SUMMARY STATEMENT

ITEM NO.: DRPA-18-053   SUBJECT: Broker/Consultant for Health & Welfare Program

COMMITTEE: Finance

COMMITTEE MEETING DATE: June 6, 2018

BOARD ACTION DATE: June 20, 2018

PROPOSAL: That the Board authorizes staff to appoint a Broker/Consultant for the Authority’s Health & Welfare Program, and to negotiate an agreement with the Broker/Consultant.

PURPOSE: To appoint a Broker/Consultant for the Authority’s Health & Welfare Program, which would include insurance marketing, open enrollment support, claims management/adjudication, among other tasks.

The broker appointment will be validated upon the following: (1) the expiration of the New Jersey Governor’s Veto Period; (2) a fully executed Broker/Services Agreement between the Delaware River Port Authority and Arthur J. Gallagher & Co., d/b/a Gallagher Benefit Services, Inc.; and (3) receipt of the signed Broker of Record Letter.

BACKGROUND: The Authority has determined that it is imperative that contracts are awarded in a manner that is fair and transparent, both with respect to contracts subject to sealed bidding, as well as those contracts where an award to the lowest responsible bidder is not desirable, such as in the procurement of professional services where price is a factor, but is not always the only factor in determining the award of the contract. At the Board’s direction, and pursuant to Resolution DRPA-10-044, which establishes procedures requiring a uniform review process for professional services, a formal Request for Proposal was issued.

The Authority publicly advertised on February 12, 2018 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. It was also advertised from February 12 to March 9, 2018 on the Business Insurance website as an on-line digital advertisement, which included daily brief text ads. Responses were due on March 9, by 2 pm.

Each proposer was required to submit the following sealed and clearly marked envelopes to the Contract Administration Department: (1) Technical Proposal; (2) Cost Proposal; and (3) Political Contribution Disclosure Forms. Contract Administration staff delivered the sealed
envelopes to the Acting 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 Acting Inspector General. The Authority’s Acting Inspector General reviewed the Political Contribution Disclosure Forms for compliance. No issues were noted.

The following four (4) firms submitted proposals:

- Corporate Synergies Group and Global Advisory Services (Mt. Laurel, NJ) with Global Advisory Services (BalaCynwyd, PA)
- Doyle Alliance Group (Woodbridge, NJ)
- Arthur J. Gallagher & Co. d/b/a Gallagher Benefit Services, Inc. (Mt. Laurel, NJ)
- Korn Ferry Hay Group (Reston, VA)

The review committee consisted of the following individuals:

- Chief Administrative Officer
- General Counsel
- Director, Risk Management
- Project Manager, Office of the Chief Administrative Officer

The staff evaluation team was interviewed and screened for conflicts by the Acting Inspector General. All members of the team were cleared to participate in the evaluation process.

On May 4, 2018, the review committee met to discuss and evaluate the proposals on the basis of technical merit. The Manager, Contracts Administration and a Contract Administrator were also present. Gallagher Benefit Services, Inc. was the top technically-ranked firm.

Gallagher’s proposed Service Team Leader has significant employee benefits brokerage and consulting experience. Gallagher’s primary team for day-to-day services will include, but is not limited to, 10 professionals. 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. The Gallagher Benefit Services, Inc. team leader and account team also have extensive institutional knowledge of the DRPA and PATCO, having served as the broker for the past five (5) years. Through their tenure, Gallagher has successfully negotiated flat renewals with AmeriHealth of New Jersey and multi-year rate
guarantees with Delta Dental and Vision Benefits of America. Gallagher recently transitioned DRPA’s coverage for Group Life, AD&D, LTD and STD from The Standard Insurance Company to Symetra, negotiating a three-year rate guarantee which will result in savings of $932,000 over a three (3) year period.

If staff’s recommendation is accepted, Gallagher Benefits Services, Inc. Cost proposal for three (3) years would be the same cost the Authority pays in its current contract with Gallagher, an annual fixed service fee of $135,000, paid in equal amounts quarterly ($33,750) in each of the three (3) years for a total of $405,000. Should the Authority exercise the option for two (2) additional (1) year options, unilaterally exercisable at DRPA’s sole discretion based on performance evaluation, the annual fixed service fee for years four and five would be $139,000 per year payable in equal amounts quarterly ($34,750 per quarter), for a possible total five-year Cost Proposal of $683,000.

