

# *Client Services Agreement*

City of Killeen and Lockton-Dunning Series of Lockton Companies, LLC

This Client Services Agreement (hereinafter referred to as the "Agreement") made and entered into effective as of **October 1, 2022** (the "Effective Date"), by and between **City of Killeen** having offices at 718 North 2<sup>nd</sup> Street, Killeen, Texas 76541 (hereinafter referred to as "Client") and **Lockton-Dunning Series of Lockton Companies, LLC**, having offices at 2100 Ross Avenue, Suite 1200, Dallas, Texas 75201 (hereinafter referred to as "Lockton").

Client wishes to procure certain services that can be performed by Lockton; and Lockton can provide and desires to render to Client such services; and

The parties agree that it would be to their mutual advantage to execute this Agreement and thereby define the terms and conditions that shall control the rendering of services provided to Client by Lockton.

Now, therefore, in consideration of the foregoing recitals, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

## **I. Service Period**

This Agreement will be in effect from the Effective Date above for a period of fifteen (15) months with the option to renew up to four (4) additional years in a twelve (12) month period. This option will occur automatically at the end of the previous term unless Client submits notice in writing sixty (60) days prior to the renewal period.

## **II. Service Compensation**

- A. Services provided by Lockton as set forth in Addendum A will be performed for annual compensation in the amount of ninety thousand dollars (\$90,000.00) ("Fee"), to be paid on the following payment terms:
  - Monthly Fee for Services of seven thousand five hundred dollars (\$7,500.00).
  - Payment of all invoices submitted under this Agreement will be made within forty-five (45) days.
- B. Client further acknowledges that the IAS Series of Lockton Specialties, LLC ("IAS") has or will perform services as set forth in Addendum A specific to life, disability and leave administration. IAS may be entitled to receive certain compensation from the applicable carrier attributable to these services provided to Client or on Client's behalf ("IAS Fee"). The IAS Fee is and shall be throughout the period IAS provides such services, non rate-impactable to Client and Client shall have no responsibility for the payment of any such compensation. Client agrees the IAS Fee is reasonable based on the services being provided by IAS.
- C. Client further acknowledges that Lockton may receive fees, commissions, or other forms of compensation that have no impact to rates as filed with a particular state (collectively, "Vendor Management Fees") for the performance of certain core and/or optional services listed in Addendum

A. Client consents and agrees to Lockton's ability to receive such Vendor Management Fees under all circumstances.

### **III. Services**

- A. It is hereby understood and agreed that in consideration of the compensation set forth above that Lockton will provide services which are outlined in Addendum A, which is attached to and made part of this Agreement ("Scope of Services").
- B. It is further agreed that other services that are outside the foregoing Scope of Services, and compensation for such services, may be undertaken by mutual written agreement by the parties.
- C. When, in Lockton's professional judgment, it is necessary or appropriate, Lockton may utilize the services of other intermediaries or other appropriate outside vendors to assist in the servicing of Client's insurance programs. However, this may only be done after consultation with and prior approval by Client.
- D. To the extent permitted by law, Lockton agrees to offer a performance guarantee for Client, whereby Lockton agrees to put twenty-five percent (25%) of its Fee at risk contingent upon Client's subjective evaluation of Lockton's performance.

### **IV. Termination of Services**

Client or Lockton may terminate this Agreement at any time with sixty (60) days written notice to the other party. After the termination of the Agreement, whether it be a period or the entire term, Client may request up to an additional one hundred and twenty (120) days past the date of termination to advertise and award a new RFP for such services. If the one hundred and twenty (120) days are utilized, services performed during that time will be billed at a prorated amount.

