

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
5	04/28/14	Open	Action	04/17/14

Subject: Approving the Third Amendment with the Prudential Life Insurance Company of America and the First Amendment to the Employee Benefit Specialists Contract and the Business Associate Agreement with Keenan & Associates

## ISSUE

Whether or not to approve the Third Amendment to the Contract with the Prudential Life Insurance Company of America, the First Amendment to the Contract with Employee Benefits Specialists and the Business Associate Agreement with Keenan & Associates.

## RECOMMENDED ACTION

- A. Adopt Resolution No. 14-04-\_\_\_\_, Approving the Third Amendment to the Group Insurance Contract with the Prudential Life Insurance Company of America; and
- B. Adopt Resolution No. 14-04-\_\_\_\_, Approving the First Amendment to the Contract with Employee Benefits Specialists, Inc.; and
- C. Adopt Resolution No.14-04-\_\_\_\_, Approving the Business Associate Agreement with Keenan & Associates

## FISCAL IMPACT

This action has no fiscal impact.

## DISCUSSION

### **Prudential Life Insurance Company of America**

In October 2013, the Board approved the Second Amendment to RT's agreement with Prudential Life Insurance Company of America. The Second Amendment was supposed to do two things: (1) it was supposed to increase the dependent age to 26 for active employees; and (2) it was supposed to remove age reductions for active employees for all basic life and AD&D certificates. Prudential's amendments do not detail the changes that are made, instead they only list the certificates that are affected by the changes in the Amendment. After the Amendment was approved, Keenan discovered that the Second Amendment also removed age reductions from coverage provided to retirees. This was an error. Consequently, staff now returns to the Board and asks that the Board approve the Third Amendment to RT's Agreement with Prudential which does three things: (1) updates dependent age to 26 for active employees; (2) removes age reductions from all basic life and AD&D certificates; and (3) adds age reductions back to the retiree certificates. The effective date of these changes will be retroactive to January 1, 2013. This

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Approved:

Presented:

Final 04/22/14

General Manager/CEO

Director, Human Resources

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modification to the Contract has no fiscal impact, as supplemental life insurance is a voluntary benefit paid solely by the employee.

**Contract Compliance:**

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:

**Employee Benefits Specialists, Inc. (EBS)**

On October 31, 2013, the IRS amended §125(i) of the Internal Revenue Code (26 U.S. Code §125(i)), authorizing employers to adopt a provision in their Flexible Spending Account (FSA) programs, allowing employees to carry over up to \$500 from a prior year’s balance into a subsequent year’s FSA account. RT staff made the decision that RT should modify its FSA to incorporate this change and permit employees to carry over up to \$500 in their individual FSA accounts. To implement the change, RT must modify its contract with Employee Benefits Specialists, Inc. (EBS), its FSA vendor. Staff recommends that the Board approve the First Amendment to RT’s Contract with EBS modifying RT’s FSA program to allow employees to carry over a balance of up to \$500 in their FSA from one year to the next.

**Keenan & Associates**

In September 2013, RT entered into a 3 year contract with Keenan & Associates for health and welfare benefit brokerage services. As a part of that contract, Keenan & Associates has provided RT a Business Associate Agreement, (“BAA”) allowing Keenan & Associates to obtain, and use Private Health Information (PHI) in the course of doing business with RT’s health and welfare providers. The BAA has been reviewed by RT’s counsel and has been found to be in full compliance with all (“HIPAA”) and California privacy regulations.

Staff recommends that the Board approve the Third Amendment to RT’s Contract with the Prudential Life Insurance Company of America, the First Amendment to RT’s Flexible Spending Account provider, Employee Benefit Specialists, as well as execution of the Business Associate Agreement between RT and Keenan & Associates.

RESOLUTION NO. 14-04-\_\_\_\_\_

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

April 28, 2014

**APPROVING THE THIRD 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 Third Amendment to the Group Contract No. G-49541-CA, between  
Sacramento Regional Transit District and the Prudential Life Insurance Company of  
America, is hereby approved.

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

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PHIL SERNA, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

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

RESOLUTION NO. 14-04-\_\_\_\_\_

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

April 28, 2014

**APPROVING THE FIRST AMENDMENT TO THE CONTRACT WITH EMPLOYEE  
BENEFITS SPECIALISTS, INC.**

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

THAT, the First Amendment to the Group Contract, between Sacramento Regional Transit District and the Employee Benefits Specialists, Inc., wherein the flexible spending account program is modified to allow for the carry over by employees of \$500 from one year to the next, is hereby approved.

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

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PHIL SERNA, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

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

RESOLUTION NO. 14-04-\_\_\_\_\_

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

April 28, 2014

**APPROVING THE BUSINESS ASSOCIATE AGREEMENT WITH KEENAN & ASSOCIATES**

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

THAT, the Business Associate Agreement, between Sacramento Regional Transit District and Keenan & Associates, wherein Consultant is allowed to obtain and use private health information as defined, is hereby approved.

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

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PHIL SERNA, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

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