

A G E N D A



Recommendation for Council Action (Purchasing)

Austin City Council

Item ID:

73163

Agenda Number

41.

Meeting Date:

August 31, 2017

Department:

Purchasing

Subject

Authorize negotiation and execution of two contracts with The Segal Company (Southeast) Inc. and Gallagher Benefit Services Inc. DBA Arthur J. Gallagher & Co, or one of the other qualified offerors to Request For Proposals RWS0503, to provide actuarial and consulting services for the Human Resources Department's Employee Benefits Program and Compensation Program, for an initial term of three years, with two one year extension options, for total contract amounts not to exceed \$5,520,000, divided between the contractors.

Amount and Source of Funding

Funding in the amount of \$150,000 is available in the Fiscal Year 2016-2017 Operating Budget of the Human Resources Department. Funding in the amount of \$768,905 is contingent upon approval of the proposed Fiscal Year 2017-2018 Operating Budget for the Employee Benefits Fund of the Human Resources Department. Funding in the amount of \$125,000 is contingent upon approval of the proposed Fiscal Year 2017-2018 Operating Budget of the Human Resources Department. Funding for the extension options is contingent upon available funding in future budgets.

Fiscal Note

A fiscal note is not required.

Purchasing Language:

The Purchasing Office issued Request for Proposals (RFP) RWS0503 for these services. The solicitation issued on May 1, 2017 and it closed on May 25, 2017. Of the four offers received, the recommended contractors submitted the best evaluated responsive offerors. A complete solicitation package, including a response list, is available on the City's Financial Services website, Austin Finance Online. Link: [Solicitation Documents](#)

Prior Council Action:



For More Information:

Inquiries should be directed to the City Manager's Agenda Office, at 512-974-2991 or AgendaOffice@austintexas.gov

NOTE: Respondents to this solicitation, and their representatives, shall continue to direct inquiries to the solicitation's Authorized Contact Person: Roger Stricklin, at 512-974-1727 or Roger.Stricklin@austintexas.gov

Boards and Commission Action:	
Related Items:	
MBE / WBE:	This solicitation was reviewed for subcontracting opportunities in accordance with City Code Chapter 2-9C Minority Owned and Women Owned Business Enterprise Procurement Program. For the services required for this solicitation, there was an insufficient number of certified M/WBEs; therefore, no subcontracting goals were established.
Additional Backup Information	
<p>These contracts will replace the current Tower Watson Delaware Inc. contract that expires December 31, 2017, with an average annual spend of \$362,800. The Segal Company (Southeast) Inc. (Segal) contract for employee benefits will have an average spend of \$820,000. The Gallagher Benefit Services Inc. DBA Arthur J. Gallagher & Co (Gallagher) contract for compensation program services will have an average annual spend of \$284,000. The contracts will include new tasks in addition to those in the current contract's scope of work, including assistance to the City for pre-65 and post-65 retiree medical plan options, an annual employer survey, and two new components for the Compensation Program. Those new components are a pay equity study and a market study of the City's job classification and compensation systems.</p> <p>The contracts will provide actuarial services and employee benefits consulting for the Human Resources department Employee Benefits Program and Compensation Program. Services shall include but shall not be limited to review of current benefit and compensation programs and assistance in the design and development of future benefit and compensation programs. The transition timeline for the new Segal contract must commence on October 1, 2017 and the new Gallagher contract must commence on September 1, 2017.</p> <p>Segal shall be responsible for analyzing the City's benefit programs to help determine medical, prescription and dental plan rates, recommend funding levels, estimate plan costs and identify possible changes to plan design. Segal shall perform claim audits and assist in the development, evaluation and negotiation of future Requests for Proposal(s) for providers of medical stop-loss, care management and pharmacy benefit management services. Additionally, Segal shall provide periodic performance reports on the City's plans, measuring costs, application of discounts and contributions versus expenses.</p> <p>Gallagher shall benchmark the City's compensation structure against comparable organizations and municipalities, based on job classifications. Gallagher shall perform an equity study to determine if employee pay is affected by gender or race, as opposed to other factors such as performance, experience or expertise. Gallagher shall compare the City's current compensation plan and related components to the market and recommend changes that may affect classification and grade methodology, job family structure and pay ranges.</p> <p>An evaluation team with expertise in this area evaluated the offers and scored Segal and Gallagher as the best to provide these services based on business organization and experience and qualifications, program coverage requirements and implementation timeline, performance measures and exceptions, price and local business presence.</p> <p>This request allows for the development of a contract with qualified offeror selected by Council. If the City is unsuccessful in negotiating 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 new contract negotiations.</p> <p>If a contract is not secured, the Human Resources department will be unable to move forward with potential benefit plan design changes and compensation structure improvements in future fiscal years.</p>	

**THE SEGAL COMPANY (SOUTHEAST) INC. and GALLAGHER BENEFIT SERVICES
INC. dba ARTHUR J. GALLAGHER & CO**

	Contract Term	Contract Amount	Contract Amendment	Revised Amount
Initial Term	3	\$ 3,312,000	n/a	n/a
Extension Option 1	1	\$ 1,104,000	n/a	n/a
Extension Option 2	1	\$ 1,104,000	n/a	n/a
TOTAL	5	\$ 5,520,000	\$ -	\$ -