

QUESTIONS AND ANSWERS
PRE-PROPOSAL CONFERENCE (OPTIONAL)

JLARC RFP #2007-002TC

August 29, 2007

10:00 a.m.

House Room 1, State Capitol, Richmond, VA, 23219

Questions Resulting in Changes to the RFP

Q: Will actuarial analysis be required or is there an error on pages 16 and 17?

A: The two references to actuarial expertise and analysis, on pages 16 and 17 of this RFP, were made in error. Actuarial expertise is not specifically required for this contract. Listed below are revised sections of the RFP.

Under the "Specific Requirements" on page 16, the paragraph labeled (1) should be deleted and replaced with the following:

(1) Information which reflects the qualifications of the offeror to provide consulting services including expertise in State employee compensation and benefits, and experience in compensation and benefits consulting generally and within a legislative environment.

In Table 6 on page 17, RFP Evaluation Criteria Management, the first bullet point under the qualifications of proposed personnel should read: "Number, qualifications, and related experience of the offeror's proposed professionals, including subcontractors if included in the proposal."

Other Questions

Q: When will the contract be awarded?

A: The proposals are due on Wednesday, September 12, 2007. It is anticipated that the panel will meet to evaluate the proposals approximately one week after the proposals are due. The panel might request oral presentations from the top ranked offerors. Once the panel makes a decision concerning its top-ranked firm, negotiations will begin. Once a contract has been successfully negotiated, an award will be made.

In order to incorporate the deliverables from the RFP into the larger study effort, most of the work on this project will need to be completed by late spring 2007.

Q: Who will comprise the RFP review panel?

A: The panel will consist of seven representatives: four JLARC staff members, one staff member from the House Appropriations Committee, one staff member from the Senate Finance Committee, and one member from the Department of Human Resource Management (DHRM).

Q: What is the current state and what is the driving need for the study?

A: Some members of the legislature have expressed concern about the short- and long-term costs of retirement and other employee benefits such as health care. Other concerns relate to the Commonwealth's ability to recruit and retain a qualified workforce, productivity, equity across the Commonwealth's workforce, and consistency with best practices. The new GASB rules concerning OPEB have heightened concerns about the short- and long-term costs and liabilities associated with employee benefits. In addition, there has been an ongoing concern that benefits have historically been used as an alternative to cash compensation. As a result, some have expressed concern that salaries might be lagging behind those offered by other employers. Further, there has been concern that there might be an improper mix of salary and benefits. By focusing on total compensation, rather than a component part thereof, the study should offer legislators the opportunity to explore and ultimately determine an appropriate mix of salary and benefits, recognizing that the status quo is one option in a range of possible mixes.

Q: What is the current status of recruitment and retention in the Commonwealth?

A: Recruitment and retention are not significant problems overall in the Commonwealth; overall turnover was approximately 13 percent in 2006. However, the Commonwealth does have difficulties recruiting and retaining employees in specific job roles, such as nurses, direct service associates, and security officers. The contractor will assist JLARC staff in determining whether the Commonwealth needs to change the compensation for the Commonwealth's hard-to-fill and high-turnover job roles.

Q: What about motivation? Is the motivation piece not perceived to be effective?

A: The Department of Human Resources Management has been considering surveying employees about the extent to which they are motivated and engaged. JLARC staff will also survey employees and address the extent to which they are motivated to perform and work towards organization objectives. Once this survey is administered, the contractor will have full access to the information.

Absent this pending information, overall, employees appear to be fairly satisfied with their compensation. However, some early feedback indicates that some employees would like to see some elements of their compensation changed. One of the goals of this study is to help determine how well the Commonwealth uses the total compensation package to motivate employees, maximize productivity, and keep employees satisfied. In addition, the study needs to recognize the diversity of the Commonwealth's workforce and pay particular attention to roles where the work itself or the work environment can be challenging, such as those at the Department of Corrections and the Department of Mental Health Mental Retardation and Substance Abuse Services.

