

**APPROVE ENTERING INTO AN AGREEMENT WITH SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.
FOR CLAIMS ADMINISTRATION SERVICES AND
AUTHORIZE FUNDING OF ESCROW ACCOUNTS ASSOCIATED WITH THESE SERVICES**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve entering into an agreement with Sedgwick Claims Management Services, Inc. for claims administration services for the Board's workers' compensation programs, at a cost not to exceed \$4,200,000.00 for administrative fees, and authorize funding of escrow accounts associated with these services in an amount not to exceed \$105,000,000.00 for a 36 month term. Sedgwick was selected on a competitive basis pursuant to Board Rule 5-4.1. A written agreement for consultant's services is currently being negotiated. No payment shall be made to consultant prior to the execution of the written agreement. The authority granted herein shall automatically rescind in the event a written agreement is not executed within 120 days of the date of this Board Report. Information pertinent to this agreement is stated below.

Specification Number: 08-250004

Contract Administrator: Lee Saulter (773) 553-2989

VENDOR: Sedgwick Claims Management Services, Inc.
1100 Ridgeway Loop Road
Memphis TN 38120
Brad Krauss, Vice President
(312) 542-0069
Vendor No.: Pending

USER: Department of Human Resources
125 South Clark-2nd Floor
Chicago, Illinois 60603
Ascencion V. Juarez, Chief Human Resources Officer
(773) 553-1070
Dale Moyer, Director of Compensation & Benefits
(773) 553-2818

TERM: The term of this agreement shall commence on July 1, 2008 and shall end June 30, 2011. This agreement shall have two options to renew for periods of two years each.

EARLY TERMINATION RIGHT: The Board shall have the right to terminate this agreement with 30 days written notice.

DESCRIPTION OF SERVICES:

Sedgwick shall provide all aspects of workers' compensation claims management services including, but not limited to, claim investigation, adjustment, benefit administration, medical management, PPO, bill review, utilization review, litigation management, settlement negotiation, subrogation recovery, information management, management reporting and daily contact with Board staff. Sedgwick shall provide certain services, or arrange and administer certain services in addition to Sedgwick administration services, which shall be additional allocated expense charges to the claim file. Such services to be included as allocated expense(s) to the claim file may include, but are not limited to, medical management, PPO, bill review, utilization review, surveillance, field investigations, expert consulting and testimony. Sedgwick shall pay claims, settlements and awards through established escrow accounts. The escrow accounts will be funded at intervals agreed to by the Director.

DELIVERABLES: Sedgwick shall develop Special Account Instructions (SAI) in accordance with the contract provisions and approval by the Director. SAI will detail assigned personnel, claim management protocols, reserve notification, settlement authority, claim status reporting, escrow funding levels and special direction as necessary. Sedgwick will conduct monthly meetings with Board management personnel, provide quarterly stewardship reports to the Director and annual "State of Account" meetings with Board senior management.

The "State of Account" will address major trends and recommendations for program improvement. Allocated expense charges will be reported in the "State of Account" with the total annual payment received by each vendor.

OUTCOMES: Sedgwick's services will result in a comprehensive claims administration program for Board of Education and Chicago Public School employees.

COMPENSATION: Service fees to Sedgwick shall be paid in installments agreed to by the Director, not to exceed \$1,400,000.00 annually.

EXPENSES: Only the allocated expense charges described above.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written renewal agreement. Authorize the President and Secretary to execute the agreement. Authorize the Chief Financial Officer and Chief of Human Resources to execute all ancillary documents required to administer or effectuate the agreement and to fund the escrow accounts in the amounts stated.

AFFIRMATIVE ACTION: This contract is in full compliance with the goals required by the Remedial Program for Minority and Women Business Enterprise Contract Participation (M/WBE Plan). The M/WBE participation goals for the contract include: 30% MBE and 7% total WBE. The vendor has identified and scheduled the following firms:

Total MBE: 30%

The Owens Group	30%
19 South LaSalle St. – Suite 500	
Chicago, IL 60603	

Total WBE: 7%

Peggy Steuben & Associates Agency, Inc.	7%
2040 w. Hopkins Place	
Chicago, IL 60620	

FINANCIAL: Charge to Human Resources for Workers' Compensation
 Budget Classification# 12470-115-57605-119004-0000000 for WC Administrative Fees

FY 2009	FY 2010	FY 2011
\$1,400,000	\$1,400,000	\$1,400,000
To fund WC Escrow Account		
FY 2009	FY 2010	FY 2011
\$35,000,000	\$35,000,000	\$35,000,000

GENERAL CONDITIONS:

Inspector General – Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their terms of office.

Indebtedness – The Board's Indebtedness Policy adopted June 26, 1996 (96-0626-PO3), as amended from time to time, shall be incorporated into and made a part of the agreement.

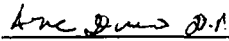
Ethics – The Board's Ethics Code adopted June 23, 2004 (04-0623-PO4), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved for Consideration:

Approved:



Heather A. Obora
Chief Purchasing Officer


Arne Duncan
Chief Executive Officer

Within Appropriation:


Pedro Martinez
Chief Financial Officer

Approved as to legal form:


Patrick J. Rocks
General Counsel