



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer Schembri

SUBJECT: SEE BELOW

DATE: November 1, 2021

Approved

Date

11/4/2021

SUBJECT: AMENDMENT TO THE AGREEMENT FOR ACCIDENTAL DEATH AND DISMEMBERMENT (AD&D) VOLUNTARY INSURANCE FOR EMPLOYEES AND RETIREES WITH NEW YORK LIFE GROUP BENEFIT SOLUTIONS FORMERLY, LIFE INSURANCE COMPANY OF NORTH AMERICA

RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute an amendment to the vendor agreement with New York Life Group Benefit Solutions, formerly Life Insurance Company of North America, an affiliated Cigna company, to provide voluntary accidental death and dismemberment (AD&D) insurance to employees and retirees extending the term of the agreement from December 31, 2021 to December 31, 2025, and increasing the not to exceed amount from \$4,185,000 to a revised not to exceed amount of \$7,100,000.

OUTCOME

Council approval of the recommendation will result in a four-year extension of the Agreement with New York Life Group Benefit Solutions to provide employees and retirees voluntary AD&D insurance.

BACKGROUND

Following a competitive procurement in 2017, the City entered into the current agreement with Life Insurance Company of North America, an affiliated Cigna company for voluntary AD&D insurance. On December 31, 2020, New York Life Group Benefit Solutions, acquired Cigna's group life, accident and disability business. This agreement will expire on December 31, 2021. A new RFP needs to be conducted for this service; however, the City has a unique AD&D plan design and it will be challenging to find a carrier in the marketplace that will offer the same benefits at a competitive price. The City's contracts for Life and Long-Term Disability Insurance

are also set to expire on December 31, 2021. Memorandums have been submitted for City Council approval on November 16 City Council agenda to extend both contracts until December 31, 2025. By extending this contract as well, it is the intent that these three insurance agreements for life, long-term disability, and AD&D insurance to be aligned in future years for potential savings to the City and participants due to bundling multiple insurance plans in one contract.

ANALYSIS

New York Life Group Benefit Solutions has agreed to keep the existing rates in place for two additional years (January 1, 2022 through December 31, 2023). The rates for the subsequent two years will be based upon enrollment and utilization. There are no service issues or concerns with the current vendor. Alliant, the City's benefit consultant, advises that the current rates are competitive and supported by claims experience. It is unlikely that conducting an RFP at this time will garner a better plan for the City than if the RFP is conducted in 2025.

CONCLUSION

To ensure the continued delivery of accidental death and dismemberment benefits, staff recommends adoption of a resolution authorizing the City Manager to negotiate and execute an amendment to the agreement with New York Life Group Benefit Solutions extending the term through December 31, 2025.

EVALUATION AND FOLLOW-UP

This project addresses the Human Resources' performance measure of the cost of benefits administration and operations per budgeted full-time employee. The Employee Benefits Division of Human Resources ensures that the City of San José employees and retirees receive high quality and cost-effective benefits by subjecting benefit plan providers to regular competitive processes.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the November 16, 2021 City Council Agenda.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

Personal Accident Insurance is a voluntary benefit. The costs are borne by the employees and retirees who choose to enroll and are not paid by the City. Premium payments will vary based on actual enrollment in either the employee/retiree only level or the employee/retiree + family level. A contingency factor of 3% was added to each plan year's projected cost to account for increased enrollments. Also due to the high utilization year over year, and a potential for a 30% rate increase for 2024, a contingency factor of 35% was added to the projected cost for year three. The rates for years three and four will be determined based on utilization.

- The amount needed for the recommended four-year extension of the Agreement with New York Life Group Benefit Solutions is \$2,915,000.
- The maximum compensation under the Amended Agreement will be \$7,100,000.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.



JENNIFER SCHEMBRI

Director of City Manager's Office of Employee Relations
Director of Human Resources

For questions please contact Emily Hendon, Benefits Manager at Emily.hendon@sanjoseca.gov