



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 Long-Term Disability Insurance

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract with Cigna Group Insurance (Cigna) to provide Long-Term Disability (LTD) Insurance at the reduced premium rate of \$0.270 for every \$100 of active Supplementary Retirement and Income Plan II (SRIP II) participants' covered salaries, for a total contract amount not to exceed \$624,000 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 LTD Insurance expenditures are as follows:

Fiscal Year 2014 .....	\$208,000
Fiscal Year 2015 .....	\$208,000
Fiscal Year 2016 .....	\$208,000
Total Expense Budget for Contract .....	\$624,000

Budget Code: 930-9701-410-2036

The Contract Management System (CMS) number is HQDQI.

CURRENT SITUATION AND ITS EFFECTS

On July 1, 2005, the City contracted with Cigna to provide LTD insurance to all eligible benefited employees and paid for by the City. In addition, the City also contracts with Cigna to provide Basic Life and AD&D insurance as well as an 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 \$0.379 for every \$100 of active SRIP II participants' covered salaries for a total annual premium of \$292,000.

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 LTD insurance matched or came in lower than all proposals except one, the proposal from The Hartford. Cigna proposed a reduced premium of \$0.270 per \$100 of covered salary for eligible employees for LTD insurance, for an estimated total annual premium of \$207,000, a decrease of \$84,000 (almost 29%) from the prior year. The Hartford proposed \$0.230 per \$100 of covered salary for eligible employees for LTD insurance, for an estimated total annual premium of \$177,000. However, when evaluating The Hartford's proposal as a comprehensive package that includes not only the LTD insurance, but also the Basic Life and AD&D 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 40% reduction in the premium for the Basic Life and AD&D insurance and no increase to the fees for the SRIP I disability benefit ASO contract, resulting in a total estimated savings of over \$390,000 for the term of the three combined contracts (LTD; Basic Life and AD&D; and SRIP I ASO). The Hartford proposals for the SRIP I disability benefit ASO contract was significantly higher and would have only resulted in a total estimated savings of \$385,000 over the term of the contract. Overall, Cigna offered the best combined business package.

### BACKGROUND

Beginning with labor agreements negotiated in Fiscal Year 1996, the City agreed to pay the premium costs for LTD coverage for most non-sworn employees. The only exceptions are the 24 remaining active employees in the Supplementary Retirement and Income Plan I (SRIP I) program, who are not eligible for this benefit, and employees represented by the International Brotherhood of Electrical Workers, Local 1245, who elected to have their members pay for the LTD premiums.

On December 7, 2010, the City Council adopted Resolution No. 65,109-N.S. that authorized the City Manager to execute a contract with Cigna Cigna Group Insurance to administer the LTD insurance for the period covering July 1, 2007 through June 30, 2011, for an amount not to exceed \$1,168,000. On May 31, 2011, the City Council adopted Resolution No. 65,299-N.S. that authorized the City Manager to execute a contract with Cigna extended the term of the contract for two years, from July 1, 2011 through June 30, 2013, and increasing the contract amount by an additional \$576,000, for a total contract amount not to exceed \$1,744,000.

The LTD benefit provides monthly disability benefit payments to eligible employees who are unable to work for more than 90 days due to disability. The benefit is equal to 60% of the single highest year salary prior to determination of total disability less any offsets, including disability benefits the participant receives under the Social Security Act, the California State Disability Insurance Program, worker's compensation benefits, and the California Public Employees Retirement System.

RATIONALE FOR RECOMMENDATION

The LTD insurance is a mandated employee benefit under the collective bargaining agreements.

ALTERNATIVE ACTIONS CONSIDERED

Other carriers were solicited for their proposals. The proposal from Cigna for LTD insurance matched or came in lower than all proposals except the one from The Hartford. However, the proposal from The Hartford, when evaluated as a comprehensive combined business package that included the SRIP I disability benefit ASO contract, 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 LONG-TERM DISABILITY  
INSURANCE

WHEREAS, the City of Berkeley provides a Long-Term Disability (LTD) insurance as a mandated employee benefit under collective bargaining agreements with most non-sworn employee bargaining organizations; and

WHEREAS, the City must contract with a company which administers LTD Insurance services; and

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

WHEREAS, Cigna will provide LTD Insurance coverage at the premium rate of \$0.270 for every \$100 of active Supplementary Retirement and Income Plan II participants' covered salaries effective July 1, 2013 through June 30, 2016; and

WHEREAS, funds are available in the current budget under budget code 930-9701-410-2036, and the contract has been entered into the City contract database and assigned CMS No. HQDQI.

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 LTD insurance for a total contract amount not to exceed \$624,000 for the period 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.