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REQUEST FOR PROPOSALS # 05-15
Benefits Consulting and Actuarial Services
University of Maine System
ADDENDUM #1

The University of Maine

University of Maine
at Augusta

University of Maine
at Farmington

University of Maine
at Fort Kent

University of Maine
at Machias

University of Maine
at Presque Isle

University of
Southern Maine

This addendum responds to questions submitted by bidders.

Clarification:

Services described in the RFP are not identical to services received at the current time. The scope of services has been tailored to the needs of the university going forward. As a result, fee information for recent years does not necessarily reflect the types and level of service requested in the RFP. For the last two fiscal years, total fees for benefits consulting and actuarial work, exclusive of commissions, have been:

FY13 \$ 83,220
FY14 \$119,334.

Current vendors are Willis Human Capital Practice and TowersWatson.

Please refer to the additional information contained in the attached pages.

Gregg Allen
University of Maine System
Sourcing Manager

September 19, 2014

Response to Bidder Questions

General

1. What are the three biggest employee benefits challenges that the University of Maine System (UMS) has overcome in recent years?

- Significant future cost avoidance from competitive bidding for benefits programs
- Transition to sole record keeper for 403(b) plan and redesigned investment menu offerings
- Retiree health plan cost reduction and reduction of unfunded liability for post employment health benefits

2. What do you view as the three most significant employee benefits challenges UMS will face over the next few years?

- Increases in the costs of the benefits programs, particularly health benefits; benefits costs as a percentage of total compensation
- Compliance with the Affordable Care Act
- Negotiating benefits provisions with six unions
- Redesign of benefits programs
- Developing a culture of health

3. What is the reason this work is out to bid?

The University of Maine System conducts competitive procurement processes to ensure we are receiving the best quality and value in goods and services. It is our practice to periodically request bids for services where incumbents have been in place for a number of years.

4. We note that the requested actuarial valuations for the Incentive Retirement Plan and the Retirement Plan for Classified Staff are characterized as valuations prepared for GASB purposes only, and the valuation reports provided with the RFP for these plans cover GASB reporting only. Under GASB 27, at least, it has been somewhat unusual to see separate valuation reports produced for accounting purposes only. Are actuarial valuations for funding purposes also produced for these two plans, and if so was the preparation of those valuations intentionally excluded from the scope of services sought under the RFP?

- The Incentive Retirement Plan is not a funded program
- UMS recently adopted a funding policy for the defined benefit retirement plan for hourly/classified employees. The policy is attached. Until recently the plan was fully funded. The actuary is expected to provide a funding strategy as well as the plan valuation. A copy of the current funding strategy is also attached.

- The OPEB valuation contains the Annual Required Contribution (ARC). UMS funds the ARC through a combination of pay as you go costs and funding to a trust.
 - Please note that UMS is a public, non-profit, non-ERISA, quasi-governmental organization.
5. What are UMS's greatest overall challenges with regard to your HR/benefits initiatives?
- a. What are the greatest vendor challenges?
- With any vendor UMS puts a priority on open, clear, ongoing communication
- b. The greatest communication/technology challenges?
- Technology challenges include limited internal IT resources to devote to development of interfaces and to dedicate to new initiatives, the need to expand employee self-service, and the need for better integrated internal systems.
 - Communication challenges include developing a culture of health improvement and consumerism
6. Will annual enrollment remain the month of November?
- We expect open enrollment to continue to be in November
7. What systems do UMS employees use to access HR/benefits information, enroll in benefits, and view wellness educational content and participate in wellness programs and activities?
- Employees use PeopleSoft self-service to enroll in benefits, designate beneficiaries, etc.
 - Our wellness website RiseUP is used to track participation in the wellness incentive program and provides wellness and health information
 - Our FSA provider has a website where employees can manage their accounts
 - Communication with employees is conducted through e-mail, mail, posters, employee meetings and information on websites
8. Who are UMS's current health management vendors today?
- CIGNA for active employee health; Aetna for retiree health; Provant for wellness
- a. How would UMS rate your satisfaction with each? High, average or below expectations
9. Is the incumbent actuary being invited to bid on this proposal?
- Yes
10. Please clarify where the Signature Page (page 16 of the RFP) goes in the proposal response.
- Please place the signature page behind the cover page

