



Australian Government

Department of Social Services

Tabled by DS  
04/06/2018

COMPANY NAME  
ADDRESS  
Attention: XXXXXX

**Request for Quotation: 70005395**

**Actuarial valuations of Australia's social security and income support system**

The Department of Social Services (the Department) wishes to engage an independent provider to conduct actuarial valuations of Australia's social security payments system. These valuations will be provided over the period from August 2015 to December 2018.

Pursuant to the Deed of Standing Offer for [insert description of panel services and Deed number] dated [insert date of Deed] (the Deed), the Department invites [Insert name of service provider] to provide a quotation for the services described in the Statement of Requirement at **Attachment A**.

Quotations should be up to 30 pages in length, including

- a. an executive summary;
- b. a statement addressing the quotation evaluation criteria at **Attachment B**;
- c. a proposed method for the valuations, including definitions (e.g. current and future liability), flowcharts of the complete model design, data requirements, and tools and techniques to be used;
- d. a knowledge transfer plan including strategies to ensure successful transfer of actuarial models and modelling skills to the Department's internal actuarial and analytics team and details on the types of techniques and activities proposed to deliver training;
- e. the fees to provide the Services (which must be based on the fee schedule specified in Schedule 4 of the Deed, unless more favourable rates are proposed);
- f. the names and roles of Personnel proposed to deliver the Services, including the part of the Services that each person will undertake;
- g. if any services are to be subcontracted, quotations must include all relevant information, including specific tasks and activities to be performed by subcontractors;
- h. any Existing Material [insert name of Service Provider] would utilise if engaged to provide the Services;
- i. the names and contact details for [insert name of Service Provider]'s contact officer for the purposes of this quotation; and
- j. the name and contact details of two referees.

Supporting information, such as curricula vitae (maximum two pages for each person), may be provided as attachments in addition to the 30 pages. Supporting information must not exceed 50 pages.

**Conflict of Interest and Confidentiality**

Your attention is drawn to the material regarding conflict of interest and confidentiality in section A9 of the Statement of Requirement. You should declare in your quotation, at the time of lodgement, whether a conflict of interest concerning your organisation, a related entity or a subcontractor exists, or might arise, during the term of contract or in relation to the quotation.

If at any time prior to entering into the contract, an actual or potential conflict of interest concerning your organisation, a related entity or a subcontractor arises or may arise, you should immediately notify the Department. If a conflict of interest arises, the Department may:

- a. exclude the quotation from further consideration;
- b. enter into discussions to seek to resolve the conflict of interest; or



- c. take any other action it considers appropriate.

### **Improper assistance**

In compiling a quotation, organisations should not use the improper assistance of employees or former employees of the Commonwealth or information obtained unlawfully or in breach of an obligation of confidentiality to the Commonwealth. You should note that most service providers to the Commonwealth are engaged subject to an obligation not to use or disclose information obtained through the services they provide to the Commonwealth that is not otherwise in the public domain. The Department may exclude from further consideration a quotation which has been compiled using such assistance or information.

### **Department's rights**

The Department reserves the rights to:

- vary the process and timetable for this request for quotation at its absolute discretion;
- vary the terms of the request for quotation;
- cease the request for quotation process;
- accept or reject any quotations whether or not they are compliant;
- seek additional information or clarification from respondents (including their subcontractors or agents);
- exclude from further evaluation at any time any quotation that the Department considers is incomplete or clearly not competitive;
- shortlist one or more respondents and conduct interviews with, or seek presentations from, those respondents (if held, these interviews are likely to take place in mid to late July 2015);
- select and negotiate with more than one respondent; and/or
- cancel, add to or amend the information, requirement, terms, procedures or processes set out in this request for quotation.

Neither the issue of this request for quotation by the Department nor any response to it by any party commits, obligates or otherwise creates a legal relationship between the Commonwealth and that party. No contract is created in relation to a quotation until a formal contract is executed between the Commonwealth and a respondent. It is intended that any formal contract will be in the form of Schedule 7 to the Deed.

### **Submission process and deadline**

Quotations are to be submitted by email to xxxxx, Secretariat for the Quotation Evaluation Committee at xxxxx.

