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City of South Gate
CITY COUNCIL

CITY OF SOUTH GATE
OFFICE OF THE CITY MANAGER

10:50am

AGENDA BILL

For the Regular Meeting of: February 27, 2018

Originating Department: Administrative Services

Department Head:


Jackie Acosta

City Manager:


Michael Flad

SUBJECT: CHANGES TO DENTAL, VISION AND LIFE INSURANCE PROVIDERS AND TO IMPLEMENT A LONG-TERM DISABILITY INSURANCE PROGRAM FOR CITY EMPLOYEES

PURPOSE: To change providers of the non-medical employee benefits to achieve cost savings while enhancing benefits and to implement a long-term disability insurance program for full-time employees.

RECOMMENDED ACTIONS:

- a. Approve the change in dental providers from Delta Dental/Delta Allied to Principal Insurance for the PPO and EPO plans and California Dental Network for the DHMO, effective April 1, 2018;
- b. Approve the change in vision providers from VSP to Superior Vision, effective April 1, 2018;
- c. Approve the change in group life and AD&D insurance from Guardian Insurance to Principal Insurance, effective April 1, 2018;
- d. Approve the implementation of a long-term disability insurance program for full-time city employees with Reliance Standard Insurance;
- e. Authorize the Mayor to execute these Agreements after approval as to form by the City Attorney; and
- f. Authorize the Director of Administrative Services to be the contract administrator for purposes of the day-to-day administration of the subject contracts.

FISCAL IMPACT: The City will realize annual savings of approximately \$58,000, of which \$43,400 will be used to cover the cost of the new long-term disability insurance program.

ALIGNMENT WITH COUNCIL GOALS: This completes Fiscal Year 2017-18 Work Program Item No. 196, under Internal Process Improvements, regarding the implementation of a long-term disability program for city employees.

ANALYSIS: The City's employee benefits broker has been working diligently to find insurance providers that can offer better benefits at lower costs than our current providers. If the changes proposed in this report are approved, the City will achieve combined annual savings for the dental, vision, group life and AD&D plans of approximately \$58,000, while at the same time enhancing the benefits provided by those plans. These savings are significant enough to allow the City to add a new benefit for full-time employees – long-term disability insurance – at no net additional cost. These proposed changes are a win/win for both the City and our full-time employees.

BACKGROUND: Staff is always looking for ways to do more/provide more for less. To that end, staff began working with a new broker, Rick Bender of Bender Benefits, for non-medical employee benefits over a year ago with the goal of finding better employee benefit programs for less cost. That goal has been achieved. Through the efforts of Mr. Bender, the City will be able to change providers for dental, vision and life insurance and receive better benefits at lower costs. The annual savings achieved are great enough to allow the City to contract for a brand-new benefit – long-term disability insurance – using the savings achieved by changing providers for the other programs listed above.

Dental: The City currently contracts with Delta Dental/Delta Allied for dental plans. By changing to Principal Insurance, the City will save approximately \$51,000 per year. Not only will the City realize these cost savings, the employees (and enrolled retirees) will receive enhanced benefits which include: 1) the ability to select a DHMO, EPO or PPO plan (currently only DHMO and PPO plans are available), 2) higher annual maximums (from \$2,000 to \$2,500 for PPO and from \$2,000 to \$3,000 for EPO), and 3) reduced out-of-pocket costs. Retirees can continue their dental coverage after retirement if they pay the full premium, so they will also benefit from this change in providers.

Vision: The City currently contracts with VSP for vision plans. By changing to Superior Vision, the City will save approximately \$3,500 per year. Additionally, benefits will be enhanced to include: 1) retail and wholesale options including Target, Costco, Sam's Club, Sears, JC Penney and Walmart, 2) access to the full \$130 allowance when using the above retail and wholesale options, and 3) frame benefits every 12 months (currently every 24 months).

Group Life, AD&D and Voluntary Life: The City currently contracts with Guardian for group life, AD&D (Accidental Death & Dismemberment) and voluntary life insurance plans. By changing to Principal Insurance, the City will save approximately, \$3,700 per year. Benefit improvements include: 1) only a 50% policy reduction due to age (currently 85% reduction), 2) 100% accelerated death benefit (currently 50%), 3) will preparation and travel assistance, 4) lower premiums after age 65 (voluntary life), and 5) off cycle open enrollment with up to \$200,000 guaranteed issue (voluntary life).

Long-Term Disability Insurance: The City currently does not provide any type of long-term disability insurance program for its employees. This is a very important benefit that, while not needed often, is very critical when it is needed. Currently, if a miscellaneous employee is injured outside of work, they are covered by SDI (State Disability Insurance) for one year. State Disability provides 60% income replacement, up to a maximum of \$1,231 per week. However, in cases where the employee is seriously injured and is disabled for more than one year or permanently, their only income after the first year would be the use of their accrued sick leave which may be exhausted within weeks or a few months. After that, their income ceases completely. Long-term disability insurance provides 60% income replacement through age 65. LTD insurance also covers work related injuries after workers' comp benefits end. At their option, sworn employees (Police) chose not to be covered under SDI and thus have no coverage for off duty injuries, unless they purchase private coverage.

Principal Insurance: Principal has been in business for 150 years and is based in Des Moines, Iowa. They are A+ rated by AM Best and have over \$690 billion in assets under management. They are in the top 5 in terms of market share for specialty benefits. They have over 100,000 PPO providers nationally and have one of the largest networks of providers in California with over 30,000 providers.

California Dental Network (CDN): CDN is headquartered in Irvine, CA and is owned by DentaQuest located in Boston, MA. CDN has been a marketing partner with Principal for over 10 years. Principal has over 700 joint customers with CDN. DentaQuest is the largest dental benefits administrator in the United States and the largest in the Medicaid space. They cover approximately 24 million members across the U.S.

Superior Vision: Superior Vision has been in business since 1993 and is headquartered in Sacramento, CA. They have the largest retail network in the United States including 46 of the top 50 major retail optical chains, independent providers and online eyewear all in network. They currently cover more than 33 million members nationwide with over 60,000 in-network providers.

ATTACHMENT: None