



Agenda Date: 8/7/2007  
Agenda Placement: 6R

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Mark Gregersen - Director  
Human Resources  
**REPORT BY:** Olivia Soria, Staff Services Analyst II , 253-4945  
**SUBJECT:** Professional Services Agreement with Aon Employee Benefits Consulting Group

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### **RECOMMENDATION**

Human Resources Director requests approval of and authorization for the Chair to sign an agreement with Aon Employee Benefits Consulting Group ("Aon") for a maximum of \$49,500 for services and \$5,000 for expenses for the term August 7, 2007 through June 30, 2008, to assist with exploring retiree health program alternatives.

### **EXECUTIVE SUMMARY**

The County of Napa is seeking to explore retiree health program design alternatives that would utilize the County's benefit dollars more effectively. A redesign of the existing defined benefit plan would also maintain the competitiveness of the County's Retiree Health program for recruiting and retention purposes. The proposed agreement establishes the terms and conditions of the services provided by Aon.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Human Resources While this agreement was not specifically mentioned in the budget, sufficient funds are available for professional service agreements in the approved budget.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The County of Napa currently offers a Retiree Health program where the health premium is paid by the County based on the employee's length of service and employee group. There is a need to conduct a project to explore Retiree

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	Health program design alternatives that would utilize the County's benefit dollars more effectively while filling in existing coverage gaps.
Is the general fund affected?	Yes
Future fiscal impact:	The agreement is for a one-time charge and will not be renewed after the completion of the Retiree Health program redesign project.
Consequences if not approved:	The County of Napa would continue to utilize its current Retiree Health program and consequently may not use the County's benefit dollars effectively and may continue certain coverage gaps for retirees.
Additional Information:	

### **ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

### **BACKGROUND AND DISCUSSION**

The County of Napa currently offers three general retiree health program designs based on length of service and employee group. The first program is designed for employees who have 20 or more years of service with the County upon retirement. The County pays 100% of the employee only premium until the retiree reaches age 65. The second program is a sick leave conversion program that allows employees to convert accrued and unused sick leave to pay for retiree health premiums for the retiree. In some cases, unused sick leave can also be used to pay for the health premiums of the retiree's spouse. The third program is designed for Department Heads. Department Heads with a minimum of eight years of service with the County are offered a limited life time medical benefit.

Under the proposed agreement, Aon will conduct a project consisting of two phases. During the first phase, Aon will meet with the County to fully explore the current program design for each class of employee and the pros and cons of each program design from both the employer and employee/retiree perspective. Aon will fully explore the County's benefit objectives and begin to strategize on how to restructure the County's current defined benefit retiree health program. During this phase, Aon and the County will explore various design alternatives to gain a better understanding of what would and would not be acceptable to the County, its employees, and its retirees. During the second phase, Aon will conduct a thorough analysis of the top design options identified in the strategy meeting and provide the County with a financial analysis and written report of the findings. Aon's analysis will include the following:

- | Up to three defined contribution plan designs for the County to consider.
- | The impact of the new designs on specific employee/retiree examples.
- | The financial impact of the new designs to the County and its employees/retirees (all groups).
- | Benchmark information on the alternative plan designs.
- | Pros and cons of implementing each alternative design.
- | Areas of concern/administration issues.
- | One follow-up meeting with County staff to present the findings.
- | One follow-up meeting with the County's Board of Supervisors, if requested.

In addition, Aon will analyze the impact of the new program design on the County's Governmental Accounting Standards Board (GASB) expense.

This project needs to be completed in a timely manner. Aon was chosen to conduct the required study and prepare the recommendations because the firm is known to be an expert in the field. Aon has the actuaries, health insurance specialists, public sector industry knowledge, and a detailed understanding of retiree health programs, GASB requirements, and CalPERS health benefit programs. The specialized nature of the services provided by Aon justifies the sole sourcing for this contract.

### **SUPPORTING DOCUMENTS**

None

CEO Recommendation: Approve

Reviewed By: Karen Gratton