### **V. Additional Obligations**

- A. Client shall provide Lockton with reasonable cooperation and assistance necessary for Lockton to fulfill its responsibilities to Client pursuant to the terms of this Agreement, including, without limitations, copies of all documents reasonably requested by Lockton and the cooperation of and access to certain of Client's personnel.
- B. Lockton acknowledges that the nature of its relationship with Client is one in which Client shall entrust Lockton as the custodian of certain of Client's information, some of which may be of a confidential or proprietary nature. Lockton shall undertake all reasonable efforts to maintain the integrity of all of Client's information, whether or not such information is confidential or proprietary.
- C. The services of Lockton shall be performed in a professional manner for the Client. More specifically, Client and Lockton agree that for the purposes of providing its services under this Agreement, Lockton shall at all times: (1) exercise a duty of care, skill, prudence and diligence under the circumstances prevailing that a prudent person acting in a like capacity and familiar with Client's benefits program would use in the discharge of Lockton's services, (2) exercise a duty of good faith and fair dealing, (3) act in Client's best interest and to put Client's interest ahead of its own, (4) fully and fairly disclose all material facts relating to its vendor or other third-party business relationships and compensation arrangements, (5) exercise a duty of care, and (6) provide impartial and honest advice. Client

acknowledges and agrees that Lockton will not be acting as a fiduciary pursuant to ERISA or applicable law.

**VI. General Conditions**

- A. Neither party shall assign the rights nor duties herein set forth without the prior written consent of the other party.
- B. The terms and conditions of this Agreement constitute the entire Agreement between the parties with respect to the subject matter hereof. This Agreement shall not be amended except by a written amendment signed by both parties, and no promises, agreement, or representations not herein set forth shall be of any force or effect between them. This Agreement shall serve to terminate and supersede all agreements and undertakings heretofore entered into between the parties on subjects covered by this Agreement.
- C. Any communication or notice required or which may be given hereunder shall be addressed to Client and to Lockton at their addresses set forth in the preamble hereof.
- D. This Agreement shall be governed for all purposes by the laws of the state of Texas.

**In witness whereof**, the parties hereto have executed the Agreement as of the day and year first written above.

**Lockton-Dunning Series of Lockton Companies, LLC**



**BY:** \_\_\_\_\_ **DATE:** 05/27/2022

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**City of Killeen**

**BY:** \_\_\_\_\_ **DATE:** \_\_\_\_\_







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# Addendum A

## SCOPE OF SERVICES

<i>Services</i>	<i>Frequency</i>	<i>Included</i>
<b>Client Onboarding</b>		
<ul style="list-style-type: none"> <li>▪ Data collection</li> <li>▪ Develop client-specific service calendar</li> </ul>	At Engagement	
<b>Strategic Planning</b>		
<ul style="list-style-type: none"> <li>▪ Establish short- and long-term goals and targets for benefit plans and their role in client's total compensation program</li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Develop benefit philosophies specific to client</li> </ul>	As Necessary	
<ul style="list-style-type: none"> <li>▪ Review workforce needs and trends to develop a benefits program that supports client's overall business objectives</li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Compare client's current benefits program to national and peer group benchmarks</li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Conduct situational analysis and identify opportunities to:                             <ul style="list-style-type: none"> <li>– Contain and/or reduce current cost trends</li> <li>– Optimize vendor and network performance</li> <li>– Improve the health and productivity of workforce</li> <li>– Increase provider quality and improve clinical outcomes</li> <li>– Determine those benefit programs that are necessary to recruit and retain talent</li> <li>– Create an equitable employee/employer cost sharing structure</li> <li>– Optimize member utilization of healthcare</li> <li>– Identify operational/administrative inefficiencies and gaps to best practices</li> <li>– Enhance employee appreciation and satisfaction of benefit programs</li> </ul> </li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Conduct meetings to solicit key stakeholder feedback</li> </ul>	Annually	

