

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: Deborah S. Traffenstedt, Administrative Services Director **DST**
Prepared by: Teri Davis, Senior Management Analyst 

DATE: October 24, 2007 (CC Meeting of 11/7/07)

SUBJECT: Consider Authorization to Sign Letter of Intent to Initiate Process for Adopting Flexible Spending Account Benefit

BACKGROUND AND DISCUSSION

The City of Moorpark (City) provides qualified City employees with a competitive benefit package and is desirous of maintaining such package. Periodically, the City evaluates potential benefits, not currently offered, to determine whether an advantage exists in adding it to the benefit package. The attached describes an optional 125 Flexible Spending Account (FSA) Administrative Services Proposal (Proposal) and, if adopted, would not only enhance the City's competitive benefit package, it would allow the City to be consistent with the growing number of cities offering a FSA benefit.

FSAs are authorized under the Internal Revenue Code (Section 125) and provide participating employees with a vehicle through which certain out-of-pocket medical expenses may be paid using pre-tax dollars. Dollars are deducted from participating employee's paychecks, on a pre-tax basis, and deposited directly into a FSA. Participating employees designate the amount of money they want directed to their FSA account each year and that dollar amount must be used prior to the new calendar year. Any unused funds are considered forfeited funds and returned to the participating city to be applied to administrative costs.

Benesyst is a FSA Administrator that handles nearly all of the administration (implementation included) procedures for its clients. Administrative costs to the participating cities are nominal. Once Benesyst provides enrollment services to an employee, the employee is issued a debit card to be used for certain expenses. These expenses can include costs relating to vision, dental, general medical, and prescription and over-the-counter drugs. It can also be applied to dependent daycare expenses. Benesyst also provides processing of all financial and claims data, a call center to assist FSA participants, internet access to FSA information, direct deposits, paper statements to participants (optional – increases costs, but statements are available online at no charge), employer reporting, compliance, auditing, and the development of the City's FSA Master Plan (Master Plan).

The Proposal describes the services provided in more detail. An Estimate for the costs to the City is attached and is based on a fifteen percent participation rate (i.e. fifteen percent of the current number of qualified employees employed with the City). The total set-up and communication cost to the City for the first year, assuming the FSA is implemented as early as possible, or March, 1, 2008, is \$1,945.92. Added to that is the flexible administrative fees, estimated to be \$277.02 for a total of \$2,222.94 for the time period of March through June 2008. Cost savings from currently budgeted benefits, from each Department, will be used to pay the estimated costs for implementing the FSA benefit for Fiscal Year 2007-08.

Attached is a Letter of Intent to Benesyst, which is required to initiate the implementation of the FSA program for the City. The Master Plan, once it is developed by Benesyst, will be presented to City Council prior to the FSA implementation date for approval.

City Council concurrence to authorize the Letter of Intent is requested.

STAFF RECOMMENDATION

Authorize the City Manager to sign and submit to Benesyst the Letter of Intent.

Attachment: Benesyst Proposal Packet

ATTACHMENT



Overview and Proposal

For the Assumption of

*Flexible Spending Account
Administrative Services*

Presented to:

City of Moorpark

On Behalf of:

Debi Bennett

Account Executive

ABD Insurance & Financial Services

Effective Date: 3/1/2008

000189



Our goal is to make this proposal as clear, friendly and readable as possible. For specific information, please refer to the contents below. Rate information is on pages 12-13

We look forward to helping you understand our services.

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FSA Administrative Services Overview and Proposal

October 12, 2007

About Benesyst

Benesyst is about responsiveness. Successful health and welfare professionals across the country are choosing Benesyst for FSA and other administrative services. With an Operations Center in Minneapolis, MN and offices in Cincinnati, OH and San Francisco, CA, Benesyst has been administering Flexible Spending Accounts since 1988. We provide unparalleled service to employers and participants, invest in advanced technologies, are committed to fast, accurate and compliant reimbursement processes, and hire knowledgeable and friendly staff that provide unsurpassed participant and client care.

In This Proposal...

1. We will provide an overview of FSAs and our administrative processes
2. We will provide our rates for implementing and administering the FSA program
3. We will provide the City of Moorpark an understanding of why Benesyst constitutes the best administrative value in the industry

What Distinguishes Benesyst from Other Administrators?

Benesyst provides conscientious, accurate administration that runs problem-free.



Employers come to us because of our solid reputation for caring service, professionalism, innovation and industry-leading performance on every FSA key measure. We intend that our commitment to you show up in every aspect of our partnership.

Conscientious administration of your Flexible Spending Account plan is crucial to its success. The Benesyst system has evolved based on input from hundreds of employers. Over the last decade, services have been refined based on continued input and new technologies to achieve the following key goals:

The Benesyst Advantage

Experience You Can Trust

More than 15 years experience in FSA administration and a client retention rate exceeding 97% speak to Benesyst's commitment to excellence.

Next-Generation Debit Card

The Benesyst Benny™ Benefits Card can be used for Health Care FSAs. The Benesyst Benny™ not only provides instant reimbursement, it solves most "pay-and-chase" problems by managing supporting data directly from your carriers!

The Fastest Payment of Manually Submitted Claims in the Industry

Healthcare claims: (5) business days

Daycare claims: (2) business days.

Caring Customer Support

Participants and employers rave about our Customer Care Center representatives' ability to provide complete and accurate information.

The Best Online Reporting

Participants

Have access to complete account information online 24 hours a day, 7 days a week for convenient retrieval any time of the day.

