



LOS ANGELES COMMUNITY COLLEGES

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ADMINISTRATIVE OFFICES

January 12, 2007

**SUBJECT: Request for Proposals (RFP) #06-12  
Employee Benefits Insurance Broker and Consulting Services**

Gentlemen/Ladies:

This letter is **Addendum 2** to the subject RFP issued by the Los Angeles Community College District ("LACCD" or "District") and is made a part of that solicitation.

At the preproposal meeting held on January 3, 2007, the following material information was communicated by LACCD's representatives:

1. Names, location and roles of current benefits contractors:

- a. Fickewirth & Associates, Ventura  
Broker services in support of District's health and welfare benefits programs for medical, dental and vision, and consulting services to District and Joint Labor/Management Benefits Committee.
- b. Keenan & Associates, Torrance  
Broker services in support of District's basic/voluntary life and accidental death and dismemberment programs.
- c. Benefit Service Center, Chatsworth  
Benefits administration support services, including call center, database maintenance, premium billing reconciliation, open enrollment support, COBRA and part-time faculty administration, and eligibility audits.
- d. Ceridian, Salt Lake City, UT  
Maintains benefits database for retirees and survivors.
- e. Lavell Communications, Pasadena  
Communications services, including development and processing of annual highlights booklets and quarterly newsletters.
- f. Horizon Health, San Diego  
Administration of Employee Assistance Program.
- g. SHPS, Louisville, KY  
Flexible spending account plan and third-party administration services.



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2. Current insurers:

- a. Blue Shield of California – PPO and HMO medical plans
- b. Kaiser HMO plan
- c. Blue Cross PPO – Dental
- d. Safeguard – Dental HMO
- e. VSP – Vision
- f. MetLife – Basic/voluntary life and AD&D

The District is fully-insured for medical, dental and vision, except that the “computer vision care” benefit offered through the vision program is self-funded.

Currently, pharmacy benefits are bundled within the medical plans. However, the District would consider carving out and self-funding the pharmacy benefit in the future.

3. Names of unions represented on JLMBC:

- a. AFT College Staff Guild Local 1521A
- b. SEIU Local 99
- c. Teamsters Local 911
- d. SEIU Local 347
- e. Building & Construction Trade Council
- f. AFT College Faculty Guild

4. Communications quote (optional work):

Proposal should include all fees including mailing, except for postage. Postage costs are to be passed through to the District with no load.

5. The District’s enterprise software is SAP.

6. Service fees:

- a. All revenue received by the broker in connection with the District’s account is to be declared and applied toward reducing the monthly service fee billed to the District.
- b. The current broker receives a commission of ½ of 1% of paid premium from Blue Shield of California for the placement of the District’s medical insurance and Blue Cross for the placement of the District’s dental insurance. No other commission has been declared by the broker.
- c. Hourly billing rates should be quoted for different labor classes to be used on the account (e.g., President, Vice President, Account Manager).

7. Work outside of scope:

The District currently contracts separately for benefits legal advice and actuarial services and expects to do so for GASB 45-related services. However, Proposers may offer such services to the District on an optional basis as part of their offers.



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8. Employees have never been surveyed about their benefits but can express their opinions at any time through attendance at the JLMBC meetings or by calling or sending e-mail.
9. During open enrollment, employees not making changes to their elections are not required to respond. All retirees and survivors must re-enroll during open enrollment whether or not making changes. Retirees may re-enroll through either the Ceridian database or by submitting a paper form.
10. COBRA is handled/administered by the Benefit Service Center.
11. Retirees who vest for District-paid benefits, and their dependents / survivors, are offered lifetime coverage.
12. A subcommittee of the JLMBC will evaluate and score the proposals received. The subcommittee members will individually evaluate the proposals, then convene to discuss their evaluations and formulate a recommendation to the full JLMBC. While no interviews of Proposers are currently scheduled, interviews may be held if additional information is required by the subcommittee or JLMBC before a decision is made. The JLMBC's broker recommendation will be presented to the District's Board of Trustees for contract approval as early as the Board meeting of February 21, 2007.
13. If a new broker is selected, the selected broker would be responsible for marketing the 2008 renewal, which would begin before the contract inception date of July 1, 2007. Prior to July 1, the selected broker would be responsible for only the renewal marketing of the 2008 plans; the current broker would handle all other tasks in the scope of work, including staffing the JLMBC meetings. Starting July 1, the new broker would assume all broker/consultant duties.

The renewal services provided by the broker prior to the July 1 inception date will be paid during the contract period beginning July 1. Thus, the service fees quoted for the contract period of July 1 through June 30 should include the cost for the marketing renewal for the 2008 plan year. During the contract term the number of marketing renewals would correspond to the number of contract years; that is, if the contract is extended for the full five years, there will be five marketing renewals expected, and the service fees should be quoted accordingly. **Note: This changes the instructions given at the pre-proposal meeting for quoting fees for the 2008 plan year.**

14. The JLMBC meets monthly. While there are no pre-meetings to the monthly meetings, the broker/consultant may be asked to participate in conference calls and subcommittees that are established through the JLMBC. Currently, the JLMBC has established Wellness and Pharmacy subcommittees on which the broker/consultant participates.
15. The District desires to enter into a fixed-price contract based on the estimated annual 1,400 hours of service specified in the RFP. As such, if the number of hours does not accumulate to 1,400 during the year, there is no adjustment required in the contract price. If the hours



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exceed 1,400 because of additional work requested by the JLMBC, the broker may request a corresponding increase in fees from the District. The broker will be required to carefully track and manage its hours expended and fees earned and report these periodically to the JLMBC, with the goal of staying within the annual 1,400-hour budget and contract price.

