and other vendors in the retiree health care space, we have developed a comprehensive understanding of each vendor's product and service portfolio to support pre-65 and post-65 retiree strategies. This data uniquely positions us to provide valuable insights into the current state of the vendors' product portfolios and their ability to support some of the more challenging employer retiree health care needs, especially on the pre-65 side.

In addition to understanding the product and service portfolios of the major health plans and PBMs, we also have a comprehensive understanding of the opportunities and challenges presented to our clients by vendor platforms, including the following:

- United HealthCare/AARP Health Care Options Program
- HR Policy Association's Retiree Health Access Initiative
- National Employee Benefits Companies
- Extend Health's Pre-65 and Post-65 Individual Retiree Health care Market Play

With respect to HR Policy Association's Retiree Health Access Initiative, we worked closely with the Association, the largest organization of senior HR executives shaping workforce policies and practices, from 2004 through 2006 to develop a model to provide health insurance to retirees through a less employer-centric, insured approach. The RHA model, first introduced in 2006, was the ultimate result of our consulting with the Association and their health plan partners.

The RHA model allows employers to distance themselves from the overall retiree administrative commitment while still providing pre-65 and post-65 retirees with low-cost options through group purchasing efficiencies. RHA was originally developed to support defined contribution approaches and

² Benefit SpecSelect is a trademark of Hewitt Associates LLC.

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leverages insured products including pre-65 PPOs and Medicare supplement, PDP, and Medicare Advantage designs for post-65 retirees.

We served as the key consultant to the employers of the Association and the health plans bidding to support the platform's health care programs. We provided the health plans with valuable expertise to help them understand the products and services the Association needed and creative ideas as to how to meet those needs, which ultimately led to their 2006 RHA product and service strategy.

The model enters its third year and currently successfully supports retiree health care strategies in whole or in part for 21 large employers with approximately 50,000 enrolled retirees, with additional employers expected to join over time.

More broadly, we leverage discussions with vendors and our data to keep our clients informed of their current and emerging strategy options and the competitive intelligence collected here is especially valuable to our health insurer clients that are exploring market product expansions of their own.

Actuarial Models

We have developed financial models to help employers evaluate the various strategies in response to Medicare reform and understand the extent to which they can be used to support employer objectives. We are currently leveraging these tools for a number of clients including those attempting to understand the financial implications of moving away from the RDS strategy and toward other options.

Our models can be used to evaluate traditional delivery models, subsidy caps, health reimbursement arrangements, and health savings accounts for pre-65 and post-65 retirees. Our models, analysis, and subsequent employer consulting position us well to provide valuable insights with respect to the potential effectiveness of these strategies to support evolving employer needs, and the characteristics of optimal vendor products and strategies.

Additional Services Related to GASB 45

The City expressed interest in learning about other options and capabilities with regard to assisting the City in managing and impacting the GASB expense. There are several opportunities that exist with which Aon Hewitt can assist.

Trend Assumption

Aon Hewitt conducts a semiannual health care trend survey of all major national vendors and uses the results of this survey as the basis of our assumption for future health care trend when completing the GASB valuation. The standard pricing included with this proposal anticipates this approach. However, we can examine the City's own health plan internal trend and use this as the assumption for the valuation process. This would require additional data gathering and analysis and we have included approximate pricing for this process.

Valuation Under Multiple Actuarial Funding Methods

We regularly use multiple funding methods to obtain the best possible results for our clients. For the City, the liability is currently measured under the entry age normal method. However, other options, such as the aggregate, FIL, and unit credit methods are available. We can review the results of alternative methods with the City personnel to determine which approach is best to use. Since the method has already been established, valuations under multiple funding methods is not included in the base fee quote we have provided but can be priced if the City is interested.

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Other Management Options

Plan design and employee contributions can be adjusted to impact your OPEB expense. This can be achieved by revising the plan design for retirees only or by redesigning the health plan as it applies to all covered individuals. Contributions can be adjusted to further impact the magnitude of the City's obligation. We can prepare a matrix of combinations of such options for your consideration. The next section of this proposal addresses Aon Hewitt's capabilities in this arena. The cost for this process can vary widely, depending on the number of options under consideration. If you decide to pursue this approach, we will provide pricing (based on anticipated hours multiplied by the relevant billable hourly rates) after confirming the scope of the project.

Service Area 2—Actuarial, Healthcare Trust Fund Consulting, HealthCare Reform and General Services

The continuing and, in many cases, increasingly complex employee benefit challenges faced by our nation's public entities mean that careful, strategic review and proactive management of the City's benefit programs is critically important. We will assist you in maintaining a cost-effective benefits program, balancing organization and employee needs. Based on our experience with similar clients and the City's stated scope and objectives, we have developed the following approach below for working together—proof that we stay on top of issues and won't just react as needed.

Strategy and Design

We understand employer organizations need to manage costs, and we recognize that most public entities have already done considerable across-the-board cost adjustments and/or cost shifts in an attempt to meet this need. As part of our consulting services, we can suggest plan design changes that are consistent with your benefits strategy.

We will focus on design ideas that will both reduce total health care costs and share costs with plan participants on a more targeted basis, as well as more innovative design and benefit strategies that can help reduce your cost curve via additional innovations. Some of the ideas we will want to discuss with you include Aon Hewitt's customized design approach, various approaches to dependent coverage, and productivity, wellness initiatives, and disease/condition management strategies. We will always keep you updated on leading-edge and best practice designs in the industry.

Benchmarking

We will use Aon Hewitt's extensive and industry-leading benchmarking tools to analyze the competitiveness of the City's current plans and identify areas for improved cost and purchasing efficiencies. This information will provide a quantitative basis for your decision-making process as we evaluate potential changes to the current program. Below is an overview of some of our key benchmarking tools, from which you can select two per year within the budget outlined.

Aon Hewitt Guide to Health Care Solutions ("the Guide")

Our clients use the Guide to measure how their costs and cost drivers fare against key comparator groups in traditional benchmarking illustrations (based off the data in our Hewitt Health Value Initiative^{TM3} benchmarking report, Pharmacy Cost database, Plan Design database, and proprietary actuarial models). The Guide also quantifies the value (in terms of potential dollar savings) of emerging opportunities to measure and manage patient behaviors, influence provider activity, and refine system components. With the Guide, we can identify a range of opportunities and provide innovative perspectives on traditional and emerging health care cost issues.

³ Hewitt Health Value Initiative is a trademark of Hewitt Associates LLC.

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Aon Hewitt's Value Drug Report Card

VDRC is designed to evaluate whether a client's PBM is actively promoting the most cost-effective (i.e., high-value) drugs to plan participants. Through the VDRC, Aon Hewitt can identify clinical performance guarantees for conditions where the PBM must improve their approach to cost management.

PBM Deal Benchmarking Database

Aon Hewitt has established a national database of traditional PBM financial deals. Our PBM Deal Benchmarking database includes quotes for over 300 clients. We use the database to benchmark PBM financial deals. This data is invaluable in negotiating contracts with PBMs. We know the competitiveness of an offer in the broad context of other offers they and their competitors have made.