Employers

Have 24/7 access to reports including account summaries, check registers and contribution reports - all easily delivered in Microsoft Excel.

"I have been involved with employee benefit vendor selections for 25 years and the selection of your firm ranks as one of my best decisions due to your professionalism and customer dedication."

Tom Morin
Manager, Health and Welfare Plan Design
Northrop Grumman Corporation

Benesyst's Administration is More Cost Effective

The cost of FSA administration is based on two factors: administrative fees paid less the payroll savings to the employer. The number of employees participating in the FSA program is the primary determinant of payroll tax savings (and therefore, cost or gains) for the City of Moorpark.

We have found that participant satisfaction is the most important factor affecting participation levels in the plan. That's why we reimburse daycare claims within two (2) business days and Health Care claims within five (5) days! Through surveys and feedback over the years we have learned the factors that inhibit plan participation. Here's how we specifically address each key concern:

1. Employees fear the "use it or lose it" provision (forfeited contributions)

Benesyst provides excellent enrollment and year-round communication materials online, on the phone and on paper. These communication materials, along with 24/7 access to account information enable and support informed, low-risk decision making.

We provide a more convenient, more paperless debit card solution which works **healthcare** transactions, all of which effectively support lower risk and higher participation

2. Employees fear slow reimbursement and the resultant cash-flow issues

Benesyst Benny™ Benefits Card reimbursement is instant! Benesyst's *RapidPay* system absolutely leads the industry in claims turnaround time and ease of claims filing.

The overall effect of addressing these issues is happier participants, more participants (especially in the Dependent Daycare FSA), and hence reduced net administrative costs for the employer; in short, a better win-win situation for the City of Moorpark. The table at the right clearly illustrates the cost savings as a result of Benesyst's administration.

Benesyst's Accuracy Eliminates Administrative Headaches

Benesyst's unique audit protocols provide highly accurate results. Every claim received is audited by a highly-trained staff member to ensure IRS documentation requirements are met. This minimizes the need for rework, complaints and requests for the intervention of the employer's benefits or HR staff.

Benesyst's Advanced Technology Translates into 24 Hour Information Access

Benesyst's enterprise-wide utilization of advanced technology and refined protocols enable us to exchange data efficiently, to report to employees 24-hours a day via our website or InfoLine, and to process claims, payments and reporting efficiently and accurately.

Increased Participation in Dependent Daycare Leads to Savings for the City of Moorpark

Increasing participation levels in dependent daycare can greatly enhance City of Moorpark's tax savings. The table below illustrates the tax savings to a sample employer with 225 eligible employees and an average of \$333 contributed by each dependent daycare participant per month:

	"Generic" Administration	Benesyst Administration
% of Employees in Program	4%	5%
Participants	9	11
FICA and FUTA Tax Savings to Employer, per month (7.7%)	\$230.77	\$288.46
Additional Tax Savings, per month, to employer with Benesyst Administration		\$57.69

As you can see, just a 1% increase in dependent daycare participation leads to significant monthly savings, savings totaling more than \$57 in this case.

Benesyst recognizes that increasing participation greatly enhances employer tax savings and provides a verifiable return on your investment. To increase participation, Benesyst:

- Provides dependent care reimbursements immediately (within two business days) reducing participant concerns about cash flow problems.
- Provides excellent communication to participants so that they understand the important tax savings offered by enrolling in FSAs.
- Provides a number of online resources so participants have instant access to vital account information.

Benesyst has a proven track record of increasing participation, providing hidden savings that most employers don't take into account when choosing an administrator.

Benesyst Provides Peace of Mind That Your Data is Always Secure

Our FTP server, 128-bit encryption, firewalls, back-up protocols and other measures assure the integrity of the data and process results. Benesyst never sells or gives data to any outside entity for profit or any other form of advantage.

Benesyst Keeps You Informed

The City of Moorpark and its employees are advised and informed in a timely manner of legislative developments, plan requirements, non-discrimination test results and information required for government form filing.

Benesyst Always Maintains Confidentiality

As a matter of principle, and in order to ensure continued high participation, confidentiality is always preserved in claims processing. Benesyst, an independent third-party administrator, protects employees from privacy-related employee relations problems and the participation consequences resultant from internal administration.

FSAs at a Glance

Flexible Spending Accounts (FSAs) are made possible by the Internal Revenue Code (Sections 105, 125 & 129). Although the law establishing these code sections was passed in 1978, the first Flexible Spending Account programs were not implemented until late 1982, when clarifying regulations were released.

Subject to certain IRS rules and restrictions, Flexible Spending Accounts allow employees to pay certain out-of-pocket expenses through an FSA with pre-tax dollars. In addition to the employee share of employer-sponsored insurance premiums, employees may contribute toward certain "employer-sponsored" Flexible Spending Accounts. The most common types of expenses included in Flexible Spending Account programs are:

- Un-reimbursed vision, dental and general medical expenses, including most over-the-counter drugs
- Dependent daycare expenses

Expenses paid through a Flexible Spending Account are not subject to Federal, state or FICA taxes. This results in increased spendable income for participating employees. The employer pays no share of FICA taxes or FUTA taxes on earnings that participants redirect to an FSA. This reduces payroll expenses, in turn offsetting administrative service fees and more.

About Flexible Spending Accounts

- The employee pays expenses with pre-tax dollars. Federal, state and FICA taxes are reduced.
- Flexible Spending Accounts, by their nature, significantly improve cash-flow and increase spendable income for participating employees.
- The program is completely voluntary and provides desirable flexibility to employees.
- Generally no net cost to the employer – Employer payroll taxes are reduced: both FICA and FUTA. These savings generally exceed administrative expenses, creating an appreciated benefit program that operates on a cost-free or net gain basis.
- The plan, effectively communicated, helps attract and retain employees.
- The 2007 limit for DCFSA is \$5,000. The HCFSA limit is set by the employer.

