Board Agenda Item 28

DATE: March 17, 2026

TO: Board of Supervisors

SUBMITTED BY: Hollis Magill, Director of Human Resources

SUBJECT: Long-term Disability Insurance Benefits for Unrepresented Management Employees

RECOMMENDED ACTION(S):

Approve and authorize the Chairman to execute an Agreement with Standard Insurance Company to provide long-term disability insurance benefits for unrepresented management employees, effective April 1, 2026, not to exceed four years and nine months, which includes a two-year and nine-month base agreement and two optional one-year extensions.

There is no increase in Net County Cost associated with approval of the recommended action. The cost of long-term disability (LTD) benefits for Department Heads, Assistant Department Heads, Senior Management, Senior Management Supervisors, and Management employees (collectively, "Unrepresented Management Employees") is included in the annual budgets of the affected employees' departments. Approval of the recommended action will allow Standard Insurance Company ("Standard") to provide Unrepresented Management Employees with LTD insurance benefits. In addition, the proposed agreement will increase the benefit to Unrepresented Management Employees, while lowering the overall cost of the service. The agreement includes a two-year and nine-month rate guarantee, with the ability to maintain the rates for up to four (4) years and nine (9) months if the loss ratio on the policy is below 0.75. This item is countywide.

ALTERNATIVE ACTION(S):

Your Board may reject staff's recommendation and select a different bidder. However, this would result in higher fees and a potentially disruptive transition to a new record-keeper for participants in the Plans.

SUSPENSION OF COMPETITION/SOLE SOURCE CONTRACT:

On May 6, 2025, the Board of Supervisors made a finding that it was in the best interest of the County to suspend 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 2026. 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:

There is no increase in Net County Cost associated with the approval of the recommended action. The cost of this benefit is included in the annual budgets of the affected employees' departments.

The County pays for LTD benefits for approximately 778 Unrepresented Management Employees. The

current cost of LTD benefits for Unrepresented Management Employees is approximately $135,000 per year, based on a premium rate of 0.152% of covered biweekly pay, up to $8,461.

Approval of the recommended action would increase the maximum covered payroll to $11,539 and reduce the premium rate by 19% to 0.123%. This will increase the benefit to employees and reduce the cost to County departments by approximately $25,000 per year. The annual cost related to the recommended action is approximately $110,000 in the first year, and potentially increasing in future years based on then-current enrollment and salaries.

Because the total cost of the proposed agreement is dependent upon salary and personnel decisions approved by the Board of Supervisors, there is a hard cap on the premium rates, rather than a maximum aggregate cost.

DISCUSSION:

1. Long-term Disability Insurance in General

LTD insurance is an income protection benefit designed to replace a portion of an employee's earnings if they become unable to work due to a qualifying illness, injury, or medical condition that extends beyond the short-term disability period. It is a critical component of a comprehensive employee benefits program because it helps ensure financial stability for employees during prolonged absences while supporting organizational workforce continuity and risk management.

LTD policies provide ongoing wage replacement after a specified elimination (waiting) period once short-term disability benefits are exhausted or when the disabling condition is expected to be long-term. Benefits typically continue until the employee is able to return to work, reaches the policy's maximum benefit duration, or no longer meets the policy's definition of disability.

Disability may be defined as -

- **Own Occupation:** The employee is considered disabled if unable to perform the material duties of their regular occupation.
- **Any Occupation:** After the own-occupation period, eligibility may require that the employee be unable to perform any occupation for which they are reasonably qualified by education, training, or experience.

Employers may elect to provide LTD benefits for the following reasons -

- **Workforce Protection:** LTD reduces financial hardship for employees, which can enhance morale and reinforce the employer's commitment to employee well-being.
- **Talent Attraction and Retention:** Robust disability coverage is frequently viewed as a core benefit in competitive labor markets.
- **Cost Management:** Premiums are influenced by workforce demographics, occupational risk, benefit richness, and claims experience. Employers often balance affordability with adequate income protection.

2. Current Benefits Under Agreement No. 21-084

Agreement No. 21-084 allows Standard to provide County-paid LTD Insurance benefits to Unrepresented Management Employees. The benefit is 60% of pre-disability earnings, up to a maximum monthly benefit of $11,000. The effective waiting period to receive benefits is one (1) year for Employees with State Disability Insurance (SDI) and 90 days for Employees without SDI (SDI benefits are paid for up to one (1) year).

