

DATE: January 31, 2022

MEMO TO: Julie Simpson, Chair
Finance Committee

FROM: Mary E. Kann
Director of Administration

RECOMMENDATION: Recommend approval of a Resolution approving a three-year Contract for Health and Welfare Plan Nondiscrimination Testing services and Section 125 Plan Document creation services with The Segal Company, Inc. in an amount not to exceed \$48,000.

STRATEGIC DIRECTIONS SUPPORTED: Organizational Sustainability

FINANCIAL DATA: The Section 125 plan document development and Internal Revenue Code (IRC) section 129 nondiscrimination testing will be performed during 2022 for the 2021 plan. The cost of the services will be charged to account 19214000-701500 HR Consulting in the General Fund. The estimated cost of work performed in 2022 is \$19,000. The District will budget for testing in 2023 (estimated to be \$22,000) and 2024 (estimated to be \$7,000).

BACKGROUND: A Section 125 plan is a “cafeteria” benefits plan authorized by the Internal Revenue Code that allows employees to take taxable benefits, such as salary, and convert them into nontaxable benefits, such as a Health Savings Account (HSA) . For many years, the District obtained group insurance coverage for its employees through the County of Lake’s group insurance program. On January 1, 2022 the District joined the Intergovernmental Personnel Benefits Cooperative (IPBC) and became responsible for its own benefit administration. With this separation from Lake County, District employees can no longer fall under the County’s Section 125 Plan Document and the District needs to have a plan document drafted for its Section 125 program (the “Section 125 Plan Document”).

The following component plans would be funded through the Section 125 plan, in part by employee payroll deferrals and would be covered by the Section 125 Plan Document:

- Medical Coverage (including COBRA)
- Dental Coverage
- Vision Coverage
- Life Insurance
- Accidental Death and Dismemberment Coverage
- Health Care Flexible Spending Account (FSA)
- Dependent Care Flexible Spending Account (DCFSA)
- Health Savings Account (HSA) Contribution Program

In addition, because the District's Section 125 plan will be self-insured, the District will be required to have Self-Insured Health Plan Nondiscrimination Testing conducted for the pre-tax benefit portions of the Section 125 plan (such as the DCFSA, FSA, and HSA).

The Segal Company has submitted a proposal to the District for creation of the Section 125 Plan Document and for the required Self-Insured Health Plan Nondiscrimination Testing. Their cost estimate for the Section 125 Plan is \$12,000 in the proposal, but the actual cost will be billed based on the hourly rates of, and the actual hours incurred by, the Segal staff that prepare it. The nondiscrimination testing will be performed for a fixed fee each time the testing is performed (which might be annually or might be less frequent): \$7,000 per IRC Section 129 testing, \$8,000 per Section 125 testing, and \$7,000 per IRC Section 105(h) testing.

Segal will produce two documents each year that could be provided to the IRS if there is an audit. These documents will demonstrate the District's annual due diligence and compliance with the IRC.

Segal's complete proposal, methodology outline and deliverable summary are attached to this memorandum. District staff recommend using the comprehensive data approach for nondiscrimination testing.

REVIEW BY OTHERS: Chief Operations Officer, Director of Finance, Manager of Human Resources and Risk, Corporate Counsel.

STATE OF ILLINOIS)
) SS
COUNTY OF LAKE)

**BOARD OF COMMISSIONERS
LAKE COUNTY FOREST PRESERVE DISTRICT
REGULAR FEBRUARY MEETING
FEBRUARY 8, 2022**

MISTER PRESIDENT AND MEMBERS OF THE BOARD OF COMMISSIONERS:

Your **FINANCE COMMITTEE** presents herewith a “Resolution Approving a three-year Contract with The Segal Company, Inc. for Health and Welfare Plan Nondiscrimination Testing Services and Preparation of a Section 125 Plan Document” and requests its approval.

