

**MOTION NO. M2014-37**

**Contract for Human Resources Benefits Brokerage Services**

<b>MEETING:</b>	<b>DATE:</b>	<b>TYPE OF ACTION:</b>	<b>STAFF CONTACT:</b>
Operations and Administration Committee	06/05/2014	Final Action	Valentina Zackrone, Chief Human Resources Officer <b>Kitty Wold, Total Rewards Manager, Sound Transit Human Resources</b>

**PROPOSED ACTION**

Authorizes the chief executive officer to execute a three-year contract with two one-year options to extend with Gallagher Benefit Services to provide employee benefits brokerage services for Sound Transit in the amount of \$808,000, with an 8% contingency of \$67,750, for a total authorized contract amount not to exceed \$875,750.

**KEY FEATURES SUMMARY**

- Employee benefits, and the strategy surrounding those benefits is a key component for Total Rewards compensation, which drives recruitment and retention of Sound Transit employees. Due to the complex and long-term nature of Sound Transit projects, it is important to recruit and retain high quality and experienced employees.
- Under this contract, Gallagher Benefits Services will provide strategic advice, support services to Sound Transit employees who have questions and claims issues, and key administrative services to assist Sound Transit Human Resources.
- Sound Transit’s current employee benefits broker contract expires in 2014. The contract in this action is for three years, with two additional one-year options to extend. If approved, the contract will begin July 1, 2014, with a total contract cost of \$875,750, including an 8% contingency.
- Due to new challenges resulting from Federal Healthcare Reform, the healthcare market place is evolving, making it important for Sound Transit to contract with a quality brokerage firm as part of its benefits planning and long-term strategy.

**BACKGROUND**

Sound Transit implements a Total Rewards compensation strategy as a way to recruit and retain quality long-term employees. This strategy includes providing benefits, such as healthcare and retirement services to employees.

Through 2012, Sound Transit participated in the Association of Washington Cities (AWC) Health Benefits trust. In 2013, Sound Transit determined it had become too large to logically fit within the structure of the AWC Health Benefits trust, and decided to contract directly with vendors to offer market-based renewals based on claims usage and the flexibility to tailor plans to meet Sound Transit’s benefit needs.

Sound Transit put in place a strategy that has successfully kept costs flat from 2012 through 2014, despite the national trend continuing to increase on an annual basis. Sound Transit Human Resources (HR) requested bids earlier this year for brokerage services with the goal of retaining a firm that offers a broad base of administrative functions, an employee-centered focus, and a track record of cost-savings and innovation. Sound Transit HR’s review committee found Gallagher Benefit Services to be a leader in meeting these needs and in providing the lowest bid.

Under the proposed contract with Gallagher Benefit Services, Sound Transit will be able to continue to find ways to negotiate competitive rates, alternative solutions, and balanced benefit options for employees. Without a strong broker to support this mission, the desired outcomes may not be available. The contract with Gallagher Benefit Services will also help Sound Transit navigate the Federal Affordable Care Act to avoid issues or fees related to this Act.

**FISCAL INFORMATION**

The proposed action will be funded from the Executive Department services budget. The 2014 Executive Department services budget of \$1,325,000 includes \$110,000 for benefit brokerage and COBRA fees. The 2014 budget is sufficient to cover estimated spending for 2014. Spending for future years of the contract will be requested from future annual budgets.

<b>Current Year Budget</b>	<b>Adopted 2014 Budget</b>	<b>Spent to date 2014</b>	<b>Contract Expenditures 2014</b>	<b>Remaining 2014 Budget</b>
Executive Dept Consultant/Management Svcs	1,325	353	64	908

<b>Contract Spending Plan</b>	<b>Prior Year(s) Spending</b>	<b>Expected 2014 Spending</b>	<b>Future Expenditures</b>	<b>Total</b>
Gallagher Benefit Services	-	64	812	876

<b>Contract Budget</b>	<b>Current Approved Contract Value</b>	<b>Spent to Date</b>	<b>Proposed Action</b>	<b>Proposed Total Contract Value</b>
Gallagher Benefit Services	-	-	808	808
Contingency	-	-	68	68
<b>Total Contract</b>	-	-	876	876
Percent Contingency	0%	0%	8%	8%

**Notes:**

Budget for this item is in the Executive Department budget within the services category, and is located on page 84 of the Adopted 2014 Budget book. Budget for future years will be requested in future budgets. Year to date spending reflects expenses thru April 30, 2014. All figures shown in \$ thousands.

