

AGENDA ITEM NO.: 30 AGENDA DATE: Thu 09/01/2005

PAGE: 1 of 4

<u>SUBJECT</u>: Authorize execution of a 12-month service agreement with UNITED HEALTHCARE INSURANCE COMPANY, Golden Valley, MN for a group life insurance program in an amount not to exceed \$3,353,000, with two 12-month extension options in an amount not to exceed \$3,513,000 for the first extension option and \$3,672,000 for the second extension option, for a total agreement amount not to exceed \$10,538,000.

AMOUNT & SOURCE OF FUNDING: Funding in the amount of \$2,515,000 is included in the Fiscal Year 2005-2006 Proposed Operating Budget for the Employee Benefits Fund of the Human Resources Department. Funding for the remaining three 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.

REQUESTING Purchasing

DIRECTOR'S

DEPARTMENT: for Human Resources;

AUTHORIZATION:

FOR MORE INFORMATION CONTACT: Rosemary Ledesma, Supervising Sr. Buyer/974-2011

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

PURCHASING: Lowest bid of 14 bids received.

MBE / WBE: This contract will be awarded in compliance with Chapter 2-9 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.

This contract is for a fully-insured group life insurance program for City employees, retirees, and other eligible participants. The insurance program includes basic life and accidental death and dismemberment (AD&D) insurance, which is paid for by the City. The City makes available optional supplemental life, AD&D, and dependent life insurance which employees can elect and have premiums deducted from their paychecks.

City Contributions will Fund:

- Basic Life Insurance and AD&D
 - Active employees One times annual salary or \$20,000 whichever is greater
 - Assistant Directors One times annual salary or \$50,000 whichever is greater
 - Department Directors and Assistant City Managers One times annual salary or \$100,000 whichever is greater
 - City Manager One times annual salary or \$200,000 whichever is greater
- Basic Life in the amount of \$1,000 per retiree.

The estimated contract amount to be funded by the City is \$1,873,000 over three years.

Employees Contributions will Fund (if elected):

• Optional Supplemental Life Insurance and AD&D – available in the following amounts:

RCA Serial#: 9560 Date: 09/01/05 Original: Yes Published:

Disposition:

Adjusted version published:



AGENDA ITEM NO.: 30 AGENDA DATE: Thu 09/01/2005

PAGE: 2 of 4

- One times annual salary
- Two times annual salary
- Three times annual salary
- Four times annual salary
- Optional Dependent life insurance is available in the following amounts:
 - \$10,000 spouse
 - \$5,000 for each child age six months to age 25, and
 - \$1,000 for each child from 14 days to six months of age

The estimated contract amount to be funded by employee contributions is \$8,665,000 over three years.

The estimated contract amounts were based on a supplemental life volume of 2.5 times annual salary and a salary increase of 5%. The exact number of enrollees participating in supplemental life and dependent life will vary each year.

The total amount for the plan year of 2006 for these life insurance benefits is estimated at \$3,353,000. The term of this contract is from January 1, 2006 through December 31, 2006 for the original period. The extension options, if exercised will extend the term through December 31, 2008.

The recommendation for award is the lowest, responsive bidder. UNITED HEALTHCARE INSURANCE COMPANY's proposed rates are Basic Life at \$0.06 and AD&D is \$0.02 per \$1,000 of coverage. The supplemental life insurance rate varies depending on the age of an employee, supplemental life AD&D rate is \$0.02 per \$1,000. Dependent life insurance is \$1.20 for spouse coverage, \$.20 for children coverage and \$1.40 for family coverage per month. All rates proposed by United HealthCare Insurance Company are guaranteed for three years.

MBE/WBE solicited: 8/2 MBE/WBE Bid: 0/0

RCA Scrial#: 9560 Date: 09/01/05 Original: Yes

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AGENDA ITEM NO.: 30

Adjusted version published:

AGENDA DATE: Thu 09/01/2005

PAGE: 3 of 4

BID TABULATION IFB # RL05300055 Group Life Insurance Program

A detailed cost analysis and bid tabulation were performed by the City's health benefit consultant, Towers Perrin. Listed below are the total annual premiums calculated for each bidder:

United HealthCare Insurance Company Golden Valley, MN	\$2,430,221
Aetna Life Insurance Company Hartford, CT	\$2,728,586
Minnesota Life Insurance Company St. Paul, MN	\$2,732,545
Sun Life Financial Houston, TX	\$2,832,643
Reliance Standard Life Insurance Company Dallas, TX	\$2,980,950
North Carolina Mutual Life Insurance Company Chicago, IL	\$3,038,784
ING Employee Benefits Addison, TX	\$3,082,635
Standard Insurance Company Portland, OR	\$3,091,927
METLife Dallas, TX	\$3,165,338
CIGNA Group Insurance Houston, TX	\$3,253,683
Hartford Life Insurance Houston, TX	\$3,348,338
Fort Dearborn Life Insurance Company Richardson, TX	\$3,442,136
UNUMProvident	\$3,557,184
RCA Serial#: 9560 Date: 09/01/05 Original: Yes	Published:



AGENDA ITEM NO.: 30 AGENDA DATE: Thu 09/01/2005 PAGE: 4 of 4

Portland, MA

AIG Life Insurance Company Dallas, TX

\$831,416*

* Note: AIG did not propose a fully insured life insurance program; their proposed cost represents AD&D coverage only.

A complete bid tabulation is available in the Purchasing Office.

PRICE ANALYSIS

- a. Adequate competition.
- b. Seventy-six notices were sent including eight MBEs/two WBEs. Twelve solicitations were issued including no MBEs and no WBEs. Fourteen bids were received.

APPROVAL JUSTIFICATION

- a. Low bid.
- b. The Human Resources Department concurs with the recommended award.
- c. Advertised in the Austin American-Statesman and Internet.

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