

## AGENDA



Thursday, August 19, 2010

**Purchasing Office  
RECOMMENDATION FOR COUNCIL ACTION****Item No. 29**

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**Subject:** Authorize award, negotiation, and execution of a 24-month requirements service contract with THE HARTFORD LIFE AND ACCIDENT INSURANCE COMPANY, Simsbury, CT, to provide short-term disability and long-term disability insurance coverage in an estimated amount not to exceed \$3,979,000, with three 12-month extension options in estimated amounts not to exceed \$2,141,000 for the first extension option, \$2,310,000 for the second extension option, and \$2,497,000 for the third extension option, for a total estimated contract amount not to exceed \$10,927,000.

**Amount and Source of Funding:** Funding in the amount of \$1,456,000 is contingent upon the approval of the Fiscal Year 2010-2011 Operating Budget of the Employees Benefit Fund of the Human Resources Department. Funding for the remaining 15 months of the contract period and the extension options are contingent upon available funding in future budgets.

**Fiscal Note:** There is no unanticipated fiscal impact. A fiscal note is not required.

**For More Information:** Brenda Helgren, Sr. Buyer, 974-9141

**MBE/WBE:** This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority Owned and Women Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

**Boards and Commission Action:** Best evaluated proposal of eight proposals received.

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This contract will replace an existing Short-Term Disability (STD) and Long-Term Disability (LTD) insurance contract. The STD benefit will be paid entirely by the City. The LTD benefit will be paid entirely by the employees as a pass through within the Employee Benefits Fund of the Human Resources Department.

The initial term of the contract is January 1, 2011 through December 31, 2012. The three extension options, if exercised, will extend the term through December 31, 2015.

The contract provides a STD benefit and the cost of this coverage is paid by the City. The STD provides a maximum 60-day benefit payout period with a \$1,200 maximum weekly benefit. It covers off-the-job disabilities caused by injury, illness, or pregnancy. The estimated contract amounts are based on 2010 total covered salaries with an anticipated 5% increase for each year of the contract. The STD rates are guaranteed for the first 36-months (which include the initial 24-month term of the contract and the 1st year extension) and have not increased from the 2008-2010 STD rate. The STD rate increase is capped for the 2nd and 3rd year extension. The City's total not to exceed amount for the 5-year term on the STD is \$3,212,000.

The contract also provides a LTD benefit that is optional to employees and the cost of this coverage is paid entirely by the employees. The LTD coverage has a maximum monthly benefit of \$7,500. It covers on and off-the-job disabilities caused by illness, injury, or pregnancy. Each employee's premium is based on their base annual salary and age. The age based rates are listed below. The Hartford LTD employee premiums are 27% less than the current LTD rates and include an increase in the maximum monthly

benefit from \$5,000 to \$7,500. The LTD premium savings are due to the actual claims experience over the last five years being significantly less than expected. The estimated contract amounts are based on 2010 total covered salaries with an anticipated 10% increase for the first year and 5% increase in the second year through fifth year of the contract. The rates are guaranteed for five years with an estimated cost not to exceed \$7,715,000 funded by employee contributions.

Experienced staff in this service industry from the Human Resources Department, Benefits Division evaluated the proposals. The evaluation panel recommended The Hartford Life and Accident Insurance Company based on company experience, personnel qualifications, responsiveness to the scope of work, program design, acceptance of the City's contract terms, and total cost over a five-year contracting period.

MBE/WBE solicited: 11/9                      MBE/WBE bid: 0/0

#### PROPOSAL ANALYSIS

- a. Adequate competition.
- b. One hundred and fifty-two notices were sent, including 11 MBEs and nine WBEs. Eight proposals were received, with no response from the MBE/WBEs

#### APPROVAL JUSTIFICATION

- a. Best evaluated proposal received. The Hartford Life and Accident Insurance Company is not the current provider of this insurance coverage.
- b. The Purchasing Office concurs with the Human Resources Department's recommended award.
- c. Advertised in the Austin American-Statesman and on the Internet.