

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
9	10/14/13	Open	Action	09/26/13

Subject: Approving the Contract Amendment with The Prudential Life Insurance Company of America and the Revised Group Vision Care Plan Contract and Amendment to the Group Vision Care Plan Contract with Vision Service Plan

## ISSUE

Whether or not to Approve the Contract Amendment with The Prudential Life Insurance Company of America and the Revised Group Vision Care Plan Contract and the Amendment to the Group Vision Care Plan Contract with Vision Service Plan (VSP).

## RECOMMENDED ACTION

- A. Adopt Resolution No. 13-10-\_\_\_\_, Approving the Second Amendment to the Group Insurance Contract with the Prudential Life Insurance Company of America; and
- B. Adopt Resolution No. 13-10-\_\_\_\_, Approving the Group Vision Care Plan Contract and the Amendment to the Group Vision Care Plan Contract with Vision Service Plan.

## FISCAL IMPACT

Budgeted:	Yes	This FY:	\$	859.20
Budget Source:	Operating	Next FY:	\$	1,031.04
Funding Source:		Annualized:	\$	1,031.04
Cost Cntr/GL Acct(s) or Capital Project #:	Multiple GL accounts and cost centers across agency	Total Amount:	\$	1,890.24
Total Budget:	\$1,890.24*			

\*This cost is associated with modification of Item 1 below. There are no costs associated with modification of items 2, 3, and 4.

## DISCUSSION

To ensure compliance with updated federal/state regulations and RT's current business practices, RT Staff regularly reviews RT's benefit vendor contracts. During the 2013 review, staff determined that two contracts were out of compliance and needed to be amended. Following are the details of the changes necessary to bring RT's benefit contracts into compliance both with existing laws and RT's current practice:

Approved:

Final 10/02/13

General Manager/CEO

Presented:

Director, Human Resources

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## Life Insurance

A recent review of the contract with RT’s life insurance vendor, The Prudential Life Insurance Company of America (“Prudential”), revealed that the contract between RT and Prudential needed four modifications to bring it into compliance with RT’s requirements:

1. Update overage dependent child’s age limit for basic life insurance from age 19 to age 26 for active employees in the Salaried and IBEW Employee Groups, which results in the above fiscal impact.
2. Reinstate the removal of age reductions for retirees in the Salaried and IBEW Employee Groups where the death benefit was mistakenly modified at the last renewal, removing the age reduction for death benefit when retirees reach 65. That modification should only have affected RT’s active employees in these two Employee Groups where the death benefit amount was to remain at \$50,000 beyond age 65 or until the employee retires.
3. Implement the voluntary supplemental life insurance blended rates for active employees age 70 and beyond, decreasing the unit rates.
4. Reduce the blended rates for voluntary spousal coverage from age 25 to age 75+, decreasing the unit rates.

Modifications to Items 2, 3 and 4 above do not have a fiscal impact as these benefits are voluntary. Exhibit A, attached to the Resolution, contains an Executive Summary, rate tables, and the Second Amendment. Attachment 1 is a letter from RT’s Health and Welfare Benefits consultant Keenan, providing more detailed information on the Second Amendment.

## Vision

The Vision Service Plan (VSP) Agreement was modified with contract language, expanding the service network to include affiliated providers such as Costco. The modifications made to RT’s Contract with VSP have no fiscal impact. Normally, when RT amends an agreement, the parties will draft and execute an amendment to the principal agreement without making any modifications to the principal agreement or re-executing the principal agreement. However, VSP’s practice is to re-issue the principal agreement when it amends the principal agreement. Consequently, VSP has asked RT to re-approve and re-execute the principal agreement and approve and execute the amendment incorporating the changes in service providers. Because such action would result in RT having two active agreements with VSP, RT staff recommends that when the Board re-approves the principal agreement and approves the amendment, that it terminate the principal agreement approved by the Board on December 10, 2012.

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Staff recommends approval of the Second Amendment with RT's life insurance provider, The Prudential Life Insurance Company of America, and the Group Vision Care Plan Contract, and the Amendment to the Group Vision Care Plan Contract with VSP, and that it terminate the Group Vision Care Plan Contract approved on December 10, 2012 upon execution of the Group Vision Care Plan Contract and Amendment thereto.



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## Attachment 1

June 3, 2013

Ms. Donna Bonnel  
Manager, Human Resources  
Sacramento Regional Transit District  
2810 O Street  
Sacramento, CA 95816

RE: Prudential Amendment

Dear Donna,

The Prudential Basic Life and AD&D plan was updated January 1, 2013 to cover dependents to age 26 and to remove the age reductions for active employees.