"...If you recall, employee satisfaction was at an all-time low with our previous administrator and our office was overwhelmed with complaints. The complaints have turned to compliments especially with the speed and accuracy of the claim reimbursements."

Steve Richardson
Assistant Director, Human Resources
City of Rochester

Overview of Benesyst's Flexible Spending Account Administrative Services

Following is a general overview of the services, which, if Benesyst is selected, we propose to provide City of Moorpark:

Complete Takeover and/or Enrollment/Re-enrollment Services

The City of Moorpark will receive training and useful FSA Administration Manuals that contain organized information regarding implementation steps, a timeline, and FSA reference information including procedures for enrolling new employees, filing claims, handling terminated employees as well as file specifications, sample forms and worksheets. The City of Moorpark will also have a designated primary operational contact as well as comprehensive contact information for every relevant function at Benesyst. Benesyst will:

- Manage the takeover of all contribution, disbursement and pended claim data from the current administrator
- Communicate the change of administrators to all participants
- Provide all participants everything they need to begin using Benesyst, the Benesyst website and the Benesyst InfoLine, as well as all customer service functions
- Manage all future re-enrollments in conjunction with and according to the City of Moorpark's systems, as agreed

Prompt Processing of Financial and Claims Data

Under our *RapidPay* system, claims are processed, disbursed and mailed (or ACH transferred) within five business days for Health Care Reimbursement claims, and within two business days for Dependent Daycare Reimbursement claims, from the date we receive the claim. This is an industry-leading standard.

Participant & HR Call Center

Benesyst is recognized for providing superb person-to-person help. Our



Customer Care Center administrators are highly trained experts in FSA administration who are delegated the authority to make any change compliant with plan provisions and the law, on the spot.

Our toll-free Customer Care Center available from 8 a.m. to 6 p.m. CST. The Customer Care Center provides award-winning support services including:

- Explanation of how the benefit program works, how benefits compare, decision support, plan details and how claims are submitted and reimbursement is made; Explanation of covered and non-covered items;
- Explanation of how a claim was processed and why a particular claim was denied; Resolution of claims paid and facilitation of claim disputes;
- Explanation of debit card usage, substantiation and card issuance;
- Provide fulfillment support for any necessary forms not found on the website. Answer questions about accessing and using the website.

***RapidPay* Allows Benesyst to Pay Claims Faster Than Other Administrators**

What is *RapidPay*? To put it simply, our *RapidPay* system means participants will receive their reimbursement checks faster than other administrators.

Benesyst guarantees that healthcare claims will be paid in five (5) business days and dependent care claims will be paid in two (2) business days.

In 2006 and through 2007 the average healthcare claim was paid in under four (4) days and under two (2) days for dependent care. Coupled with **daily** disbursements, Benesyst's *RapidPay* system truly is an industry standard.

Benesyst's *RapidPay* system processes and disburses reimbursements on a daily basis. There is no schedule or cut-off dates with *RapidPay*. Claims are continuously processed as they arrive, making the whole process quite stress-free for anyone filing a manual claim, or for those groups choosing not to utilize the Benesyst Benny™ Benefits Card, which of course reimburses instantly, securely and nearly paperlessly.

At Benesyst, we take great pride in the speed and accuracy of our *RapidPay* reimbursement process. Our *RapidPay* system was carefully conceived and meticulously refined thanks to input from human resources representatives and participants and translates into industry-leading turnaround times for participants.

Visionary Debit Card Technology (Optional)

The Benesyst Benny™ Benefits Card solution for Health Care FSA provides participants with a convenient reimbursement option that results in a measurable return on your investment. Studies have shown that participation generally increases by at least 10% once the card is implemented, while actual contribution levels see a 10% to 20% increase, thus generating increased tax savings for employers.



It largely eliminates a lot of the paper and accuracy problems commonly associated with debit cards. The Benesyst Benny™ Benefits Card is seamlessly integrated with our claims reimbursement platform and has run error-free. The card utilizes extensive carrier connectivity for automated claims adjudication. Where there is no connectivity, the system can be programmed with the copay amounts to further automate adjudication. The result is a platform that can automatically and paperlessly adjudicate between 60% and 90% of claims, depending on the level of carrier connectivity, saving participants and, inevitably, employers, lots of hassle.

IIAS Participating Paperless Merchants

Through Participating Paperless Merchants using the IIAS system, you can use the Benesyst Benny™ to make purchases paperlessly. This means you do not have to send in documentation for the purchases you make. IIAS-enabled vendors will automatically allocate anything eligible for FSA reimbursement to your Benesyst Benny™. They will then ask you for an alternate source of payment for the non-FSA-eligible items you purchase. You just pay for your products and walk out. The IIAS system saves all the records. It's easy! (Note: it's always advisable to keep your receipts.)

