

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
6	12/14/15	Open	Action	12/01/15

Subject: Delegating Authority to the General Manager/CEO to Approve a Contract with The Hartford for Life and Long-term Disability Insurance

ISSUE

Whether or not to delegate authority to the General Manager/CEO to approve a Contract with The Hartford for Life and Long-term Disability Insurance.

RECOMMENDED ACTION

Adopt Resolution No. 15-12-___, Delegating Authority to the General Manager/CEO to Approve a Contract with The Hartford for Life and Long-Term Disability Insurance.

FISCAL IMPACT

The Life Insurance and Long Term Disability (LTD) costs discussed in this issue paper are included in the FY 2016 operating budget.

DISCUSSION

Each year, RT must evaluate whether to continue its insurance benefits policies with its current benefit providers. Following is a summary of the results of the 2015 renewal process. Attachment 1 contains an Executive Summary prepared by RT's benefit broker, Keenan and Associates ("Keenan"), providing details on all the renewal information.

Dental:

During 2014, Delta Dental allowed RT a rate pass, including a 2-year rate lock. Calendar year 2015 was the first year of the rate lock; 2016 will be the second year of that rate lock and, therefore, no action needs to be undertaken on the contract between RT and Delta Dental. The costs associated with this contract have been included in the FY16 budget.

Vision:

During 2014, Vision Service Plan (VSP) negotiated new rates with RT, which became effective January 1, 2015; the contract amendment included a 3-year rate lock for calendar years, 2015 and 2016. Therefore, no action needs to be undertaken on the contract between RT and VSP and the costs associated with this contract have been included in the FY16 budget.

Approved:

Presented:

Final 12/8/15

General Manager/CEO

Director, Human Resources

J:\Board Meeting Documents\2015\20 December 14, 2015\Health and Welfare Contract Renewal IP 2016.doc

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Flexible Spending Account (FSA) and COBRA Administration:

During 2014, RT entered into a contract with FlexPlan, now Navia Benefits, to administer its FSA accounts. The relationship has progressed well during 2015, and RT will continue to engage Navia Benefit Solutions as its vendor of choice. There is no rate increase associated with this contract and associated costs have been included in the FY16 budget.

Life Insurance/Accidental Death & Dismemberment (AD&D) Insurance:

During calendar year 2015, RT was in the final year of a three-year rate guarantee with Prudential for its life and supplemental insurance plans. In July, Prudential provided RT, through RT’s benefit broker, Keenan, a contract renewal proposal that would have increased the rate from \$.32/\$1,000 to \$.58/\$1,000, a 75% rate increase. RT staff met with Keenan and instructed them to market the life insurance, as well as the long-term disability insurance, which was also set to expire (see below). The subsequent marketing effort yielded 4 proposers. All bids were reviewed and it was determined that The Hartford could provide the RT with the same coverage at the current rate structure, including a 3-year rate lock, ensuring that RT’s current rates remain constant through 2018. It should be noted that if The Hartford had not provided a match of the current rates, RT was facing a \$75,000 increase per year from Prudential and other proposers.

Long Term Disability (LTD) Insurance:

The current LTD policy with MetLife is due to expire on December 31, 2015, and RT received a proposal from MetLife that would have increased the rates by 10% . Therefore, staff instructed Keenan to include the LTD policy in the marketing efforts undertaken for the Life Insurance product. RT received several stand-alone bids as well as three LTD bids combined with the life insurance bid. The Hartford provided RT the most competitive bid, decreasing the rate from the \$.264 proposed by MetLife to the current \$.24, saving RT approximately \$5,233 per year.

RECOMMENDATION

As is typical with insurance providers, The Hartford has not yet provided RT with the Policy document/contract for the Board to approve. Consequently, staff recommends that the Board delegate authority to the General Manager/CEO to approve a contract with The Hartford for administration of RT’s life insurance, accidental death and dismemberment and supplemental life insurance as well as the long-term disability program upon receipt of the necessary contract documents and review and approval by RT’s Chief Counsel.



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Attachment 1

Sacramento Regional Transit District 2016 Health & Welfare Renewal Executive Summary

On behalf of Sacramento Regional Transit District, Keenan & Associates is pleased to present the 2016 renewal overview for the ancillary benefit plans.

Renewal and Marketing Objectives

Keenan's primary goal has been to continue to provide Sacramento Regional Transit District ancillary benefit programs that are affordable and have multi-year rate guarantees which will provide predictability in rates and benefit designs.

Dental and Vision Care Trends

Keenan & Associates is forecasting the following Trend increases for Dental and Vision benefits:

<u>Dental</u>	<u>Vision</u>
PPO – 6.6%	2.0%
Prepaid – 6.6%	

Affordable Care Act (ACA)

The Affordable Care Act has added significant new reporting requirements under IRC sections 6055 & 6056. Keenan & Associates will continue to provide webinars, Briefings and any applicable updates to assist RT with on-going compliance of ACA.

Delta Dental

Rates and benefits for all employees enrolled in the Delta Dental PPO and DHMO plan will remain the same for the 2016 plan year due to a 2 year rate guarantee provided with the 2015 renewal. The next plan renewal will be January 1, 2017.

VSP

Rates and benefits for all employees enrolled in the VSP Basic or Enhanced plans will remain the same for the 2016 plan year due to a 2 year rate guarantee provided with the 2015 renewal. The next plan renewal will be January 1, 2017.