Benefit Index®⁴

Benefit Index (BI) assists employers in analyzing the competitiveness of their benefit programs. Run off the data contained in our Benefit SpecSelect database, BI allows clients to explore detailed benefits design and contribution specifications for over 1,300 organizations across all benefit programs. BI includes nearly half of the Fortune 500 (including 79 of the top 100 companies). These provisions cover defined benefit, defined contribution, health care, disability, tuition remission/reimbursement, and time-off plans as well as eligibility, waiting periods, and other relevant information. Organizations around the world have relied on this tool for determining comparative benefit values, communicating competitive position to senior management and employees, modeling plan design alternatives, and creating new benefit plans to meet changing constituent objectives.

Plan Design Review and Refinement

We will use world-class thought leadership to bring creative ideas and strategies to the City. We will leverage our extensive experience with clients of many different sizes, locations, and industries to bring you creative solutions that best meet your specific needs.

Aon Hewitt will assist the City in evaluating potential changes to the current benefits program design, including the applicability and implications associated with consumer-driven health plans and other potential design considerations. We will also take into consideration the other phases of this project during this step. We will share our assessment of the current carriers and discuss to what extent carrier changes should be considered and over what time frame, analyze and make recommendations on various plan design options, discuss various pricing strategies and the impact design changes may have on pricing, and consider the types of wellness programs and initiatives that may need to be incorporated into the overall benefits program.

Cost Impact of Design Changes

Once we have mutually agreed on the considered design changes, our actuaries will use our Pricing Model to determine the cost impact of the proposed changes. Aon Hewitt's actuaries developed our proprietary pricing model using detailed claims on millions of employees. This pricing model is used to develop and refine costs for medical, prescription drug, behavioral health, vision, dental, and disability plans. One of its most significant functions is to model the financial implications of any plan design changes. We can simply and quickly determine the impact of moving from copays to coinsurance, of changing deductibles, of out-of-pocket costs, or of changing drug designs—to name just a few.

Deliverables/Outcomes

- High-level report containing results of our benchmarking analyses and cost projections

⁴ Benefit Index is a registered trademark of Hewitt Associates LLC.

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- Summary presentation confirming all strategy and design recommendations by an appropriate date for the City each year
- Revisions to this document throughout the strategy planning process during the year as new information arises and subsequent decisions are made and approved

Actuarial Consulting

Our health care actuaries provide state-of-the-art consulting to many of our nation's Fortune 100 companies, as well as small, midsize, and large public entities. In addition to having a broad understanding of the dynamics within the health care industry, our health care actuaries are responsible for modeling employee contributions, health plan pricing, the impact of plan design changes, and any number of actuarial calculations. The combination of health knowledge and actuarial mechanics makes our health care actuaries a valuable resource to assisting organizations in solving their human resources and financial challenges.

Aon Hewitt has approximately 150 health care actuaries and actuarial students on staff. A number of our proprietary actuarial tools and models are considered the leading tools in the industry. Our models and tools are used by over 300 major organizations to evaluate costs, budgets, plan changes and contribution requirements across all benefit and health plan designs for active and retired employees. The data supporting these models represents more than 1.9 million members and over \$9 billion in claims data.

Cost Modeling

Our actuaries will use Aon Hewitt's pricing model to determine the cost impact of the proposed changes. Aon Hewitt's actuaries developed our proprietary pricing model using detailed claims on millions of employees. This pricing model is used to develop and refine costs for medical, prescription drug, behavioral health, vision, dental, and disability plans. One of its most significant functions is to model the financial implications of any plan design changes. We can simply and quickly determine the impact of moving from copays to coinsurance, of changing deductibles, of out-of-pocket costs, or of changing drug designs—to name just a few.

Budget Rate Development and Employee Contribution Setting

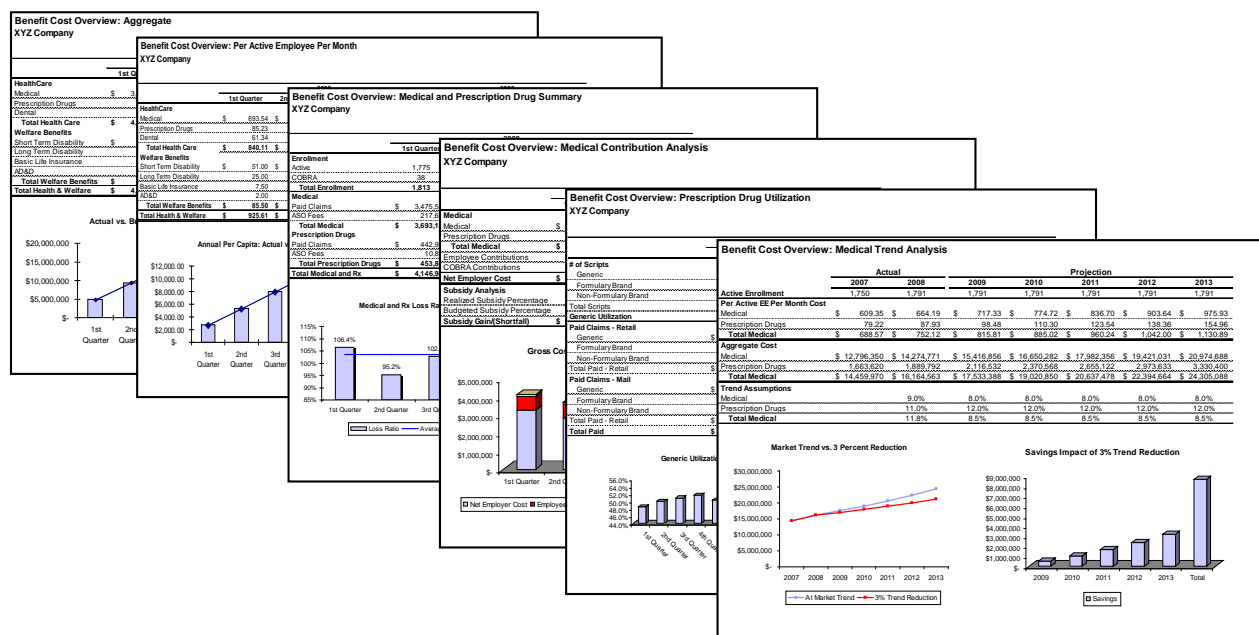
Aon Hewitt's approach to accurate rate development is to invest in understanding the City's programs/populations and rate-development philosophy. We have found that without a complete understanding of these issues, the inputs and assumptions can be inaccurate and the corresponding results undesirable. The employee contribution development process is also closely linked to your benefits strategy and to the budget rate development process. The ideal pricing methodology involves collecting claims experience and enrollment (both on a contract level and on a covered life level), on a monthly basis, as well as split by plan and by status (active, pre-65 retiree, post-65 retiree) for the entire covered population. We will want this experience for three years. The budget rate and contribution development process will include the following steps:

- Develop the self-insured budget rates using up to three years of experience
- Create contributions scenarios that incorporates strategic direction
- Finalize contribution structure based on senior management feedback
- Calculate COBRA rates

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Claims Experience Monitoring and Reporting

Aon Hewitt has extensive experience in developing client-specific, executive-level reporting to report experience, track cost and trend data by key groupings, and project funding levels. We will track the performance of the City's self-funded and insured plans using our proprietary Experience Monitoring Report (Figure 8), customized to your specifications. We created our EMR series because of our clients' needs to aggressively manage their investment in health and welfare benefits.