Scope of Services

1. When was the last limited-scope audit of the UMS OPEB valuation?
2. When was the last full replication audit of the UMS OPEB valuation?
 - The OPEB valuation is within the scope of the annual financial audit, but it is not separately audited.
3. Question 7 says: “Support of cultural change project (culture of health): Consultant will provide expertise and liaison with outside culture of health consultant...”
 - a. Who is currently your outside “culture of health consultant”?
 - b. Can you describe the role of the outside culture of health consultant?
 - c. What are the drivers for your culture of health initiative (e.g., objectives, financial drivers, high-level timeframes, etc.)?”
 - d. What phase are you in now with regard to the cultural change project (culture of health)?
 - UMS is in the initial stages of work—assessment and development—to develop a culture of health. Dr. Judd Allen of Human Resources Institute, LLC (HealthyCulture.com) conducted initial work on assessing the culture and submitted a report. That engagement was completed. We are currently working with the Employee Health Plan Task Force and Provant, our wellness provider, to determine the next steps in this effort. Drivers are the cost of health benefits, a desire to increase employee engagement and what appears to be a low level of health care consumerism in the employee population.
4. Does UMS have a data warehouse today?
 - a. If yes, is it a direct contract you intend to maintain or is it through another third party?
 - UMS does not have a data warehouse. We purchase data as needed. We have used data from the Maine Health Management Coalition, the Executive Advisory Board and our vendors.
 - b. If applicable, will UMS entertain proposals for an alternate data warehouse?
 - Yes
5. What wellness programs are currently in place?
 - a. Does UMS have incentives today for wellness?
 - b. If yes, are they primarily based on participation, activities or outcomes?
 - For information about wellness programs and incentives please see <http://www.umsriseup.maine.edu/>
6. What creative contracting solutions has UMS pursued to date?
 - UMS has worked with CIGNA to move our healthcare systems to CIGNA’s accountable care contract

- UMS has worked with other large Maine employers, including the State Employee Health Commission and the Maine Education Association to develop regional ACO arrangements.

7. Have you done any research with your employee audience; e.g., focus groups, communication audits?

- UMS works with our Employee Health Plan Task Force, a group that includes representatives of all bargaining units as well as non-represented employees to communicate about, get input about, assess the impact of, and educate about benefits programs.
- See response to Question 3 regarding Culture of Health initiatives

8. Has UMS conducted employee surveys regarding effectiveness or satisfaction with its HR/benefits programs and/or employee communications?

- Not recently. Benefits are collectively bargained and input about employee opinions is received from bargaining, through the Employee Health Plan Task Force, and from group meetings about benefits
 - a. What are the findings?
 - UMS has a rich benefits program which is highly valued by most employees. Employee concerns focus on maintaining a high level of benefits without greatly increasing the cost to employees.

9. Does UMS currently have a specific brand or identity for its overall HR/benefits programs?

a. How is it currently used?

- The UMS wellness program is branded as "RiseUP." We do not have branding for the benefits programs overall.

b. If not, will you want us to create an identity for you or work with your internal creative resources?

- We want consultants to work with internal communications staff. A major branding initiative is not within the scope of the RFP.

10. Do you have language requirements beyond U.S. English?

- UMS has significant groups of employees who speak Somali and French. We are not requesting that benefits materials be provided in these languages. Information from bidders about availability and cost of materials in other languages would be appreciated.

Financial and Legal

1. Can you provide us with the current fees you are paying for these actuarial valuation services?

- Incentive Retirement Valuation: Most recent full valuation \$18,690

- DB plan for hourly/classified employees valuation: Most recent full valuation \$28,052
 - OPEB valuation –\$19,200
2. Would UMS be agreeable to a mutually defined limitation of liability?
- The sample contract language that was provided reflects UMS's standard requirement. If a bidder cannot comply with any aspect of that language, the conflict must be clearly identified in the proposal.

9/18/14

University of Maine System
Classified Retirement Plan Funding Policy
Adopted February 27, 2014

The University of Maine System (UMS) adopted a funding strategy for its Defined Benefit Retirement Plan for Classified Staff on February 27, 2014. The UMS funding strategy follows a long-term contribution schedule, such that a level annual dollar amount will be contributed to the plan indefinitely, while never allowing the plan's assets to be depleted.

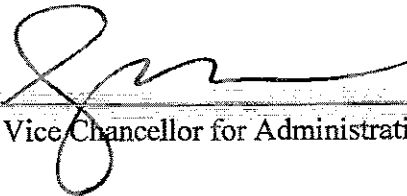
Funding the plan over the long-term allows UMS to smooth market impacts, limiting contribution volatility. The required contribution amount will be re-determined with each actuarial valuation as market performance and other factors will impact the required future funding.

As determined by its actuaries, the UMS annual contribution to be made in fiscal year 2014 is \$550,000, based on the UMS Investment Consultant's supported rate of return of 7.25%. This amount is to be funded on April 1, 2014.

UMS intends to make future years' contributions on the first day of the second quarter of the fiscal year (e.g., January 1st); however, funding on the first day of any quarter in the fiscal year is acceptable.

Adopting this funding policy allows the UMS to continue using its Investment Consultant's approved rate of return for purposes of the UMS Retirement Plan for Classified Staff actuarial valuation, including any unfunded portion of the liability.