Gallagher Benefit Services, Inc. does not accept contingent, supplemental or other forms of additional compensation from insurers and will not receive any additional compensation beyond the flat fixed service fee payable as outlined in their Cost Proposal.

The Legal Department will draft a new Broker/Consultant Agreement to become effective after the expiration of the New Jersey Governor’s Veto Period on or about July 2, 2018. In the contractual agreement, Gallagher Benefit Services, Inc. will be advised about 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 Authority will require the disclosure of all payments made by any or to any brokers as compensation for services provided under the terms of the Broker/Consultant contract. Gallagher Benefit Services, Inc. will be advised that the Authority shall have the right to request, review and audit all records and documentation of the broker for compliance.

Staff recommends that Arthur J. Gallagher & Co. d/b/a Gallagher Benefit Services, Inc. be reappointed as the Broker of Record. It is further recommended that a Broker/Consultant Agreement be negotiated with Arthur J. Gallagher & Co. d/b/a Gallagher Benefit Services, Inc. for the three (3) year fixed service fee for a not-to-exceed annual amount of $135,000, payable in quarterly installments of $33,750. The Agreement will include an option for two (2) additional (1) year options, unilaterally exercisable, at the DRPA’s sole discretion, based on
staff’s overall satisfaction with Gallagher Benefit Services’ professional services, for a not-to-exceed annual amount of $139,000, payable in quarterly installments of $34,750.

SUMMARY: Amount: Total: Not-to-exceed $405,000 (three year term - NTE $135,000 per year paid quarterly in installments of $33,750) with an option for two (2) additional (1) year options, unilaterally exercisable at DRPA’s sole discretion NTE $139,000 on an annual basis, payable in quarterly installments of $34,750.

Source of Funds: Revenue Fund and General Fund
Capital Project #: N/A
Operating Budget: DRPA Benefits Administration
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: 3 years at $135,000 annually, with an option for two (2) additional (1) year terms at $139,000 per year paid in equal amounts quarterly ($34,750 per quarter), unilaterally exercisable by the DRPA at its sole discretion (based on performance evaluation)

Other Parties Involved: Arthur J. Gallagher & Co. d/b/a Gallagher Benefit Services, Inc. and Delaware River Port Authority
RESOLUTION

RESOLVED: That the Board authorizes staff to appoint a Broker/Consultant for DRPA’s Health & Welfare Program for a period of three (3) years for an annual fixed fee of $135,000 to be paid quarterly, with an option for two additional one-year terms unilaterally exercisable by the DRPA at its sole discretion (based on performance evaluation) for the annual fixed service fee of $139,000; and be it further

RESOLVED: That the annual fixed fee for the services to be rendered for the first three years shall be $135,000, payable in equal quarterly payments of $33,750 as set forth by the DRPA in the RFP; and be it further

RESOLVED: That the annual fee for the two additional one-year options shall be $139,000 each, payable in quarterly installments of $34,750; and be it further

RESOLVED: That assuming Gallagher is performing satisfactorily and consistent with the terms of the agreement, the Board authorizes staff to use its discretion as to whether the fourth and fifth year options shall be exercised, without returning to the Board for additional authorization. If the fourth and fifth year options are exercised, the fee for each of the additional one-year options shall not exceed $139,000, and shall continue to be paid in quarterly installments of $34,750; and be it further

RESOLVED: That the Board authorizes that the appointment shall be validated upon the following: (1) the expiration of the New Jersey Governor’s Veto Period; (2) a fully-executed Broker/Services Agreement between the Delaware River Port Authority and Arthur J. Gallagher & Co. d/b/a Gallagher Benefit Services, Inc.; and (3) receipt of the signed Broker of Record Letter.

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: Amount: Total: Not-to-exceed $405,000 (three year term - NTE $135,000 per year paid quarterly in installments of $33,750) with an option for two (2) additional (1) year options, unilaterally exercisable at DRPA’s sole discretion NTE $139,000 on an annual basis, payable in quarterly installments of $34,750.

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Other Parties Involved: Arthur J. Gallagher & Co. d/b/a Gallagher Benefit Services, Inc. and Delaware River Port Authority