(Figure 8)

This report provides ongoing reconciliation of actual versus budgeted claims and continuously revises your health and welfare program budget using the most current experience data available. Each month we will provide an updated report that will:

- Assess the sufficiency of current budget rates versus emerging claims experience; and
- Review the emerging and historical per capita costs by coverage or plan type.

At the end of each quarter we will meet with your team to review the results of the past quarter, including:

- Measure the extent that projected budgeted rates are overstated or understated based on the most current information, and project next year's rates and budgets; and
- Compare and contrast current plan performance to prior time periods.

The City will be able to use these quarterly reports to measure the impact of the strategic initiatives on the plan cost.

Tools and Methodologies to Support Actuarial Services

Health Care Actuarial Pricing Model

This tool provides cost estimates for pricing and strategy. The model supports the development of per capita claim costs for medical and prescription drug plans. Claims are analyzed and projected to the desired time period in order to develop budget rates. Within this model, claims are trended and

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adjusted for the impact of plan design changes, demographic changes, network changes and risk characteristics of the covered population.

Aon Hewitt's Plan Design Relative Value Model—Active and Retiree Models

These powerful tools allow us to develop relative value factors associated with various plan designs. The pricing methodology is dynamic in nature and uses a generally accepted actuarial method to calculate relative value changes. These models are built on billions of dollars of self-insured claims data. Claims are organized by service category into various continuation tables to support the valuation of plan design changes. We input current and proposed plan designs to determine factors that would be applicable for the rate setting for each plan design change.

GASB 45 Cost-Projection Tool

This tool (Figure 9) will allow the City to track the aggregate GASB 45 financial position versus other revenue and cost projections. The tool projects the GASB 45 Annual OPEB Cost, ARC, Unfunded Actuarial Accrued Liability, and Net OPEB Obligation (reflected in the City's Statement of Net Assets) over up to 30 years. The model allows you to vary alternative plan designs and certain assumptions such as the discount rate, actuarial cost method, marginal cost factors, the City's internal rate of return on assets, and the funding strategy (e.g., pay-as-you-go, ARC under GASB 45, or partial pre-funding). This will enable the City to properly weigh the merits of pre-funding these liabilities.

University of XYZ
GASB 45 Cost Projections

1

Projection Inputs	Funding Policy	Cost Method
Funding Policy and Cost Method->		
Expected Internal Return on University/College Assets		4.00%
Expected Trust Return (Assuming full ARC Funding Policy)		8.00%
Partial Pre Funding Target % (as a % of (ARC - Pay As You Go))		50%
Reflect Marginal Cost Reduction Factors		
Final Liability Discount Rate		6.0%

(Figure 9)

Deliverables/Outcomes

We will provide final recommendations on costs and plan design changes, budget rates, and employee contribution strategies that best meets your needs. We will also provide monthly and quarterly review and reporting on all plan costs.

Plan Management

Aon Hewitt excels in the area of vendor management. We are uniquely positioned to manage third-party vendors on your behalf based on the following:

- We have years of experience in managing both simple and complex vendor relationships and activities on behalf of many clients.

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- We have respect and leverage with the vendors in the marketplace. We treat vendors with respect and are respected in return. It is key for us to maintain excellent working relationships with vendors to be able to serve our clients well.
- Our knowledge of the various vendors' operations is extensive. Each year, we perform more than 1,500 audit and operational assessments of our vendors. These are performed on-site at every major vendor. On several occasions, vendors have hired us to provide advice on how to improve their operations.

Managing carrier relationships is critical to achieving great results. We regularly meet with each of the carriers and vendors in the marketplace—on client-specific matters and for general information-sharing purposes. We host senior leadership meetings twice a year to exchange strategic and innovative ideas with health plans and other vendors. We also assign senior health plan relationship managers to keep open lines of communication with senior management at key carriers during the year.

Aon Hewitt has developed efficient working relationships with all carriers. Our online interfaces for renewals and eligibility transmissions through Hewitt Health Resource^{TM5} and the streamlined collection of RFI/RFP information on a national basis have proven to be a win/win for our clients and their carriers. We encourage you to ask your carriers about their impressions of Aon Hewitt. We know they will have positive things to say!

Plan Renewals

We will consult with the City in renewing plans and/or adding new plans to your current benefits program. We use an internet-based process to distribute renewal RFPs, track carrier progress during the renewal process, compile carrier responses, and confirm all final rates and terms. The RFP that the carriers are asked to complete requires confirmation of all key elements associated with the renewal, including the following:

- Rates
- Plan design
- Eligibility or other administrative criteria specified by the City

By requiring that carriers certify their rates and responses for the full year, we help ensure that the plans meet their obligations. (We can also compile hard-copy confirmations as an out-of-scope consulting activity.) As part of the negotiation process, we attempt to remove all rate contingencies and other caveats, and we will inform the City of the disposition of open issues prior to the closure of the renewal negotiation process.

We use a firm but fair approach to negotiating. Key characteristics of our approach are summarized below:

- We are always prepared. We gather as much information as possible and map out a specific strategy for each plan. While our strategy is designed to achieve a specific objective, we are prepared to work through alternative scenarios should we encounter any significant barriers.
- We create balance. As consultants, we represent our clients' interests. Our goal is to negotiate optimal financial terms that will also allow you to maintain a successful ongoing relationship with your vendors.

⁵ Hewitt Health Resource is a trademark of Hewitt Associates LLC.

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- We are persuasive. We combine demands for rate reduction with suggestions for improvement (which may facilitate a plan's willingness to lower rates). We also stand firm when a plan's arguments are not compelling.
- We maintain a long-term perspective. We focus on long-term results in order to maintain continuity and minimize disruption.
- We use our broader client base to bring more leverage in our negotiations. The vendors understand we're not just representing a single client in our negotiations. A vendor's aggressiveness in negotiations, flexibility in meeting client needs, and overall professionalism in the process are shared across our consultant community and leveraged in our negotiations.

Rate Projections and Reserve Requirements

To assist our clients, Aon Hewitt has developed a standard process for annual cost projections. Part of our current is to provide you with a semiannual Experience Monitoring Reports that include cost projections that ultimately drive reserve analyses. The process provides a better discipline around data collection and reporting. This, in turn, provides an update of the rate setting process and provides an advanced warning to funding issues.

Our semiannual EMRs provide numerical and graphical details of the medical and prescription drug programs through a variety of different measures and benchmarks, which may include the following:

- Assess the sufficiency of current budget rates versus emerging claims experience
- Review the emerging and historical per capita costs
- Measure the extent that projected budgeted rates are overstated or understated based on the most current information, and project next year's rates and budgets
- Summary of internal stop loss and claims over the trigger points by division
- Forecast plan cost into future years
- Compare and contrast current plan performance to prior time periods

Compliance Services

Aon Hewitt's consulting is designed to assist the City with its compliance obligations. Aon Hewitt's consultants are not attorneys, and therefore cannot provide the City with legal advice. The services will ultimately be provided according to the directions given by the City, and we expect the City's counsel to verify that the implementation of any recommendations or services comply with the laws applicable to the City.