FINANCE COMMITTEE:

Date:_____ Roll Call Vote: Ayes:____ Nays:____
 Voice Vote Majority Ayes: Nays:_____

**LAKE COUNTY FOREST PRESERVE DISTRICT
LAKE COUNTY, ILLINOIS**

**RESOLUTION APPROVING A THREE-YEAR CONTRACT WITH THE SEGAL
COMPANY, INC. FOR HEALTH AND WELFARE PLAN NONDISCRIMINATION
TESTING SERVICES AND PREPARATION OF A SECTION 125 PLAN DOCUMENT**

WHEREAS, the Lake County Forest Preserve District (the “District”) joined the Intergovernmental Personnel Benefits Cooperative (IPBC) on January 1, 2022 and became responsible for its own benefit administration; and

WHEREAS, the District desires to implement an Internal Revenue Code (“IRC”) Section 125 “cafeteria” benefits plan (the “Section 125 Plan”) that allows employees to take taxable benefits, such as salary, and convert them into nontaxable benefits (the “Section 125 Plan Services”); and

WHEREAS, under the IRC and its regulations, the District is required to conduct Health and Welfare Plan Nondiscrimination Testing related to the Section 125 Plan (the “Non-Discrimination Testing Services”); collectively, with the Section 125 Services, the “Services”); and

WHEREAS, the Director of Administration and the Purchasing Manager have determined that the Services require personal confidence; and

WHEREAS, The Segal Company, Inc. has submitted a proposal for the Services (the “Proposal”); and

WHEREAS, the District’s staff, the Purchasing Manager, the Director of Administration, and the Finance Committee have reviewed the Proposal, and recommend that the Board of Commissioners (i) find that the Proposal is the proposal that is most advantageous to the District, and (ii) award a contract for the Services (the “Contract”) to The Segal Company, Inc. in a total amount not to exceed \$48,000 (the “Contract Price”); and

WHEREAS, the Board of Commissioners hereby finds that the Proposal is the proposal that is most advantageous to the District;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Lake County Forest Preserve District, Lake County, Illinois, **THAT**:

Section 1: Recitals. The recitals set forth above are incorporated as a part of this Resolution by this reference.

Section 2: Award of Contract. The Contract in the amount of the Contract Price, in substantially the form attached hereto, is hereby awarded to The Segal Company, Inc.

Section 3: Execution of Contract. The Executive Director of the District is hereby authorized and directed to execute the Contract for the Services in substantially the form attached hereto.

Section 4: Payments. The District Treasurer shall make payments under the Contract only pursuant to and in accordance with the Contract terms.

Section 5: Effective Date. This Resolution shall be in full force and effect from and after its passage and approval in the manner provided by law.

PASSED this ____ day of _____, 2022

AYES:

NAYS:

APPROVED this ____ day of _____, 2022

Angelo D. Kyle, President
Lake County Forest Preserve District

ATTEST:

Julie Gragnani, Board Secretary
Lake County Forest Preserve District

Exhibit No. _____



Leonard Spangher
VP & Senior Consultant
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New York, NY 10001-2402
segalco.com

SENT VIA EMAIL

January 14, 2022

Laurel C. Diver, SPHR, SHRM – SCP
Manager of Human Resources and Risk
Lake County Forest Preserves
847-968-3242

Dear Laurel:

We thank you for this opportunity to offer to the Lake County Forest Preserves (“Forest Preserves”) Segal’s Health and Welfare Plan Nondiscrimination Testing services, as well as our Section 125 Plan Document creation services. We provide these nondiscrimination testing services to corporate, multiemployer and public sector clients regularly, and are very familiar with its complexities. We provide our clients with results reports that are both detailed and accurate, and can be used in defense of audits, if needed. We have a strong track record of working with complex populations and unusual program designs, which enables us to find ways for our clients to pass the various nondiscrimination tests while also ensuring that Plan Counsel is satisfied with the methods we use. Below we discuss the process we use for each line of testing, the timeline needed to complete the projects, and the proposed fees. We also provide separately our proposal for the Section 125 Plan Document creation.

The Process

Based on our understanding of your benefit program’s testing needs, Forest Preserves is seeking Health and Welfare Plan nondiscrimination testing to be performed. Additionally, Forest Preserves would like to have a Section 125 Cafeteria Plan Document created, similar to the one produced for Lake County IL. The Health and Welfare plan testing would include Internal Revenue Code (“IRC”) Section 129 Dependent Care Spending Account, IRC Section 125 Cafeteria Plan, and IRC Section 105(h) Self-Insured Health Plan Nondiscrimination Testing. The following describes our typical steps taken in the nondiscrimination testing processes, including testing details of what benefits are tested, what tests are performed, and how often those are typically performed, as well as the process for providing our results. The process for the creation of the Section 125 Plan Document is also separately provided below.

