



Office of the City Manager

CONSENT CALENDAR
June 11, 2013

To: Honorable Mayor and Members of the City Council
From:  Christine Daniel, City Manager
Submitted by: David Abel, Acting Director of Human Resources
Subject: Contract: Cigna Group Insurance for Life Insurance

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract with Cigna Group Insurance (Cigna) to provide Basic Life and Accidental Death and Dismemberment (AD&D) Insurance at the reduced premium rate of \$0.09 per \$1,000 of coverage for eligible employees for Basic Life insurance and \$0.022 per \$1,000 of coverage for eligible employees for AD&D insurance, for a total contract amount not to exceed \$210,000 for three years, from July 1, 2013, through June 30, 2016.

FISCAL IMPACTS OF RECOMMENDATION

Funding is available and paid out of the Payroll Deduction Trust Fund. The projected Basic Life and AD&D Insurance expenditures are as follows:

Fiscal Year 2014	\$70,000
Fiscal Year 2015	\$70,000
Fiscal Year 2016	\$70,000
Total Expense Budget for Contract	\$210,000

Budget Code: 930-9701-410-2013

The Contract Management System number is CMS No. FYNJV.

CURRENT SITUATION AND ITS EFFECTS

On January 1, 2007, the City contracted with Cigna to provide Basic Life and AD&D insurance, covering all eligible benefited employees, and paid for by the City; and Supplemental Life Insurance, which is voluntary and paid for by the employee through payroll deductions. In addition, the City also contracts with Cigna to provide the Long-Term Disability (LTD) insurance and the Administrative Services Only (ASO) contract for the Supplementary Retirement and Income Plan (SRIP) I disability benefit, all as a combined business package.

The City currently pays a premium of \$0.165 per \$1,000 of coverage for eligible employees for Basic Life insurance and \$0.022 per \$1,000 for AD&D coverage, for a total annual premium of \$116,000.

Human Resources staff worked with the City's benefits broker, Keenan & Associates, to solicit proposals from multiple carriers. Staff reviewed proposals from Cigna as well as five (5) new carriers: 1) The Hartford; 2) MetLife; 3) The Standard; 4) UNUM; and 5) Prudential.

Cigna's proposal for life and AD&D coverage matched or came in lower than all proposals except one, the proposal from UNUM. Cigna proposed a reduced premium of \$0.090 per \$1,000 of coverage for eligible employees for Basic Life insurance and \$0.022 per \$1,000 for AD&D coverage, for an estimated total annual premium of \$70,000, a decrease of \$46,000 (over 40%) from the prior year. UNUM proposed \$0.070 per \$1,000 of coverage for Basic Life insurance; and \$0.022 per \$1,000 for AD&D coverage, for a total annual premium of \$57,000. However, when evaluating UNUM's proposal as a comprehensive package that includes not only life and AD&D coverage, but also LTD insurance and the City's SRIP I disability benefit ASO contract, the proposal from Cigna was determined to be the most advantageous for the City. Specifically, Cigna's comprehensive proposal also included a 28% reduction in the premium for the LTD insurance and no increase to the fees for the SRIP I ASO contract, resulting in total estimated savings of over \$390,000 for the term of the three combined contracts (Basic Life and AD&D; LTD; and SRIP I ASO). The UNUM proposals for the LTD insurance and the SRIP I ASO contract were significantly higher and would have only resulted in total estimated savings of \$310,000 over the term of the contract. Overall, Cigna offered the best combined business package.

BACKGROUND

On December 7, 2010, the City Council adopted Resolution No. 65,108-N.S. that authorized the City Manager to execute a contract with Cigna Group Insurance to provide Basic Life and AD&D Insurance effective January 1, 2009 through June 30, 2011, for an amount to to exceed \$240,000. On May 31, 2011, the City Council adopted Resolution No. 65,298-N.S. that authorized the City Manager to execute a contract amendment with Cigna extending the term of the contract for two years, from July 1, 2011 through June 30, 2013, and increasing the contract amount by an additional \$192,000, for a total contract amount not to exceed \$457,000.

Basic Life and AD&D insurance is provided by the City to eligible employees as follows:

Eligible Employees	Coverage Amount
<ul style="list-style-type: none"> • SEIU Local 1021 Maintenance & Clerical Chapters • SEIU Local 1021 Community Services & Part-Time Recreation Leaders Association • Unrepresented Employees 	\$25,000
<ul style="list-style-type: none"> • Public Employees Union, Local 1 • International Brotherhood of Electrical Workers, Local 1245 • Berkeley Firefighters Association/I.A.F.F., Local 1227 • Unrepresented Assistant Fire Chief • Unrepresented Battalion Chief 	\$50,000
<ul style="list-style-type: none"> • Berkeley Police Association 	\$100,000

All eligible employees have the option to purchase up to \$300,000 of supplemental life insurance, which is voluntary and paid for by the employee through payroll deduction.

RATIONALE FOR RECOMMENDATION

Basic Life and AD&D Insurance coverage is a mandated employee benefit under all of the collective bargaining agreements.

ALTERNATIVE ACTIONS CONSIDERED

Other carriers were solicited for their proposals. The proposal from Cigna for Basic Life and AD&D insurance coverage matched or came in lower than all proposals except the proposal submitted by UNUM. However, the proposal from UNUM, when evaluated as a comprehensive combined business package that included the LTD insurance and the SRIP I ASO service, was much higher than Cigna. Therefore, Cigna offered the best overall combined business package. Over the three year term of the combined contracts, the City anticipates a total estimated savings of over \$390,000.

CONTACT PERSON

David Abel, Acting Director of Human Resources, Human Resources, 981-6807

Attachments:

1. Resolution

RESOLUTION NO. ##,###-N.S.

CONTRACT: CIGNA GROUP INSURANCE FOR LIFE INSURANCE

WHEREAS, the City of Berkeley provides a Basic Life and Accidental Death and Dismemberment (AD&D) Insurance as a mandated employee benefit under the collective bargaining agreements with all of the employee bargaining organizations; and

WHEREAS, the City must contract with a company which provides Basic Life and AD&D Insurance services; and

WHEREAS, Cigna Group Insurance Company (Cigna) was selected through a competitive bidding process; and

WHEREAS, Cigna will provide Basic Life Insurance coverage at the premium rate of \$0.090 per \$1,000 of coverage and AD&D Insurance at the premium rate of \$0.022 per \$1,000 of coverage for eligible employees, and voluntary Supplemental Life Insurance coverage effective July 1, 2013 through June 30, 2016; and

WHEREAS, funds are available in the current budget under budget code 930-9701-410-2013, and the contract has been entered into the City contract database and assigned CMS No. FYNJV.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a contract and any amendments with Cigna Group Insurance to provide Basic Life and AD&D Insurance and Supplemental Life Insurance for a total contract amount not to exceed \$210,000 for the period of July 1, 2013 through June 30, 2016.

BE IT FURTHER RESOLVED that a record signature copy of said contract and any amendments to be on file in the Office of the City Clerk.