

May 30, 2013

Alderman Michael Murphy, Chairman
City of Milwaukee Common Council Finance and Personnel Committee
200 East Wells Street, Room 205
Milwaukee, WI 53202

File No: 130113 authorizing a Request for Proposal for Flexible Spending vendor

Dear Alderman Murphy and Finance Committee Members:

The City of Milwaukee entered into a two year contract with a one year extension in 2011 with the eflex company to provide a Section 125 Flexible Spending Program (FSA) for City employees. The FSA program includes a Medical, a Dependent Care and a Parking account. The City has been pleased with the services of eflex and their management of the FSA program. The City understands the need to do a RFP for these services after three years, as well as the challenges of changing a FSA administrator.

The City currently has 1767 employees with FSA Medical, 205 with FSA Parking, and 89 with FSA Dependent Care. The net cost to the City for the administration is about \$70,000 per year. There is a large benefit to the program for both employees and the City based on the tax advantaged use of the funds.

The City through the Department of Employee Relations will engage with Willis of Wisconsin in a RFP process for both FSA program and for the possibility of a Health Reimbursement Account Program (HRA). A HRA is an IRS sanctioned employer-funded, tax advantaged employer health benefit plan that reimburses employees for out of pocket medical expenses. Employees are allowed to use their funds for future medical expenses with no deadline. Many save these funds for out of pocket medical expenses after retirement. An employee is not allowed to contribute to this account. The RFP process will allow us to consider administrators that can provide both FSA and HRA programs.

The Department of Employee Relations will engage a review team to read the responses to the RFP, then meet with Willis to review the costs, and return to Finance and Personnel Committee with a recommendation for a partner vendor for a three year term with the option of extending for up to two additional three year terms.

The FSA any future HRA program provides a tax advantaged opportunity for both the City and the employee. I would be happy to answer any questions or comments regarding this file at your convenience.

Sincerely,

Michael Brady
Employee Benefits

CC: Ellen Tangen, CA
Dennis Yacarrino, DOA
Maria Monteagudo, DER
Deborah Ford, DER
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