

**City Council Agenda Items
and
Contracts, Leases or Agreements**

5/15/2012

City Council Meeting Date
Agenda Items Only

Missy Leflar

Human Resources

Chief of Staff

Submitted By

Division

Department

Action Required:

Staff requests that Council approve the contract with Gallagher Benefits Services, Inc., for benefits brokerage services.

\$36,000.00	\$ 55,000.00	Services / Maintenance
Cost of this request	Category / Project Budget	Program Category / Project Name
1010.1220.5416.00		
1010.1220.5314.00	\$ 17,865.88	Human Resources
Account Number	Funds Used to Date	Program / Project Category Name
NA	\$ 37,134.12	General Fund
Project Number	Remaining Balance	Fund Name

Budgeted Item

Budget Adjustment Attached

Don Man
Department Director

5/2/12
Date

Previous Ordinance or Resolution # _____

Original Contract Date: _____

City Attorney Date

Original Contract Number: _____

Finance and Internal Services Director Date

Received in City 05-02-12 P.03:25 RCVD
Clerk's Office
USB

Don Man
Chief of Staff Date

Received in
Mayor's Office

Mayor Date

Comments:

CITY COUNCIL AGENDA MEMO

To: Mayor Lioneld Jordan and City Council members

Thru: Don Marr, Chief of Staff

From: Missy Leflar, Human Resources Director *ML*

Date: May 2, 2012

Subject: Five Year Contract with Gallagher Benefit Services, Inc. for Benefits Brokerage services.

PROPOSAL:

Staff recommends that the City Council approve the 2012 Five Year Contract with Gallagher Benefits Service, Inc.

RECOMMENDATION:

Staff recommends approval of this contract with Gallagher Benefit Services, Inc.

DISCUSSION:

BROKER SERVICES: The City of Fayetteville put out a Request for Professional Services bid for benefits brokerage services. This was due to the five year contract of the current broker coming to an end. A Committee vetted eight bids, and narrowed it down to two bidders, who were interviewed. Each was also asked about benefits software recommendations, since it is industry standard for insurance broker services to include benefits software. Benefits brokers are typically knowledgeable about the software options and often have the capability to obtain bulk pricing and offer a discounted price to their clients.

The City's benefits broker acts as a continuous resource, advising City staff on an ongoing basis concerning how to keep the City legally compliant with federal regulations pertaining to benefits administration (including federal regulations on pre-tax versus post-tax benefits related payroll deductions and the multitude of Health Care Reform requirements). The broker oversees takeovers when the City switches from one insurance company to another, and is responsible for ensuring that no employees contractually lose coverage in the transition. The broker vets benefits related legal notices sent by City staff to employees. The broker sends representatives to assist in employee Question and Answer sessions each year at annual benefits enrollment. The broker also functions as an advocate for the City when City staff has requests of insurance carriers and the companies who administer certain benefits functions which are not being addressed in a timely fashion. In addition, the broker is hired to negotiate on behalf of the City with insurance companies, and function as a liaison between the City and the insurance companies, the benefits software vendor(s), the COBRA vendor, Flexible Spending Account vendor, the City's Employee Assistance Program vendor, and the financial institution housing the City employees' Health Savings Accounts.

BENEFITS SOFTWARE: The Committee asked both finalists for recommendations concerning benefits software. Gallagher Services recommended the City's consideration of PlanSource benefits software, which Gallagher could provide at a discount price for the City. The City staff in Accounting, HR, and IT who regularly use the current benefits software reviewed the PlanSource software and compared it to both the current software and another vendor's software. It was agreed that the PlanSource software should interact better with the City's payroll system with regard to payroll deductions for insurance premiums, should have

superior reporting functionalities useful for City Accounting staff performing billing reconciliations and City HR staff assisting employees, and should better serve for allowing employees the opportunity to self-enroll their benefits as well as directly access their individual benefits information. PlanSource, like the current benefits software, would also function as the employee benefits database and would replace labor intensive paperwork by electronically feeding employee benefits changes to the medical, dental, and insurance companies as well as the COBRA/Medical Reimbursement Account administrating company.

Based on the Request for Proposal (RFP) issued, the City can bundle the above services into a contract and have a single provider for brokerage services as well as benefits database software. This was precisely the City's process five years ago, when Council approved a contract with the current benefits broker in an agreement that added discounted benefits software provided by the broker. The City will benefit from this bundling due to the fact that Gallagher maintains a national contract with the software provider, allowing the City to take advantage of competitive high-volume based pricing it would not otherwise receive. The Connect2MyBenefits software by PlanSource was included with the competitive response from Gallagher Benefits Services ties to the Gallagher's recommended method of providing benefits brokerage services to the City.

Staff thus recommends a Contract with Gallagher Benefit Services, Inc. which includes both brokerage services and benefits database software.

BUDGET IMPACT:

The entire budget impact for both the broker services and the discounted benefits software service is \$6,168.40 per calendar year¹ moving forward from 2013 (and \$12,122.41 immediately for 2012), which is being offset by funds being transferred from the Human Resources Contingency/Savings General Ledger Account. That Account was funded, in part, by savings caused by the City's unemployment benefits bill decreasing for the first time in four years to an amount \$38,041.71 less than budgeted. There is thus no net additional cost to the General Fund.

¹ \$1,221 per year more for brokerage services and \$4,947.40 per year more for benefits software, to total \$6,168.40.

