

**AGENDA**



**Recommendation for Council Action (Purchasing)**

<b>Austin City Council</b>	<b>Item ID:</b>	47804	<b>Agenda Number</b>	30.
<b>Meeting Date:</b>	August 20, 2015			
<b>Department:</b>	Purchasing			
<b>Subject</b>				
<p>Authorize negotiation and execution of a 36-month contract with LIFE INSURANCE COMPANY OF NORTH AMERICA DBA CIGNA CORPORATION, or one of the other qualified offerors to Request for Proposal JRD0306, to provide City paid short term disability and employee paid long term disability insurance coverage for City employees in an amount not to exceed \$7,302,000, with three 12-month extension options in an amount not to exceed \$2,434,000 per extension option, for a total contract amount not to exceed \$14,604,000.</p>				
<b>Amount and Source of Funding</b>				
<p>Funding in the amount of \$1,825,500 is contingent upon adoption of the Fiscal Year 2015-2016 Operating Budget of the Human Resources Department. Funding for the remaining 27-months of the original contract period and extension options is contingent upon available funding in future budgets.</p>				
<b>Fiscal Note</b>				
<p>There is no unanticipated fiscal impact. A fiscal note is not required.</p>				
<b>Purchasing Language:</b>	Best evaluated proposal received.			
<b>Prior Council Action:</b>	[REDACTED]			
<b>For More Information:</b>	Jonathan Dalchau, Senior Buyer, 512-974-2938			
<b>Boards and Commission Action:</b>	[REDACTED]			
<b>Related Items:</b>	[REDACTED]			
<b>MBE / WBE:</b>	<p>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 solicitation.</p>			
<b>Additional Backup Information</b>				

The contract will replace an existing Short Term Disability (STD) and Long Term Disability (LTD) insurance contract. The STD benefit (totaling \$3,651,000) will be paid entirely by the City. The LTD benefit (totaling \$10,953,000) 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, 2016, through December 31, 2018. The three extension options, if exercised, will extend the term through December 31, 2021.

The STD benefit has a maximum 60 day benefit payout period with a \$1,500 maximum weekly benefit. It covers off-the-job disabilities caused by injury, illness, or pregnancy. The Cigna STD premiums are 25% less than the current STD rates and include an increase in the maximum monthly benefit from \$1,200 to \$1,500. The STD rates are guaranteed for 2016-2019 and are capped for the second and third year extension.

The LTD benefit provides a maximum monthly benefit of \$10,000. It covers on- and off-the-job disabilities caused by illness, injury, or pregnancy. Employee premiums are based on base annual salary and age. The Cigna LTD employee premiums are 15% less than the current LTD rates and include an increase in the maximum monthly benefit from \$7,500 to \$10,000. The rates are guaranteed for 2016-2019 and are capped for the second and third year extension.

The evaluation panel, which included benefits personnel from the Human Resources Department, evaluated the proposal and recommended Cigna based on company experience, personnel qualifications, and responsiveness to the scope of work, program design, and total cost over a six year contracting period.

This request allows for the development of a contract with a qualified offeror selected by Council. If the City is unable to negotiate a satisfactory contract with the selected offeror, negotiations will cease with that provider. Staff will return to Council so that another qualified offeror may be selected, authorizing contract negotiations with this provider.

The current Short Term and Long Term Disability insurance coverage expires on December 31, 2015. However, the vendor and contract needs to be finalized before September 1, 2015, to allow the Human Resources Department to develop materials for the open enrollment period scheduled to begin in October 2015. If the City is unable to enter into a contract, the City will not be able to offer a Short Term and Long Term Disability insurance plan beginning January 1, 2016.

MBE/WBE solicited: 2/3

MBE/WBE bid: 0/0

#### **PRICE ANALYSIS**

- a. Adequate competition.
- b. 186 notices were sent, including two MBEs and three WBEs. Eight proposals were received with no MBEs/WBEs responding.

#### **APPROVAL JUSTIFICATION**

- a. Best evaluated proposal.
- b. The Purchasing Office recommends contract award consistent with the evaluation committee.
- c. Advertised in the Austin American Statesman and on the internet.