Health and Welfare Plan Nondiscrimination Testing

Data Process

- Segal will provide a data collection spreadsheet that contains three tabs. There will be a collection tab for each of the three Sections of IRC (129, 125, and 105(h)).
- In order to fill out each tab, a discussion between Forest Preserves and Segal will be needed to review how to complete each data item (cell) being requested. This discussion will likely take approximately an hour to an hour and a half per tab.
 - Segal would suggest having a discussion on the Section 129 Dependent Care data first, so that testing can be started as soon as possible (in order to allow for time for corrective measures should Forest Preserves' plan not pass the testing). Because this test is a prospective test, corrective measures can be made prospectively to remedy the issue and pass by the end of the year. Thus Section 129 should be a priority (this is normally tested much earlier in the year).
 - Segal will then schedule a second call to discuss the Sections 125 and 105(h) data collection tabs.
- Once Forest Preserves is able to provide clean and complete responses to all data questions in the tabs, and return that Excel data collection spreadsheet back to Segal, the testing can begin.
- The data, provided to us via secure means, is then thoroughly reviewed to confirm it is clear and complete.
- Segal may ask follow-up questions for clarity (by phone). We then edit the data based on any clarifying points, and manipulate it into a format usable in our testing model

Segal offers the above methodology because we are familiar with the data and current population of Forest Preserves, and understand that we can test this population in aggregate (does not require disaggregation by any employment groups / Unions). We can offer a much more comprehensive data review and cleanup (which is what is currently done / required for Lake County IL, as the Union 150 group needs to be disaggregated) if this is something that Forest Preserves would prefer. This more thorough process would require significantly more time and fees as it would have Segal working with the raw data to review and clean it up and develop all of population calculations, and will be discussed in the timeframe / schedule and fee sections below.

Once the data is prepared for testing, we run Segal's proprietary testing models and perform the following tests:

Section 129 Nondiscrimination Testing

IRC Section 129 includes testing only the Dependent Care Spending Account (DCSA) benefit. The following subtests are required:

- Eligibility Test

- This is both a mathematical test (IRC Section 410(b) safe harbor nondiscriminatory classification test) as well as a facts and circumstances (word) test to ensure enough of the employee population are eligible for this benefit, factoring in an IRS defined degree of equity between non-highly compensated employees (NHCEs) and highly compensated employees (HCEs)
- Contributions & Benefits Test
 - This is a facts and circumstances test based on program design and structure, ensuring contributions and benefits are provided uniformly for those who are similarly situated
- 55% Average Benefits Test
 - This is a mathematical utilization test that looks at the ratio of utilization for those HCEs and NHCEs. This is the subtest that is often difficult to pass without corrective measures, and this test must be run on an aggregate basis for the entire employee population
- 25% Concentration Test
 - This is a mathematical test based on shareholder / owner utilization within the plan. As Forest Preserves is a governmental entity, there is no ownership by individuals, and therefore this subtest is automatically passed

IRS regulations recommend this testing be performed at least annually to maintain compliance. We recommend testing this benefit program at the earliest point in the plan year because it is possible to institute a plan change that allows an otherwise failing program to pass prospectively once that change is made. A data collection spreadsheet for Forest Preserves for IRC Section 129 Dependent Care Spending Account (DCSA) testing will be provided separately upon acceptance of this proposal. The IRS regulations, and the Employee Benefits Institute of America (EBIA) treatise – often referred to as “the” definitive guidance for health and welfare nondiscrimination testing – both appear to allow prospective testing using snapshot data taken from the beginning (or any single point) of the plan year being tested. Thus, for calendar year 2022 testing, we would suggest testing as early in the year as possible (usually in March/April timeframe, after compensation data for 2021 can be accessed).

Section 125 Nondiscrimination Testing

IRC Section 125 covers, among other things, testing cafeteria plans, which encompasses plans with pre-tax benefits, premium conversion plans (currently this includes the medical/prescription drug (including a medical opt-out provision), dental, vision, and AFLAC accident, critical illness, and hospital indemnity insurance plans), Flexible Spending Accounts (FSAs), Dependent Care Spending Accounts (DCSAs), Health Savings Account (HSA) deferrals, etc., that are specified as part of the (IRC Section 125) Cafeteria Plan in the Cafeteria Plan document (required to be created under the 2007 proposed Section 125 regulations). We note below which test components are additional requirements under the 2007 proposed Section 125 regulations, as plan sponsors are not necessarily required to follow the 2007 proposed regulation and can choose to instead follow the prior set of Section 125 regulations. We would recommend testing using the 2007 Proposed Section 125 Regulations to ensure that the benefits design and structure pass this testing in case these or similar regulations are ever made final.

