



Office of the City Manager

CONSENT CALENDAR
May 31, 2011

To: Honorable Mayor and Members of the City Council

From: *PK* Phil Kamlarz, City Manager

Submitted by: David W. Hodgkins, Director of Human Resources

Subject: Contract Amendment: Cigna Group Insurance for Long-Term Disability Insurance

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract amendment with Cigna Group Insurance (Cigna) to provide Long-Term Disability (LTD) insurance at the premium rate of 0.379% for every \$100 of active Supplementary Retirement and Income Plan II (SRIP II) participants' covered salaries, increasing the contract amount by an additional \$576,000 for a total contract amount not to exceed \$1,744,000, and extending the term of the contract for two (2) years, from July 1, 2011, through June 30, 2013.

FISCAL IMPACTS OF RECOMMENDATION

Funding for LTD insurance premiums is included in the Fiscal Year 2012 and Fiscal Year 2013 budget and available from the Payroll Deduction Trust Fund.

Original Contract Amount	\$1,168,000
Proposed Increase for Fiscal Year 2012	\$288,000
Proposed Increase for Fiscal Year 2013	\$288,000
Total New Contract Amount	\$1,744,000

Budget Codes:

930-9701-410-2036	\$1,168,000
Proposed Increase 930-9701-410-2036 for Fiscal Year 2012	\$288,000
Proposed Increase 930-9701-410-2036 for Fiscal year 2013	\$288,000
Total Expense Budget for Contract	\$1,744,000

The Contract Management System (CMS) number is VCR1B.

CURRENT SITUATION AND ITS EFFECTS

The current contract with Cigna is for an amount not to exceed \$1,168,000 for the duration of Fiscal Year 2011. Cigna has provided LTD insurance since July1, 2005. In 2008, the City issued a request for proposals for the Basic Life Insurance carrier and chose Cigna

based on their proposal to reduce the City's LTD premium rates from .405% to .379% in exchange for including both the City's LTD and Basic Life Insurance benefits. Including both benefits has helped to maintain lower premiums even as payroll continues to rise. Now Cigna has agreed to extend the contract for two years without incurring an increase in premium rates. The estimated cost for the contract amendment is \$576,000, for a total new contract amount not to exceed \$1,744,000.

BACKGROUND

Beginning with the 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 44 remaining active employees in the Supplementary Retirement and Income Plan I (SRIP I) program and employees represented by the International Brotherhood of Electrical Workers, Local 1245, who elected to have their members pay for the LTD premiums.

The LTD benefit provides monthly disability benefit payments 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.

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 Group Insurance to provide LTD Insurance effective July 1, 2007, through June 30, 2011, for an amount not to exceed \$1,168,000.

RATIONALE FOR RECOMMENDATION

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

ALTERNATIVE ACTIONS CONSIDERED

Other carriers were solicited for their proposals, but the fact that the current carrier was willing to extend the current contract without incurring a premium increase was beneficial to the City.

CONTACT PERSON

David W. Hodgkins, Director, Human Resources, (510) 981-6805

Attachments:

1. Resolution

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

CONTRACT AMENDMENT: 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 Insurance Company was selected through a competitive bidding process; and

WHEREAS, Cigna will provide LTD Insurance coverage at the premium rate of 0.379% for every \$100 of active Supplementary Retirement and Income Plan II participants' covered salaries effective July 1, 2011, through June 30, 2013; 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. VCR1B.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a contract amendment for the administration of the LTD insurance with Cigna Group Insurance, increasing the contract amount by an additional \$576,000 for a total contract amount not to exceed \$1,744,000, and extending the term of the contract for two (2) years, from July 1, 2011, through June 30, 2013.

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

