



Department of Employee Relations

February 21, 2020

Alderwoman Milele Coggs, Chairwoman
City of Milwaukee Common Council Finance and Personnel Committee
200 East Wells Street, Room 205
Milwaukee, WI 53202

Tom Barrett
Mayor

Maria Monteagudo
Director

Renee Joos
Employee Benefits Director

Nicole Fleck
Labor Negotiator

File No: 191641 Flexible Spending & Health Reimbursement Arrangement Request for Proposal

Dear Alderwoman Coggs and Finance Committee Members:

The City of Milwaukee currently provides an IRS Section 125 Flexible Spending Arrangement (FSA) program administered by Benefit Advantage and a Health Reimbursement Arrangement (HRA) for the Healthy Rewards portion of the Wellness Program. A Flexible Spending Arrangement allows employees to be reimbursed for medical, dependent care and parking expenses from an account funded through employee salary deductions. A Health Reimbursement Arrangement is an IRS approved, employer funded, tax advantaged benefit plan that reimburses employees for out of pocket medical expenses.

The City's Flexible Spending Program includes a medical, dependent care and parking option. Currently there are 2,888 employees enrolled in FSA Medical, 225 in Parking and 129 in Dependent Care. The annual cost to the City for the Flexible Spending program is approximately \$100,000 and both the City and employees benefit based on tax savings from the FSA contributions. In 2019, over 2,000 employees and spouses earned a HRA through the Wellness Healthy Rewards Program and participation in Healthy Rewards and the number of participants earning a HRA continues to grow.

The current three year contract with Benefit Advantage ends December 31, 2020 and the Department of Employee Relations (DER) is not pursuing the option for a two year extension. The DER will work with its consultant, Gallagher Benefits Services, Inc. to execute a Request for Proposal process for both the Flexible Spending and Health Reimbursement Arrangement programs. A review team will be selected to evaluate the responses including a financial analysis by Gallagher and the DER will return to the Finance and Personnel Committee later this year with a recommendation for a vendor partner.

I am happy to answer any questions or comments regarding this file.

Sincerely,
Renee Joos
Employee Benefits

