



**Contract and Award Letter
Purchase Resolution – Exhibit “A”**

TO: Board of Contracts and Awards
FROM: Kari Louie, Interim Director, Human Resources
COPY: City Council, City Manager, City Clerk, EIC Coordinator, LEAP Coordinator, and Sara Bird, Senior Buyer, Finance/Purchasing
SUBJECT: Employee Benefits Brokerage and Consulting Services
Request for Proposals Specification No. HR19-0136F, SAP Contract No. 4600014162 – December 2, 2025 - City Council
DATE: November 7, 2025

RECOMMENDATION SUMMARY:

The Human Resources Department requests approval to increase and extend SAP Contract 4600014162, to Mercer Health and Benefits, LLC, Seattle, WA, by \$727,000, plus applicable taxes, budgeted from the Health Care Trust Fund 6430, for employee benefits brokerage and consulting services. This increase will administratively extend the contract as allowed by TMC 1.06.269, section C, by 2 years (7/1/2026 through 6/30/2028) beyond the previously authorized seven (7) year total, for a projected nine (9) year total of \$2,747,000, plus applicable taxes for the purposes of continuity in consulting services with this vendor.

STRATEGIC POLICY PRIORITY:

- Strengthen and support a safe city with healthy residents.
- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.
- Cultivate a vibrant cultural sector that fosters a creative, cohesive community.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

Mercer Health and Benefits, LLC was awarded the benefits brokerage and consulting services contract for an initial five-year term with an option of two additional years as a result of a competitive Request for Proposals (RFP) process HR19-0136F in 2019. In 2020, 2021, 2022 & 2024, additional deliverables were requested of this vendor via contract amendments in addition to increases in funding with exercising the additional two-year option under the RFP. This vendor has important expertise and history assisting the City of Tacoma with the administration of our employee health and welfare benefit plans. City Council recently adopted the Joint Labor Committee Collective Bargaining Agreement for the continuation of employee health and welfare benefits for the years 2026 and 2027. Staff previously communicated to City Council that during collective bargaining the City engaged in discussion with the Committee on a plan to pursue an RFP for our self-funded medical and pharmacy plan administration to be effective in January 2027, which results in a need to extend the contract for the additional two-year period.

ISSUE: Mercer Health and Benefits, LLC represents the City in the marketing of employee benefit insurance and provides consulting services in selected areas when the City does not provide such expertise internally. Without such services, market knowledge, and historical experience working with the City on the administration of their employee health and welfare benefit plans, the City would find it difficult to conduct a complex RFP, participate in contract negotiations, and implement the process for the City's self-funded medical and prescription plans in 2026 since collective bargaining for the Joint Labor Agreement takes place in 2027.



These complex services along with the day-to-day consulting services assist with helping the City to remain compliant with our benefits plans, while providing a competitive and affordable benefits package to support the City in being an employer of choice and to retain a qualified and engaged workforce.

ALTERNATIVES:

1. Hire additional staff to perform these services. Professional staff hired would have to have an uncommonly extensive market knowledge, resources, and relationships outside the City to ensure that the City is realizing all possible cost savings benefits.
2. Delay conducting an RFP for the City’s self-funded medical and prescription plans to 2027 or 2028 and require the Human Resources Department immediately begin the process of a new RFP for an employee benefits brokerage and consulting contract in order to have that relationship in place in preparation for bargaining the Joint Labor Agreement at the start of 2027.

COMPETITIVE ANALYSIS:

Hiring permanent professional staff with uncommonly extensive market knowledge, resources, and relationships outside the City to ensure that the City is realizing all possible cost savings and would cause further delay by the need for a national talent search. However, such a recruitment would still not yield the required depth and breadth of knowledge that a brokerage/consulting firm which includes an assigned account team and broader organizational structure of team members with expertise and varied resources to offer an array of services to their client under the scope of a consulting services contract.

CONTRACT HISTORY:

Mercer Health and Benefits, LLC was awarded the benefits brokerage and consulting services contract April 1, 2019, for an initial five-year term as a result of competitive solicitation HR19-0136F.

July 1, 2020: Amendment No. 1 was added to the contract for the purpose of amending the contract’s authorized scope of work to include consultation on an RFP for Citywide Life, Accidental Death & Dismemberment (AD&D) and Long-Term Disability services. No additional funds were added to the contract.

March 12, 2021: Amendment No. 2 was added to the contract for the purpose of amending the contract’s authorized scope of work to include claims audits for Regence Blue Shield medical and pharmacy services, that manage client’s self-funded health plans. No additional funds were added to the contract.

November 1, 2021: Amendment No. 3 was added to the Contract for the purpose of amending the contract’s authorized scope of work to include Competitive Market Assessment for Voluntary Products including the viability of offering a Long-Term Care Plan to City employees in response to the State of Washington’s upcoming WA Cares Fund benefit. No additional funds were added to the contract.

July 1, 2024: Amendment No. 4 was added to the Contract for the purposes of amending the contracts term through June 30, 2026, by exercising the two-year extension of the RFP, and extending the retainer schedule through years 6 and 7 for a new cumulative total of \$2,020,000.



October 18, 2024: Amendment No. 5 was added to the Contract for the purpose of amending the contract’s authorized scope of work to include claims audits for Regence Blue Shield (Regence) medical and pharmacy services that manage client’s self-funded health plans. No additional funds were added to the contract.

SUSTAINABILITY: Not Applicable

EQUITY IN CONTRACTING (EIC) COMPLIANCE: Not applicable - Service contract - EIC Regulations are not yet established

LOCAL EMPLOYMENT AND APPRENTICESHIP TRAINING PROGRAM (LEAP) COMPLIANCE: Not Applicable

FISCAL IMPACT:

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
6430 – Health Care Trust	863000	5310100	\$727,000
TOTAL			Up to \$727,000

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
6430 – Health Care Trust	863000	Various	(\$727,000)
TOTAL			Up to (\$727,000)

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: Impact will primary be realized in 2027 and 2028, with a \$338,000 in 2026. The \$338,000 does not include the already contracted amount for the first half of 2026.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED. N/A