



Board Agenda Item 49

DATE: December 11, 2018

TO: Board of Supervisors

SUBMITTED BY: Paul Nerland, Director of Human Resources

SUBJECT: Agreement with ReliaStar Life Insurance Company to Provide Life and Accidental Death & Dismemberment Insurance to County of Fresno Employees

RECOMMENDED ACTION(S):

Approve and authorize the Chairman to execute an Agreement with Reliastar Life Insurance Company to provide employer-paid basic life and accidental death & dismemberment insurance coverage and optional employee-paid supplemental life insurance coverage to County of Fresno employees, effective December 31, 2018, not to exceed three (3) consecutive years, total not to exceed \$600,000.

Approval of the recommended action will allow Reliastar Life Insurance Company (Reliastar) to provide employer-paid life and accidental death & dismemberment (AD&D) insurance coverage, as well as optional, employee-paid term life insurance to County employees. The approximate annual cost of the employer-paid life and AD&D coverage is \$147,000 for calendar year 2019 and is funded through salaries and benefits charged to the departments of the covered employees. There is no net County cost associated with the employee-paid supplemental life insurance coverage. This item is countywide.

ALTERNATIVE ACTION(S):

Your Board may select a different insurance carrier; however, selecting a different carrier would increase net County cost, as Reliastar provided the lowest rates for employer-paid life and AD&D coverage. Your Board may select lower coverage levels for the employer-paid basic life and AD&D coverage than what is being proposed.

SUSPENSION OF COMPETITION/SOLE SOURCE CONTRACT:

On May 1, 2018, your Board made a finding that it was in the best interest of the County to waive the competitive bidding process consistent with Administrative Policy No. 34 under the "unusual or extraordinary circumstances" exception for the solicitation of ancillary benefits including life and disability insurance plan proposals for Plan Year 2019. This allowed the County the flexibility needed to negotiate directly with insurance providers and maximize cost effective alternatives that best meet the needs of the County, its active employees, and their dependents.

FISCAL IMPACT:

The biweekly cost per Class 1 employee, which includes all County health insurance plan participants, is \$0.40 on \$10,000 of life and AD&D insurance coverage. While this represents an increase of \$0.10 per employee per pay period, it also reflects a 25% increase in life insurance coverage from the current \$8,000. Costs are expected to increase from \$44,000 to \$59,000 on a calendar-year basis for Class 1 employees.

The biweekly cost per Class 2 employee, which includes all County employees within the "Management" employee group, is \$2.05 on \$51,000 of life and AD&D insurance coverage. This represents a decrease of \$0.77 or over 37% from the current biweekly premium. Costs are expected to decrease from \$20,500 to \$15,000 on a calendar-year basis for Class 2 employees.

The biweekly cost per Class 3 employee, which includes all County Senior Management, Department Heads, Elected Officials and Probation Services Managers will receive \$250,000 of life and AD&D insurance coverage at a biweekly cost of \$10.04 per employee. Costs are expected to increase from \$20,500 to \$73,000 on a calendar-year basis for Class 3 employees.

There is no net County cost associated with the employee-paid supplemental life insurance coverage.

Overall, net County costs associated with the recommended action are expected to increase from approximately \$86,000 to approximately \$147,000. However, Reliastar's proposal includes reductions to the employer-paid life rates by 10% or 20% if the number of supplemental life participants reaches certain thresholds. This could reduce net County costs by approximately \$10,000 to \$18,000 on an annual basis.

DISCUSSION:

The County of Fresno currently provides life and AD&D insurance to employees who participate in one of the County health insurance plans, as well as to employees in all unrepresented management classifications. Employees enrolled in a County health insurance plan receive \$8,000 in life and \$10,000 in AD&D coverage, while all unrepresented management employees, and Probation Services Managers receive \$51,000 in life and AD&D coverage. The County also offers optional, employee-paid benefits through Trustmark to employees, but there are currently no term life insurance options available.

To ensure that the County's coverage levels and cost are competitive, at the May 1, 2018 meeting, your Board authorized the Director of Human Resources to solicit bids for life insurance coverage. Human Resources, with the assistance of its health and benefits consultant, Keenan & Associates, released an RFQ seeking quotes from qualified life insurance carriers for employer-paid basic life and AD&D insurance, as well as employee-paid supplemental life insurance.

Three (3) carriers responded to both the employer-paid basic life and AD&D and employee-paid supplemental life portions of the RFQ: Reliastar Life, Securian Life, and Unum. The rates per \$1,000 of employer-paid basic life and AD&D insurance coverage, as well as employee-paid supplemental life insurance coverage are contained in Attachment A. In addition, Reliastar's proposal includes reductions to the employer-paid life rates by 10% if the number of supplemental life participants reaches the equivalent of 10% or more of all basic life and AD&D participants and by 20% if the number of supplemental life participants reaches the equivalent of 15% or more of all basic life and AD&D participants.

The coverage levels being proposed are as follows:

- An increase in coverage from \$8,000 to \$10,000 of employer-paid life and AD&D insurance for all County employees who participate in a County health insurance plan;
- \$51,000 of employer-paid life and AD&D insurance for all County Management employees (this coverage level is unchanged);
- An increase in coverage from \$51,000 to \$250,000 of life and AD&D insurance for all County Senior Management, Department Heads, Elected Officials and Probation Services Managers; and
- \$100,000 of optional, employee-paid term life insurance for all employees, \$50,000 for employees' spouses and \$10,000 for employees' children (spouse and children eligibility contingent on employee participation).

Staff is recommending that your Board select ReliaStar for the following reasons:

- They offered the lowest rates per \$1,000 of basic life and AD&D coverage;
- They will decrease their rates on the basic life based on optional life participation;
- They offer assistance to beneficiaries in making funeral arrangements;
- They offer a travel assistance program for all participants; and
- ReliaStar, which is a subsidiary of Voya Financial, has financial ratings of "A" or better from Standard & Poor's, Moody's, Fitch, and A.M. Best.

Staff would like to note that Section 10 (Hold Harmless) of the Agreement includes indemnification language that is different from the County's standard language. Since the County will be responsible for maintaining accurate records on behalf of the benefit participants, ReliaStar requested that Section 10 clarify that the County will not require indemnification in the event of an error or omission that the County "caused or significantly contributed to."

OTHER REVIEWING AGENCIES:

Keenan & Associates, the County's Health and Benefits consultant, reviewed the responses and is recommending approval of the recommended action.

REFERENCE MATERIAL:

BAI #41, May 1, 2018 - Solicitation of Health and Ancillary Benefits Plan Proposals for Plan Year 2019

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Agreement with ReliaStar Life Insurance Company
Attachment A - Rate Comparison

CAO ANALYST:

Debbie Paolinelli