<i>Services</i>	<i>Frequency</i>	<i>Included</i>
<b>Health Reform Advisory Practice</b>		
<ul style="list-style-type: none"> <li>Provide information, advice and assistance with analysis and implementation of health reform legislation requirements</li> </ul>	Ongoing	✓
<ul style="list-style-type: none"> <li>Advise clients on the integration of health reform requirements with their overall compensation and benefits strategies</li> </ul>	Ongoing	✓
<ul style="list-style-type: none"> <li>Deliver options and recommendations tailored to each client’s circumstances</li> </ul>	Ongoing	✓
<ul style="list-style-type: none"> <li>Plan valuations, impact studies, plan modeling and pricing strategies</li> </ul>	Ongoing	✓
<ul style="list-style-type: none"> <li>Model potential financial impact due to healthcare reform</li> </ul>	Ongoing	✓
<ul style="list-style-type: none"> <li>Evaluate feasibility of open market exchanges</li> </ul>	Ongoing	✓
<ul style="list-style-type: none"> <li>Develop strategies and resources for required employee communications</li> </ul>	Ongoing	✓
<b>Program Design</b>		
<ul style="list-style-type: none"> <li>Review current and alternative health and welfare delivery models and funding methodology</li> </ul>	Annually	✓
<ul style="list-style-type: none"> <li>Develop recommended plan design alternatives:                             <ul style="list-style-type: none"> <li>Review and recommend changes to detailed coverage provisions</li> </ul> </li> </ul>	Annually	✓
<ul style="list-style-type: none"> <li>Contribution modeling for employees and employer</li> </ul>	Annually	✓
<ul style="list-style-type: none"> <li>Develop budgets and economic impact measurements of proposed changes</li> </ul>	Annually	✓

<i>Services</i>	<i>Frequency</i>	<i>Included</i>
<ul style="list-style-type: none"> <li>▪ Assess the impact of proposed designs on employee satisfaction:                             <ul style="list-style-type: none"> <li>– Conduct employee surveys and focus groups</li> </ul> </li> </ul>	As Necessary	
<ul style="list-style-type: none"> <li>▪ Meet with client’s senior executives, key stakeholders and the HR/Benefits team to discuss recommendations and implementation strategy decisions</li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Lockton Interactive Financial Tool (LIFT):                             <ul style="list-style-type: none"> <li>– Interactive plan design modeling tool</li> </ul> </li> </ul>	Annually	
<b>Renewal, Marketing and Vendor Selection</b>		
<ul style="list-style-type: none"> <li>▪ Request and coordinate renewal activities with all vendors:                             <ul style="list-style-type: none"> <li>– Medical</li> <li>– Prescription Drug</li> <li>– Dental</li> <li>– Vision</li> <li>– Life and AD&amp;D</li> <li>– Absence and Disability</li> <li>– Other ancillary lines (as applicable)</li> </ul> </li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Quantify financial impact of renewal and negotiate any variance between renewal and client’s budget projections</li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Market benefit programs to mutually agreed upon vendors:                             <ul style="list-style-type: none"> <li>– Develop Request for Proposal (RFP) with request bid specifications</li> <li>– Coordinate RFP release to market</li> <li>– Respond to carrier questions and data requests</li> <li>– Negotiate best and final offers</li> </ul> </li> </ul>	As Necessary	

<i>Services</i>	<i>Frequency</i>	<i>Included</i>
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- Prepare and present a detailed marketing and renewal report that would include:

- Total and itemized cost results
- Rate guarantees
- Network discount analysis
- Provider disruption analysis
- Service capabilities
- Performance guarantees
- Benefit designs and variances
- Carrier financial ratings
- Develop vendor marketing results scorecard
- Executive summary of final decisions, including marginal cost analysis associated with program changes and/or price changes

Annually



- Negotiate client:

- Rate guarantees
- Performance guarantees
- Implementation allowance

Annually



### Implementation Process

- Conduct vendor site visits

As Necessary



- Manage implementation process:

- Review and negotiate final agreements and contracts to ensure they conform to bid specifications
- Review all vendor provided employee communications, SPDs, benefit booklets and required documents
- Coordinate the administrative set-up between client and vendors for reporting, billing, banking and data transfers
- Assist with the completion and review of all required applications and other documents as needed to place coverage
- Manage a post-implementation debriefing with client and vendors to discuss performance and needed areas for improvement