- Eligibility Tests
 - This has both a mathematical test (IRC Section 410(b) safe harbor nondiscriminatory classification test) and several facts and circumstances tests (4 Tests), three of which are related to service and employment requirements and delayed entry into the plan
 - Additional Requirement: Benefits and Contributions Availability Test (facts and circumstances test). This test ensures that the cafeteria plan does not favor HCEs with respect to the cost of benefits provided and the contributions associated with them for those who are similarly situated
 - Additional Requirement: Benefits Structure Availability (facts and circumstances test). This test ensures that the benefits structure created (type of benefits, or architecture of plan choices) is made available to HCEs and NHCEs in an unbiased way, for those who are similarly situated
- Nondiscrimination in Operations Test (additional requirement)
 - This is a facts and circumstances test that ensures that the plan operates in a manner that does not favor HCEs
- Contributions & Benefits Tests (2nd utilization test is an additional requirement)
 - This has both mathematical and facts and circumstances tests (3 Tests in total)
 - Availability: Facts and circumstances test, which ensures all benefits are equally available to non-excludable employees who are similarly situated
 - Utilization: Mathematical tests for utilization of Total Statutory Benefits, ensures the total value of the benefits package is not being used in a disproportionate manner favoring HCEs
 - Utilization: Mathematical tests for utilization of Total Employer Contributions, ensures the employer's portion of the value of the benefits is not being used in a disproportionate manner favoring HCEs
- Key Employee Concentration Test
 - This is a mathematical test regarding utilization by Key Employees. Note that being a governmental entity means that, by definition, there are no Key Employees within the organization, and, therefore, this subtest is automatically passed.

Any plan with a pre-tax benefit that runs through a Section 125 Cafeteria Plan would be tested under IRC Section 125. IRS regulations recommend this testing be performed annually to maintain compliance. Based on 2007 proposed clarifications and revisions to the regulations, this testing is required to be performed retrospectively, and must use historical data (includes any individual who was eligible to participate in the program at any point in time during the plan year being tested, and includes cumulative employee and employer pre-tax elections) provided as of the final day of the plan year. We would recommend testing on that basis to ensure that any future final testing regulations would be met. Thus, during calendar year 2022, we would be testing the 2021 plan year using December 31, 2021 historical data. If Forest Preserves would rather start that cycle using December 31, 2022 historical data, then this testing would not be performed until sometime in late 2023.

Section 105(h) Nondiscrimination Testing

IRC Section 105(h) includes the testing of self-insured health benefit plans only, such as Health Flexible Spending Accounts (FSAs) and self-insured medical/Rx plans. Note that the Affordable Care Act added a provision requiring nondiscrimination testing for fully-insured non-grandfathered health plans. However, IRS has postponed testing for such fully-insured plans until the time IRS issues guidance on how such testing will be performed.

IRC Section 105(h) nondiscrimination testing requires a plan to pass two tests:

- Eligibility Test(s)
 - This had both mathematical (IRC Section 410(b) safe harbor nondiscriminatory classification test, as well as two percentage-eligible tests) and a facts and circumstances tests (must pass any 1 of the 3 mathematical options)
- Benefits Test
 - This is a set of facts and circumstances tests, relating to uniformity of employee contributions for those similarly situated, the maximum benefit level, the type of expenses reimbursable, and disparate waiting periods

IRS regulations recommend this testing be performed at least annually to maintain compliance. We recommend testing under this IRC Section at the time IRC Section 125 is tested, using the same data requirements. A data collection spreadsheet will be provided upon acceptance of this proposal to Forest Preserves for IRC Sections 125 and 105(h). Thus in calendar year 2022, we would be testing the 2021 plan year (unless Forest Preserves chooses to wait until 2023).