Keeping clients informed and up to date on general industry trends, developments, and changes to legislation and regulations is an important aspect of our service. We do this through direct consulting by your client team, publications, and conferences. Our objective is to provide you with the most effective way of keeping informed.

Aon Hewitt proactively provides information and updates on legislative and regulatory changes through email alerts, mailings, and special reports. Your consulting team will also direct your attention to the items that are most relevant to the City.

Our regular publications and forums provided to our clients at no charge include the following:

- Aon Hewitt Bulletins—Email bulletins, including Actuarial Updates and Special Reports to Clients, that provide interpretive reports to clients on significant legislative and regulatory developments

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- Aon Hewitt Alert—Emailed directly to subscribers when late-breaking HR and business developments occur
- Washington Report—Weekly email newsletter capturing the key HR-related developments in Washington for the week.
- Aon Hewitt Monitor (Canada), EUfocus (EU), Aon Hewitt Quarterly (Asia Pacific), International Reports, and country-specific Special Reports to Clients—Interpretive reports on significant developments related to benefits around the world
- Special white papers and surveys on key topics or emerging issues—including employer reactions to new regulatory and legislative developments
- Periodic open conference calls with clients on timely issues—Recent examples include “Taking Control of Health Care Costs,” “Taking Action to Address Employee Retirement Issues,” and “How Top Companies Develop Great Leadership”
- AonHewitt.com Podcasts and Webinars—Online content featuring Aon Hewitt experts who discuss timely HR topics, including a special “Ask Our Expert” thought leadership series; recent topics include “Surviving and Thriving in Economic Turbulence: HR’s Response,” “Election Results: Obama-Biden Victory,” “Ask Our Expert: How Market Volatility Impacts Pension Plans,” and “Ask Our Expert: Retirement Reality: The Facts and Fiction of Income Adequacy”

We also recommend Aon Hewitt’s Compliance Dashboard (Figure 10), which minimizes our clients’ liability and saves them time. Compliance Dashboard:

- Informs you when a compliance task is due;
- Provides you with the material and information to complete the task;
- Monitors progress and sends reminders if needed; and
- Documents results providing an audit report.

Dashboard

▶ WOMEN'S HEALTH AND CANCER RIGHTS ACT						OK
▼ SPD - OVERVIEW AND REQUIREMENTS						1 Past Due (2)
Benefit Admin	Dist Date	Due Date	Page Viewed	Response Required	Status	
Cindy Conner	02/21/2008	02/22/2008	Yes	Yes	1 Past Due	
Jim Towers	02/21/2008	02/22/2008	Yes	Yes	OK	
Mark Daniels	02/21/2008	02/22/2008	Yes	Yes	1 Past Due	
Mary O'Conner	02/21/2008	02/22/2008	Yes	Yes	OK	
Nancy Powell	02/21/2008	02/22/2008	Yes	Yes	OK	
▶ FORM M-1						OK
▶ SPECIAL ENROLLMENT						OK
▶ COBRA PROVISIONS						Help Needed (1) 1 Past Due (1)
▶ QUALIFIED MEDICAL CHILD SUPPORT ORDERS						OK
▶ WORKING FAMILIES TAX RELIEF ACT						OK
▶ COORDINATION OF BENEFITS						OK

(Figure 10)

Audit Services

Containing benefit costs is critical for the City’s overall business success. One way to control benefit costs is to ensure your vendors are providing the administrative support you need in an efficient, accurate, and effective manner. To do so, it is critical to periodically review the administration of your plans—including claim payment controls and processes, compliance with contract terms and conditions, and reasonableness of charges and costs. We conduct over 170 medical claims and 50 pharmacy claims edits every year. Aon Hewitt has the well-proven systems, processes and expertise to help The City. This process would include the following elements:

- A statistically valid claim audit across plans using a random sampling technique to determine financial accuracy, payment accuracy, processing accuracy, and claim turnaround time results
- A targeted audit of ten large claims
- A clinical audit of the case management files associated with the ten large claims identified above to determine effectiveness of case management processes and protocols and benchmark against best-practices

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- An operational assessment via interviews with key management and staff members to assess customer service operations, claim management operations, quality control functions, eligibility management, and other critical functions to document our processes and protocols and benchmark against best practices

Health Care Reform

For more than two years, Aon Hewitt has invested millions of dollars to make the news—not just read the news—on the monumental health care legislative changes signed into law by President Obama. Since the reform debate began in earnest in 2008, no other consultant can match the level of investment Aon Hewitt has made to be engaged in this debate. We repositioned our top U.S. health care consultants to focus full-time on working with the congressional staff members of the U.S. Senate and U.S. House of Representatives to provide deep research, expert opinion, and persuasive dialogue to help inform and shape the most complex and sweeping health care legislation in the world.

We understand the parameters and effects of health care reform better than any other consultant, and we are better positioned to evaluate the impact of the law and help guide strategy to align with the requirements and opportunities ahead. We firmly believe that health care reform should guide your strategy and not govern your strategy; an effective strategy must address management of health care costs and employee health.

For those clients in need of detailed analysis regarding the impact of health care reform on their businesses, Aon Hewitt introduced its Health Care Reform Impact Model (HRIM), a comprehensive modeling tool that estimates the financial and administrative impact of The Patient Protection and Affordable Care Act based on an employer's specific demographics, salary structure, plan design, and costs.

2. Ability to Complete Project in a Timely Manner

Describe your firm's ability to complete the project in a timely manner

Aon Hewitt brings to the table a strong emphasis, training and tools available for project management and foresees not issues in completing the requested services in a timely manner. Perhaps because we have learned from the Outsourcing side of our business, our consultants are devoted to project management in order to meet or surpass your expectations both in quality and timeliness of our services.

To facilitate successful project management, we would plan an initial meeting to officially kick-off our partnership. We will also have weekly status calls and quarterly meetings with the City's team to discuss prior quarter results and activities as well as plan for upcoming activities. At the close of each meeting, we will have a clear understanding of items such as: specific issues with each health and welfare plan; project plan milestones; key deliverable dates; and a clear definition of a satisfactorily completed project task.

Aon Hewitt's Project Manager will be available to the City at any time to address day-to-day issues and immediate concerns related to your benefit plans. As we progress together, we will hold monthly status meetings with you to make sure your needs are being met and keep you abreast of any industry and/or legislative updates that may impact the management of your health and welfare programs. In future years, we would also recommend an annual stewardship meeting in which we would discuss your most pressing needs and systematically address plan design and management.

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3. *Client Involvement or Level of Effort*

(Must be completed by all Proposers)

Describe your firm's expectations and/or assumptions of the City's involvement or level of effort, including review, approval and other communication protocols necessary to successfully complete the services.

