Council Meeting: June 19, 2012


REPORT IN BRIEF
This report recommends approval of the renewal of the contracts between the City of Sunnyvale and the California State Association of Counties (CSAC) Excess Insurance Authority (EIA) for Life insurance, Accidental Death and Dismemberment insurance (AD&D), Long Term Disability insurance (LTD), and the Employee Assistance Program (EAP). These contracts will be renewed effective July 1, 2012 with an overall premium rate decrease. The EAP will renew with a three (3) year rate guarantee and the remaining plans will renew with a two (2) year rate guarantee. Additionally, approval is requested to grant authority to the City Manager, or his designee, to approve Life insurance/AD&D, LTD, and EAP contract renewals beginning July 1, 2012.

BACKGROUND
Through Alliant Insurance Services, Sunnyvale’s Insurance Broker, the City participates in a large public employer purchasing pool consisting of cities, counties, schools, and special districts. Alliant Insurance Services has leveraged its size and expertise in the public sector market to provide exclusive programs for public agencies at competitive prices.

EXISTING POLICY
7.3 Legislative Management, Sub-element Policy 7.3D. 1a: Maintain a competitive pay and benefits package for employees. Additionally, the Memorandums of Understanding for COA, SMA, PSOA, PSMA, SEA and SEIU and the Salary Resolution for all other employees and City Council members specify that the City shall provide Life/AD&D insurance, Long Term Disability insurance, and Employee Assistance Program benefits.

DISCUSSION
The City of Sunnyvale provides a comprehensive benefits package to full-time and regular part-time employees through Memorandums of Understanding and the City’s Salary Resolution. The EAP is provided to full-time and regular part-time employees. Life/AD&D insurance is provided to full-time employees. Long Term Disability insurance is provided for full-time employees except those represented by the Public Safety Officers Association, whose coverage is provided through their Association.
Basic Life/AD&D Insurance
The combined rate for Basic Life/AD&D insurance will remain the same at the current rate of $0.137 per $1,000 of coverage.

Supplemental Life/AD&D Insurance
The combined rate for Supplemental Life/AD&D insurance will remain the same at the current rate of $0.22 per $1,000 of coverage.

Long Term Disability Insurance
The rate of Long Term Disability insurance will increase from $0.561 per $100 of coverage to $0.567 per $100 of coverage, an increase of 1%.

ING remains the carrier for Life/AD&D and Long Term Disability insurance.

Employee Assistance Program
The rate for the EAP will decrease from $5.84 per employee per month to $5.44, a 6.9% reduction.

Managed Health Network (MHN) remains the carrier for the Employee Assistance Program.

**FISCAL IMPACT**
In FY 2011/2012, the City expects to spend a total of approximately $613,000 on premiums for Life insurance/Accidental Death and Dismemberment insurance (AD&D), Long Term Disability insurance (LTD), and the Employee Assistance Program (EAP). Based on the contract renewal rates discussed above and on current enrollment, expenditures in FY 2012/2013 are expected to be approximately $606,000. This is a savings of 4.6%, or $29,000, over the $635,000 budgeted for these benefits in FY 2012/2013. This reduction to the expenditure baseline for these benefits will be reflected in the recommended FY 2013/2014 Budget.

**PUBLIC CONTACT**
Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City’s Web site.

**ALTERNATIVES**
1. Authorize the City Manager or his designee, to enter into a contract with CSAC-EIA for the period of July 1, 2012–June 30, 2014 for the City’s
Life/AD&D insurance and Long Term Disability insurance. Additionally, authorize the City Manager or his designee, to enter into a contract with CSAC-EIA for the period of July 1, 2012–June 30, 2015 for the City’s EAP benefit. Further, provide the City Manager or his designee, authority to sign future Life insurance/AD&D, LTD, and EAP contracts.

2. Do not authorize renewal of the CSAC-EIA contracts and direct Alliant Insurance Services to seek other proposals.

RECOMMENDATION

Staff recommends approval of Alternative #1: Authorize the City Manager or his designee, to enter into a contract with CSAC-EIA for the period of July 1, 2012–June 30, 2014 for the City’s Life/AD&D insurance and Long Term Disability insurance. Additionally, authorize the City Manager or his designee, to enter into a contract with CSAC-EIA for the period of July 1, 2012–June 30, 2015 for the City’s EAP benefit. Further, provide the City Manager or his designee, authority to sign future Life insurance/AD&D, LTD, and EAP contracts.

Reviewed by:

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Prepared by: Lisa Velasco, Human Resources Manager

Approved by:

Gary M. Luebbers
City Manager