Responses are to be received by **4pm, Canberra time on Monday, 13 July 2015**. Late lodgements will not be accepted unless the response is late solely due to mishandling by the Department. Accordingly, you are encouraged to ensure you allow sufficient time for your email to be transmitted and to keep file sizes as small as possible. Only submissions by email will be accepted.

### **Queries**

All queries in relation to this request for quotation should be directed in writing to xxxxx by email xxxxx

Yours sincerely,

Allyson Essex

Branch Manager

Policy Strategy Branch

Department of Social Services

29/5/2015

**Attachments provided**

**Attachment A – Statement of Requirement**

**Attachment B – Evaluation Criteria**



## STATEMENT OF REQUIREMENT

### A1 Background

The Department of Social Services (the Department) is implementing an investment approach to welfare. This approach uses actuarial valuations to detail the future lifetime liability of Australia's social security system. The valuations will be used to develop policy interventions for cohorts at risk of long-term welfare dependency and, in turn, aim to reduce the Commonwealth's future liability. The use of actuarial valuations is consistent with the recommendations of the McClure Review of Australia's welfare system and is a Ministerial priority.

### A2 Contract Services/Outcomes Required

The Department is seeking to engage a service provider to conduct a baseline actuarial valuation and three subsequent annual valuations of the Commonwealth's social security and income support system. The successful provider will be expected to

- undertake actuarial valuation design, data analysis and reporting;
- provide actuarial models with the capacity to develop and evolve over time;
- provide estimated future liability of social security and income support benefits and associated forecasts at aggregate level;
- provide cohort group liability estimates and associated forecasts;
- provide insight into client cohort behaviour including transfers between benefit types and the extent to which client cohorts move on and off benefits;
- estimate key drivers of future liability and their respective relative influence, at aggregate level and by segment, including but not limited to:
  - o macroeconomic factors, for example, unemployment rate and inflation rate,
  - o cohort characteristics including, but not limited to, age, country of birth, Indigenous status, educational attainment level, labour force status, age of initial entry to the social security and income support system, duration on benefit, history of other benefits, and where available, demographic characteristics related to families such as the number and age of children; and
  - o past and future policy changes related to payments, programmes and services.
- compare the characteristics of benefit claimants and clients in the social security and income support system, at a cohort level;
- further analyse the liability for specific client groups to inform policy development and operational responses;
- analyse other patterns, trends, characteristics or features identified through the actuarial analysis that are considered relevant to the Commonwealth's social security liabilities, including the intergenerational transmission of disadvantage;
- evaluate the effectiveness of policy initiatives (related to payments, programmes and services) targeting specific cohorts and consequent financial impact;
- manage the project from design to completion, and deliver project components on time;
- transfer knowledge, models and support materials to the Department to enable the Department to conduct future valuations of the Commonwealth's current and future liabilities under Australian social security system; and
- maintain a constructive relationship with the Department, adhere to the highest standards of probity and professionalism, and deliver work of excellent quality.

The service provider is required to produce:

- draft and final valuation methods;
- draft and final reports on baseline valuation of the current social security and income support system as at 30 June 2015;
- draft and final 2016 valuation report;
- draft and final 2017 valuation report;
- draft and final 2018 valuation report;
- actuarial models, user manuals and other support documentation;
- Powerpoint presentation materials on baseline and annual valuation methods and key findings;
- technical presentations on the design and use of actuarial models at the completion of each valuation; and
- facilitate skills and knowledge transfer to Departmental staff.

Social security payments and benefits in scope for this valuation include working age income support payments, and payments relating to family, child support and child care.

### A3 Timeframe for Completion of the Contract Services

This contract will be completed by December 2018. The following is the anticipated delivery timelines for key milestones:



| Milestone      | Action                            |
|----------------|-----------------------------------|
| August 2015    | Anticipated contract commencement |
| October 2015   | Draft method developed            |
| November 2015  | Final method developed            |
| December 2015  | Draft baseline valuation report   |
| January 2016   | Final baseline valuation report   |
| September 2016 | Draft 2016 valuation report       |
| November 2016  | Final 2016 valuation report       |
| September 2017 | Draft 2017 valuation report       |
| November 2017  | Final 2017 valuation report       |
| September 2018 | Draft 2018 valuation report       |
| November 2018  | Final 2018 valuation report       |
| December 2018  | Contract complete                 |

