

# Executive Summary

Board of Governors Meeting, December 7, 2022

## Employee Benefits Consulting and Brokerage Services

### Topic

Citizens' staff is requesting approval to enter into a contract with Gallagher Benefit Services, Inc. (Gallagher) for Employee Benefits Consulting and Brokerage Services. The base term of the contract will be five (5) years followed by three (3) optional one (1) year renewals. The total contract amount for the potential eight (8) year term will not exceed \$1,530,000.

### History

Citizens' Human Resources department is responsible for procuring and offering insurance and other benefits to eligible participants (employees, retirees, and their eligible dependents), including the acquisition of competitively placed insurance products from qualified sources, as well as advisory services related to Citizens' employee benefit offerings. Citizens contracts with a vendor to provide consulting and brokerage services for its Employee Benefits Programs, including insurance benefit plans, wellbeing programs, and voluntary benefits plans. Services include obtaining quotes for fully insured products and assisting with open competitive procurements for administrative services. Other services include periodic benefit plan design and performance reviews, recommendations to improve such performance, as necessary, compliance, analysis, reporting, and marketing of Citizens' benefit offerings.

The contract with Mercer Health and Benefits, LLC, began January 1, 2017, and expires December 31, 2022.

### Procurement Details

On June 20, 2022, Citizens issued Invitation to Negotiate No. 22-0012 for Employee Benefits Consulting and Brokerage Services. Six (6) responses were received and following evaluation three (3) vendors advanced to negotiations. Following multiple negotiation sessions and reference checks of each vendor, Gallagher was determined to be the best value based on the following criteria:

- prior relevant experience;
- demonstrated ability to effectively provide the services;
- the price and terms of payment for the services and additional service offerings;
- the reasonableness of the contractual terms, including service level agreements;
- ability to track performance and quality assurance metrics; and,
- reporting capability.

In addition to the above criteria, Gallagher offered additional value-added benefits including communication services such as refreshing existing employee benefit communications, Spanish language translation of benefits; and access to a Human Resources communication

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tool currently being purchased separately by Citizens. Other services to be provided include total compensation statement preparation, facilitation of employee surveys, benefit advocate services, and pharmacy benefit consulting services (annual review of discounts and rebates, utilization monitoring, and facilitation of pharmacy benefits manager vendor).

## Pricing

The cost of the core services, which are priced annually, is \$1,485,000 for the base term and all optional renewal terms (a total of eight (8) years). The pricing remains flat for the five (5) year base term with a small increase for the three (3) optional one (1) year renewals. The remaining requested spend authority of \$45,000 is contingency for additional services (such as specialized projects) as may be appropriate during the contract term. The cost of the proposed eight (8) year contract with Gallagher including the additional services is a 4.8% increase annually over the current six (6) year contract with Mercer.

## Recommendation

Citizens' staff proposes that the Board of Governors:

- a) Approve the contract with Gallagher for Employee Benefits Consulting and Brokerage Services for a five (5) year term base term with three (3) one (1) year optional renewals, for a total contract amount not to exceed \$1,530,000 as set forth in this Action Item; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

Board of Governors Meeting, December 7, 2022

## Employee Benefits Consulting and Brokerage Services

 **ACTION ITEM**
 **New Contract**
 **Contract Amendment**
 **Other** \_\_\_\_\_

 **CONSENT ITEM**
 **Contract Amendment**
 **Existing Contract Extension**
 **Existing Contract Additional Spend**
 **Previous Board Approval** \_\_\_\_\_

 **Other** \_\_\_\_\_

**Action Items:** Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

- Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

**Consent Items:** Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<b>Purpose/Scope</b>	This Action Item seeks Board approval for the contract for Employee Benefits Consulting and Brokerage Services, which includes the procurement and placement of insurance benefit plans and products, wellbeing programs, and other voluntary benefits offerings to Citizens' employees.
<b>Contract ID</b>	<b>Employee Benefits Consulting and Brokerage Services</b> <b>Contract number:</b> 22-22-0012-00 <b>Vendor:</b> Gallagher Benefit Services, Inc. (Gallagher)
<b>Budgeted Item</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Funding for 2023 is included in the 2022 budget request also presented to the Board at this December 7, 2022 board meeting. Funding for subsequent contract years will be included in the Annual Operating Budget for each respective contract year.
<b>Procurement Method</b>	On June 20, 2022, Citizens issued Invitation to Negotiate No. 22-0012 for Employee Benefits Consulting and Brokerage Services. Six (6) vendors submitted replies, and the Evaluation Team identified three (3) proposals to proceed to the Negotiation phase. On November 4, 2022, the Negotiation Team recommended an award to Gallagher as the best value for Citizens.
<b>Contract Amount</b>	\$1,530,000 for the first five (5) years of the base term and the three (3) optional renewal terms (a total of eight (8) years).

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**Contract Terms**

Base Term: Five (5) years January 1, 2023 - December 31, 2027

Renewal Term: Three (3) one (1) year optional renewals

**Board Recommendation**

Citizens' staff proposes that the Board of Governors:

- a) Approve the contract with Gallagher for Employee Benefits Consulting and Brokerage Services for a five (5) year term base term with three (3) one (1) year optional renewals, for a total contract amount not to exceed \$1,530,000, as set forth in this Action Item; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

**Contacts**

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