

PERALTA COMMUNITY COLLEGE DISTRICT
Board of Trustees Agenda Report
For the Trustee Meeting Date of November 15, 2016

ITEM TITLE: *(Please define the subject; e.g., change order – Berkeley City College)*

Acceptance of the **American Fidelity Administrative Services Agreement** to support our compliance with the Affordable Care Act (ACA) reporting and monitoring requirements.

SPECIFIC BOARD ACTION REQUESTED:

1. Recommendation to increase an existing professional services agreement (ICC#21307) with American Fidelity Administrative Services, LLC by \$25,000 to continue to provide consulting, analysis and support in compliance with the new Affordable Care Act (ACA) reporting and monitoring requirements.

As an employer with more than 500 employees, the District is required to report and keep track of hours worked for each type of pay, according to federally-defined guidelines. While the Federal IRS Form W-2 reports wages, new reporting requirements which became effective in 2016, have introduced IRS Form 1095 which the District is required to submit on behalf of those covered under a group health plan in the preceding calendar year. IRS Form 1095 reports benefits enrollment for employees and retirees covered under a Peralta plan. This is a new business process which impacts the District and other employers with an employee base of 500 or more. The new contract amount will be \$50,000, and the District anticipates using the services of American Fidelity Administrative Services, LLC through June 30, 2017.

ITEM SUMMARY: *(PLEASE DISCUSS THIS ITEM. IF A VENDOR IS INVOLVED, PLEASE INCLUDE THE COMPANY NAME AS WELL AS THE INDIVIDUAL.)*

Vendor: American Fidelity Administrative (AFA) Services, Raelene Walker and Che Yi, Account Managers and Consultants

The District has engaged the services of administrative features of **AFA** since 2014. In addition to the ***Employer Mandate Analysis, March 2105***, AFA has provided consultation to the Peralta ACA Operational Strategy team on matters of how to:

- satisfy reporting requirements by the new IRS Tax Reporting Forms 1094 and 1095 as required in the 2015 and subsequent tax years. (The new IRS Forms are the health-care equivalent to the wage reporting IRS Form W-2.);
- analyze our employee workforce to identify those who may become eligible for medical benefits by working the ACA-defined thresholds of 30 hours a week;
- project the impact on the Cadillac Tax, (a tax based on the value of the lowest cost medical benefits offered);
- develop internal record-keeping processes to ensure consistency in how we interpret ACA definitions; and
- minimize the financial exposure to penalties for not reporting on eligible employees, or not offering affordable coverage thereby driving employees to the Health Care Exchange.

The Peralta ACA Operational Strategy Team includes Budget Director, David Yang; Payroll Director, Fred O'Yang; and Benefits Manager, Jennifer Seibert.

Although the Affordable Care Act was passed in March 2010, elements of the act were scheduled forward for several years from the passing of the act.

During the impact analysis of the “Pay or Play” Employer Mandate requiring that we offer benefits to employees working 30 or more hours a week system development for delivering the new IRS healthcare reporting forms 1094 and 1095, we enlisted the consulting services of AFA.

BACKGROUND/ANALYSIS:

During the compliance development of the Employer Mandate requirement under the ACA, the District was in the bidding process for a new Benefits Consultant. Our former consultant (PSW Benefit Resources) had provided guidance since 2010. Upon the retirement of PSW, the District looked at other partners who could provide guidance during the critical planning and implementation period for calendar years 2015 forward. The District explored possibilities from existing partnerships:

- Keenan and Associates, our current partner for Benefit Bridge; and
- Milliman, our current actuary for the Federal Medicare D Subsidy program.

American Fidelity had experience with other California Community Colleges and is, therefore, familiar with the nuances unique to the community college workforce:

- Ohlone
- Mira Costa
- Cuesta

DELIVERABLES AND SCOPE OF WORK:

American Fidelity will provide:

- access to electronic platforms currently unavailable through our current consultant;
- continuity in the professional expertise and guidance in the tracking of our workforce; and
- reporting support to the IRS.

ANTICIPATED COMPLETION DATE:

JUNE 30, 2017

ALTERNATIVES/OPTIONS:

WITHOUT THE PARTNERSHIP:

- DISTRICT RESOURCES WOULD DISTRIBUTE THE IRS-REQUIRED 1094 AND 1095 FORMS;
- DISTRICT RESOURCES WOULD CONFIGURE /CUSTOMIZE PPS FOR THE MONITORING OF EMPLOYEE HOURS WORKED PER THE ACA DEFINITION, AS WELL AS PREVAILING DEFINITIONS IN THE CBA’S AND OTHER CONTRACTS;
- LOOKING FOR A PARTNER OUTSIDE OF THE DISTRICT WOULD COMPROMISE THE ON-GOING MONITORING AND WOULD REQUIRE ADDITIONAL TESTING;
- OUR CURRENT PARTNERSHIP IS ENDORSED BY OUR CURRENT BENEFITS CONSULTANT; AND
- OVER THE LAST FEW YEARS, SERVICES PROVIDERS HAVE ENTERED AND EXITED THE MARKET WITHIN A SHORT PERIOD OF TIME. IT IS IN THE DISTRICT’S BEST INTEREST TO PRESERVE THE CONTINUITY OF REPORTING AND MAINTAIN THE PARTNERSHIP FOR THIS FISCAL YEAR.

EVALUATION AND RECOMMENDED ACTION:

The District's Benefits Office has evaluated the deliverables to date for American Fidelity and found them to be satisfactory. Therefore, it is recommended that the requested budget augmentation be approved for American Fidelity to continue to provide the District with support for 2016-2017 regarding compliance and reporting, as required under the Affordable Care Act.

OTHER DEPARTMENTS IMPACTED BY THIS ACTION (E.G. INFORMATION TECHNOLOGY):

YES HUMAN RESOURCES, PAYROLL, BUSINESS SERVICES, INFORMATION TECHNOLOGY NO _____

COMMENTS:

WHO WILL BE PRESENTING THIS ITEM AT THE BOARD MEETING? (VICE CHANCELLOR TRUDY LARGENT)

(*****Board contract approval is subject to negotiation and execution by the Chancellor.)

DOCUMENT PREPARED BY:

Prepared by: Trudy Largent, Vice Chancellor, Human Resources & Employee Relations
[Enter Here - Your Name and Title of Individual]

DOCUMENT PRESENTED AND APPROVED BY:

Presented and approved by: Trudy Largent, Vice Chancellor, Human Resources & Employee Relations
[Enter Here - Name of College President, (if originating from a college) or Vice-Chancellor (if originating from the District)]

FINANCE DEPARTMENT REVIEW

Finance review required Finance review *not* required

If Finance review is required, determination is: Approved Not Approved

If not approved, please give reason: _____

Signature: Ron Little,
Ron Little, Vice Chancellor, Finance and Administration

GENERAL COUNSEL (Legality and Format/adherence to Education Codes):

Legal review required Legal review *not* required