Extensive Review Process

Once the testing is complete, Segal ensures compliance and satisfaction with our methodologies used by employing the following steps:

- Segal Internal Technical Review
- Segal Internal Compliance Review
- Forest Preserves Plan Counsel Review of Segal Methodology. We offer to provide our draft results report and would be happy discuss our methods with Plan Counsel, or simply let Plan Counsel review the report in advance of its final completion

Deliverable: Results Report(s)

Segal produces two documents (one for IRC Section 129, and one for IRC Sections 125 and 105(h)) for your files each year that could be provided to the IRS if the Service decides to audit Forest Preserves' Benefit Programs. These documents will demonstrate Forest Preserves' annual due diligence and compliance with Internal Revenue Code (and the applicable regulations) and allow Forest Preserves' Plan Counsel to present it as supportable documentation if an audit were to occur. Each report will be a detailed account of the processes, methodology, and assumptions

Segal uses in the nondiscrimination testing process as well as the results of this testing. Should Segal find that Forest Preserves is unable to pass a particular test, Segal will include recommendations as to how to make plan adjustments in order to pass that test in future testing years (or in the same testing year if IRC Section 129 is not passed). Segal will note in the report that if the corrective action has been taken, that Forest Preserves' benefit plans will pass nondiscrimination testing. Segal does not, however, provide legal advice, so Plan Counsel should be involved in any decision to ensure compliance with the IRC.

Section 125 Cafeteria Plan Document

If the proposal is accepted for Plan Document work as well, Segal will review and revise Forest Preserves' Cafeteria Plan document. Given that a plan document cannot possibly be created by Segal before the 2022 Calendar Year, we would recommend that Forest Preserves ask their spending account administrator to furnish them with a temporary Cafeteria Plan document until a customized plan document can be completed. Segal will work with Forest Preserves to then accomplish the following (below) by a mutually agreed upon timeframe so that Forest Preserves can begin using its new Cafeteria Plan document.

We understand that the following component plans are funded through the Cafeteria Plan by deferrals by Forest Preserves' employees through their own payroll:

- Medical coverage (including COBRA)
- Dental coverage
- Vision coverage
- Life insurance coverage
- Accidental Death and Dismemberment coverage
- Health Care Flexible Spending Account (FSA)
- Dependent Care Flexible Spending Account (DCFSA)
- Health Savings Account (HSA) Contribution Program

With regard to the flexible spending accounts, participants' pre-tax contributions are allocated to a health flexible spending account with a grace period and a dependent care flexible spending account. There is also an HSA component and an opt-out provision.

Our proposed steps include:

- Begin using the Lake County IL Cafeteria Plan Document as the starting point;
- Collect documentation from Forest Preserves, as applicable, including an itemized list of current and future benefits payable under the Cafeteria Plan (particularly from IPBC, as Segal does not already have any of this documentation);
- A kickoff meeting with Forest Preserves to discuss any questions that Segal may have with respect to the current plan of benefits;

- Produce a revised draft of the Cafeteria Plan document to Forest Preserves, based on what we learn from Forest Preserves;
- Respond to Forest Preserves' inquiries and revise the Cafeteria Plan document the based on input from Forest Preserves and its legal counsel; and
- Deliver the final Cafeteria Plan document.

The Timeframe / Schedule

Once engaged, Segal will proceed based on the following schedule, which we are happy to discuss and modify upon request.

Health and Welfare Plan Nondiscrimination Testing Schedule

IRC Section 129 Dependent Care testing will be performed on a going forward basis (plan year 2022 will be tested in 2022). Segal will provide a data collection spreadsheet upon acceptance of this proposal and will then schedule time to review this with you thoroughly. This should take place as early in the plan year as possible. Once we receive the data and review it to ensure we understand it, we will ask follow-up data questions to gain any additional needed clarity. Once all responses to our data questions provide us the needed clarity, Segal will then be able to proceed with the testing. It takes Segal three to four weeks from the date of being provided clean data to provide the testing results and the corresponding results report.

Note that if the more comprehensive data approach is taken (similar to the process in place today for Lake County, IL), results will be provided four to six weeks after we receive a clean and complete version of the raw (person by person) census / payroll / benefits data.

Because there are fewer inherent time constraints established by the IRS on when IRC Section 125/105(h) health and welfare testing should be performed, Segal will include the data collection spreadsheet tabs for Section IRC 125/105(h) at an agreed upon time (which can come as early as the Section 129 spreadsheet), upon acceptance of this proposal. We will commence the IRC Section 125/105(h) testing after the IRC Section 129 testing is completed. Generally, that would mean that results for IRC Sections 125 and 105(h) testing would not be made final and provided to Forest Preserves until later in the year, likely by early to mid-December (as is typically the case with this type of testing for most of our clients).

