

TUCSON UNIFIED SCHOOL DISTRICT

PURCHASING DEPARTMENT

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MEMORANDUM

DATE: November 4, 2016

TO: File

FROM: Kevin Startt
Director of Purchasing

Subject: Executive Summary – Employee Benefit Services Using Valley Schools

Dept.: Human Resources - Benefits

BACKGROUND

Valley Schools Employee Benefit Trust (VSEBT) serves Arizona School Districts by offering a menu of benefits options. Valley Schools was created in 1987 by school districts in Arizona through an intergovernmental agreement pursuant to ARS 11-952 as a not-for-profit entity, to allow public entities to jointly purchase insurance and pool insurance risks. Currently, there are over 23 school districts and governmental entities that use the services of Valley Schools, including Chandler USD, Deer Valley USD, Glendale USD/UHSD, Paradise Valley USD, Peoria USD, Scottsdale, USD, Sierra Vista USD, among others. Valley Schools currently insures over 35,000 lives. Pooling allows for Valley Schools to negotiate the most competitive rates in the state on insurance products and services.

Tucson Unified School District is a member of Valley Schools Benefits Trust by way of an Intergovernmental Agreement that was GB Approved in May of 2013 in accordance with AZ Admin Code R7-2-1191, Cooperative Purchasing Authorized. Being a member of Valley Schools allows us to review and choose employee benefits products that may be in the best interests of the District.

LIFE INSURANCE SERVICES THROUGH VALLEY

The District provides eligible employees Basic Life Insurance and Basic Accidental Death & Dismemberment Insurance of 1 times their annual salary to a maximum of \$200,000. There is no cost to employees for this insurance. Eligible employees and their spouses/children may elect Supplemental Life and AD&D Insurance of \$20,000 to \$1,000,000 in \$10,000 increments, not to exceed 6 times your annual salary. The Supplemental Insurance is fully paid by the employee through payroll deductions.

District cost for life insurance services is estimated at \$154,000 per year for the District Paid Basic Life Insurance and Basic AD&D Insurance. Employee paid Supplemental Life expenditures are estimated at \$290,000. Previously, Life Insurance Services were procured through Minnesota Life, as the awardee of a District RFP process in 2013. The rates for District paid Basic Life Insurance and Basic AD&D Insurance offered through

Valley Schools/Voya are lower than the contracted vendor, Minnesota Life, and offered the District a potential yearly savings of \$40,800 - See rates below:

Minnesota Life Basic Life: .081/\$1000 per month

Voya Basic Life: .064/\$1000 per month

Savings of .017/\$1000 per month

The approximate number of covered employee lives for District paid life this year is approximately 5100 and our approximate volume is around \$200 million. An estimation of savings is below:

Minn. Life Cost = \$200,000,000 x .081/1000 x 12 months = \$194,400

Voya Cost = \$200,000,000 x .064/1000 x 12 months = \$153,600

Estimated Savings = \$40,800

Supplemental Employee/Spouse Life and AD&D rates are the same from the two vendors. Our Benefits Department has also indicated that Valley/Voya offers a Guaranteed Issue (GI) Life Insurance that allows coverage regardless of current or past health problems. Ancillary benefits from Valley/Voya include funeral and travel planning assistance.

RECOMMENDATION ON SERVICES WITH VALLEY

- The District currently uses Valley Schools for Benefits Consulting Services. District cost is currently estimated at \$77,000 per year.
- The District is currently using Valley Schools for Flexible Spending Account (FSA) Administration Services through BASIC – no cost to the District.
- The District is using Valley Schools/VOYA for Life Insurance Services. District cost for employer paid life is estimated at \$154,000.

The potential spend of \$154K for Life Insurance Services through Valley/VOYA and Consulting Services fees of \$77K brings the estimated spend with Valley Schools to \$231k per year. Additional services/fees associated with Valley Schools may push the potential spend with Valley Schools above \$250K, requiring GB approval. My recommendation is to take this District expenditure to the Board for approval. I have determined that the cost for the offered services are fair and reasonable and in the best interests of the District.

Kevin Startt

Kevin Startt, Director of Purchasing