



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: {{item.number}}

Agenda Date: November 30, 2023

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Consulting and Actuarial Review Services for Self-Funded Workers' Compensation and Liability Programs & the San Antonio Fire and Police Pension Fund

SUMMARY:

This ordinance authorizes contracts with Madison Consulting Group, Inc. for consulting and actuarial review services for Self-Funded Workers' Compensation and Liability programs for fiscal years 2023 through 2027, with two additional, one year renewal options covering fiscal years 2028 and 2029 for a total cost of \$69,000.00. Funding in the amount of \$3,500.00 is available from the Liability Insurance Fund FY 2024 Adopted Budget and in the amount of \$3,500.00 is available from the Workers Compensation Fund FY 2024 Adopted Budget;. This ordinance also authorizes a contract with Milliman, Inc. for consulting and actuarial review services for the San Antonio Fire and Police Pension Fund conducted January 1, 2023 with one additional extension option covering the actuarial valuation for January 1, 2028 for a total cost of \$68,000.00. Funding in the amount of \$33,000.00 is available from the General Fund FY 2024 Adopted Budget. Funding for subsequent years of both contracts is contingent upon City Council approval of the annual budget and funds.

BACKGROUND INFORMATION:

Self-Insured Programs:

The City has had an established self-insurance program for its auto liability and general liability exposures since October 1, 1983 and for its exposure to workers' compensation claims since October 1, 1985. The City utilizes the services of a licensed Independent Consulting Actuary to: (1) conduct a comprehensive annual actuarial analysis of the City's self-insured workers' compensation and liability programs; (2) be able to identify the claims or activities that are causing significant fluctuations in the annual actuarial liability; and (3) attend all City quarterly claims meetings for the purpose of jointly reviewing the City's claim reserves, assumptions, and anomalies with the goal of providing additional context for consideration in the development of the respondent's year-end actuarial analysis.

The contract term includes actuarial reviews for fiscal years 2023 through 2027 with two (2) additional one (1) year extensions covering fiscal years 2028 and 2029.

San Antonio Fire and Police Pension Fund:

House Bill 2664 was passed by the 80th Texas Legislature in 2007 and requires employers who sponsor public retirement systems such as the San Antonio Fire and Police Pension Fund (Pension Fund), to retain an independent actuary every five years to review actuarial work products. The legislation requires that the independent actuary discuss the report with the governing body of the public retirement system upon completion. Upon completion this report would be recommended to be provided to the Audit and Accountability Committee.

In accordance with the 2007 legislation, the City has previously engaged Actuarial firms to conduct a review of annual valuations and experience studies regarding the Pension Fund every five years. The five-year cycle recently expired for the actuarial valuations from January 1, 2019, through January 1, 2023, requiring a new review to remain in compliance with state statute.

State law allows for either a Level One or Level Two actuarial audit. A Level One audit is a complete actuarial valuation of the plan based on the same census data, assumptions and actuarial methods used by the plan's actuary. While a Level Two audit is where the reviewing actuary does not fully replicate the consulting actuary's valuation, but instead uses a sampling of the plan's participant data to test the results of the valuation. The City has elected to require the Level One actuarial audit since it is more comprehensive and will provide the City with a better all-around review of the plan's actuarial valuation and results. The City required a Level One Actuarial Audit regarding the review of the most recent actuarial valuations, studies, and reports on the Uniformed Pension Fund as prepared for the Pension Fund Board by Segal Consulting. The goal is to replicate the results of the most recent valuation.

The contract term includes an actuarial review for the actuarial valuation conducted January 1, 2023 with the ability of one (1) additional extension covering the actuarial valuation for January 1, 2028.