Q: Is there interest in or an eye for more performance-based compensation?

A: Yes, performance-based compensation would be one area under consideration. Pay-for-performance was one of the components of the Commonwealth's Compensation Reform effort in 2000.

Q: Is there interest in cutting costs and/or trimming back benefits?

A: The legislature is interested in more efficient and effective methods for providing compensation and benefits to its employees. There is interest in controlling long-term costs, but this does not necessarily imply or necessitate a reduction in employee benefits. For some specific benefits, like health care, there is interest in how premiums can be reduced. However, the Commonwealth has already implemented a number of cost containment and cost savings initiatives in this area. To the extent that methods for reducing and controlling costs are available, there is interest in determining the impact on both the employer and employee.

Q: Will change management be part of this study effort?

A: To the extent that potential changes to the current system are identified, part of the contractor's role will be to help determine the impact of a change if it were to be implemented. Part of assessing this impact would likely include any financial and other resources to facilitate the necessary change management effort.

Q: Please describe the preliminary research that has been done on this study.

A: JLARC are in the process of conducting interviews with agency human resources personnel and with employees in specific hard-to-fill and high-turnover job roles. The goals of these interviews are to discuss issues related to recruitment and retention, to find out what works well with compensation and what does not, and to discuss their preferences for compensation.

JLARC staff have also developed, or are in the process of developing, several surveys:

- Survey of State Employees Who Leave Their Current Job: The goal of this survey is to determine the role of compensation, if any, in employees' decisions to leave their jobs. This survey is currently available to all classified employees who leave their current job and will be open until mid-2008.
- Survey of State Agencies About Total Compensation: This survey will be available to agency human resources directors and agency leadership at the end of August 2007. Survey results are expected by the beginning of October 2007.
- Survey of State Employees About Total Compensation: This survey will be available to all classified State employees in the late 2007 or early 2008. Results are expected in early 2008.

Q: Will the survey and interview data be available to the contractor?

A: Yes, both the survey data and interview documentation will be available to the contractor.

Q: Is there any preference data on the surveys?

A: The survey of State employees will probably ask employees to rank the benefits provided by the State. This survey will also include questions that assess employee preferences for certain changes to compensation. This survey data will be available by agency, job role, and geographic location.

Q: Will the employee survey include a forced rank of the total rewards components?

A: Final design of the survey is not complete, but it probably will include questions that require a ranking of compensation components.

Q: When was the Commonwealth's last study of compensation?

A: The last major study of compensation was the Commonwealth's review of the classified compensation plan, which was completed on January 14, 2000. The study was conducted by the Commission on Reform of the Classified Compensation Plan, a legislative commission which was charged with recommending reforms to the Commonwealth's classified compensation plan. This study is available at <http://www.dhrm.state.va.us/compreform/finalreport.pdf>.

Q: Will the contractor be required to review all 291 job roles in depth, or a subset of job roles?

A: No, the contractor will conduct an in-depth review of a subset of job roles, which will be selected by JLARC staff. As stated in Task 4.C of the RFP, JLARC staff will "select 15 to 20 specific job roles in certain locations of the State that will be the focus of this task."

Q: What is the Commonwealth's philosophy with respect to competing with other employers? Alternatively, where does the Commonwealth want to be when ranking its competitiveness? At what quartile or at what percentage would be appropriate?

A: The *Code of Virginia* (§ 2.2-1202) states that:

It is a goal of the Commonwealth that its employees be compensated at a rate comparable to the rate of compensation for employees in the private sector of the Commonwealth in similar occupations. In determining comparability, consideration shall be given to the economic value of fringe benefits in addition to direct compensation.

DHRM's Human Resources Management Manual states that its compensation philosophy is to pay employees in a manner sufficient to support and develop a high performance workforce that provides quality services in a fiscally responsible manner to the citizens of Virginia.

Q: Do you expect the contractor to do any surveys, or do you expect the contractor to depend on JLARC survey data?