Current Participating Paperless Merchants (IIAS System)

Drugstore.com Walgreens Wal-Mart Stores Sam's Club

Merchants targeting implementation on or before 1/1/2008

- ACME
- Albertson's
- Bigg's
- Brookshire
- Buehler Food
- Carrs
- Cub Foods
- CVS / Caremark
- Dominick's
- Farm Fresh
- Genuardi's
- Giant Eagle
- Giant Food
- Hannaford Food
- Harris Teeter
- Hornbachers
- Hy-Vee
- Jewel
- Kroger
- Long's
- Lucky
- Meijer
- OSCO
- Pak'n Save
- Pavilions
- Price Chopper
- Randalls
- Rite Aid
- Safeway
- Shaws
- Shop & Save
- Shoppers
- Star Market
- Stop & Shop
- Sunflower
- Sweetbay
- Target
- Tom Thumb
- Tops Pharmacy
- Vons

Most Paperless Debit Card Solution

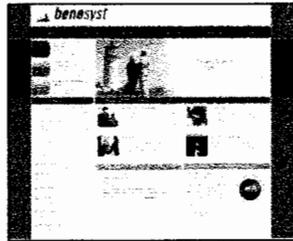
Through an advanced level of automation, we ensure that all claims are adequately adjudicated. We ensure that no payments are made for ineligible items by using the following intelligent features:

- **Participating Paperless Merchants - IIAS (Standard)**
A merchant based validation where the merchant flags FSA eligible items at the *point of sale*.
- **Carrier Provided Backup (Optional)**
Connections with over forty major carriers provides substantiation rather than having to contact the participant to request it.
- **Co-pay Matching (Optional)**
We have the technology to load the client's co-pay information and automatically adjudicate claims matching your co-pay rules for paperless, yet compliant, reimbursement.

Our enterprise-wide auto-adjudication rate is 82% of all debit card swipes. What this means is that, on average, only 18% on debit card swipes require documentation.

Participant Internet Access

Participants have ongoing online access to their FSA information. All areas displaying personal information are secured via industry standard 128-bit Verisign certificates. We use a strong password for all login credentials.



Instant Summary Information

Account Information By Plan Year		Generally Prepaid Claims	
Plan Year	Annual Election Amount	Year-to-Date Contributions	Year-to-Date Claims Received
2007	\$2,000.00	\$1,200.00	\$1,100.00
2006	\$2,000.00	\$1,100.00	\$1,000.00
2005	\$2,000.00	\$1,000.00	\$900.00
2004	\$2,000.00	\$900.00	\$800.00
2003	\$2,000.00	\$800.00	\$700.00
2002	\$2,000.00	\$700.00	\$600.00
2001	\$2,000.00	\$600.00	\$500.00
2000	\$2,000.00	\$500.00	\$400.00
1999	\$2,000.00	\$400.00	\$300.00
1998	\$2,000.00	\$300.00	\$200.00
1997	\$2,000.00	\$200.00	\$100.00
1996	\$2,000.00	\$100.00	\$0.00
1995	\$2,000.00	\$0.00	\$0.00

Participants can securely view the following individual "instant summary" information by plan:

- Annual election amount
- Year-to-Date Contributions
- Claims Received Year -to-Date
- Claims received for this plan year
- Claims paid for this plan year
- Unclaimed Balance
- A real-time display of the most recently processed claims.

Historical Claim Information

Additionally, participants have complete access to real-time and historical claim information, including a line-by-line detail of each claim processed, a real-time disbursement record and detailed denied claims.

Claims In Progress

Employees will see a convenient box illustrating the most recent five claims received by Benesyst. The box features a "meter" next to the received date of any claim not already paid. If the most recent claim is still in process, the "meter" shows which stage of processing it's in. So the participant always knows their claims status.

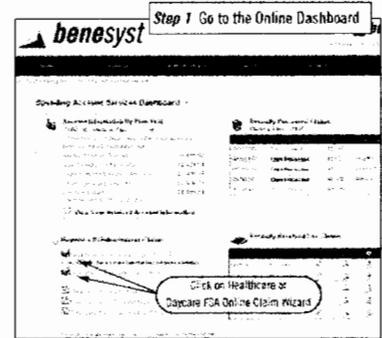
Claim ID	Received Date	Amount	Status
12345678	10/10/2007	\$100.00	PAID
12345679	10/09/2007	\$200.00	PAID
12345680	10/08/2007	\$150.00	PAID
12345681	10/07/2007	\$300.00	PAID
12345682	10/06/2007	\$250.00	PAID

Reference Materials and Plan Documents

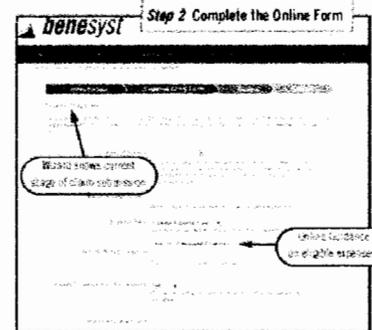
Plan participants also have access to the following documents, in PDF form, online:

- Our complete enrollment book, including detailed lists of reimbursable and unreimbursable claims
- Claim forms
- Automated FSA Tax Savings Calculator
- Over-the-counter drug eligibility guide
- Dependent care Provider-Direct-Pay authorization form

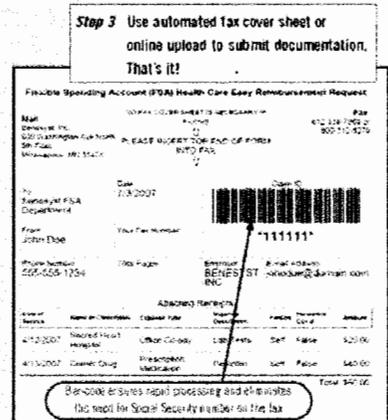
Online FSA Claims Wizard



Online FSA Claim Wizard for literally guides the participant, providing instant feedback on whether an expense is eligible for reimbursement – while in the process of entering the claim.