Annually











- Participate with client’s legal counsel to negotiate contracts

As Necessary



### Benchmarking



<i>Services</i>	<i>Frequency</i>	<i>Included</i>
<ul style="list-style-type: none"> <li>Dynamic and proven methodology for assessing, reporting and improving employer benefit programs through benchmarking</li> </ul>	Annually	
<ul style="list-style-type: none"> <li>Facilitate the selection of the most relevant survey tools including:                             <ul style="list-style-type: none"> <li>Lockton’s Book of Business medical plan design, contribution and costs survey</li> <li>Publicly available surveys with Public/Private and Industry cuts</li> <li>Cost sharing Inflock® Norms</li> <li>Benefit Point survey</li> <li>Industry group surveys</li> </ul> </li> </ul> <p><i>Includes Medical, RX, Dental, Vision, Life/AD&amp;D and Disability</i></p>	Annually	
<ul style="list-style-type: none"> <li>Analyze health plan historical cost trend analysis vs. peer and national benchmarks</li> </ul>	Annually	
<b>Financial Management and Reporting</b>		
<ul style="list-style-type: none"> <li>Financial reporting package:                             <ul style="list-style-type: none"> <li>Month-by-month paid claims segregated by line of coverage</li> <li>Month-by-month enrollment</li> <li>Actual plan expenses compared to budget</li> <li>High-claimant activity report including plan option elected, relation, diagnosis, paid claims amount, increase in most recent month and amount over specific</li> <li>Aggregate stop loss analysis including paid loss ratio and aggregate loss ratio</li> </ul> </li> </ul>	Monthly	
<ul style="list-style-type: none"> <li>Develop Executive Dashboard of key plan metrics</li> </ul>	Annually	
<b>Actuarial Services</b>		
<ul style="list-style-type: none"> <li>Develop emerging and projected budgets based on historical paid claims and current market trends</li> </ul>	Semi-Annually	
<ul style="list-style-type: none"> <li>Funding rate development</li> </ul>	Annually	
<ul style="list-style-type: none"> <li>COBRA rate development and rate change notification to vendors</li> </ul>	Annually	

<i>Services</i>	<i>Frequency</i>	<i>Included</i>
▪ IBNR calculations and auditor interface	Quarterly	✓
▪ Plan design change valuation	Annually	✓
▪ Stop loss/high claimant probability modeling	Annually	✓
▪ Enrollment migration modeling	Annually	✓
▪ Employee out-of-pocket analysis by plan options	Annually	✓
▪ Medicare Part D Creditable Coverage Determination by plan	Annually	✓
▪ Medicare Part D Actuarial Attestation	As Necessary	✓
▪ Post enrollment analysis	Annually	✓
▪ Budget variance analysis	As Necessary	✓
▪ Health Reimbursement Account (HRA) liability evaluation	As Necessary	✓
<b>Infolock® Data Intelligence</b>		
<ul style="list-style-type: none"> <li>▪ Highly technical centralized data intelligence platform that provides decision support for self-funded employers: <ul style="list-style-type: none"> <li>– Standardized quarterly medical and RX claim inputs from over 30 selected vendors</li> <li>– Database includes 300+ employers and 1.5M lives (4M for normative data)</li> <li>– Infolock® dedicated Lockton management, reporting and clinical staff</li> </ul> </li> </ul>	Quarterly	✓

<i>Services</i>	<i>Frequency</i>	<i>Included</i>
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- Combines technology with consulting expertise to monitor, report, control costs, and design benefit programs and initiatives:
  - Standard and custom outputs, including:
    - Comprehensive utilization reports
    - Health/risk status
    - Preventive care compliance
    - Chronic gaps in care for members with chronic conditions
    - Customized performance indicators

Annually



### Clinical and Health Risk Solutions Services

- Medical Director and staff to support client with the management of their benefit program:
  - Clinical interpretation of utilization data
  - Industry best-practices for coverage determinations
  - Utilization management provider performance review
  - High-cost claimant review and treatment protocol
  - Recommend interventions to contain/reduce cost
  - ERISA appeals support
  - On-site clinic feasibility analysis
  