A: JLARC has no specific requirements or expectations regarding contractor needs to conduct surveys. The contractor will need to assess what data is needed to meet the requirements of the RFP. As stated earlier, data from JLARC staff surveys of agencies and employees will be available to the contractor, but the contractor can conduct additional surveys if needed. JLARC staff is not planning any surveys or does not have any data on salaries or benefits provided by other employees.

Q: What type of pricing is expected?

A: A fixed price cost estimate, preferably broken down by part or task, will be expected.

Q: When is the deadline for the deliverables?

A: The study mandate requires that all of the work related to this study be completed by October 2008. Accordingly, both the retirement analysis (RFP 2007-001R) and the total compensation analysis must be largely completed by May or June 2008. However, this is expected to be an iterative process with ongoing exchange of data and information throughout the project.

Q: Will the contractor need to be present at the final presentation to the Commission?

A: Yes, the contractor will need to be present to answer potential questions from the Commission members at the October 2008 Commission meeting. In addition, the contractor may be asked to give a part of the presentation. The contractor will also need to be available during the 2009 General Assembly session to answer questions from Senate Finance, House Appropriations, and/or other legislative staff. In addition, the contract has a renewal feature, so the contractor could potentially be awarded additional work in 2009 or 2010.

Q: What level of priority has the legislature placed upon this study?

A: This study has a very high priority for the legislature. Each year a large number of bills relating to compensation and benefits are considered by the General Assembly; for example, there are often numerous bills to change certain aspects of the retirement system. As a result, the legislature is interested in ways to more systematically address employee compensation and benefits. In addition, current budget shortfall projections have renewed interest in addressing the Commonwealth's approach to providing compensation and benefits to its employees. Further, the legislature appropriated dedicated resources for the specific purpose of completing this study.

Q: What portion of the Commonwealth's total budget does compensation and benefits for employees comprise?

A: Total State expenditures for FY 2006 were approximately \$33 billion, of which about \$11 billion was operating expenditures (excluding transfer payments, contractual services, and capital). Spending related to salaries, wages, and benefits for State employees was approximately \$7 billion, or about 65 percent of operating expenditures for FY 2006 (or about 21 percent of total expenditures).

Q: Is there a provision for SWAM vendors?

A: Yes, please see page 17 of the RFP.

Q: You asked for resumes of the staff that will be committed to the project. Is the contractor allowed to replace staff without your consent?

A: JLARC would expect the contractor to inform it of any changes to key staff. JLARC would expect some changes among lower level contractor staff, and does not need to be notified of these changes as long as there are adequate staff to complete the required work. However, JLARC expects that the principals assigned to the project, as presented in vendor proposals, will be committed to the project from its inception through final products, deliverables, and the ultimate culmination of the project.

Q: Will the contractor selected for the retirement study (RFP 2007-001R, consulting services related to public employee retirement benefits) be conducting any analysis of health insurance costs?

A: No.

Q: What is the estimated budget for the project?

A: The legislature appropriated \$310,000 for the total compensation portion of this study in FY 2008.

Q: How will health care for retirees be handled?

A: Virginia provides a credit to retirees to offset their retiree health care costs. The amount of the credit is based on years of service to the Commonwealth. In addition, the structure of the Commonwealth's health insurance plan provides an implicit subsidy to retirees for health care, because early retirees are in the same plan as active employees and their premiums are based on this larger pool of employees. GASB now has various reporting requirements surrounding the funding of this post-employment benefit.

Q: What is the timeframe for the retirement study?

A: The timeframe for the retirement study is similar to the timeframe for the total compensation study.

Q: Has a contractor been selected for the retirement study?

A: No. JLARC received five proposals, which were evaluated and ranked by the selection committee. JLARC has begun negotiations with the highest-ranked offeror but no award has been made as of August 29, 2007.

Q: When will written responses to the questions posed at the pre-proposal conference be available?

A: Written responses will be available by Tuesday, September 4, 2007. They will be available on the JLARC web site and will also be emailed to all contractors who attended the pre-proposal conference.