The system prints a claim form / fax cover the participant can use to fax their receipts to Benesyst ensuring rapid processing and eliminating the need for a Social Security number on the fax.



all employee demographic, payroll, election and status). Benesyst will be happy to discuss your specific reporting needs. We are confident that we can accommodate any reporting request concerning their FSA program.

Benesyst Keeps Your Plan in Compliance with the Law

Benesyst adjudicates each item of each claim line-by-line, verifying that each submitted expense is eligible and qualified for reimbursement. Each item is then available to view online at any time. Among the items examined in the adjudication process are the expense incurred date, the submittal date, the type of expense and the supporting documentation. We also check for duplicate submissions, etc. However, our goal is to pay the claim, if possible. Benesyst makes every effort to quickly resolve claims in which information is unclear or missing.

Benesyst also manages plan document and eligibility/changes in compliance with the law. We provide plan document update services for all plans for which we have generated the original plan document. In cases where the employer has provided the document, we provide advice of any necessary change. Also included in Benesyst's services is all federally required non-discrimination testing as well as the preparation of a signature-ready IRS Form 5500 for review by corporate auditors.

Aggressive Internal Auditing

One hundred percent of claims are audited to minimize error and rework, a huge time-saver for HR Departments. Benesyst also provides a complete audit trail, including all contributions and disbursements. This simple process, time consuming to us though it may be, endears us to both the benefits/HR staff and the participants by dramatically reducing the number of errors. Benesyst accurately archives and maintains all plan records for the legally required period (currently seven years).

Multiple Employer Facilities

Benesyst serves clients with locations from coast to coast. Companies, subsidiaries, sectors, business units, divisions, branches, departments, field offices, etc. may be accounted for separately, together or in groups per management's desire. There may be one or multiple employer mailing addresses, as agreed. Benesyst is generally able to accommodate most information management requests.

Plan takeover, enrollment or re-enrollment may be conducted by a Benesyst enrollment specialist or utilizing a Train-the-Trainer program for divisional HR or benefit managers. Alternatively, employers may use our Online FSA Enrollment tool or enroll more simply using our comprehensive enrollment booklet. Benesyst can also customize enrollment tools to fit in as components of an overall or "theme" benefit enrollment system developed by the employer or their advisors. Once the best enrollment tools are selected for the environment, distance is no obstacle to plan success.

Benesyst's Experience

Benesyst has over 14 years experience in providing Flexible Spending Account Services.

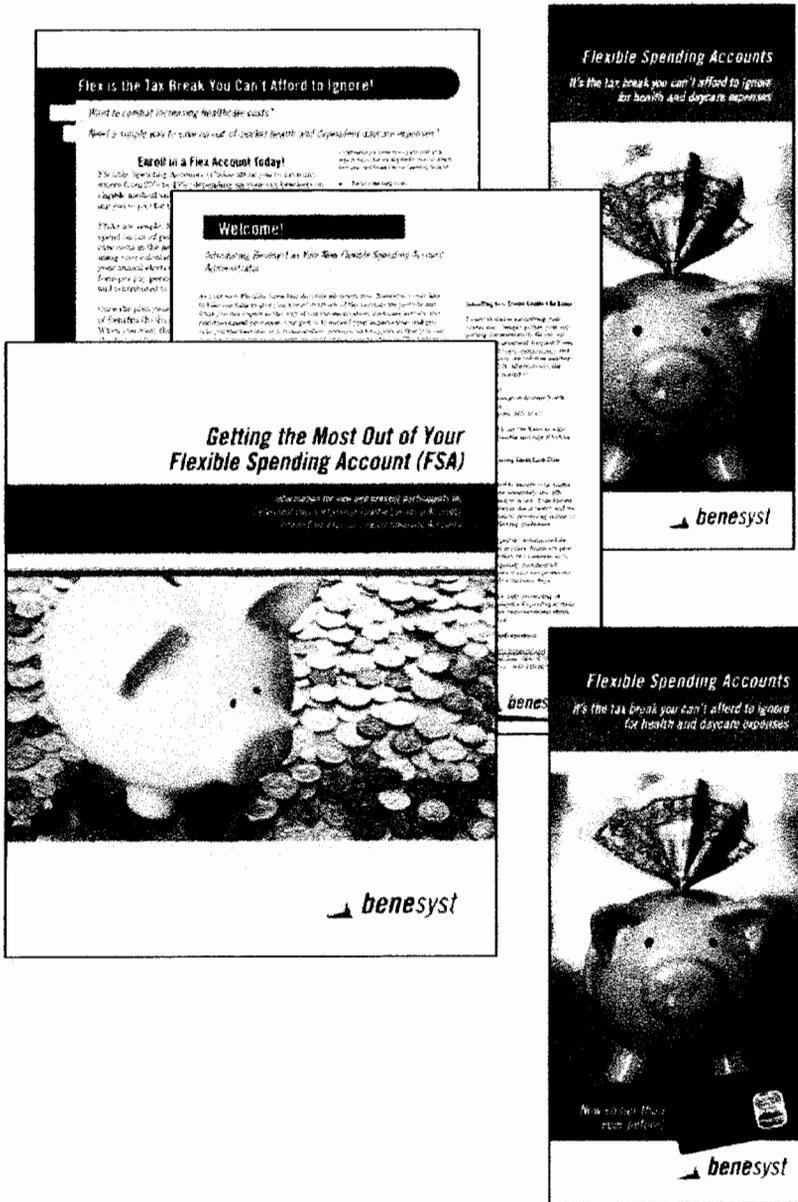
It has been gratifying to the committed, innovative people of Benesyst that many Companies have entrusted their most sensitive administration functions to Benesyst, creating significant growth for our company without significant advertising or the disruption and culture damage of incorporating acquisitions. Each delighted client helps create new ones. Our client retention rate has been an exceptional 97+% per year since we began measuring in 1996. In 2006 it was 98%.