Aon Hewitt works with a diverse group of organizations that all have varying philosophies on the role of a consultant on any given project. In most cases, a large majority of the time required from your internal resources is devoted to data collection, clean up, and submission to the selected consultant. We foresee the majority of your team's time will be required during the strategy discussions, project planning phases, and the development of specific deliverables. Beyond these areas, the City's role is limited to providing guidance, responding to information and data requests, and participating in various meetings throughout the process (e.g., finalist meetings, contract negotiations, etc.).

Provide a list of questions you would need answered and the data or other City resources you would need access to or to be provided by the City to successfully complete the services.

The following is a list of census data and other information that will be required to perform the duties as described in the RFP. The list is not meant to be exhaustive as other information may be required for completion of the scope of services.

- Detailed census information for all eligible participants (actives, terminated vested, retirees), including demographic, plan election, and contribution information
- Trust asset information, if any
- Copy of most recent actuarial valuations of pension plans applicable to plan participants (e.g., CalPERS, SFERS)
- Copy of City's most recent Comprehensive Annual Financial Report (CAFR)
- Calculation basis for determining retiree contribution amounts (3 years history)
- Monthly Census summary Information, retroactive to July 2010 and going forward
- Detailed monthly claims experience including large claim for all lines of health care coverage
- Current Stop Loss Limits
- All HSS policies and procedures regarding the Health Trust Fund and Negotiated Benefits Fund
- Current list of tier, classes and definition of actives, retiree (pre and post 65, COBRA and any other benefit eligible individuals)
- List of all employers participating in HSS
- Current benefit and compensation strategy for the City
- 2 years of minutes discussing benefit or contribution strategies
- Current draft legislation or policies that are under consideration by the City that may have impact on the Health Trust Fund, benefits or contributions

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- A detail summary of how the City staff, Commission and other interested parties wish to be involved and informed of assumptions used in rate calculations
- Any planned or considered funding changes that may impact the Health Trust Fund

4. *Competitive Differences*

(Must be completed by all Proposers)

What makes your firm's approach to the services different or more effective than other firms providing the same services? Describe any other asset, expertise, experience, data or technology that provides your firm with a competitive edge or advantage that will provide a benefit to your clients. Include any lessons learned.

We believe we offer the City the greatest value in consulting expertise and service for the following reasons:

- **We understand shared governance.** We work successfully with complex public sector decision models. Our successful service to governments of all sizes (as well as universities and academic medical centers) provides us with special insight into—and expertise in working through—the additional challenges posed by complex shared governance decision models. Whether partnering with or advising senior leadership, committees, advisory councils, or other key stakeholders, we have deep and broad experience in successfully moving engagements through multiple levels of analysis, review, design and decision processes. Your Aon Hewitt team will be able to assist the City in the most challenging contexts to ensure the successful implementation of the various facets of this important engagement.
- **We know the employee benefits marketplace.** Aon Hewitt assumes a highly proactive role in keeping our clients informed on all industry trends, innovations, new products, and service offerings. Through our worldwide research facilities, we inform clients of developing legislative and technical issues, new ideas, human resources, benefits, compensation, and related business trends. Our national research, design, and development teams provide thought leadership and generate new initiatives and concepts to share with our consultants and clients.
- **We offer a full complement of technical expertise and implementation services.** We are a consulting firm that provides a full range of benefits and other human capital consulting services that allow clients to move from strategy and design to implementation and audits in one seamless, efficient operation. Our Retirement practice is composed of more than 600 associates and our Health & Benefits practice has more than 1,000 associates in the United States, including credentialed actuaries, plan administration experts, and attorneys.
- **We offer the City unmatched benefit analysis tools.** Aon Hewitt offers its clients the most comprehensive set of supporting tools in the benefits consulting industry. By maintaining the industry's most extensive benefits databases, we have robust data to develop and refine our benchmarking, analytic and modeling tools, and research reports. These tools—when combined with our knowledge of both public and private colleges and universities—will lead us to actuarially sound, data-driven decisions that will allow your employees to receive both active and retirement benefit programs that offer optimal cost effectiveness and value.
- **We combine consulting, actuarial, and administration expertise.** Aon Hewitt is unique in the industry as the leader in benefits consulting, actuarial, and administration services. Our firm culture of collaboration allows us to better leverage the individual talent that resides within our firm for the benefit of our clients. The knowledge gained from our leading-edge benefit plan consulting, as well

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as the collective knowledge gained from valuing and administering plans on behalf of hundreds of employers, provides us with a competitive advantage in truly understanding all that is involved in running a benefits program. Perhaps because of this experience, we view the valuation not as a final product but as a key step in the plan management process. Our methodology is designed to provide comprehensive, useable information and to help build a dialogue through which the plan sponsor has a clear understanding of the issues and opportunities.

5. Service Area Specific Approaches

Only fill out the information for the Service Area(s) you are applying for.

Service Area 1 – GASB 45 Valuation Services

Describe how your work plan and approach accounts for performing GASB-45 Valuations with multiple tiers of employees, multiple classes of employees, and with over ten thousand (10,000) active employees.

More important than simply providing information, Aon Hewitt will help the City understand the OPEB liability and accrual costs for the postretirement plans. Our approach, which is detailed later in this section, has been successful in many similar projects, including valuations of many large public sector employers. It is designed to recognize the issues of large employers with multiple classes and tiers of employees and different benefit structures.

The liabilities and plan costs will be provided separately for active and retired participants and by bargaining units, tiers of employees, or other classifications that help management understand the driving factors of benefit costs, and potential savings. The goal of our analysis is to ensure that the City is best equipped with the understanding needed to manage the plans and achieves its objectives.

Describe how your work plan and approach accounts for San Francisco's health care benefits, legislation, and the City's Health Service System (HSS).

Project Approach/Scope

The City is requesting actuarial valuations of its post retirement benefits costs other than pensions under GASB Statement No. 45 as of June 30, 2010 and June 30 2012.

Aon Hewitt will perform valuations that will provide information that satisfies the GASB disclosure requirements for OPEB plans and reconcile results from the prior valuation to the current valuation. The calculations of the actuarial liabilities and cost projections for the OPEB plans will be in accordance with GASB 45. However, we view these tasks as only the basis of the services we provide.

More important than simply providing information, Aon Hewitt will help the City understand the OPEB liability and accrual costs for the postretirement plans. We consider the City's human resource, accounting, and financial strategies that might be impacted by these benefit plans. Our analysis could include potential funding level options for the liability as a basis for understanding ways to manage future liabilities and plan costs. The postretirement liabilities will be provided separately for active and retired participants and by bargaining units or other classifications, if necessary, to assist in this analysis. We will also include cash flow projections showing expected annual expenditures on plan benefits.

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Detailed Work Plan

This approach has been successful in many similar projects, including valuations of many large public sector employers, and is designed to ensure that the City achieves its objectives. The timing can be adjusted to meet your required schedule.