**SMALL BUSINESS/DBE PARTICIPATION AND APPRENTICESHIP UTILIZATION**

**Participation by Small Businesses and Disadvantaged Business Enterprises (DBEs)**

Sound Transit promotes and encourages small business participation, which also includes Disadvantaged Business Enterprises (DBEs). Small Business and DBE goals are based upon an examination of subcontracting opportunities contained in the work of this contract and the number of Small Businesses/DBEs available to perform such subcontracting work.

Sound Transit determined that Small Business and DBE subcontracting opportunities are infeasible or improbable based upon the work described in this contract, so Small Business/DBE goals were not established or required.

**PUBLIC INVOLVEMENT**

Not applicable to this action.

**TIME CONSTRAINTS**

A one month delay would cause significant impact to this procurement. Because open enrollment begins in October of this year, it is important for Sound Transit HR to begin a strategic partnership with a benefits broker with enough time to have appropriate plan offerings prior to October.

**PRIOR BOARD/COMMITTEE ACTIONS**

None.

**ENVIRONMENTAL REVIEW**

Jl 5/16/2014

**LEGAL REVIEW**

RM 5/30/2014

## **MOTION NO. M2014-37**

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a three-year contract with two one-year options to extend with Gallagher Benefit Services to provide employee benefits brokerage services for Sound Transit in the amount of \$808,000, with an 8% contingency of \$67,750, for a total authorized contract amount not to exceed \$875,750.

### **BACKGROUND:**

Sound Transit implements a Total Rewards compensation strategy as a way to recruit and retain quality long-term employees. This strategy includes providing benefits, such as healthcare and retirement services to employees. Due to the complex and long-term nature of Sound Transit projects, it is important to recruit and retain high quality and experienced employees.

Through 2012, Sound Transit participated in the Association of Washington Cities (AWC) Health Benefits trust. In 2013, Sound Transit determined it had become too large to logically fit within the structure of the AWC Health Benefits trust, and decided to contract directly with vendors to offer market-based renewals based on claims usage and the flexibility to tailor plans to meet Sound Transit's benefit needs.

Sound Transit put in place a strategy that has successfully kept costs flat from 2012 through 2014, despite the national trend continuing to increase on an annual basis. Sound Transit Human Resources (HR) requested bids earlier this year for brokerage services with the goal of retaining a firm that offers a broad base of administrative functions, an employee-centered focus, and a track record of cost-savings and innovation. Sound Transit HR's review committee found Gallagher Benefit Services to be a leader in meeting these needs and in providing the lowest bid.

Under the proposed contract with Gallagher Benefit Services, Sound Transit will be able to continue to find ways to negotiate competitive rates, alternative solutions, and balanced benefit options for employees. Without a strong broker to support this mission, the desired outcomes may not be available. The contract with Gallagher Benefit Services will also help Sound Transit navigate the Federal Affordable Care Act to avoid issues or fees related to this Act.

Sound Transit's current employee benefits broker contract expires in 2014. The contract in this action is for three years, with two additional one-year options to extend. If approved, the contract will begin July 1, 2014, with a total contract cost of \$875,750, including an 8% contingency.

**MOTION:**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a three-year contract with two one-year options to extend with Gallagher Benefit Services to provide employee benefits brokerage services for Sound Transit in the amount of \$808,000, with an 8% contingency of \$67,750, for a total authorized contract amount not to exceed \$875,750.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on June 26, 2014.



Dow Constantine  
Board Chair

ATTEST:



Marcia Walker  
Board Administrator