#### **A4 Special Skills/Knowledge Needed**

The successful provider is expected to demonstrate:

- strong technical capability and staffing capacity to undertake an actuarial valuation of Australia's income support system;
- advanced capacity to undertake complex statistical analysis, projection and forecasting techniques, actuarial or financial modeling skills, and demonstrated experience in applying these skills to undertake valuations of large public or private sector programmes;
- detailed understanding of the design of the Australian income support system, the range of payments provided, eligibility criteria and entitlement amounts;
- excellent project management skills, including the ability to deliver to demanding timelines;
- effective communication and interpersonal skills;
- effective skills in technical writing and documentation using Microsoft Office products; and
- ability to provide copy edited products.

#### **A5 Applicable Service Levels and Standards**

The provider will need to meet the following service levels and standards:

- work undertaken must meet the Department's satisfaction, as communicated by the project officer, and where applicable meet industry standards;
- all persons working on the project are required to read, sign and return a confidentiality agreement before receiving or using any material belonging to the Commonwealth;
- all persons with access to data provided to undertake the valuation must gain and/or maintain a baseline security clearance as a minimum and at least two persons must gain and/or maintain at least a negative vetting level 1 security clearance;
- SAS and Microsoft Excel are the preferred analytical tools to deliver the project, but other tools will be considered;
- at the completion of the project, all models and analysis that contribute to the baseline and annual valuations, and any tools or applications that are required to update and maintain those models and processes must be provided to the Department under a license or other arrangement that allows use of the material or tools without further payment and in perpetuity;
- full technical documentation of all models and processes that contribute to the analysis or reporting of future social security payments system must be provided;
- actuarial models must be designed to include the capacity to evolve over time; and
- method, valuations and presentations must be prepared at an excellent standard of written expression. Specifically, presentations should meet the written standards outlined in the DSS Writing and Style Guide, and document formatting should meet disability accessibility standards.

#### **A6 Resources/materials to be provided by the Department**

The Department will provide customer-level administrative data. This will include social security, child care and child support information. It will contain details of income support recipients' characteristics, payment entry and exit by payment type, average rates of payment, and available information on customer circumstances that may affect payment receipt. This may include data on work readiness, incapacity, and children's characteristics. The data will be provided in a SAS-readable format or other format as agreed between provider and the Commonwealth.



The Department will provide economic forecasts and demographic projections. These may include, but not necessarily be limited to, forecasts of unemployment rates, Government interest rates and consumer price index, and demographic projections by sex and single year of age.

To assist the service provider's project team in determining how the data provided can be used to support actuarial valuations of the social security and income support system, the Department will provide data specification documents including advice on the validity and reliability of available variables as well as information about the contexts in which data were collected.

The Department will also provide two desks with telephones, PCs and internet access for the provider's project team members to use when they need to work in the Department's National Office, as part of consulting with Departmental project officers or technical staff.

## **A7 Reporting Requirements**

The provider will be required to produce a number of reports to the Department. These include draft and final versions of reports on methods, the initial baseline valuation and three subsequent annual valuations. These reports must all include an executive summary. The provider will also be required to produce user guides, supporting documentation and presentation materials. It is the responsibility of the provider to incorporate Departmental feedback, and ensure all work is of an excellent written standard, and meets the written standards as specified in the DSS Writing and Style Guide. Document formatting must meet disability accessibility standards as operationalised by the Commonwealth.

Any decision about whether or how to publish the valuations and associated documents is entirely a matter for the Department.

In addition to the written method and valuation reports, the reporting outlined below is required.

- Continuous liaison between the Department's project manager and a designated provider project manager. Liaison between project managers will be used to provide any advice or resolve any issues that arise.
- The presentation of findings to Departmental officers. Quotes for travel to Canberra to provide three presentations each year for the life of the contract should be included.
- A weekly teleconference will be established between the Department and the provider to provide progress reports and resolve any issues. Once the project is on track, the frequency of the teleconference could be reduced by mutual agreement.
- A monthly written progress report will be required from the provider to the Department.

The provider's project manager will be responsible for all liaison with the Department's project manager. Together, these two people will be required to maintain an open and constructive relationship. The Department's project manager and the provider's project manager will be the contacts for advice or to resolve any issues that occur during the contract.