Planning Meeting with the City and Aon Hewitt (Week 1)

At the beginning of the project, Aon Hewitt will meet with the City in person or via teleconference to:

- Discuss the project plan
- Introduce key team members
- Clarify plan provisions, including eligibility requirements, benefit options, retiree contribution levels, etc.
- Discuss and select the actuarial assumptions and actuarial cost methods which will be used to calculate the OPEB obligations and annual required contribution amounts
- Discuss employee data; clarification of the format and content of data to be transferred
- Clarify expectations regarding project scope, deliverables, project timing, and any special needs

We will recommend actuarial and economic assumptions appropriate for the City based on Plan benefits, anticipated funding levels, and the current economic environment. As for assumptions related to expected participant behavior (e.g., retirement ages, turnover), we often recommend assumptions consistent with the employees' retirement system (e.g., CalPERS, SFERS) as pension benefits affect behavior to a large degree. We will discuss the effects of typical assumptions used, and then we will come to an agreement with you on the assumptions to be used in the valuation.

Similarly, we will discuss other valuation methodologies, including actuarial cost methods, asset valuation methods, and amortization methods. We will assist the City in selecting the most appropriate methods based on the City's benefits, fiscal situation, and reporting requirements, with consideration given to methods most commonly used in the public sector.

Employee Data Collection, Review, and Analysis (Weeks 2 – 4)

The accuracy of employee data is very important because valuation results are only as reliable as the underlying data. Aon Hewitt will load the employee data provided by the City onto our OPEB valuation system. We will review the data for reasonableness and compare it with expectations regarding numbers of employees and key demographic characteristics. This includes employee data on all current retirees, beneficiaries, and active employees who may eventually become eligible for OPEB benefits. We will ask questions, as appropriate, regarding data that appears to be missing, inconsistent, unexpected, or questionable. The City will provide corrections, confirmations, or clarifications, as appropriate, and Aon Hewitt will incorporate any indicated changes.

At the same time we will request from the City any additional plan documentation including communications to participants.

Valuation Processing (Weeks 5 – 6)

Aon Hewitt will determine the City's OPEB obligation by projecting the expected plan costs that will be incurred in future years for current retirees, beneficiaries, and active employees who are expected to eventually become eligible for OPEB benefits. This determination will be completed on our actuarial valuation system, ProVal. It will reflect the City's specific plan provisions, employee data, claims experience, and the actuarial assumptions that are developed during the initial phase of the project.

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After the OPEB obligations are determined as of the current valuation date, Aon Hewitt will determine annual required contribution amounts for each plan and other amounts required in accordance with GASB 45. Alternative actuarial cost methods and amortization methods will be examined, as decided upon in the initial meeting.

Preliminary Report Preparation and Discussion (Week 6)

We will prepare a report for the City that will meet GASB 43 and 45 standards. We will meet with you or have a teleconference to discuss the preliminary results in detail. This will ensure that all required elements are present in the report, that the City understands the results and their presentation, and confirms the methodology and assumptions that were used.

At this time we will also present and discuss our recommendations for managing the OPEB liability, including calculations of the OPEB obligation and the ARC both with and without pre-funding. Other recommendations will also be analyzed and discussed.

Final Report and Presentation of Results (Week 7-8)

Following the meeting regarding the preliminary results, Aon Hewitt will make any agreed upon changes and prepare a final report for presentation to the City. We are also available to discuss these results with the City's auditors, officials and/or City Council.

The final report will be as of a mutually agreed upon date (the valuation date) and include the following, at a minimum:

- Executive summary
- Actuarial certification of results
- Detailed results of actuarial accrued liabilities as of the valuation date, separately for:
 - Current employees
 - Retirees and dependents
 - Pre/Post 65
- Development of plan costs, including:
 - Normal cost
 - Interest
 - Amortization of past service liabilities - various amortization periods
 - Annual Required Contributions (ARC)
 - Annual OPEB Cost (AOC)
 - Net OPEB Obligation (NOO)
- Sample footnote disclosure information in accordance with GASB 45
- Projected benefit payouts (i.e. pay-as-you go)
- Summary of demographic information
- Summary of plan provisions
- Summary of actuarial assumptions and methodologies

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- Sensitivity analysis of alternate assumptions (optional)
- Glossary

Service Area 2 – Actuarial, Healthcare Trust Fund Consulting, Healthcare Reform and General Services

Describe how your work plan and approach accounts for actuarial work pertaining to health benefit plans and legislation.

As previously described, Aon Hewitt begins with an analysis of your most recent claims experience. This would include the most recent data available from the current plan year and the past plan year. In addition we review the past three years of claims to identify any underlying trends that are not consistent year over year and may need to be addressed in future trend calculations.

We then apply the impact of any known legislative changes that may have occurred at the Federal State and/or local level which may modify the manner in which benefits are provided or the benefit themselves are modified. Aon Hewitt benchmarks the City's current benefits and contributions against previously agreed upon cities, counties or other local government entities to ensure the City is appropriately situated with their peers.

At that time, we approach the City with our assumptions and confirm any benefit modifications or contribution strategies that the City is planning, would like to consider or would like to have modeled that supports the overall compensation strategy for the HSS employees and participating employers.

Once all this information is compiled, Aon Hewitt will develop actuarial calculations regarding rates, contributions and reserve requirements in accordance with the City's policies that are in effect. The Aon Hewitt team will then meet with the City with draft calculations and assumptions. This meeting is to ensure that the City understands the cost of various legislative requirements, the impact of any benefit modification and confirm the contribution strategy for the next plan. The City will then be requested to approve these assumptions.

Aon Hewitt will finalize the rates, contributions and reserve requirements after receiving the City's approval of the strategy.

Describe how your work plan and approach accounts for performing actuarial work for health benefit plans with over fifty thousand (50,000) members.

The City's experience provides Aon Hewitt all the necessary information needed to create an actuarial evaluation due to the size of the covered population. Once all the required premium and eligibility levels have been established, Aon Hewitt uses the following 10 key steps for a comprehensive and successful renewal project:

Step 1–Development of Renewal Criteria.

When preparing for annual renewals, it makes sense to conduct a renewal strategy session to establish the objectives for the coming year. The Aon Hewitt team will work with the City staff to ensure the RFP inquiries support these criteria.

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Step 2–Time line and Project Plan.

A time line or project plan is a critical factor in the success of any project. For that reason we carefully define the time line to illustrate the tasks and deadlines as well as task dependencies and where the responsibility will lie.

Step 3–Benchmarking Information for the Marketplace.

Aon Hewitt maintains a comprehensive database of health care organizations with detailed financial, quality, management and member satisfaction results. With online access to this resource and knowledge of local product offerings, our consultants can determine the best matches in key opportunities for the City. In addition, we can use this data to set the terms and benchmarks for performance goals and risk contracts.

As standard procedure, our consultants will review current NCQA, HEDIS and NAIC information about each health plan prior to making a recommendation to the City.

In reviewing plan benefits and costs, prior to renewal, Aon Hewitt will benchmark the City's experience against normative standards and best practices. Aon Hewitt's consultants and actuaries utilize rigorous evaluation methodologies, adjusting for all pertinent data and information, such as demographic composition, location, plan design, etc.

Step 4–Detailed Cost Analysis of Renewals and Plan Options.

