

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
5	12/12/16	Open	Action	11/14/16

Subject: Delegating Authority to the General Manager/CEO to Approve an Amendment to the Contract with Vision Service Plan (VSP) and The Hartford

## ISSUE

Whether or not to delegate authority to the General Manager/CEO to approve a Contract Amendment with Vision Service Plan and The Hartford.

## RECOMMENDED ACTION

Adopt Resolution No. 16-12-\_\_\_, Delegating Authority to the General Manager/CEO to Approve a Contract Amendment with Vision Service Plan (VSP) and The Hartford.

## FISCAL IMPACT

There is no additional fiscal impact associated with the Contract Amendment with Vision Service Plan, as the current contract rates continue at the same current rates through calendar year 2017 and that amount has already been budgeted.

There is no fiscal impact on the District associated with the Contract Amendment with The Hartford, as the costs associated with the contract amendment are for voluntary supplemental life insurance policies purchased by District employees within the 30-34 age group.

## DISCUSSION

Each year, RT must evaluate whether to continue its current insurance benefit policies with RT's current benefit providers. Following is a summary of the results of the 2016 renewal process. Exhibit A 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 offered RT a rate pass, including a 3-year rate lock. Calendar year 2016 was the second year of the 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 FY17 budget.

### Vision:

During RT's negotiations in 2014 with Vision Service Plan (VSP), RT negotiated new rates with VSP that took effect January 1, 2015 and included a 3-year rate lock that should have covered 2015, 2016 and 2017. Unfortunately, the current Contract is set to expire on December 31, 2016, a year before RT's rate lock expires. RT staff and VSP agree that the termination date in the

Approved:

Presented:

Final 12/7/16

General Manager/CEO

Director, Human Resources

J:\Board Meeting Documents\2016\21 December 12, 2016\Health and Welfare Contract Renewal IP 2017.doc

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
5	12/14/15	Open	Action	12/01/15

Subject: Delegating Authority to the General Manager/CEO to Approve an Amendment to the Contract with Vision Service Plan (VSP) and The Hartford

Principal Agreement should have read “December 31, 2017” and that there was an administrative error when the agreement was drafted that we now need to correct. Staff hereby requests that the Board authorize the General Manager/CEO to execute a Contract Amendment to RT’s Contract with VSP that extends the current rates and other Contract terms and conditions to December 31, 2017.

**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 the past two years, and RT staff intends to 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 FY17 budget. The current rate is \$4.25 per participant.

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

Effective January 1, 2016, RT entered into an Agreement with The Hartford to provide both Life Insurance/Accidental Death & Dismemberment (AD&D) Insurance and Long Term Disability (LTD) Insurance. The relationship has progressed well this year, and employees and RT are happy with both the rates and service provided by The Hartford Life Insurance Company. Since the Contract contained a 3 year rate lock, there is no rate increase associated with this contract and the associated costs have been included in the FY17 budget. The current contract does not expire until December 31, 2018.

During the annual discrimination testing, staff noticed that the voluntary life rate for employees between the ages of 30 – 34 is lower than the IRC Section 79 Table rates for term life insurance. IRC Section 79 is used to determine whether a fringe benefit is taxable. Without a change in the rate from \$0.07/\$1,000 to \$0.08/\$1,000, all employees in other age bands are effectively subsidizing the rate for the 30-34 year old employees which results in the potential of imputed income to these individuals. The total impact on the employees as a result of this change, will be \$37.50 per month, or \$450.00 per year. The highest single monthly impact for a District employee will increase their premium by \$3.00 per month.

**RECOMMENDATION**

Staff requests that the Board delegate authority to the General Manager/CEO to approve the Contract Amendments with VSP and The Hartford Life Insurance Company, and sign Contract Amendments for both VSP and The Hartford Life Insurance Company.

RESOLUTION NO. 16-12-\_\_\_\_\_

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

December 12, 2016

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO APPROVE A  
CONTRACT AMENDMENT WITH VISION SERVICE PLAN (VSP) AND THE  
HARTFORD**

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 and execute Contract Amendment between the Sacramento Regional Transit District and Vision Service Plan (VSP), ensuring the current rate lock is extended through December 31, 2017;

THAT, the Board hereby delegates authority to the General Manager/CEO to approve a Contract Amendment between the Sacramento Regional Transit District and The Hartford Life Insurance Company modifying the current supplemental life insurance rate for the age group 30-34, commencing January 1, 2017 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 Amendment with the Hartford upon satisfactory completion of the foregoing contingency.

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JAY SCHENIRER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

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

# Keenan

*Associates*

P.O. Box 1538 916 859-4900  
 Rancho Cordova, CA 95741 916 859-7167 fax: GS  
 www.keenan.com  
 License No. 0451271

Sacramento Regional Transit District  
 2017 Health & Welfare Renewal  
 Executive Summary

On behalf of Sacramento Regional Transit District, Keenan & Associates is pleased to present the 2017 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 – 5.0%	1.5%
Prepaid – 5.0%	

### Affordable Care Act (ACA)

ACA continues to have direct impacts to the offering of employee benefits. Keenan & Associates will continue to provide webinars, Briefings and any applicable updates to assist RT with on-going compliance of ACA.

### Delta Dental

Current rates and benefits for all employees enrolled in the Delta Dental PPO and DHMO plan will remain the same for another year effective January 1, 2017. The next plan renewal will be January 1, 2018.

### VSP

Current rates and benefits for all employees enrolled in the VSP Basic or Enhanced plans will remain the same and are guaranteed for 2 more years. The next plan renewal will be January 1, 2019.

### The Hartford

Sacramento Regional Transit moved the life and disability to The Hartford effective January 1, 2016 with a 3 year rate guarantee. The next plan renewal will be January 1, 2019.

During the annual discrimination testing, staff noticed that the voluntary life rate for employees between the ages of 30 – 34 is lower than the IRC Section 79 Table rates for term life insurance. IRC Section 79 is used to determine whether a fringe benefit is taxable. Without a change in the rate from \$0.07/\$1,000 to \$0.08/\$1,000 it is implied that all employees in other age bands are subsidizing the rate for the 30-34 year old employees which could result in the potential of imputed income to these individuals.

Flexible Spending Account

The current rate of \$4.25 per participant will remain the same for the 2017 plan year.

Summary

We appreciate the long term partnership we've had with Sacramento Regional Transit District and look forward to working with the District during the next plan year. We will continue to work with the current lines of coverage while keeping the District informed of new regulations and changes that affect the employee benefits offered to District employees.

Sincerely,



Stacey Comerchero  
Sr. Account Manager