16. Appended as Attachment A are written questions received after the pre-proposal meeting and the District's answers.

Sincerely,

A handwritten signature in cursive script, appearing to read "Toni C. Harrison".

Toni C. Harrison, ARM  
Risk Manager



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**ATTACHMENT A**

**QUESTIONS AND ANSWERS**

**Question 1:** At the pre-proposal conference, it was indicated that the brokers are paid on a fee basis with commissions used as an offset against the fees and this was public information. It was further indicated that the commission rate was 1½% of premiums paid to Blue Shield.

- a. Is our understanding above correct?
- b. Are commissions also paid by Kaiser and the dental vendors. If yes, at what rate?
- c. What were the total fees and commissions paid for the most recent 12 months?
- d. What are the total fees paid to the communications consultant for the most recent 12 months?

**Answer 1:**

- a. Commissions are used to offset against the flat fee. The Blue Shield commission rate is ½ of 1% of paid premium.
- b. No commissions are reported paid by Kaiser. Blue Cross pays a commission of ½ of 1%; SafeGuard, the other dental carrier, pays no commission.
- c. The fee for broker/consultant services during the current contract period of July 1, 2006 through June 30, 2007 is \$285,000, including commissions.
- d. The fee for communications services during the current contract period of July 1, 2006 through June 30, 2007 is \$99,000. Additional fees of \$29,472 were incurred during open enrollment in November 2006 for a total of \$128,472.

**Q2:** On the LACCD website, it indicated that the JLMBC meetings are scheduled for various Wednesdays each month and listed the meeting dates for the JLMBC meetings from August 2005 through July 2006. The meetings seemed to generally be either the second or third Wednesday of each month. How and when is the meeting schedule set? Is it generally expected to continue to be the second or third Wednesday of each month?

**A2:** The meeting schedule is set by the JLMBC during a regular meeting prior to July. The broker/consultant brings a tentative schedule to the meeting for the JLMBC's approval. The schedule is expected to continue to be the second or third Wednesday of each month.

**Q3:** Are there any special rates or premiums that apply to particular groups that we will need to calculate?

**A3:** No, all rates are calculated by the insurance carriers.

**Q4:** Is there any analysis or work that the broker/consultant needs to perform to assist LACCD in any reimbursement to be received by LACCD from any other public entity such as city, county or state?

**A4:** No.



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**Q5:** We would like to get clarification on the work described as "Assist with budget projections on future costs of Benefit programs." Is the broker/consultant expected to review budget projections prepared by LACCD or is the consultant expected to take the lead role in the preparation of the budget projections?

**A5:** Neither. The broker/consultant is expected to work with the insurance carriers to obtain an increase/decrease premium estimate for the next renewal and provide it to LACCD.

**Q6:** We would appreciate more information about the open enrollment meetings. How many meetings, one at each of the nine colleges? How long do the meetings last? Is the consultant expected to participate in all of the meetings? How much work is involved in the coordination of the meetings?

**A6:** There are 10 open enrollment health fairs, one at each college and the District Office. Each meeting lasts five hours. The consultant is expected to participate in all of the meetings. The preparation for the meetings begins about 2-3 months in advance of the first fair. The fairs are scheduled for the end of October/early November. The broker/consultant assists with scheduling the outside vendors that attend the meetings and in any other way requested.

**Q7:** Confirm that no commissions are paid on the dental and vision benefits to Fickewirth & Associates. If commissions are payable on the dental and vision, what is the commission scale on each as well as the total premium paid on each in CY 2006 (to nearest \$10,000)?

**A7:** See A1 regarding commissions.  
Dental total premium in CY 2006 - \$6,074,000  
Vision total premium in CY 2006 - \$1,279,000

**Q8:** What total fees, over and above any commission offsets, were paid by LACCD to Fickewirth and Associates in CY 2006?

**A8:** See A1.c.

**Q9:** What was the total premium paid to Blue Shield in CY 2006 (to the nearest \$100,000)?

**A9:** \$43,162,000.

**Q10:** What was the total life insurance premium paid to Met Life in CY2006 (to the nearest \$10,000)?

**A10:** \$350,000.

**Q11:** What commission scale is paid to Keenan on the life insurance? If commissions aren't paid to Keenan what total fees were paid to them in 2006?



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**A11:** Keenan is paid a 12% commission. Total fees are not applicable.

**Q12:** Who does the communications consultant work with directly during the creation/drafting tasks? Who approves and signs-off on proofs and blue-lines?

**A12:** The communications vendor works with a subcommittee of the JLMBC that is currently composed of the JLMBC Chair, broker/consultant and a management representative. All subcommittee members approve and sign off on the proofs and blue-lines.