## **A8 Evaluation Criteria**

The quotations will be evaluated on the basis of best value for money consistent with Commonwealth purchasing policies. To assess the value for money of the quotation, the Department will assess the value of the offered services (as evaluated against the following criteria) in the context of the Fees, Costs and Expenses and the risks to the Commonwealth associated with the offered services in terms of:

- capability;
- capacity;
- method;
- past performance and current work; and
- risk management.

Additional detail on each of these categories is contained in **Attachment B**.

## **A9 Conflict of Interest and Confidentiality**

Respondents are required to declare whether, at the time of lodging their quotation, a conflict exists, or might arise during the term of the agreement with the Department or in relation to their quotation, where 'conflict' means:

- a conflict of interest, risk of a conflict of interest, or an apparent conflict of interest arising through the respondent (including its personnel, related entities or subcontractors) or the respondent's immediate family, relatives, business partners, associates or friends, engaging in any activity or obtaining any interest that is likely to or may appear to impair, interfere with or restrict the respondent in providing the contract services to the Department diligently, fairly and independently;
- the respondent or any of its personnel, a related entity or subcontractor have a relationship (whether professional, commercial or personal) with any of the Department's personnel involved in the evaluation of quotations; or
- the respondent, its personnel, a related entity or a subcontractor has a relationship with, and obligations to, an organisation which would affect the performance of the contract or would bring disrepute to or embarrass the Department.



This request for quotation and other related quotation information remain confidential to the Department and must only be used by the respondent for the purpose of preparing and submitting the quotation.

The successful respondent and any employee or subcontractor who will be working on the project, will be required to sign a Deed of Confidentiality. This is a legally binding commitment in relation to respecting and maintaining the confidentiality of all project material, including the details of those who participate in the research and any documents provided by the Department.

The Department will treat as confidential all responses submitted in response to this request for quotation. The Department will not be taken to have breached any obligation to keep information provided by respondents confidential to the extent that the information:

- a. is disclosed by the Department to its advisers, officers, employees or subcontractors solely in order to conduct the request for quotation process or to prepare and manage any resultant contract;
- b. is disclosed to the Department's internal management personnel, solely to enable effective management or auditing of the request for quotation process;
- c. is disclosed by Department to the responsible Minister;
- d. is disclosed by the Department in response to a request by a House or a Committee of the Parliament of the Commonwealth of Australia;
- e. is shared by Department within its organisation, or with another Commonwealth agency, where this serves the Commonwealth's legitimate interests;
- f. is authorised or required by law to be disclosed; or
- g. is in the public domain otherwise than due to a breach of the relevant obligations of confidentiality.

#### A10 Fees, Expenses and Costs

Fees to provide the contract services are expected to be calculated in accordance with the existing Deed of Agreement with the Department. Quotations should set out all costs related to the delivery of the contract services, including the following, where appropriate:

- costs for actuarial valuation method design;
- costs for each valuation including data analysis, report preparation, supporting documentation and presentation materials;
- costs for project management;
- fees for contract personnel;
- costs for delivery of technical training to Department's internal actuarial and statistical team staff;
- costs for travel, accommodation and incidentals; and
- other costs (including any add-on services the respondent suggests).

The Department considers it essential that the project be divided into 4 broad phases that can be broken down into deliverables and sub-deliverables. The successful completion and acceptance of these deliverables will be used as the basis for making payments to the successful service provider. The table below presents an illustrative list of deliverables and percentage of the total budget that the service provider will receive for each. Service providers may propose alternative deliverables schedule.