Note that if the more comprehensive data approach is taken (similar to the process in place today for Lake County, IL), results for these tests as well will be provided at least four to six weeks after we receive a clean and complete version of the raw (employee-by employee) census / payroll / benefits enrollment data, and is usually still completed by early to mid-December.

Section 125 Cafeteria Plan Document Schedule

Segal will work with Forest Preserves to determine a mutually agreed upon timeframe for completion and delivery of the Cafeteria Plan document. Given it is not possible for Segal to produce such a document before the 2022 Calendar Year, Segal recommends requesting that your spending account administrator provide Forest Preserves with a cafeteria plan document so that Forest Preserves is not left without one for any period of time.

The Fees

Proposed Health and Welfare Plan Nondiscrimination Testing Fees

The fee for the entire Health and Welfare testing process, which includes IRC Sections 129, 125, and 105(h) nondiscrimination testing, would be a fixed fee of **\$10,000**. Broken out separately by test Section, the fees would be:

- \$3,000 for IRC Section 129 (2022 Plan Year, prospectively)
- \$4,000 for IRC Section 125 (2021 Plan Year, retrospectively)
- \$3,000 for IRC Section 105(h) (2021 Plan Year, retrospectively)

If Forest Preserves would prefer to have Segal perform the retrospective testing (IRC Sections 125 and 105(h)) starting with December 31, 2022 data, then only the \$3,000 charge for IRC Section 129 would be charged for the 2022 testing, and the full \$10,000 would be charged in 2023.

We also want to bring to your attention that Revenue Procedure 93-42 allows for certain types of nondiscrimination testing (seemingly specific to certain retirement plans) to take place every three years rather than every year for those plans that remain consistent from year to year in all key aspects. Therefore, this requires that your Plan Counsel agree to using the methodology contained in this Revenue Procedure, as it is unclear in the regulations if the three-year testing rule can be applied to Health and Welfare Plans being tested (this has been currently agreed upon for Lake County, IL). While it is clear it should not apply to IRC Section 129, given the tendency for plans to fail the 55% Average Benefits Test in any given year, if plan design, cost structure, administration of the plans, and demographics within the plans do not change significantly from year to year, this Revenue Procedure does appear to possibly be applicable for IRC Section 125 and 105(h) testing. If Plan Counsel agrees this Revenue Procedure can apply to this testing, then Forest Preserves' testing cycle going forward would include all three Sections of testing once every three years (at \$10,000 in those years), and only include IRC Section 129 testing (at \$3,000 per year) in each of the two years between the full testing. Thus, the schedule would be;

- \$3,000 for IRC Section 129 for nondiscrimination testing performed in 2022

- \$10,000 for IRC Sections 129, 125, 105(h) for nondiscrimination testing performed in 2023
- \$3,000 for IRC Section 129 for nondiscrimination testing performed in 2024.

If Forest Preserves agrees with this schedule and Plan Counsel agrees with this approach, then this proposal should be considered a three year arrangement given the above fee schedule.

Note that if Forest Preserves would prefer the more comprehensive data approach where Segal receives raw employee-by-employee census / payroll / benefits data and performs data review and cleanup prior to testing, the fees would be \$22,000 for all three Sections, broken down by \$7,000 for IRC Sections 129 and 105(h) and \$8,000 for IRC Section 125. This is the approach currently used by Lake County, IL. The comprehensive process requires Segal to take the raw data and perform every calculation (and develop certain assumptions) on the population data, as opposed to having Forest Preserves provide Segal with the counts needed for the testing (rather than the raw data itself).

Proposed Section 125 Cafeteria Plan Document Creation Fees

Based on the scope of the project and our understanding of the requirements, our estimated fee is \$12,000. That fee is based on our intention to leverage the Lake County, IL Cafeteria Plan Document as a starting point, and work with Forest Preserves to make any adjustments or edits based on a transition to IPBC (and any other program design changes, as will be defined by Forest Preserves).

This amount of \$12,000 is only an estimate. Segal will charge hourly rates by individual for actual hours worked on the Cafeteria Plan document. Should the time charges exceed the \$12,000 level, Segal will make every attempt to notify Forest Preserves immediately, and will assess the project status to give Forest Preserves a revised understanding of the expected time and final fees.