Additionally, Agreement No. 21-084 offers the following benefit enhancements:

- The monthly benefit is not offset by the use of annual leave. This means that employees may integrate leave usage with this benefit to maintain approximately their full pre-disability earnings while on leave of absence.

- Standard will pay up to $25,000 per claim in workplace modifications that will allow an employee to return to work. This is a benefit to all parties, as it would allow the employee to come back to work as soon as they are able, and it would save the County from the cost of the modifications.

3. Description of Benefits and Services Under the Proposed Agreement

Approval of the proposed agreement will increase the maximum monthly benefit from $11,000 to $15,000, bringing the LTD benefit in line with current salaries. The effective waiting period for benefits is one (1) year for all covered employees, as the Board of Supervisors added Department Heads to the SDI on February 20, 2024.

The proposed agreement includes a two-year and nine-month rate guarantee. For years 4 and 5, the rates will be as follows:

- **Year Four:** The premium rate will be 0.123% of the first $11,539 of covered payroll if, at the end of year three, the Incurred Loss Ratio is .75 or less.
- **Year Five:** The premium rate will be 0.123% of the first $11,539 of covered payroll if, at the end of year four, the Incurred Loss Ratio is .75 or less.
- With respect to Year Four, the Incurred Loss Ratio is equal to the total incurred claims divided by the total premiums paid by County, calculated from the beginning to the end of the 12 month period ending on the day before January 1, 2028.
- With respect to Year Five, the Incurred Loss Ratio is equal to the total incurred claims divided by the total premiums paid by County, calculated from the beginning to the end of the 12 month period ending on the day before January 1, 2029.

If the vendor proposes an increase in the premium rate, pursuant to the criteria above, staff will bring an amendment to the agreement to the Board of Supervisors for review and approval. Otherwise, the Director of Human Resources or their designee will be authorized to approve the one-year renewals pursuant to Article 3 of the proposed Agreement.

4. Expiring Agreement and Bidding Process

On March 23, 2021, the Board of Supervisors approved Agreement No. 21-084 with Standard to provide LTD benefits for Unrepresented Management Employees. The Agreement provided for a three (3) year term, with two (2) optional one-year renewals, contingent on rates remaining unchanged. Because Standard did not propose any rate increase under the Agreement, the Director of Human Resources exercised both renewals, pursuant to Section 3 of the Agreement.

Therefore, USI Insurance Services (USI), acting as the County's consultant and broker of record, solicited bids from qualified disability insurance carriers for employer-paid LTD benefits for Unrepresented Management Employees. Carriers were asked to match or exceed the coverage levels described in "Current Benefits Under Agreement No. 21-084", above.

Twelve (12) carriers were solicited by USI, with five (5) declining to quote and four (4) whose proposals were either uncompetitive or incomplete. The three (3) finalists were Standard, Voya, and Guardian.

The proposals were reviewed by USI and Human Resources staff, and it was determined that Standard was the most responsive bidder for LTD Benefits. Staff is recommending that your Board select Standard to continue as the County's LTD provider for the following reasons:

- **Cost.** Standard's bid is 18% lower than the current benefit and 17% lower than the next-lowest bid.
- **Efficiency.** Transitioning to a new carrier entails extensive costs in the form of staff time and resources, which won't be necessary by continuing with Standard.
- **Enhanced Benefits**. Under the proposed agreement, the maximum age to which employees under the age of 62 may receive benefits is increased from 65 years to the Social Security Normal Retirement Age, which is 67 years for approximately 98% of current Unrepresented Management Employees.

5. Staff Next Steps

Approval of the recommended action will not necessitate any administrative changes or create any disruptions in benefits of Unrepresented Management Employees.

OTHER REVIEWING AGENCIES:

USI, the County's Benefits Consultant and Broker of Record, reviewed the proposals as an expert in the field of disability insurance benefits and supports the recommended action.

REFERENCE MATERIAL:

BAI #31, May 6, 2025
BAI #27, February 20, 2024
BAI #36, March 23, 2021

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Agreement

CAO ANALYST:

Sevag Tateosian