The starting point in projecting subsequent year's cost is completing the analysis and review of the claims experience for the current year in combination with prior years, for cases of 50,000 enrolled employees it is assumed that a myriad of data is available. We review the most recent twelve-month experience period and adjust for anomalies due to catastrophic losses or the effect of historic plan changes. From this normalized baseline, a monthly cost per employee adjusted by changes in reserves is calculated to reflect the actual per capita cost on an incurred versus paid basis. This is then projected for trend, based on Case specific trend (regression analysis is performed on a minimum of 36 months of historical data), to develop a projected monthly per capita cost for the subsequent year. Fixed costs (administration, cost of insurance, reasonable vendor profit, assessments to increase the solvency of the health fund.) are then added to create a funding rate. Using the projected employee enrollment in the plan for the subsequent year, the total annual plan cost is calculated. All calculations are peer reviewed to assure accuracy and reasonableness.

A comparison of current and projected plan costs is provided both on a per capita and total plan cost basis. At this point, modeling the effect of any plan changes requested by the City or suggested by Aon Hewitt can be handled with ease.

Step 5–Plan Design Consulting for Health and Welfare Plans.

Whether your strategy is to promote the concept of "total compensation," or to use a more traditional benefits program, Aon Hewitt can help ensure the plans you sponsor support your strategy to the fullest. The design, structure, and delivery of your benefits are only the first steps. We can also assist in determining the most effective methods for administering health and welfare benefits, including an exploration of possible efficiencies to be gained through greater electronic benefits administration or outsourcing.

Step 6–Negotiation of Renewal Terms and Rates.

In accordance with the timing for focused annual enrollment activity, Aon Hewitt will coordinate the request and receipt of annual plan renewals from all carriers in consistent, electronic formats. Under the direction of the supervising actuary and designated program specialists, staff associates will confirm

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underlying plan experience, examine applied trends and margins for reasonableness, and assess the accuracy of the submitted renewal proposal. Reserving requirements for insured and self-funded programs impacting renewals, resulting premium and premium equivalents will be examined by the renewal team. Discussion and negotiation with each of the carriers will follow our initial renewal analysis. Preliminary and final renewal reports will be prepared for and delivered to the City to include current financial ratings of each carrier. Presentation of our findings with carriers, as needed, is considered part of the renewal process.

Step 7–Analysis of Funding Options.

As organizations grow or decline in size over time, their ability to shoulder risk changes. We provide financial analysis and resulting advice to clients on every type of program funding encompassing the full spectrum of traditionally insured to self-funded plans. Aon Hewitt will assist the City in examining the size of the City's health care risk pool to determine projected claims costs, appropriate levels of reserves, and stop loss deductible levels appropriate under a potential self-funded approach.

Step 8–Establish Performance Guarantees.

We will assist the City in establishing the appropriate performance guarantees where warranted by type of plan and the City enrollment. The performance guarantees will be designed to address your specific needs and include typical service standards such as:

- Claim turnaround time and accuracy (both financial and service/data accuracy);
- Member services speed of answer, abandonment rate, and overall satisfaction of member services;
- Provider access standards;
- Reporting timeliness; and
- Implementation deliverables (identification cards, claim ready system, summary plan descriptions, etc.).

We feel it is important to develop performance guarantees that focus on holding the account service team financially accountable for responsiveness to the client. You would be in control of grading the account service team on a quarterly basis to evaluate the level of service received.

Step 9–Contract Review.

As part of our normal consulting service, we will review the City's SPDs, any outstanding vendor contracts and address any unresolved issues. We will also incorporate the City's expectations regarding future contracts into our timelines, recognizing that we need to be vigilant in terms of the interface with vendors. Aon Hewitt's client team will ensure that all documents prepared by the City's vendor comply with the terms of all negotiated benefits, effective dates, and prices. In addition, we will work with your benefits representatives to coordinate your internal contract reviews so contracts can be finalized in a timely manner.

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Step 10–Post Project Review.

An important part of our job as your consultant is to continue to grow our knowledge about the City's culture and needs as well what works and doesn't work in our relationship. One way to do this is to do a retrospective review of each project or engagement we perform on the City's behalf. For this reason we will perform a project review.

Describe how your work plan and approach accounts for HSS's role in tracking and reporting data for the preparation of San Francisco's GASB-45 Valuation Report.

There are two distinct areas of expertise that are utilized to complete a GASB 45 valuation at Aon Hewitt.

The first in the Health Care Actuary analysis and development of claims and the second is the Health Care retirement actuaries' utilization of the claims cost provided to discounted value of anticipated future retiree claims expense for the applicable population.

The data request to the health care actuary is to perform the starting claims cost. This requires premium sheets-rates and contributions by plan by tier with corresponding enrollment for the fully insured plans. The information required for self insured plans is premium equivalents and contributions by plan, tier and corresponding enrollment for each. This information will be collected by HSS for distillation by Aon Hewitt at the appropriate intervals.

Aon Hewitt's Retirement Actuary then establishes the pre-retiree cost for actives early retirees and post 65 retirees and spreads the cost on an age graded basis for primary insured and spouses.

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F. Project Cost – 10 points

1. *Cost Proposal*

The City seeks proposals demonstrating an efficient, effective approach with measurable deliverables and outcomes.

The City intends to award a contract to the Proposer(s) that will provide the best overall Proposal(s) to the City inclusive of qualifications and cost considerations. The City reserves the right to accept other than the lowest cost and to reject all proposals that are not responsive to this RFP.

- The City recognizes that estimating costs may be difficult and is asking Proposers to state their assumptions. Proposers should estimate staff hours and levels of effort based on previous experience with projects similar in size and scope of this RFP.
- The City will negotiate costs and work effort with the selected Proposer to develop a firm fixed price for the contract utilizing a blended hourly rate to compensate Proposer for all services, travel, lodging, meals, miscellaneous and any other expenses related to the completion of services. Additional and separate cost reimbursement will not be provided by the City.
- Note that hourly rates provided shall apply to any and all as-needed services requested by the City for the full contract period under this RFP, as applicable. Please see RFP Attachment I, Section 13.

A spreadsheet or table format is preferred with sufficient detail for the City to determine the justification for what is being included. Provide a total Cost Proposal on a project basis for Service Area 1 and **on an annual basis** for Service Area 2 with a breakdown of:

1. Number of hours and cost per activity or deliverable described in Section 2, Scope of Services of this RFP;
2. Standard hourly billing rates by staff name/role with the estimated percentage of overall team effort each staff person would allocate to the project;
3. Total number of hours; and
4. Total cost for all services under this RFP.

Only fill out the information for the Service Area(s) you are applying for.