Current California Government Clients Include:

- City of Camarillo
- City of Chino Hills
- City of Cypress
- City of Diamond Bar
- City of Fairfield
- City of Hawthorne
- City of Hesperia
- City of Indio
- City of Inglewood
- City of La Palma
- City of Los Alamitos
- City of Manhattan Beach
- City of Monterey Park
- City of Murrieta
- City of Redondo Beach
- City of Santa Clarita
- City of St. Charles
- City of Thousand Oaks
- Contra Costa County – IHSS Public Authority
- Golden Gate Bridge, Highway & Transportation District
- Mesa Consolidated Water District
- Santa Barbara County Air Pollution Control

Our Communication Materials Get Results

Effective communication of the program to the City of Moorpark's employees is clearly important to plan success. Employees need to understand all of the plan's advantages and risks, as well as how it affects them personally. Benesyst has a great deal of experience in communicating these benefits. Benesyst will provide all appropriate informational and enrollment materials, conduct employee meetings (optional) and/or develop other effective communications for the employer, as agreed.



Effective Participant Communication

Benesyst believes an informed participant is a satisfied participant. To effectively communicate account information, Benesyst has designed a number of communication pieces to keep your employees informed. These include:

Prior to Enrollment:

Enrollment Brochure

Benesyst will provide an enrollment brochure for each eligible employee (bulk shipped to company headquarters). This brochure provides an overview of the advantages of an FSA, simple worksheets and instructions on where the employee can find more information.

Flex Booklet

Optionally, for an additional charge, Benesyst's 14-page, four-color Flex Book can be bulk-shipped to company headquarters and given to each participant. It is the source for all Flex information related to their account and is an invaluable resource during the enrollment process.

After Enrollment:

Confirmation Letter

To ensure we've imported the proper elections, Benesyst can send out a confirmation letter showing the election amount(s). Included in this mailing (which can be sent to company headquarters or to the individual participants-see the fee schedule for pricing).

Account Statements & 30-Day Notice

Quarterly and 11-month Statements – Benesyst can prepare and mail to each individual Quarterly and 11-month statements detailing account balances, ensuring participants are informed of any remaining balances.

EOBs – EOBs are included with each check or direct deposit we send.

We Guarantee Our Performance

Benesyst guarantees its turnaround time to be within five business days, its claims and financial accuracy to be in excess of 99% and its customer service to be caring and responsive. We guarantee that, if there is a problem, we'll fix it as well as institute steps to prevent a like occurrence in the future. If we fail in any given month, we will provide the City of Moorpark with a credit of 5% of our standard monthly service fees for the affected month. If the same problem persists into a second consecutive month, we will provide a credit of 10% of our standard monthly service fees for the affected month and for all affected months thereafter until we fall within the parameters of our guarantee.

Performance Standard – FSA Implementation	Target
1. Initial Participant Data Accuracy / Contributions	> 99%
2. Initial Data Accuracy / General (Name, Address, etc.)	> 98%
Performance Standard – Call Center	Target
1. Telephone Answer Speed – The average time it takes Benesyst to answer phone calls:	90% in < 30 seconds
2. Telephone Abandonment Rate – The percentage of calls abandoned before response by Benesyst:	< 5%
3. Call Back Performance – Percentage of all calls will be returned within 48 hours:	90%
Performance Standard – Account Management	Target
1. Account Management - All client personnel phone and email inquiries will be returned by Benesyst within 24 hours.	99%
2. Account Management - Benesyst will provide the client primary contact with an annual survey rating our customer service. If we fail in any area, the fee reduction above will be applied.	Satisfactory or Above
Performance Standard – FSA	Target
1. FSA processing accuracy – percentage of FSA payments processed accurately the first time (based on information supplied by the employer or its advisors):	99%
2. FSA claims payment turnaround time from date of receipt to date of payment in business days:	95% within 5 days 98% within 8 days
3. FSA Reporting All FSA reports will reflect accurate data (based on information provided by client and its advisors)	99%

Proposed Schedule of Fees for the City of Moorpark

Assumptions			
Effective Date:	3/1/2008	Eligible Employees:	60
Healthcare Accounts:	12 (estimated)	Daycare Accounts:	6 (estimated)
Proposal Expires 60 days from date of issue			

Implementation Fees	
Comprehensive Plan Design and Set-Up:	\$750

First Class Service - Monthly Fees	
Comprehensive Healthcare and Daycare Administration with <i>RapidPay</i> , per account, per month:	\$ 4.28
Benesyst Benny™ Benefits Card per participant per month (<i>Optional</i>):	\$ 0.90

Annual Employee Enrollment Support and Communication	
Call Center, Online & IVR Enrollment Support Access Including:	
<ul style="list-style-type: none"> • All Call Center (customer care/informational) services related to FSA enrollment for all eligible employees prior to and during enrollment and the plan year • Online reference resources and tools including: FAQ's, Automated Tax-Savings Calculator, Election Calculation Worksheets, and general informational and communications materials in PDF Form • Enrollment Brochure for each eligible employee bulk shipped to company headquarters 	
Per eligible employee (billed once annually):	\$0.75

Participant Setup and Confirmation Letter:	
Enrolled Participant set-up including Online Portal and IVR Account per participant charged once annually:	\$1.50
Printed Enrollment Confirmation Statement mailed to each participant per statement:	\$0.88

Quarterly Statements	
Quarterly and Year-end Statements & 30-day Notice, per statement:	\$0.88

Benesyst's Comprehensive Services Offer Outstanding Value

Benesyst is committed to providing the best value in the industry. Listed below are the services you receive for each of the items listed on this proposal.