Prudential Life and AD&D

The 3 year rate guarantee for the Prudential Life and AD&D plans will end December 31, 2015. Due to an average loss ratio of 198% over the last 60 months, the Prudential renewal requested an increase of 75% to the basic life rates for actives and retirees. The voluntary life rates would remain the same. Prudential would decrease the renewal to 54% if the District moved the MetLife LTD to Prudential at the current rate of \$0.24/\$1,000.

MetLife – Long Term Disability

MetLife renewed the current LTD plan with an increase to the current rate of \$0.24/\$100 to \$0.26/\$100. The total annual increase would be approximately \$5,233. The plan is 100% manually rated due to the limited number of eligible participants therefore the claims activity is not taken into account when rating.

Life/AD&D and LTD Marketing

Due to the requested increase by Prudential, Keenan released a Request for Proposal to 10 alternate life and disability carriers which included Cigna, Hartford, Guardian, Lincoln Financial, MetLife (for Life), Minnesota Life, Principal Financial, Prudential (LTD), Standard and Unum. Six of the carriers declined to quote based on the ability to provide competitive rates. The Standard provided a proposal however, the rates were still non-competitive so they were not included with the proposed options.

The Hartford provided a proposal that matched the current life rates with Prudential along with a LTD rate that is lower than the current MetLife rate. The rates for both the LTD and Life plans are guaranteed for 3 years.

The Hartford

Sacramento Regional Transit will move the life and disability to The Hartford effective January 1, 2016. The estimated savings over the next 3 years will be approximately \$19,500 on the LTD plan and \$234,276 for the active and retiree basic life plan.

Flexible Spending Account

Navia, formally known as the Flex-Plan was implemented January 1, 2015 as the District's flex spending administration vendor. The current rate of \$4.25 per participant will remain the same for the 2016 plan year.

Summary

It continues to be a pleasure working with Sacramento Regional Transit District. Keenan & Associates is grateful for the continued partnership and we look forward to working with Sacramento Regional Transit District in 2015 on the current lines of coverage along with supporting the District in on-going compliance with the Affordable Care Act and creating a culture of wellness in the workplace.

Sincerely,



Stacey Comerchero
Sr. Account Manager

RESOLUTION NO. 15-12-_____

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

December 14, 2015

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO APPROVE A
CONTRACT WITH THE HARTFORD FOR LIFE AND LONG-TERM DISABILITY
INSURANCE**

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

THAT, the Board hereby delegates authority to the General Manager/CEO to approve a three-year Contract between the Sacramento Regional Transit District and The Hartford to provide life insurance, accidental death and dismemberment insurance, supplemental life insurance and long-term disability insurance, commencing January 1, 2016 and terminating December 31, 2018 at the rates specified in Exhibit A, contingent upon receipt, review and approval of the Contract by RT's Chief Counsel.

THAT, the General Manager/CEO is hereby authorized to execute a Contract upon satisfactory completion of the foregoing contingency.

JAY SCHENIRER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

Exhibit A

Rate Guarantees per line of Coverage: 3 years

Commissions per line of Coverage: no commissions

Coverage	Rate	Rate Basis	Volume	Number of Lives
Basic Life:				
	Employee:	\$0.3000 per \$1000	42558500.00	1397
	Retiree:			
Basic AD&D:	Rate	Rate Basis	Volume	Number of Lives
Basic AD&D:				
Basic Dependent Life:	Rate	Rate Basis	Volume	Number of Lives
	Spouse and Child:	\$0.4800 per dep unit		
	Child:			
Basic Dependent AD&D:	Rate	Rate Basis	Volume	Number of Lives
	Spouse:	per \$1000		
	Child:	per \$1000		
Supplemental Life:	Rate	Rate Basis	Volume	Number of Lives

Supplemental Life:
Class 1, 2, 3

Step Rates: Monthly Premium Rate Per \$1,000 of Coverage

<u>Age</u>	
< 25	\$0.0600
25-29	\$0.0600
30-34	\$0.0700
35-39	\$0.0900
40-44	\$0.1300
45-49	\$0.2300
50-54	\$0.3800
55-59	\$0.5900
60-64	\$0.9200
65-69	\$1.6500
70-74	\$3.7000
75-79	\$3.7000
80-84	\$3.7000
85+	\$3.7000

Supplemental Life:	Rate	Rate Basis	Volume	Number of Lives
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Supplemental Dependent Life:
Class 1, 2, 3

Spouse: Monthly Premium Rate Per \$1,000 of Coverage

<u>Age</u>	
< 25	\$0.0600
25-29	\$0.0600
30-34	\$0.0700
35-39	\$0.0900
40-44	\$0.1300
45-49	\$0.2300
50-54	\$0.3800
55-59	\$0.5900
60-64	\$0.9200
65-69	\$1.6500
70-74	\$3.7000
75-79	\$3.7000
80-84	\$3.7000
85+	\$3.7000

Supplemental AD&D:	Rate	Rate Basis	Volume	Number of Lives
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Child: per \$2,000
0.2000 Child Unit

	Employee:			
	Spouse:			
	Child:			
Basic Stand Alone AD&D:	Rate	Rate Basis	Volume	Number of Lives

Basic Stand Alone AD&D:
Employee/Dependent Combined:

Employee Only:	per \$1,000		
Dependent Only:	\$0.0310 employee per month		942

LTD:	Rate	Rate Basis	Volume	Number of Lives
	Composite Rate:	per \$100 of covered payroll	1831292.13	433