SUMMARY STATEMENT

ITEM NO.: DRPA-14-071  SUBJECT: Broker/Consultant for Health & Welfare Program – Agreement Extension

COMMITTEE: Finance

COMMITTEE MEETING DATE: May 7, 2014

BOARD ACTION DATE: May 22, 2014

PROPOSAL: That the Board authorizes staff to exercise its right to extend the initial contract term with Gallagher Benefit Services, Inc. for an additional one (1) year. If approved, the annual fixed service fee will remain $125,000, which will continue to be paid in equal quarterly amounts of $31,250, as set forth in the Agreement by the DRPA. If approved, the contract extension will expire on September 25, 2015.

PURPOSE: The initial term of the Agreement with Gallagher Benefit Services, Inc. (“Gallagher”), was for two years, from 9/24/2012-9/24/2014. The contract will expire on September 24, 2014.

Pursuant to the Agreement terms, the DRPA has the right to extend the contract term for one (1) year upon written notice delivered to Gallagher at least 15 days prior to the expiration of the Agreement. If approved, the contract extension will expire on September 24, 2015.

BACKGROUND: On June 25, 2012, the DRPA publicly advertised its intent to retain a Broker/Consultant and invited interested firms to submit Technical and Cost Proposals. The RFP was advertised on DRPA’s website and in the Business Insurance periodical. Responses were due on July 25, 2012, by 3 pm.

Each proposer submitted three sealed and clearly marked envelopes: (1) Technical Proposal; (2) Cost Proposal; and (3) Political Contribution Disclosure Forms. All proposals were submitted to the Contract Administration Department. The Manager, Contract Administration delivered the sealed envelopes to the Inspector General for dissemination. The Inspector General distributed copies of the Technical Proposals to the Review Team members. The sealed Cost Proposals and Political Contribution Disclosure Forms remained in the custody of the Inspector General.
The following six (6) firms submitted proposal responses:

- Alliant
- Brown & Brown Consulting
- Gallagher Benefit Services, Inc.
- Kistler Tiffany Benefits
- Willis
- Wells Fargo

The review committee consisted of John J. Matheussen, then-CEO, Michael Conallen, Deputy CEO, Danielle McNichol, General Counsel, Toni P. Brown, Chief Administrative Officer, and John T. Hanson, Chief Financial Officer. All team members were interviewed by the Inspector General for potential conflicts of interest, and no conflicts were noted.

On Tuesday, August 7, 2012, the review committee met to discuss and evaluate the proposals on the basis of technical merit. Interviews were conducted on Friday, August 10, 2012. All firms participated. On Monday, August 13, 2012, after the Technical Review and interviews were completed, the CFO and Inspector General opened all Cost Proposals. The results were tabulated and presented to the Finance Committee for review and consideration. The Authority’s Inspector General reviewed the Political Contribution Disclosure Forms for compliance. No issues were noted.

Gallagher Benefit Services, Inc. was determined to be one of the top two technically ranked firms. Overall, the team assembled by Gallagher Benefit Services, Inc. was found to possess the necessary experience and qualifications to administer successfully the Authority’s Health & Welfare Benefits Program.

In addition to being one of the highest technically-ranked firms, Gallagher submitted the lowest Cost Proposal, which was $125,000 per year. Since the Agreement was first initiated, the appointment of Gallagher Benefit Services, Inc. has saved the Authority approximately $173,000 annually or $346,000 over a two-year period.

The Office of the Inspector General confirmed on March 20, 2014, that Gallagher Benefit Services submitted the required Political Contribution Disclosure & Certification Forms. Gallagher Benefit Services, Inc. agrees to comply with the Authority’s prohibition against fee-sharing, fee-splitting or receipts of any funds or consideration not earned by any broker or agent on behalf of the DRPA. To ensure transparency of
costs, the Agreement requires the disclosure of all payments made by or to any brokers as compensation for services provided under the terms of the Broker/Consultant contract. The Office of Inspector General will continue to have the right to request, review and audit all records and documentation of the broker for compliance.

Staff has been pleased with the broker consulting services provided thus far by the Gallagher Team, and therefore recommends that prior to September 24, 2014, the date on which the existing Broker/Consulting Services Agreement with Gallagher expires, that the Agreement be extended for one (1) year. If approved, the annual fixed service fee will remain $125,000, which will be paid in equal quarterly amounts of $31,250, as set forth in the Agreement by the DRPA. If approved, the contract extension will expire on September 25, 2015.

**SUMMARY:**

| Amount: | Total: $125,000 per year, payable in quarterly installments of $31,250 |
| Source of Funds: | Revenue Fund and General Fund |
| Capital Project #: | N/A |
| Operating Budget: | DRPA Benefits Administration C/E #15 |
| Master Plan Status: | N/A |
| Other Fund Sources: | N/A |
| Other Parties Involved: | Gallagher Benefit Services, Inc. and Delaware River Port Authority |
RESOLUTION

RESOLVED: That the Board authorizes staff to exercise its right to extend the initial Agreement term with Gallagher Benefit Services (the Authority’s Broker/Consultant for its Health & Welfare Program) for an additional one (1) year before the Agreement expires on September 24, 2014; and be it further.

RESOLVED: That the annual fixed fee for the services shall continue to be $125,000, and shall continue to be payable in equal quarterly payments of $31,250 as set forth in the Agreement by the DRPA; and be it further.

RESOLVED: That the extended Agreement term will be from September 24, 2014 through September 24, 2015; and be it further.

RESOLVED: The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer and if thereafter either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of DRPA.

SUMMARY:

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