As such, the following Segal team and their associated billing rates (discounted for serving public sector clients) are included;

John Graham is a Vice President and Regional Director of Compliance Research. His hourly billing rate is \$504.00 per hour.

Lisa Simioni is a Vice President and Senior Consultant, Compliance-Health. Her hourly billing rate is \$387.00 per hour.

Leonard Spangher is a Vice President and Senior Consultant, and Project Lead for the Health & Welfare Nondiscrimination Testing. Should Len be called upon to consult with the Compliance team on this project, his hourly billing rate is \$481.00 per hour.

If any other Compliance-related projects are needed by Forest Preserves, Segal is of course happy to provide Forest Preserves with a proposal at that time. We ask that you try to provide as much lead time as possible, and any fee quotes within those proposals will be based on the hourly billing rates as described above.

Since Segal is not a law firm, the development the Cafeteria Plan document will be drafted from a consulting perspective and cannot be construed as legal advice. Plan sponsors should rely on Legal Counsel for authoritative advice on the interpretation and application of federal laws and regulations. As is expected and detailed as a step in the process above, Plan Counsel should weigh in and agree upon the final Cafeteria Plan document for Forest Preserves.

Please let us know if you have any questions or would like to set up a time to further discuss anything in this proposal. Should you accept this proposal, we ask that you complete the Acceptance section below for each of the services desired, and the timeframe length of the agreement (as nondiscrimination testing is often performed in 3-year cycles, which is what Lake County, IL had previously selected).

Sincerely,

Leonard Spangher

Leonard Spangher
VP & Senior Consultant

CC: Cindy Zichal, Gallagher
John Cheung, Segal
Jarrett Felix, Segal
John Graham, Segal
Lisa Simioni, Segal

Acceptance (Health & Welfare Nondiscrimination Testing)

Agreed to on behalf of Forest Preserves (for a _____-year agreement)

Methodology of Testing agreed to will be (please circle one): Aggregate Testing /
Comprehensive Data Approach Testing

Authorized
Representative: _____ Date: _____

Acceptance (Section 125 Cafeteria Plan Document Creation)

Agreed to on behalf of Forest Preserves

Authorized
Representative: _____ Date: _____



Consultant Disclosure Statement

Each **Consultant** (bold/italicized words are defined in Section II below) proposing to perform **Covered Services** for the Lake County Forest Preserve District (the "District") is required, by the District's Purchasing Policy, to complete this form and make disclosures (i) on its behalf, unless it is a **Publicly Traded Consultant**, (ii) on behalf of its **Disclosure-Covered Owners**, unless it is a **Publicly Traded Consultant**, and (iii) on behalf of its **Disclosure-Covered Employees**, even if it is a **Publicly Traded Consultant**. If **Consultant** is a **Publicly Traded Consultant**, please complete Sections I, III, and V. If **Consultant** is not a **Publicly Traded Consultant**, please complete Sections I, IV, and V.

I. Identification of Consultant and Related Parties:

Consultant Name:	Segal
Consultant Address:	333 West 34th Street New York, NY 10001-2402
Person Certifying Statement for Consultant , including Phone # and Email Address:	Leonard Spangher 646.345.2998 Lspangher@segalco.com
Covered Services:	Health and welfare, nondiscrimination testing (sections 129, 125, 105h) and section 125 cafeteria plan document creation
Names of Disclosure-Covered Owners (if none, please insert "N/A"):	N/A
Names of Disclosure-Covered Employees (if none, please insert "N/A"):	N/A

II. Defined Terms:

- a) "**Campaign Contribution**" is defined in Section 9-1.4 of the Illinois Election Code, 10 ILCS 5/9-1.4.
- b) "**Candidate Political Committee**" is defined in Section 9-1.8(b) of the Illinois Election Code, 10 ILCS 5/9-1.8(b).
- c) "**Consultant**" is a person or entity that submits a proposal to enter into a contract with the District, or a proposal for a change order to such a contract, that calls for the person or entity to perform **Covered Services** for the District.
- d) "**Covered Services**" are the "Covered Services" identified above by District staff, which have an expected price greater than \$25,000.00, taking into account the original contract price for the **Covered Services** plus the prices of all change orders to such original contract.

