

A G E N D A



Recommendation for Council Action (Purchasing)

Austin City Council - Commissioner's Court Meeting		Item ID:	34789	Agenda Number	69.
Meeting Date:	August 28, 2014				
Department:	Purchasing				
Subject					
Authorize award, negotiation, and execution of a 36-month service contract with DEARBORN NATIONAL, or one of the other qualified offerors to RFP No. TVN0037, to provide group term life insurance for City's employees and retirees in an amount not to exceed \$18,700,000, with three 12-month extension options in an amount not to exceed \$6,500,000 for the first extension option, \$6,600,000 for the second extension option, and \$6,800,000 for the third extension option, for a total contract amount not to exceed \$38,600,000.					
Amount and Source of Funding					
Funding in the amount of \$4,575,000 will be included in the Fiscal Year 2014-2015 Proposed Operating Budget of the Employees Benefits Fund. Funding for the remaining 27 months of the original 36 months of the original contract period and extension options is contingent upon available funding in future budgets.					
Fiscal Note					
There is no unanticipated fiscal impact. A fiscal note is not required.					
Purchasing Language:	Best evaluated proposal received.				
Prior Council Action:					
For More Information:	Terry Nicholson, Sr. Buyer Specialist, 512-974-2995				
Boards and Commission Action:					
Related Items:					
MBE / WBE:	This contract will be awarded in compliance with City Code Chapter 2-9C (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this contract.				
Additional Backup Information					

This contract is for a fully-insured group life insurance program for City employees, retirees, and dependents. This contract will provide City employees with basic life insurance and accidental death and dismemberment (AD&D) insurance and retirees with \$1,000 of basic life. Employees will also have the option to choose additional coverage by selecting supplemental life and AD&D (from one to four times their salary) and dependent life.

This solicitation gave vendors the opportunity to submit proposals for life insurance for City employees and retirees. The evaluation committee recommends contracting with Dearborn National. The term of this contract is from January 1, 2015 through December 31, 2017 for the initial period. The three one-year extension options, if exercised, will extend the term through December 31, 2020.

Below is a cost breakdown of the contract:

Initial three year contract:	\$18,700,000
First contract extension:	\$6,500,000
Second contract extension:	\$6,600,000
Third contract extension:	\$6,800,000

Contract amounts assume a 2.167% increase in salaries each year of the contract (average of last three years) and a 5% increase each year in the number of retirees. Employees are able to increase their optional supplemental life one level during open enrollment, contract amounts are based on all employees electing three times their annual salary in supplemental life. Rates are guaranteed for the entire six year contract. The City pays one times annual salary in basic life and basic AD&D coverage for full time employees and \$1,000 basic life for each retiree. Optional supplemental life and AD&D, and dependent life are paid by the employee. City paid portion of the six year contract is estimated at \$6,100,000.

Optional Supplemental and dependent life rates are increasing for employees due to the City's claim history. Optional coverage is offered to employees as a service and can be increased, decreased, or dropped during open enrollment.

This request allows for the development of an agreement with a qualified proposer that Council selects. If the City is unsuccessful in negotiating a satisfactory agreement with the selected proposer, negotiations will cease with that provider. Staff will return to Council so that Council may select another qualified proposer and authorize contract negotiations with this provider.

The evaluation panel consisted of professional and managerial staff from the Human Resources Department, Employee Benefits Division. They are experts in the industry and recommend Dearborn National. The evaluation was based on scope of work requirements, business organization and experience, and cost. Dearborn National agreed to the City's requested performance measures, strength in processing life claims, and extensive public sector experience resulted in a higher Scope of Work score than the other respondents.

PRICE ANALYSIS

- a. Adequate competition
- b. 204 notices were sent including two MBE's and six WBE's. Eight proposals were received with no response from the MBE /WBE's.
- c. The pricing offered represents a 34% increase the last contract executed in 2012. The increase is based on increasing rates, higher employee salaries and expanded enrollment.

APPROVAL JUSTIFICATION

- a. Best evaluated proposal. Dearborn National is not the current provider of these services
- b. The Purchasing Office concurs with the Human Resource Department's recommended award.
- c. Advertised in the Austin American Statesman and on the Internet.