The Finance Department, Procurement Division issued a Request for Proposals (RFP) for "Consulting and Actuarial Review Services for Self-Funded Workers' Compensation, Liability & Uniform Pension" (RFP 23-124, 6100017229) on July 28, 2023, with a submission deadline of August 25, 2023. The RFP was advertised in the HartBeat, TVSA channel, the City's Bidding &

Contracting Opportunities website, the San Antonio e-Procurement System and an email notification was released to a list of potential Respondents. Five proposals were received. One proposal was deemed non-responsive due to respondent's failure to meet the proposal requirements as specified in RFP. The remaining four proposals received were deemed responsive for evaluation. Based on the City's standard RFP evaluation process, Madison Consulting Group, Inc. is recommended for contract award for the Self-Insured portion of the contract and Milliman, Inc. is recommended for contract award for the Uniformed Pension portion of the contract

The evaluation committee consisted of representatives from the Finance Department, Office of Risk Management, and City Attorney's Office. The Finance Department, Procurement Division assisted by ensuring compliance with City procurement policies and procedures. The evaluation of each proposal was based on a total of 100 points: 20 points allotted for experience, background, qualifications; 45 points allotted for proposed plan; and 20 points allotted for respondent's price schedule. Ten preference points were allotted for the Local Preference Program, and five preference points were allotted for the Veteran-Owned Small Business Preference Program. Additional categories of consideration included references and financial qualifications.

The evaluation committee met on October 12, 2023, to evaluate the four (4) proposals for the Self-Insured portion of the contract and one (1) proposal, out of the four, who submitted for the Uniformed Pension portion of the contract.

The one (1) proposal response received for the Uniformed Pension portion of the contract was evaluated based on the firm's experience, background, qualifications, proposed plan, and price schedule. Additional categories of consideration included references and financial qualifications. After committee review and evaluation, Milliman, Inc. was recommended for award for the Uniformed Pension portion of the contract by the evaluation committee based on consensus scoring.

Additionally, after committee review and evaluation of the Self-Insured portion of the contract, the two top ranked firms were invited for interviews. Interviews for the Self-Insured portion of the contract were held on October 23, 2023. After interviews, the evaluation committee submitted their scores. The top ranked firm, Madison Consulting Group, Inc. was recommended for award for the Self-Insured portion of the contract.

These contracts will begin upon the effective date of the ordinance awarding the contracts. The contracts will terminate after completion of services for the last fiscal year-end or valuation report date as noted in the awarded term of the contracts.

ISSUE:

These contracts will provide consulting and actuarial review services for Self-Funded Workers' Compensation and Liability Funds as well as the Uniform Pension Fund as required by generally accepted accounting principle requirements and State Statute.

This contract is within the scope of the Small Business Economic Development Advocacy (SBEDA) Program. However, due to lack of available firms and/or subcontracting opportunities,

the Goal Setting Committee was unable to apply a SBEDA tool to this contract.

The Local Preference Program and the Veteran-Owned Small Business Preference Program were applicable to this solicitation; however, none of the firms are local businesses or certified veteran-owned small businesses.

ALTERNATIVES:

Should these contracts not be approved, Finance Department may be required to process individual procurements for these services on an as needed basis thus effecting the actuarial services provided to the City necessary to complete its Annual Comprehensive Financial Report and to meet the State Statute requirements.

FISCAL IMPACT:

Madison Consulting Group, Inc. is recommended for contract award for the Self-Insured portion of the contract for a total amount of \$69,000.00. Funding in the amount of \$3,500.00 is available from the Liability Insurance Fund FY 2024 Adopted Budget and in the amount of \$3,500.00 is available from the Workers Compensation Fund FY 2024 Adopted Budget.

Milliman, Inc. is recommended for contract award for the Uniformed Pension portion of the contract for a total amount of \$68,000.00. Funding in the amount of \$33,000.00 is available from the General Fund FY 2024 Adopted Budget.

Funding for subsequent years of both contracts is contingent upon City Council approval of the annual budget and funds.

RECOMMENDATION:

Staff recommends approval of the contracts with Madison Consulting Group, Inc. and Milliman, Inc., for the consulting and actuarial services.

This contract was procured by means of a Request for Proposal and Contracts Disclosure Forms are required.