- Local dedicated Health Risk Solutions specialist focused on improving the health of our client’s workforce:
  - Population health risk assessment
  - Identify proper risk measurement and ROI assessment
  - Establish the realities around financial ROI
  - Determine financial return in conjunction with wellness budget needs
  - Develop multi-year risk-specific wellness programs
  - Vendor assessment (this is the investigation of new wellness vendors that market to our clients)
  - Evaluate opportunities for wellness intervention programs
    - Wellness vendor RFP development, review and selection process
    - Vendor implementation oversight
    - Vendor management

Ongoing



Ongoing
















### Compliance Services







- Inventory of compliance-related documents


As Requested



<i>Services</i>	<i>Frequency</i>	<i>Included</i>
<ul style="list-style-type: none"> <li>Research legislative/regulatory issues</li> </ul>	As Necessary	
<ul style="list-style-type: none"> <li>Periodic topical webcasts and seminars</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Compliance alerts, newsletters and employer guides</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Provide updates on trends and developments for Health &amp; Welfare legislative guidance and changes</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Prepare and provide Form 5500 in a signature-ready format (fulfilled by a third-party vendor)</li> </ul>	Annually	
<ul style="list-style-type: none"> <li>Review proposed updates to contracts, SPDs and benefit summaries for accurate terms, plan requirements and plan design</li> </ul>	As Requested	
<ul style="list-style-type: none"> <li>Draft Client-specific ERISA wrap document (fulfilled by a third-party vendor)</li> </ul>	As Necessary	
<ul style="list-style-type: none"> <li>Draft Client-specific Section 125 cafeteria plan document (fulfilled by a third-party vendor)</li> </ul>	As Necessary	
<ul style="list-style-type: none"> <li>Compliance training in areas of COBRA, Medicare, etc.</li> </ul>	As Requested	
<ul style="list-style-type: none"> <li>HIPAA compliance toolkit including HIPAA training</li> </ul>	As Needed	
<b>Technology Solutions</b>		
<ul style="list-style-type: none"> <li>Compliance Reference Library</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Partner Portal</li> </ul>	Ongoing	
<b>Communication Services</b>		

<i>Services</i>	<i>Frequency</i>	<i>Included</i>
<ul style="list-style-type: none"> <li>▪ Develop communication strategy</li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Coordinate distribution/printing of all communication materials</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>▪ Draft Employee Benefits Communications:                             <ul style="list-style-type: none"> <li>– Employee Benefit Guide or Benefit Highlights Brochure</li> <li>– PowerPoint presentation for employee meetings</li> <li>– Vendor contact card</li> <li>– Annual enrollment postcard</li> <li>– Annual enrollment posters</li> <li>– Home mailers</li> <li>– Employee recruiting guide</li> </ul> </li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Conduct “train the trainer” for employee benefit plan meetings</li> </ul>	As Necessary	
<ul style="list-style-type: none"> <li>▪ Distribute health awareness and consumerism communication newsletter</li> </ul>	Monthly	
<b>Ongoing Service &amp; Vendor Management</b>		
<ul style="list-style-type: none"> <li>▪ Manage vendor participation in annual enrollment process</li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Facilitate service meetings with vendors to address issues/problems and measure results against performance standards</li> </ul>	Quarterly	
<ul style="list-style-type: none"> <li>▪ Provide daily assistance in resolving vendor service issues:                             <ul style="list-style-type: none"> <li>– Claims</li> <li>– Billing</li> <li>– Eligibility</li> <li>– Coverage appeals</li> </ul> </li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>▪ Meet with client to discuss/review plan performance and open items</li> </ul>	Ongoing	