Prudential's Amendments don't detail the changes made, they only show the certificates that have been affected based on a recent change to the contract. The retiree certificates were listed on the original Amendment when nothing should have changed on their plan. In error, Prudential removed the age reductions from the retiree plan.

The corrected Amendment for the January 1, 2013 plan year reflects the following changes/corrections: (referenced on top left corner of the Amendment)

- 49541-310716 – updated dependent age to 26 for active employees
- 49541-317185 – removed age reductions from all basic life and AD&D certificates
- 49541-051413 – added age reductions back to the retiree certificates

The final signed Amendment will be treated as the governing plan document as of the effective date of January 1, 2013 unless or until changes are requested.

Once the document is signed, please forward a copy for our records and I will send a copy to Prudential.

If there are any questions, please do not hesitate to contact me at (916) 859-7160 x4281 or [sbjelke@keenan.com](mailto:sbjelke@keenan.com).

Sincerely,

A handwritten signature in black ink that reads "Stacey Bjelke".

Stacey Bjelke  
Account Manager

# Schedule of Plans

**Effective Date:** January 1, 2013

**Group Contract No.:** G-49541-CA

This Schedule of Plans sets forth the Plan of Benefits that applies to each Covered Class under the Group Contract listed below as of the Effective Date. The Plan of Benefits for a Covered Class is determined by: (1) the Group Insurance Certificates that apply to the Covered Class; and (2) any modification to those Certificates, provided the modification is listed below or included in an amendment to the Group Contract. A copy of each Certificate and any modification to it are attached to the Group Contract and made a part of it.

**Covered Class:**

All Employees included in the Covered Classes of the Group Insurance Certificate(s) listed below.

**Plan of Benefits that Applies to this Covered Class:**

- (1) The Coverage(s) described in the Group Insurance Certificate prepared for the Group Contract shown above:
  - (a) With the Program Date of January 1, 2013; and
  - (b) Bearing the code "49541, BGL, Retired IBEW Members, Ed 11-2012, 18".
- (2) The Coverage(s) described in the Group Insurance Certificate prepared for the Group Contract shown above:
  - (a) With the Program Date of January 1, 2013; and
  - (b) Bearing the code "49541, BGL, ATU Members retired on or after 8-1-1987, Ed 11-2012, 19".
- (3) The Coverage(s) described in the Group Insurance Certificate prepared for the Group Contract shown above:
  - (a) With the Program Date of January 1, 2013; and
  - (b) Bearing the code "49541, BGL, ATU Members retired prior to 7-1-1979, Ed 11-2012, 20".
- (4) The Coverage(s) described in the Group Insurance Certificate prepared for the Group Contract shown above:
  - (a) With the Program Date of January 1, 2013; and
  - (b) Bearing the code "49541, BGL, ATU Members retired between 7-1-1979 and 7-1-1984, Ed 11-2012, 21".

- (5) The Coverage(s) described in the Group Insurance Certificate prepared for the Group Contract shown above:
    - (a) With the Program Date of January 1, 2013; and
    - (b) Bearing the code "49541, BGL, ATU Members retired between 7-1-1984 and 8-1-1987, Ed 11-2012, 22".
  - (6) The Coverage(s) described in the Group Insurance Certificate prepared for the Group Contract shown above:
    - (a) With the Program Date of January 1, 2013; and
    - (b) Bearing the code "49541, BGL, AEA MCEG and AFSCME Retired Salaried, Ed 11-2012, 23".
  - (7) The Coverage(s) described in the Group Insurance Certificate prepared for the Group Contract shown above:
    - (a) With the Program Date of January 1, 2013; and
    - (b) Bearing the code "49541, OGL-DGL, AEA, AFSCME, MCEG and IBEW Active Employees, Ed 02-2013, 25".
  - (8) The Coverage(s) described in the Group Insurance Certificate prepared for the Group Contract shown above:
    - (a) With the Program Date of January 1, 2013; and
    - (b) Bearing the code "49541, OGL-DGL, ATU Active Employees, Ed 02-2013, 26".
  - (9) The Coverage(s) described in the Group Insurance Certificate prepared for the Group Contract shown above:
    - (a) With the Program Date of January 1, 2013; and
    - (b) Bearing the code "49541, BGL-BADD, ATU Active Employees, Ed 02-2013, 27".
  - (10) The Coverage(s) described in the Group Insurance Certificate prepared for the Group Contract shown above:
    - (a) With the Program Date of January 1, 2013; and
    - (b) Bearing the code "49541, BGL-DGL-BADD, AEA, AFSCME, MCEG and IBEW Active Employees, Ed 02-2013, 28".
-

**AMENDMENT TO GROUP CONTRACT NO. G-49541-CA**

By their signatures below, the Contract Holder and Prudential agree that the Group Contract is changed as follows:

- The insurance form listed in Column I below is attached to this Amendment; it forms part of the Group Contract as of its Effective Date. The form listed in Column I replaces, as of its Effective Date, the corresponding insurance form listed in Column II.