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Service Area 1 – GASB 45 Valuation Services

THE CITY AND COUNTY OF SAN FRANCISCO

RFP No. CON-2011-03

Detailed Annual Work Plan — July 1, 2011 thru June 30, 2014

STAFF MEMBER	ESTIMATED BILLING RATE			ESTIMATE HOURS			ETIMATED TOTAL BILLED		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Brad	\$630	\$650	\$675	43	5	43	\$27,090	\$3,250	\$29,025
Actuarial Review	\$630	\$650	\$675	6	0	6	\$3,780	\$0	\$4,050
Anil	\$405	\$420	\$435	35	0	35	\$14,175	\$0	\$15,225
Consultant	\$405	\$420	\$435	60	5	60	\$24,300	\$2,100	\$26,100
Analyst	\$300	\$310	\$325	105	2	105	\$31,500	\$620	\$34,125
Admin	\$125	\$125	\$125	21	0	21	\$2,625	\$0	\$2,625
TOTAL	\$383	\$498	\$412	270	12	270	\$103,470	\$5,970	\$111,150
ESTIMATED COSTS							\$220,590		
FIXED FEE							\$195,000		

(Table 2)

Aon Hewitt charges for services on an hourly basis. Project hours and costs shown above (Table 2) are estimated based on our best and most realistic estimate for plans of this size, our understanding of the scope of the work, and our experience with similar projects. Our fixed fee to provide the services for the three year period is \$195,000.

These fees assume participant data is relatively clean and free from internal inconsistencies and is provided in a single electronic data file. We also assume information is provided in a timely fashion and that the County's personnel are available to discuss issues pertinent to Aon Hewitt progressing on the projects.

The GASB valuation fee includes preliminary results on two assumption sets—additional assumptions could cost more. We would be pleased to discuss any projects that are outside the scope of this proposal. Fees for any out-of-scope services will be charged at our standard hourly rates. Examples of these services include additional plan cost forecasts / projections, evaluation of additional benefit structures, or alternative assumption scenarios. We will notify you of estimated fees above \$5,000 before we perform any out-of scope services.

The fee includes up to four meetings to discuss progress and/or results of the project. These can include a “kick-off” meeting, presentation of assumptions and methodologies, discussion of results with management, and public presentation of results.

Service Area 2 – Actuarial, Healthcare Trust Fund Consulting, Healthcare Reform and General Services

Please see the Cost Proposal (Table 3) on the following page.

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THE CITY AND COUNTY OF SAN FRANCISCO

RFP No. CON-2011-03

Detailed Annual Work Plan — July 1, 2011 thru June 30, 2014

STAFF MEMBER	ESTIMATED BILLING RATE			ESTIMATED HOURS			ESTIMATED TOTAL BILLED		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
2.1.1.1 — Calculate Annual Rates for the Medical PPO Plans									
Anil	\$296	\$307	\$318	210	210	210	\$62,087	\$64,386	\$66,686
Analyst	\$197	\$204	\$215	85	85	105	\$16,754	\$17,374	\$22,612
Admin	\$91	\$91	\$91	25	25	25	\$2,281	\$2,281	\$2,281
Sub-Total	\$352	\$365	\$379	320	320	340	\$81,121	\$84,041	\$91,579
2.1.1.2 — Calculate Contribution Amounts for Participating Employers and HSS Members									
Anil	\$296	\$307	\$318	60	60	60	\$17,739	\$18,396	\$19,053
Analyst	\$197	\$197	\$197	15	15	15	\$2,957	\$2,957	\$2,957
Sub-Total	\$318	\$285	\$293	65	75	75	\$20,696	\$21,353	\$22,010
2.1.1.3 — Calculate the Reserves for the Medical PPO Self-Insured Plan and the Dental DPO Self-Insured Plan									
Paige	\$296	\$307	\$318	20	20	20	\$5,913	\$6,132	\$6,351
SME	\$460	\$478	\$496	10	10	10	\$4,599	\$4,782	\$4,964
Anil	\$296	\$307	\$318	10	10	10	\$2,957	\$3,066	\$3,176
Analyst	\$197	\$204	\$215	5	5	5	\$986	\$1,022	\$1,077
Admin	\$91	\$91	\$91	5	5	5	\$456	\$456	\$456
Sub-Total	\$298	\$309	\$320	50	50	50	\$14,910	\$15,458	\$16,024
2.1.1.4 — Review and Evaluate Existing Health Trust Fund Policies									
Anil	\$296	\$307	\$318	60	60	60	\$17,739	\$18,396	\$19,053
Analyst	\$197	\$204	\$215	20	20	20	\$3,942	\$4,088	\$4,307
Admin	\$91	\$91	\$91	5	5	5	\$456	\$456	\$456
Sub-Total	\$260	\$270	\$280	85	85	85	\$22,137	\$22,940	\$23,816
2.1.2 — As Needed Actuarial and Consulting Services									
Anil	\$296	\$307	\$318	60	60	60	\$17,739	\$18,396	\$19,053
Paige	\$296	\$307	\$318	20	20	20	\$5,913	\$6,132	\$6,351
Sub-Total	\$405	\$405	\$405	80	80	80	\$23,652	\$24,528	\$25,404
2.2.2 — Healthcare Trust Fund Consulting Services									
Analyst	\$197	\$204	\$215	115	115	115	\$22,667	\$23,506	\$24,765
Paige	\$296	\$307	\$318	70	70	70	\$20,696	\$21,462	\$22,229
Anil	\$296	\$307	\$318	50	50	50	\$14,783	\$15,330	\$15,878
Sub-Total	\$247	\$257	\$268	235	235	235	\$58,145	\$60,298	\$62,871
2.2.3 — Auditing Services									
Anil	\$296	\$307	\$318	40	40	40	\$11,826	\$12,264	\$12,702
Analyst	\$197	\$204	\$215	20	20	20	\$3,942	\$4,088	\$4,307
Admin	\$91	\$91	\$91	25	25	25	\$2,281	\$2,281	\$2,281
Paige	\$296	\$307	\$318	10	10	10	\$2,957	\$3,066	\$3,176
Sub-Total	\$221	\$228	\$236	95	95	95	\$21,006	\$21,699	\$22,466
2.2.4 — As Needed Services									
Anil	\$296	\$307	\$318	100	100	100	\$29,565	\$30,660	\$31,755
Analyst	\$197	\$204	\$215	40	40	40	\$7,884	\$8,176	\$8,614
Admin	\$91	\$91	\$91	30	30	30	\$2,738	\$2,738	\$2,738
Paige	\$296	\$307	\$318	10	10	10	\$2,957	\$3,066	\$3,176
Sub-Total	\$240	\$248	\$257	180	180	180	\$43,143	\$44,640	\$46,282
2.2.5 — Health Care Reform Services									
Anil	\$296	\$307	\$318	95	95	95	\$28,087	\$29,127	\$30,167
Analyst	\$197	\$204	\$215	45	45	45	\$8,870	\$9,198	\$9,691
Admin	\$91	\$91	\$91	40	40	40	\$3,650	\$3,650	\$3,650
Paige	\$296	\$307	\$318	40	40	40	\$11,826	\$12,264	\$12,702
SME	\$460	\$478	\$496	10	10	10	\$4,599	\$4,782	\$4,964
Sub-Total	\$248	\$247	\$256	230	220	220	\$57,031	\$54,239	\$56,210
TOTAL	\$275	\$280	\$290	1,245	1,245	1,265	\$341,841	\$349,196	\$366,661
CONTRACT TOTAL							\$1,057,697		

(Table 3)

APPENDIX

ACTUARIAL AND CONSULTING SAMPLE REPORT 1