- e) **"Disclosure-Covered Owner"** is (i) a natural person who is a **Consultant** or (ii) a person or entity that, directly or indirectly (including without limitation ownership through a corporation, limited liability company, joint venture, or partnership) owns at least 7.5% of a **Consultant** that is not a **Publicly Traded Consultant**.
- f) **"Disclosure-Covered Employee"** is (i) a natural person who is a **Consultant** or (ii) a Consultant employee or independent contractor who will receive a direct financial benefit (including without limitation a commission, bonus, or salary increase) if the District awards the proposed contract or change order to the **Consultant**.
- g) **"Family Member"** is a person related as a parent; child; sibling; uncle or aunt; great aunt or great uncle; first cousin; nephew or niece; spouse or civil union partner; grandparent; grandchild; parent-in-law, child-in-law, sibling-in-law, or grandparent-in-law, whether that in-law relationship is created by marriage or civil union; stepparent; stepchild; stepsibling; half sibling; and fiancé or fiancée.
- h) **"Publicly Traded Consultant"** is a **Consultant** whose common stock is traded on a nationally recognized securities market.

III. Required Disclosures for Publicly Traded Consultant: Segal is not a publicly traded firm.

- a) **Securities Market:** Please identify the nationally recognized securities market on which **Consultant's** common stock is traded and identify the stock "ticker" symbol under which the **Consultant** is traded:
Exchange: N/A ; Symbol: _____.
- b) **Campaign Contribution Disclosure:** Please disclose each **Campaign Contribution** made by your **Disclosure-Covered Employees** to the following persons/entities within the two (2) years preceding the date on which the **Consultant's** proposal for **Covered Services** was submitted to the District:
 - i. a Lake County Board member in his or her capacity as either a County Board member, a District Commissioner, or both; or
 - ii. a **Candidate Political Committee** of a Lake County Board member.

Donor/ Disclosure-Covered Employee	Recipient of Donation	Donation Type (e.g., cash, in-kind service,)	Amount of Donation	Date of Donation
N/A				

- c) **Familial Relationship Disclosure:** Please disclose each **Family Member** of your **Disclosure-Covered Employees** who is either a District Commissioner or employed by the District as an Executive Director, Chief Operations Officer, Department Director, or Manager.

Name of Family Member	Family Member's Position with District	Name of Disclosure-Covered Employee Related to Family Member	Relationship of Disclosure-Covered Employee to Family Member
N/A			

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IV. Required Disclosures for Consultants that are Not Publicly Traded Consultants:

- a) **Campaign Contribution Disclosure:** Please disclose each **Campaign Contribution** made by your **Disclosure-Covered Owners** or **Disclosure-Covered Employees** to the following persons/entities within the two (2) years preceding the date on which the **Consultant's** proposal for **Covered Services** was submitted:
- i. a Lake County Board member in his or her capacity as either a County Board member, a District Commissioner, or both; or
 - ii. a **Candidate Political Committee** of a Lake County Board member.

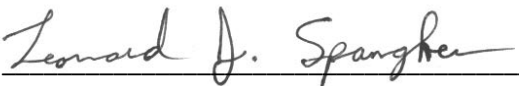
Donor/ Disclosure-Covered Owner or Disclosure-Covered Employee	Recipient	Description (cash, item, in-kind service, etc.)	Amount/ Value	Date Made
N/A				

- b) **Familial Relationship Disclosure:** Please disclose each **Family Member** of a **Disclosure-Covered Owner** or **Disclosure-Covered Employee** who is either a District Commissioner or employed by the District as an Executive Director, Chief Operations Officer, Department Director, or Manager.

Name of Family Member	Family Member's Position with District	Name of Disclosure-Covered Owner or Disclosure-Covered Employee Related to Family Member	Relationship of Disclosure-Covered Owner or Disclosure Covered Employee to Family Member
N/A			

V. Consultant Certification and Signature:

By signing below, I certify that (i) I am authorized to make the disclosures above on behalf of **Consultant, Consultant's Disclosure-Covered Owners, and Consultant's Disclosure-Covered Employees**, (ii) I have read and understand this Consultant Disclosure Statement, (iii) the above disclosures are accurate and complete, to the best of my knowledge after making reasonable inquiry, and (iv) my signature below, if electronic, is intended to authenticate this writing and to have the same force and effect as a manual signature.


 Name Leonard Spangher
 Vice President and Senior Consultant
 Segal

1/19/2022
 Date