**Column I**

83500 SCH 1001 (S-1)(49541-9)A  
effective January 1, 2013

**Column II**

83500 SCH 1001 (S-1)(49541-9)  
effective January 1, 2013

Date: \_\_\_\_\_, 20

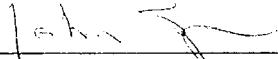
- SACRAMENTO REGIONAL TRANSIT DISTRICT -  
\_\_\_\_\_  
(Contract Holder)

Witness: \_\_\_\_\_

By: \_\_\_\_\_  
(Signature and Title)

Roseland, NJ

THE PRUDENTIAL INSURANCE COMPANY  
OF AMERICA

By:  \_\_\_\_\_  
Vice President, Contracts

May 23, 2013

RESOLUTION NO. 13-10-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

October 14, 2013

**APPROVING THE SECOND AMENDMENT TO THE GROUP INSURANCE  
CONTRACT WITH THE PRUDENTIAL LIFE INSURANCE COMPANY OF AMERICA**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE  
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Second Amendment to the Group Contract No. G-49541-CA, between Sacramento Regional Transit District and the Prudential Life Insurance Company of America, wherein Exhibit A is amended and replaced with the Exhibit A, is hereby approved.

THAT, the General Manager/CEO is hereby authorized and directed to execute the Second Amendment.

\_\_\_\_\_  
PATRICK HUME, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary



## Exhibit A

### Sacramento Regional Transit District 2013 Amendment with Prudential Executive Summary

Below is an overview of the three (3) sections of the Prudential contract for which the request to amend covers.

#### Dependent Life

Amendment No. 49541-310716 extends dependent life coverage to dependents of active employees to age 26. Under current contract dependent life coverage terminates for dependents on their 19<sup>th</sup> birthday unless the dependent is enrolled in college. If the dependent is enrolled in college, dependent life coverage is extended to age 24.

In an effort to reduce administrative resources and to match mandates brought on by health reform that required health, dental and vision coverage be extended to dependents to age 26, we want to streamline our process to offer dependent life coverage to age 26.

The cost for dependent life coverage is \$.48 for \$1,000 of coverage and covers every eligible dependent in the enrollees family. So whether, it's a spouse or a child or two or three children the cost is still the same. The cost in 2012, for dependent life coverage for 326 enrollees was \$156 per month or \$1,872 per year. The cost in 2013, is \$159.84 or \$1,918.08 per year for 333 enrollees.

#### Basic Life & AD&D Certificates

Amendment No. 49541-317185 and No. 49541-051413 reverses the removal of age reductions for retiree certificates. At renewal approval was received to remove age reductions for active employees, in error Prudential removed age reductions in the retiree certificates as well. Even though the removal of age reductions for retirees was in error, an Amendment is necessary to show that retiree certificates are reinstated to the prior provision of having age reductions for the retirees.

#### Supplemental Life Insurance

The blended rates for optional employee life insurance coverage has a proposed change that affects employees from age 70 and beyond. The proposed rates for employees vary based on age as follows:

- Employees between the age of 70-74 will see an increase in their rate from \$2.950 to \$3.700 per thousand dollars.
- Employees between the age of 75-79 will see a decrease in their rate from \$4.860 to \$3.700 per thousand dollars.
- Employees age 80+ will see a decrease in their rate from \$9.840 to \$3.700 per thousand dollars.

The blended rates for optional spouse life insurance coverage has a proposed change that affects spouses of all ages. The proposed rates are based on coverages in per thousand dollars as follows:

- Spouses under the age of 25 to age 29 will see a decrease in their rate from \$0.070 to \$0.060
- Spouses between the age of 30-34 will decrease from \$0.080 to \$0.070
- Spouses between the age of 35-39 will decrease from \$0.100 to \$0.090
- Spouses between the age of 40-44 will decrease from \$0.150 to \$0.130
  
- Spouses between the age of 45-49 will decrease from \$0.250 to \$0.230
- Spouses between the age of 50-54 will decrease from \$0.420 to \$0.380
- Spouses between the age of 55-59 will decrease from \$0.650 to \$0.590
- Spouses between the age of 60-64 will decrease from \$1.020 to \$0.920
- Spouses between the age of 65-69 will decrease from \$1.830 to \$1.650
- Spouses between the age of 70-74 will increase from \$1.830 to \$3.700
- Spouses from age 75+ will increase from \$1.830 to \$3.700