Included in the Initial Plan Communication fee are:

- Initial Administrative Set-Up
- Enrollment Brochure
- Online and IVR Participant Data Access
- Online Booklet and Automated Tax Calculator
- Call Center enrollment services

Optional post-enrollment communication include:

- A confirmation letter detailing all account elections as well as Benesyst contact information;

These communications can be bulked-shipped to company headquarters or mailed to each participant's home.

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Optional Services	
Plan Documents	
Update/Restatement of Plan Documents	\$490.00
Direct Deposit	
Direct Deposit Reimbursement with mailed voucher per account per month:	\$0.25
Direct Deposit Set-up, (via paper form per form processed):	\$1.70
Additional Enrollment Materials Bulk-Shipped	
FSA Enrollment Brochures	\$0.34
FSA 14-Page Participant Book	\$1.40
Miscellaneous Services	
Enrollment Meetings	\$375.00 per half-day plus expenses
Scrub/formatting charge (for files not meeting our file specification), per file; and customized, ad-hoc reports or audits, minimum one hour upon advanced approval by City of Moorpark	
• FSA Administrator completing request, per hour:	\$75.00 / hour
• Management and/or IT completing request, per hour:	\$150.00 / hour

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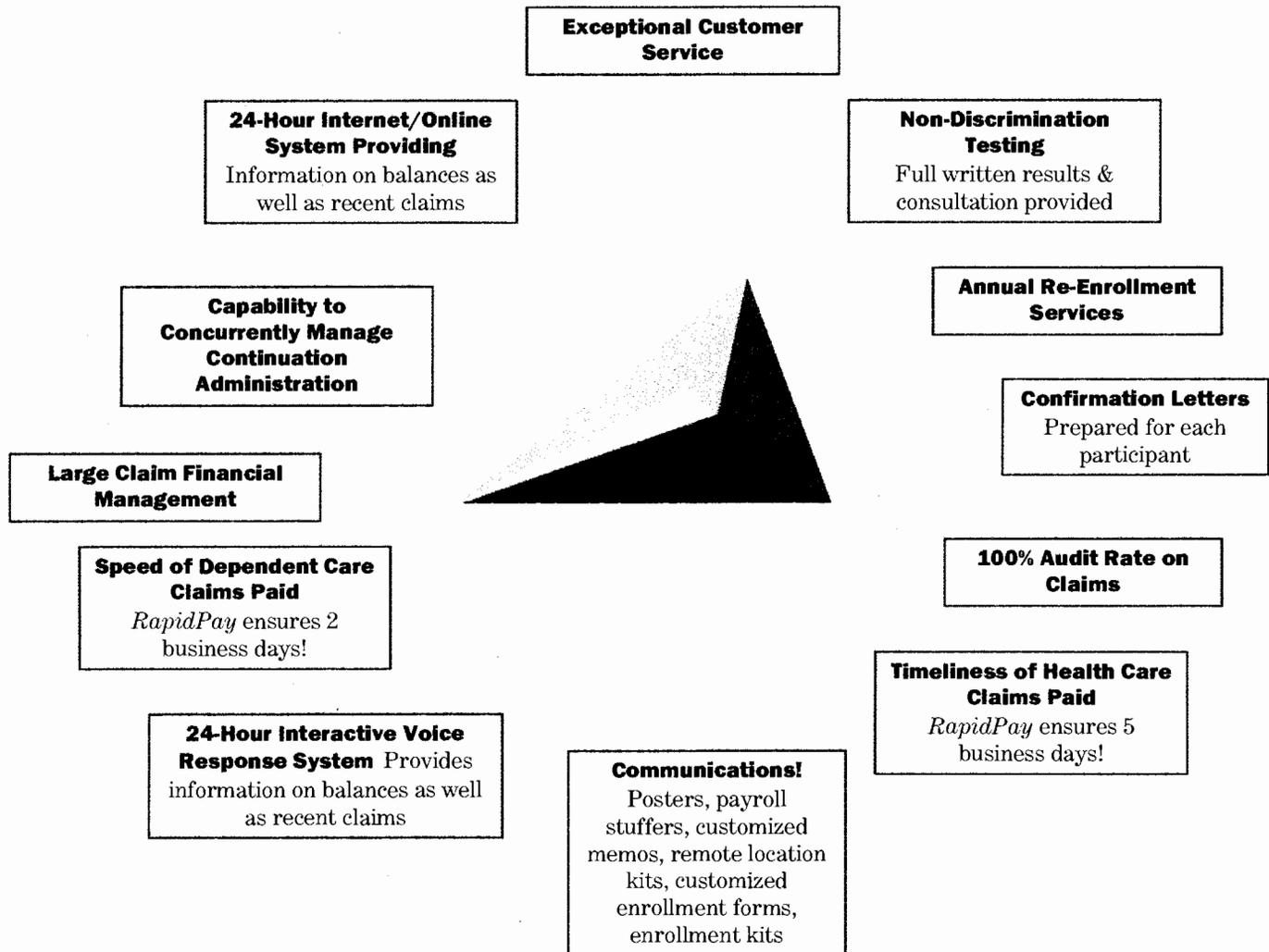
Benesyst's carefully conceived administrative services provide participants and employers with everything needed to ensure plan success. Our monthly service fee includes:

