

AGENDA ITEM

144 MARCH

DATE: February 15, 2012

TO: Members, Planning, Program Development and Budget Committee
Members, Board of Trustees

FROM: Robert A. Hawley, Deputy Executive Director

SUBJECT: **Contract Authorization – Amendment to Contract For:** Milliman
Actuary Contract- Continued Actuarial Assessment of the State Bar
Sponsored Life Insurance Program

EXECUTIVE SUMMARY

Under Board Policy, Tab 17 [Control Policies & Procedures], Article 3 [Contracts], Section 2 [Authority], contracts in excess of \$75,000 involving consulting services must be authorized by the Board of Trustees. Authority is sought here to amend the existing contract with Milliman Actuary to increase the contract amount to total \$200,000. Milliman Actuary has provided actuarial assessment of the State Bar Sponsored Life Program and this work is essential to the Committee on Group Insurance Programs (COGIP) in their oversight of the program. Board members with questions about this matter may contact Robert Hawley at (415) 538-2277 or Robert.Hawley@calbar.ca.gov.

BACKGROUND

Tab 17 [Control Policies & Procedures], Article 3 [Contracts], Section 2 [Authority] of the Board's Policy Book states as follows:

“No contracts for consulting services, capital equipment, or technology purchases exceeding \$75,000 may be entered into, by or on behalf of the State Bar unless authorized by the Board of Trustees. Any future amendments to a contract originally below the \$75,000 threshold that will result in bringing the total contract amount to this level will also require Board approval.”

Exempted are those contracts associated with the normal operations of the Bar including but not limited to site agreements, Admissions consultants, IOLTA and Equal Access grant distributions, and other routine contracted services exceeding \$75,000.

“Also exempted are cases of emergency where a purchase is necessary for the immediate reservation of the public health, welfare or safety, or protection of State Bar

employees or property provided the details justifying an emergency contract and other supporting documentation be reported to the Board at its next scheduled meeting.”

ISSUE

In accordance with the foregoing, Board authorization is requested to proceed with an amendment to the existing contract with Milliman Actuary to increase the contract amount to total \$200,000.

DISCUSSION

Milliman Actuary has been providing actuarial services in connection with the State Bar Group Life Insurance Program (Program) since 2004. Their ability to evaluate and work with the carrier has played a key part in the success of the Program. It has been a number of years since the actuary performed any in-depth analysis of the Program. In 2011, COGIP asked Milliman Actuary to conduct an in-depth analysis with respect to the actuarial assumptions made by the carrier, in order to determine whether Program changes might be needed. The original projection was that this would not exceed \$75,000. COGIP and Milliman now project that the work will exceed that amount. This work is being continued in 2012 and we anticipate the cost to be well within the requested amount here. The cost incurred is reimbursed by the Life Program Contingency Reserve Fund (CRF) and therefore does not affect the State Bar budget. We ask for your consideration to increase the contract amount to total \$200,000 for work done in 2011 and 2012.

FISCAL / PERSONNEL IMPACT:

There is no fiscal or personnel impact to the State Bar budget. The cost for outside actuarial services is supported by the Life Program CRF which by legal requirement is a reserve fund solely for the benefit of the Life Program. All costs associated with evaluating the Life Program are reimbursed by the CRF.

RULE AMENDMENTS:

None.

BOARD BOOK IMPACT:

None.

RECOMMENDATION

Staff recommends that the contract amendment and contract as set forth above be approved.

PROPOSED BOARD COMMITTEE RESOLUTION:

Should the Planning, Program Development and Budget Committee agree with the above recommendation, the following resolution would be appropriate:

RESOLVED, that the Planning, Program Development and Budget Committee recommends that the Board hereby authorizes staff to proceed with the amendment to the Milliman Actuary contract in a form approved by the Office of General Counsel, within the parameters set forth.

PROPOSED BOARD OF TRUSTEES RESOLUTION:

Should the Board concur with the Planning, Program Development and Budget Committee's recommendation, the following resolutions would be in order:

RESOLVED, that upon the recommendation of the Planning, Program Development and Budget Committee, the Board hereby authorizes staff to proceed with the amendment to the Milliman Actuary contract in a form approved by the Office of General Counsel, within the parameters set forth.