Funding Policy approved by:



Rebecca Wyke, Vice Chancellor for Administration and Finance

**University of Maine System Retirement Plan for Classified Staff
Projected Contribution Schedule**

Schedule 1: Long Term Contribution Schedule

| Year | Projected Fiduciary Net Position BOY | Projected Employer Contributions | Projected Admin Expenses | Projected Benefit Payments | Projected Investment Earnings (7.25%) | Projected Fiduciary Net Position EOY |
|------|--|--|--------------------------------|----------------------------------|--|---|
| 1 | 39,188,846 | 550,000 | 90,000 | 5,008,925 | 2,679,178 | 37,319,099 |
| 2 | 37,319,099 | 550,000 | 91,800 | 4,933,449 | 2,546,245 | 35,390,095 |
| 3 | 35,390,095 | 550,000 | 93,636 | 4,818,190 | 2,410,432 | 33,438,701 |
| 4 | 33,438,701 | 550,000 | 95,509 | 4,671,458 | 2,274,115 | 31,495,850 |
| 5 | 31,495,850 | 550,000 | 97,419 | 4,529,023 | 2,138,264 | 29,557,672 |
| 6 | 29,557,672 | 550,000 | 99,367 | 4,388,919 | 2,002,666 | 27,622,052 |
| 7 | 27,622,052 | 550,000 | 101,355 | 4,229,713 | 1,867,933 | 25,708,917 |
| 8 | 25,708,917 | 550,000 | 103,382 | 4,076,933 | 1,734,600 | 23,813,202 |
| 9 | 23,813,202 | 550,000 | 105,449 | 3,924,317 | 1,602,523 | 21,935,959 |
| 10 | 21,935,959 | 550,000 | 107,558 | 3,750,536 | 1,472,537 | 20,100,401 |
| 11 | 20,100,401 | 550,000 | 109,709 | 3,581,978 | 1,345,385 | 18,304,099 |
| 12 | 18,304,099 | 550,000 | 111,904 | 3,418,776 | 1,220,888 | 16,544,307 |
| 13 | 16,544,307 | 550,000 | 114,142 | 3,228,606 | 1,099,996 | 14,851,556 |
| 14 | 14,851,556 | 550,000 | 116,425 | 3,025,599 | 984,421 | 13,243,954 |
| 15 | 13,243,954 | 550,000 | 118,753 | 2,854,694 | 873,874 | 11,694,380 |
| 16 | 11,694,380 | 550,000 | 121,128 | 2,661,541 | 768,324 | 10,230,035 |
| 17 | 10,230,035 | 550,000 | 123,551 | 2,465,619 | 669,051 | 8,859,917 |
| 18 | 8,859,917 | 550,000 | 126,022 | 2,274,397 | 576,440 | 7,585,938 |
| 19 | 7,585,938 | 550,000 | 128,542 | 2,081,788 | 490,847 | 6,416,454 |
| 20 | 6,416,454 | 550,000 | 131,113 | 1,893,289 | 412,681 | 5,354,733 |
| 21 | 5,354,733 | 550,000 | 133,735 | 1,721,714 | 341,724 | 4,391,007 |
| 22 | 4,391,007 | 550,000 | 136,410 | 1,553,487 | 277,750 | 3,528,860 |
| 23 | 3,528,860 | 550,000 | 139,138 | 1,386,451 | 221,096 | 2,774,367 |
| 24 | 2,774,367 | 550,000 | 141,921 | 1,232,120 | 171,793 | 2,122,119 |
| 25 | 2,122,119 | 550,000 | 144,759 | 1,086,725 | 129,582 | 1,570,217 |
| 26 | 1,570,217 | 550,000 | 147,655 | 953,415 | 94,214 | 1,113,361 |
| 27 | 1,113,361 | 550,000 | 150,608 | 832,417 | 65,296 | 745,633 |
| 28 | 745,633 | 550,000 | 153,620 | 723,699 | 42,401 | 460,714 |
| 29 | 460,714 | 550,000 | 156,692 | 626,979 | 25,079 | 252,123 |
| 30 | 252,123 | 550,000 | 159,826 | 541,619 | 12,885 | 113,563 |
| 31 | 113,563 | 550,000 | 163,023 | 466,731 | 5,393 | 39,202 |
| 32 | 39,202 | 550,000 | 166,283 | 401,429 | 2,211 | 23,701 |
| 33 | 23,701 | 550,000 | 169,609 | 344,707 | 2,989 | 62,375 |
| 34 | 62,375 | 550,000 | 173,001 | 295,564 | 7,423 | 151,233 |
| 35 | 151,233 | 550,000 | 176,461 | 252,969 | 15,259 | 287,061 |
| 36 | 287,061 | 550,000 | 179,990 | 216,101 | 26,294 | 467,264 |
| 37 | 467,264 | 550,000 | 183,590 | 184,164 | 40,367 | 689,878 |
| 38 | 689,878 | 550,000 | 187,262 | 156,480 | 57,362 | 953,498 |
| 39 | 953,498 | 550,000 | 191,007 | 132,523 | 77,195 | 1,257,163 |
| 40 | 1,257,163 | 550,000 | 194,827 | 111,789 | 99,813 | 1,600,359 |
| 41 | 1,600,359 | 550,000 | 198,724 | 93,847 | 125,195 | 1,982,983 |
| 42 | 1,982,983 | 550,000 | 202,698 | 78,385 | 153,344 | 2,405,244 |
| 43 | 2,405,244 | 550,000 | 206,752 | 65,120 | 184,286 | 2,867,658 |