<i>Services</i>	<i>Frequency</i>	<i>Included</i>
<ul style="list-style-type: none"> <li>▪ Monitor and facilitate vendor performance scorecard</li> </ul>	Semi-Annually	
<ul style="list-style-type: none"> <li>▪ Coordinate benefit changes and plan details with benefits outsourcing partner and communication resource(s):                             <ul style="list-style-type: none"> <li>– Plan design changes</li> <li>– Employee contributions and COBRA rates</li> <li>– Vendor rates of premium equivalent rates</li> <li>– Vendor contact information</li> <li>– Facilitate meetings/conference calls between vendors, outsourcing partner and communications team</li> </ul> </li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Prepare and deliver stewardship report</li> </ul>	Annually	
<b>Stop Loss Management</b>		
<ul style="list-style-type: none"> <li>▪ Renewal, Marketing and Placement:                             <ul style="list-style-type: none"> <li>– Conduct preliminary risk review to determine market strategy</li> <li>– Collect and analyze market results</li> <li>– Consult with clinical resource regarding ongoing claimants</li> <li>– Conduct policy-to-policy review</li> </ul> </li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Implementation:                             <ul style="list-style-type: none"> <li>– Ensure completion of underwriting requirements</li> <li>– Oversee completion and review of policy application as well as executed contract</li> <li>– Conduct client plan document versus stop loss policy review</li> <li>– Establish reporting between stop loss carrier and ASO vendor as needed</li> </ul> </li> </ul>	Annually	
<ul style="list-style-type: none"> <li>▪ Ongoing Management:                             <ul style="list-style-type: none"> <li>– Track claims identified during marketing/placement process</li> <li>– Conduct monthly monitoring of stop loss reporting for cost-savings opportunities</li> <li>– Identify potential excess claims</li> <li>– Ensure timely claim reimbursement</li> <li>– Report monthly status to Client Service Team</li> <li>– Provide year-end reconciliation of excess claims</li> </ul> </li> </ul>	Ongoing	

<i>Services</i>	<i>Frequency</i>	<i>Included</i>
<b>Integrated Absence Solutions</b>		
<ul style="list-style-type: none"> <li>▪ Integrated Absence Solutions:                             <ul style="list-style-type: none"> <li>– Life/Disability/Leave renewals and marketing</li> <li>– Leave administration implementation</li> <li>– Compliance screening</li> <li>– Benchmarking assessment</li> <li>– Strategic consulting</li> <li>– Carrier advocacy</li> </ul> </li> </ul>	Ongoing	

## SCOPE OF SERVICES

### *Optional Services\**

- M&A Due Diligence:
  - Review cost and benefits of client’s current programs compared to programs of target company
  - Determine needs assessment to integrate programs
  - Manage integration of benefits programs if target is acquired
- Collective bargaining valuations
- Compliance audit
- Lockton survey
- Additional communications services:
  - Annual enrollment videos
  - Employee benefit statements
  - Employee recruiting guide
  - Custom benefit guide
  - Employee handbook updates
  - Bilingual communication translations
  - Conduct annual enrollment presentations and/or webcasts
  - “Benefit Bytes” – smartphone friendly communication materials
  - Develop social-networking campaigns through Twitter, Facebook, etc.
- Employee advocacy call center
- Outsourcing vendor selection and implementation
- Executive benefits consulting
- Compensation consulting services
- Retirement consulting services
- International benefits consulting services
- Property and casualty/risk management



## *Optional Services\**

- Strategic Communication consulting services:
  - Corporate communication
    - Media relations, employee communication and community relations
  - Digital media strategic communication
    - Assessment, strategy development and plan implementation
  - Issues management
    - Strategy development, document creation and plan implementation
  - Crisis communication consulting
    - Plan, development, training and execution
  
- Voluntary Benefits:
  - Needs assessment
  - Claims data analysis
  - Program design
  - Financial analysis
  - Technology offset negotiations
  - Marketing/placement
  - Implementation
  
- Human Capital Advisory and Consulting
  
- HR Outsourcing:
  - Augment client HR teams
  - Assist clients in four key areas:
    - Benefits administration
    - Retirement plan administration
    - Compensations consulting and outsourcing
    - Absence management administration

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\*May require additional charges.