| Phases              | Deliverables              | Sub-deliverables / Activities   | % of Budget |
|---------------------|---------------------------|---|-------------|
| Baseline evaluation | Development of method     | Draft method  | 15%         |
|                     |                           | Final method  | 5%          |
|                     | Baseline valuation report | Draft baseline valuation report   | 10%         |
|                     |                           | Final baseline valuation report   | 5%          |
|                     | Skill transfer            | Technical presentation, provision of baseline valuation models and technical training to Department staff | 5%          |
|                     | Subtotal                  |   | 40%         |
| 2016 evaluation     | 2016 valuation report     | Draft valuation report  | 10%         |
|                     |                           | Final valuation report  | 5%          |
|                     | Skills transfer           | Technical presentation, provision of revised models and technical training to Department staff            | 5%          |
|                     | Subtotal                  |   | 20%         |

|                    |                       |  |      |
|--------------------|-----------------------|--|------|
| 2017<br>evaluation | 2017 valuation report | Draft valuation report   | 10%  |
|                    |                       | Final valuation report   | 5%   |
|                    | Skills transfer       | Technical presentation, provision of revised models and technical training to Department staff | 5%   |
|                    | Subtotal              |  | 20%  |
| 2018<br>evaluation | 2018 valuation report | Draft valuation report   | 10%  |
|                    |                       | Final valuation report   | 5%   |
|                    | Skills transfer       | Technical presentation, provision of revised models and technical training to Department staff | 5%   |
|                    | Subtotal              |  | 20%  |
| Total              |                       |  | 100% |



## EVALUATION CRITERIA

The quotations will be evaluated on the basis of best value for money consistent with Commonwealth purchasing policies. To do this the Department will assess the value of the services offered in the context of their cost and risk. The following criteria will be applied for the purposes of the evaluation.

| Criteria   | Weighting |
|--|-----------|
| <b>1 Capability</b> <ul style="list-style-type: none"> <li>• experience designing and managing large and complex projects, preferably relevant to investment approaches to welfare;</li> <li>• demonstrated technical capability in actuarial valuation and complex statistical analysis, and experience in applying these skills and techniques to large and complex administrative data sources;</li> <li>• detailed understanding of the design of the Australian income support system, the range of payments provided, eligibility criteria and entitlement amounts;</li> <li>• strong knowledge of issues affecting long-term welfare dependency;</li> <li>• relevant experience working with government; and</li> <li>• evidence of qualifications, skills and experience of nominated personnel and subcontractors.</li> </ul>   | 25%       |
| <b>2 Capacity</b> <ul style="list-style-type: none"> <li>• staffing capacity to organise and manage actuarial valuations of the size and complexity proposed in this request for quotation, and deliver results in the time-frame specified;</li> <li>• project team structure and time allocation of personnel specified for the project;</li> <li>• evidence of appropriate infrastructure support and resources to meet project needs;</li> <li>• strategies to ensure a high quality and stable project team; and</li> <li>• capacity to strengthen actuarial modelling capability within the Department through the project.</li> </ul>   | 20%       |
| <b>3 Method</b> <ul style="list-style-type: none"> <li>• adequacy of the proposed method for a robust and high-quality valuation of Australia's social security and income support system;</li> <li>• capacity of the proposed method to develop and evolve over time;</li> <li>• adequacy of the proposed method to effectively provide a solid evidence base for developing policy interventions for cohorts at risk of long-term welfare dependency;</li> <li>• extent to which the method and analysis can stand up to external scrutiny by academics, actuaries, statisticians and analysts.</li> <li>• flexibility in adjusting services in the quote or resultant Official Order if priorities change; and</li> <li>• adequacy of the proposed knowledge transfer plan including techniques and activities to ensure successful transfer of actuarial models and modelling skills to the Department's internal actuarial and analytics team.</li> </ul> | 25%       |
| <b>4 Past performance and current work</b> <ul style="list-style-type: none"> <li>• completed or current projects relevant to this project demonstrating experience in the successful design and implementation of large and complex actuarial valuation of public or private sector programmes;</li> <li>• demonstrated strong project management experience, including ability to deliver project requirements within agreed timeframes;</li> <li>• demonstrated ability to engage with the Department and other relevant stakeholders on a regular basis;</li> <li>• demonstrated ability to produce high quality written reports and technical documentation; and</li> <li>• demonstrated ability to identify, assess, monitor and control any risks, including any actual or perceived conflict of interest.</li> </ul>   | 20%       |
| <b>5 Risk management</b> <ul style="list-style-type: none"> <li>• demonstrated skills to identify and manage risks including those associated with data access and data disclosure;</li> <li>• ability to maintain independence and high ethical standards in the role of actuarial service provider;</li> <li>• demonstrated track record of successfully delivering project requirements within agreed timeframe.</li> </ul>   | 10%       |