**University of Maine System Retirement Plan for Classified Staff
Projected Contribution Schedule**

Schedule 1: Long Term Contribution Schedule

| Year | Projected Fiduciary Net Position BOY | Projected Employer Contributions | Projected Admin Expenses | Projected Benefit Payments | Projected Investment Earnings (7.25%) | Projected Fiduciary Net Position EOY |
|------|--|--|--------------------------------|----------------------------------|--|---|
| 44 | 2,867,658 | 550,000 | 210,887 | 53,739 | 218,069 | 3,371,101 |
| 45 | 3,371,101 | 147,000 | 215,105 | 44,042 | 240,411 | 3,499,365 |
| 46 | 3,499,365 | 0 | 219,407 | 35,819 | 244,614 | 3,488,753 |
| 47 | 3,488,753 | 0 | 223,795 | 28,914 | 243,934 | 3,479,978 |
| 48 | 3,479,978 | 0 | 228,271 | 23,133 | 243,344 | 3,471,919 |
| 49 | 3,471,919 | 0 | 232,836 | 18,348 | 242,768 | 3,463,502 |
| 50 | 3,463,502 | 0 | 237,493 | 14,410 | 242,132 | 3,453,732 |
| 51 | 3,453,732 | 0 | 242,243 | 11,208 | 241,369 | 3,441,649 |
| 52 | 3,441,649 | 0 | 247,088 | 8,634 | 240,412 | 3,426,339 |
| 53 | 3,426,339 | 0 | 252,030 | 6,595 | 239,198 | 3,406,913 |
| 54 | 3,406,913 | 0 | 257,070 | 4,986 | 237,668 | 3,382,525 |
| 55 | 3,382,525 | 0 | 262,212 | 3,740 | 235,761 | 3,352,335 |
| 56 | 3,352,335 | 0 | 267,456 | 2,784 | 233,419 | 3,315,514 |
| 57 | 3,315,514 | 0 | 272,805 | 2,052 | 230,586 | 3,271,243 |
| 58 | 3,271,243 | 0 | 278,261 | 1,500 | 227,201 | 3,218,683 |
| 59 | 3,218,683 | 0 | 283,826 | 1,075 | 223,208 | 3,156,990 |
| 60 | 3,156,990 | 0 | 289,503 | 775 | 218,543 | 3,085,255 |
| 61 | 3,085,255 | 0 | 295,293 | 547 | 213,144 | 3,002,560 |
| 62 | 3,002,560 | 0 | 301,199 | 382 | 206,945 | 2,907,924 |
| 63 | 2,907,924 | 0 | 307,223 | 262 | 199,873 | 2,800,312 |
| 64 | 2,800,312 | 0 | 313,367 | 178 | 191,855 | 2,678,623 |
| 65 | 2,678,623 | 0 | 319,634 | 117 | 182,812 | 2,541,683 |
| 66 | 2,541,683 | 0 | 326,027 | 80 | 172,657 | 2,388,234 |
| 67 | 2,388,234 | 0 | 332,548 | 52 | 161,301 | 2,216,935 |
| 68 | 2,216,935 | 0 | 339,199 | 33 | 148,646 | 2,026,349 |
| 69 | 2,026,349 | 0 | 345,983 | 21 | 134,587 | 1,814,933 |
| 70 | 1,814,933 | 0 | 352,902 | 12 | 119,013 | 1,581,032 |
| 71 | 1,581,032 | 0 | 359,960 | 7 | 101,804 | 1,322,869 |
| 72 | 1,322,869 | 0 | 367,159 | 3 | 82,831 | 1,038,538 |
| 73 | 1,038,538 | 0 | 374,503 | 2 | 61,956 | 725,989 |
| 74 | 725,989 | 0 | 381,993 | 1 | 39,029 | 383,025 |
| 75 | 383,025 | 0 | 389,633 | 1 | 13,892 | 7,283 |

Notes:

- Expected return on asset assumption of 7.25% assumed met annually.
- Expected benefit payments based on data, assumptions, and methods used in July 1, 2013 report dated September 2013
- Contributions, benefit payments, and administrative expenses assumed to be paid mid-year
- Administrative expenses assumed to increase by 2% annually