- Our industry-leading *RapidPay* system guarantees we'll process healthcare claims within five (5) business days and daycare claims within two (2) business days. Checks are cut daily (not weekly or monthly) ensuring industry-leading turnaround times
- Processing all enrollment changes and terminations (eligibility files)
- Online access to FSA Summary and detailed claims and contribution history for convenient account information access
- FSA Call Center Services by our friendly and knowledgeable staff
- Interactive automated telephonic access to FSA summary data for 24-hour account information
- Daily line-by line accurate and consistent claims adjudication with mailed paper explanation of benefits (EOBs)
- Disbursement reporting online – easy viewable, printable and downloadable contribution, disbursement (check registers) and YTD reports with all date ranges;
- All non-discrimination testing, IRS Form 5500 preparation, year-end FSA Plan Report Card and other required services

We make annual renewal a snap. Here's what we'll provide:

- Online access to our enrollment materials including in-depth FSA Information and tax calculators
- New plan year set-up
- Updating of IVR and online access

Comparing the Benesyst Advantage



In Conclusion

We hope you consider our proposal to provide quality, dependable FSA administrative services.

We are excited about the opportunity to enhance your FSA administration with you and your advisors, and cordially invite your inquiry with respect to any aspect of this proposal. Upon acceptance, an administrative services agreement will be prepared for your review and signature.

On behalf of each of our administrative staff, we look forward to the possibility of serving the City of Moorpark.

Sincerely,

Rob Contin

Rob Contin, CEO (612) 746-3101

Benesyst, Inc.

800 Washington Avenue North
8th Floor
Minneapolis, MN 55401

Phone (612) 746-3133
Toll-Free (877) 251-9981
Fax (612) 338-7969
Toll-Free Fax (800) 310-8279

www.benesyst.net

Estimated First-Year and Second-Year Fees for City of Moorpark

Assumptions

Eligible employees	60
Daycare participants	6 (Estimated at 10%)
Healthcare Participants	12 (Estimated at 20%)
Total Participants	18

Implementation Fees

Comprehensive Plan Design and Setup:	\$750.00
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Monthly Fees

Per Account per month

Monthly Fee

Annual Fee

Comprehensive Healthcare and Daycare Administration with RapidPay, per account, per month	\$4.28	\$77.04	\$924.48
Direct Deposit Reimbursement (with mailed voucher for each direct deposit) per account per month (Optional)	\$0.25	\$4.50	\$54.00
Debit Card Fee, per Healthcare account, per month (Optional)	\$0.90	\$10.80	\$129.60

Annual Enrollment Support, Setup and Communication Per Eligible Employee

Annual Fee

Enrollment Support - billed once annually	\$0.75	\$45.00
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Participant Setup and Post-Enrollment Communication Options*

Per Participant Fee

Annual Fee

System Set-up for each FSA Enrollee - billed once annually	\$1.50	\$27.00
Confirmation Statement per enrollee	\$0.88	\$15.84

Total Annual Fee

Debit Card Fee

Total With Debit Card

Total Est. Year-1 Fees With Set-up and Communications	\$1,816.32	\$129.60	\$1,945.92
Total Estimated First-Year Administrative Fees	\$978.48	\$129.60	\$1,108.08
Total Estimated Year-2 Fees With Communications	\$1,066.32	\$129.60	\$1,195.92
Total Estimated Second-Year Administrative Fees	\$978.48	\$129.60	\$1,108.08

Optional Services

Fee

Estimated Annual Cost

Plan Documents

Update/Restatement of Plan Documents	\$ 490.00	\$0.00
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Quarterly Statements

Quarterly and Year End statements, per statement	\$ 0.88	\$63.36
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800 Washington Avenue N, 8th Floor
 Minneapolis, MN 55401
 (877) 251-9981
 (800) 310-8279 fax www.BENESYST.NET

Letter of Intent

The City of Moorpark agrees to engage Benesyst, Inc. (Benesyst) to provide Flexible Spending Account Administration for the plan beginning March 1, 2008, for its employees and their eligible dependents.

The City of Moorpark agrees to allow access by Benesyst and its affiliates to the City of Moorpark's designated team for the purposes of implementation and ongoing administration.

The City of Moorpark agrees to fully cooperate with Benesyst and its affiliates to facilitate the transfer of employee census data to Benesyst's system.

Total fees for implementation and ongoing administration for the entire plan year will be in the amount proposed and agreed upon.

The City of Moorpark agrees both Benesyst and the City of Moorpark will work diligently to finalize a formal Administrative Services Agreement within 30 days after executing this Letter of Intent.

Under the terms of this agreement Benesyst will begin implementation work necessary to deliver services on the agreed upon date. The City of Moorpark agrees to pay the quoted implementation fees if services are cancelled at any point during the implementation process.

This Letter of Intent will begin these administrative services effective _____.

This agreement will stay in effect until superceded by the Benesyst Administrative Services Agreement.

EMPLOYER NAME:

Client Name:	<u>City of Moorpark</u>	<u>Benesyst, Inc.</u>
By (signature):	_____	_____
Name (print or type):	_____	<u>Rob Contin</u>
Title:	_____	<u>CEO</u>
Date:	_____	_____

Benesyst, Inc. - 800 Washington Avenue N, 8th Floor - Minneapolis, MN 55401 - (877) 251-9981

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