Exhibit A

#49541 Sacramento Regional Transit  
Life Rates Effective 7/1/2013

Coverage	Current Rate	Rate Action	Renewal Rate	Proposed Rate (7/1/13)	Average Certificate	Rate Basis	Covered Lives	Projected Volume	Est Annual Premium
Basic Life Current- ACTIVES AND RETIREES	\$0.300	0.0%	\$0.300	\$0.300	34,062	Per \$1,000	1,452	\$49,457,750	\$178,048
Optional Life									
<25	\$0.060	0.0%	\$0.060	\$0.060		Per \$1,000			
25-29	\$0.060	0.0%	\$0.060	\$0.060		Per \$1,000			
30-34	\$0.070	0.0%	\$0.070	\$0.070		Per \$1,000			
35-39	\$0.080	0.0%	\$0.080	\$0.080		Per \$1,000			
40-44	\$0.130	0.0%	\$0.130	\$0.130		Per \$1,000			
45-49	\$0.230	0.0%	\$0.230	\$0.230		Per \$1,000			
50-54	\$0.380	0.0%	\$0.380	\$0.380		Per \$1,000			
55-59	\$0.590	0.0%	\$0.590	\$0.590		Per \$1,000			
60-64	\$0.920	0.0%	\$0.920	\$0.920		Per \$1,000			
65-69	\$1.650	0.0%	\$1.650	\$1.650		Per \$1,000			
70-74	\$2.950	0.0%	\$2.950	\$2.950		Per \$1,000			
75-79	\$4.860	0.0%	\$4.860	\$4.860		Per \$1,000			
80+	\$9.840	0.0%	\$9.840	\$9.840		Per \$1,000			
Total Optional Life					158,471		255	\$40,410,000	\$163,418
Optional Spouse Life									
<25	\$0.070	0.0%	\$0.070	\$0.060		Per \$1,000			
25-29	\$0.070	0.0%	\$0.070	\$0.060		Per \$1,000			
30-34	\$0.080	0.0%	\$0.080	\$0.070		Per \$1,000			
35-39	\$0.100	0.0%	\$0.100	\$0.090		Per \$1,000			
40-44	\$0.160	0.0%	\$0.160	\$0.150		Per \$1,000			
45-49	\$0.250	0.0%	\$0.250	\$0.230		Per \$1,000			
50-54	\$0.420	0.0%	\$0.420	\$0.380		Per \$1,000			
55-59	\$0.650	0.0%	\$0.650	\$0.590		Per \$1,000			
60-64	\$1.020	0.0%	\$1.020	\$0.920		Per \$1,000			
65-69	\$1.830	0.0%	\$1.830	\$1.650		Per \$1,000			
70-74	\$1.830	0.0%	\$1.830	\$3.700		Per \$1,000			
75+	\$1.830	0.0%	\$1.830	\$3.700		Per \$1,000			
Total Spouse DGL					46,210		124	\$5,730,000	\$26,816
Child Life	\$0.100	0.0%	\$0.100			Per \$1,000			

RESOLUTION NO. 13-10-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

October 14, 2013

**APPROVING THE GROUP VISION CARE PLAN CONTRACT AND THE  
AMENDMENT TO THE GROUP VISION CARE PLAN CONTRACT WITH VISION  
SERVICE PLAN (VSP)**

WHEREAS, Sacramento Regional Transit District Board adopted Resolution No. 12-12-0194 approving the Group Vision Care Plan Contract between RT and VSP; and

WHEREAS, VSP expanded its service provider network to include additional providers such as Costco; and

WHEREAS, VSP and RT desire to replace the existing agreement between RT and VSP with a revised Group Vision Care Plan Contract and an Amendment to the Group Vision Care Plan Contract whereby the service provider network is expanded for RT employees.

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Group Vision Care Plan Contract and the Amendment to the Group Vision Care Plan Contract whereby the service provider network is expanded to include additional providers such as Costco, are hereby approved.

THAT, the General Manager/CEO is hereby authorized to execute the Group Vision Care Plan Contract and the Amendment to the Group Vision Care Plan Contract.

THAT, the Group Vision Care Plan Contract approved and executed pursuant to Resolution No. 12-12-0194 is terminated and replaced by the reissued Group Vision Care Plan Contract and the Amendment to the Group Vision Care Plan Contract, upon execution of the Contract and Amendment herein approved.

\_\_\_\_\_  
PATRICK HUME, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary