



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Aram Kouyoumdjian

SUBJECT: See Below

DATE: October 6, 2025

Approved

Date:

10/15/25

COUNCIL DISTRICT: Citywide

SUBJECT: Amendments to Agreements with Standard Insurance Company and Life Insurance Company of North America

RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager, or her designee, to negotiate and execute a Third Amendment to the Consultant Agreement with Standard Insurance Company to provide group basic life and accidental death and dismemberment insurance, supplemental life insurance, dependent life insurance, and matching accidental death and dismemberment insurance as applicable, to employees and retirees, extending the term of the Agreement from January 1, 2026 to December 31, 2030, and increasing the not-to-exceed Agreement amount from \$13,427,595 to a revised not-to-exceed amount of \$26,279,570, subject to the appropriation of funds.
- (b) Adopt a resolution authorizing the City Manager, or her designee, to negotiate and execute a Fourth Amendment to the Consultant Agreement with Standard Insurance Company to provide voluntary long-term disability insurance to employees, extending the term of the Agreement from January 1, 2026 to December 31, 2030, and increasing the not-to-exceed Agreement amount from \$21,141,181 to a revised not-to-exceed amount of \$42,918,680, subject to the appropriation of funds.
- (c) Adopt a resolution authorizing the City Manager, or her designee, to negotiate and execute a Fifth Amendment to the Vendor Agreement with Life Insurance Company of North America to provide voluntary personal accident/accidental death and dismemberment insurance to employees and retirees extending the term of the Agreement from January 1, 2026 to December 31, 2030, and increasing the not-to-exceed amount from \$7,100,000 to a revised not-to-exceed amount of \$12,636,874.

SUMMARY AND OUTCOME

Approval of the recommendation will result in a five-year extension of the current Agreements for group basic life and accidental death and dismemberment (AD&D) insurance, supplemental life insurance, dependent life insurance, and matching AD&D insurance, voluntary long-term disability (LTD) insurance, as well as voluntary personal accident/AD&D insurance.

BACKGROUND

Standard Insurance Company (Standard) has been the City of San José's (City) vendor providing both Life and LTD insurance for many years, with the most recent contract resulting from a Request for Proposal that was conducted in 2017 and spanning January 1, 2018, through December 31, 2025. Standard has kept the City's rates fixed since 2018 for active employees, with small incremental increases for retiree basic life from 2018 to 2020, but stabilizing from 2021 through 2025. Having Standard as the carrier for both Life and LTD has allowed for streamlined coordination of benefits between the two product lines.

Standard currently provides City-paid group basic life and AD&D insurance to full-time benefited City employees and offers retirees voluntary group basic life and AD&D insurance. Standard also offers voluntary supplemental and voluntary dependent life to employees and retirees, with matching voluntary AD&D insurance as applicable. The voluntary products are 100% paid by the employee or retiree. The current Agreement with Standard for life insurance and AD&D insurance, covering calendar years 2018 through 2025, includes a not-to-exceed amount of \$13,427,595.

Standard currently also provides LTD insurance, which is a voluntary, 100% employee-paid benefit offered to full-time benefited employees that provides disability insurance for injuries and illnesses incurred both on and off the job. Since City employees do not pay into either Social Security or State Disability Insurance, LTD insurance is important as wage protection for non-occupational injuries and illnesses, including pregnancy, after sick leave balances have been exhausted.

The City's LTD policy has two benefit plans: one with a 30-day waiting period (LTD-30) and one with a 60-day waiting period (LTD-60), before disability payments begin. The current Agreement with Standard for LTD insurance, covering calendar years 2018 through 2025, includes a not-to-exceed amount of \$21,141,181.

Life Insurance Company of North America (LINA) has been the City's vendor providing voluntary personal accident/AD&D insurance for many years, with the most recent contract resulting from a Request for Proposal that was conducted in 2017 and

spanning January 1, 2018, through December 31, 2025. LINA has kept the City's rates fixed since 2018.

Personal accident/AD&D insurance is a low cost 100% participant-paid voluntary benefit available to benefited City employees, retirees, and their eligible family members in the event of accidental death or serious accidental injury. The plan offers benefit options ranging from \$10,000 to \$500,000 of coverage. The current Agreement, covering calendar years 2018 through 2025, includes a not-to-exceed amount of \$7,100,000.

ANALYSIS

The City has built a long-standing and successful vendor relationship with both Standard and LINA over the past several years. Both vendors have consistently delivered reliable administration of the City's life, long-term disability, and accidental death and dismemberment programs. Their support has included effective rate negotiations (rate passes and multi-year rate guarantees), clear and timely employee communications, accurate policy and contract guidance, and prompt issue resolution, all of which have contributed to stable and well-managed benefit programs.

Additionally, Standard and LINA have established a productive working relationship with the City's benefits team, showing responsiveness, expertise, and alignment with the City's strategic objectives. Their understanding of the City's goals, coupled with their ability to adapt to evolving needs, has strengthened service delivery for both active employees and retirees while supporting long-term program continuity.

Maintaining these vendor relationships also supports the City's ability to attract and retain employees in today's competitive labor market, ensuring that benefit offerings remain competitive and aligned with industry standards.

Extending the contracts with Standard and LINA will ensure uninterrupted benefits coverage for employees and retirees at the current 2025 rates with no rate increases for the extended five-year term of the agreements through 2030. Renewing the contracts also avoids the operational challenges and administrative demands of potentially transitioning to a new vendor or vendors. Beyond cost savings, continuity with Standard and LINA ensures that employees and retirees will continue to receive consistent service, preserving trust and minimizing disruption.

Continuing the relationship with Standard is particularly important because the City has policies with Standard that provide benefits and special provisions that are no longer available in the marketplace from other carriers. A primary example is that the City has a grandfathered plan for hundreds of employees and retirees with a composite rate (a single, uniform premium for everyone) versus age-banded rates. As such, switching to a

different carrier could significantly negatively impact hundreds of City employees and retirees for benefit coverage levels and rates.

For voluntary personal accident/AD&D insurance, LINA continues to provide strong value to the City's employees and retirees, making it challenging to find a carrier in the marketplace that will offer the same benefits at a competitive price. Notably, when the City last conducted a Request for Proposal for this benefit, LINA was the only bidder, underscoring the limited options available and the unique advantage of maintaining this vendor relationship.

Alliant, the City's benefits consultant, advises that the current rates for both carriers are competitive and supported by claims experience. Alliant emphasizes that initiating a Request for Proposal at this time is unlikely to yield significant plan enhancements or cost savings that would justify changing carriers. Maintaining the existing agreements ensures continuity of coverage, avoids potential disruption for employees and retirees, and supports the City's ongoing commitment to providing stable and reliable benefits.

Staff approached Standard and LINA with a request to extend the current contracts for five years. Standard and LINA agreed to the extension under the same terms and conditions, including a five-year rate guarantee at the current 2025 rates through December 31, 2030.

Staff recommends extending the agreements with Standard and LINA based on their ability to continue to offer current benefits with no increase to the rates for another five years, and the quality of claims administration and customer service.

EVALUATION AND FOLLOW-UP

No additional follow-up actions with the City Council are expected at this time.

COST SUMMARY/IMPLICATIONS

Life Insurance

Life Insurance has a City-paid portion and a voluntary employee/retiree-paid portion. Life premium payments will vary based on actual enrollment. For the projected costs below, a contingency factor of 8% was added to each year to account for increases in enrollment.

Contract Year	Maximum Amount of Compensation
January 1, 2026 – December 31, 2026	\$2,190,000
January 1, 2027 – December 31, 2027	\$2,365,200
January 1, 2028 – December 31, 2028	\$2,554,416
January 1, 2029 – December 31, 2029	\$2,758,769
January 1, 2030 – December 31, 2030	\$2,979,471
TOTAL January 1, 2026 – December 31, 2030	\$12,847,856

The increase in the total maximum compensation of \$12,851,975 as recommended in this memorandum, from \$13,427,595 to \$26,279,570, is higher than the \$12,847,856 total in the chart above and is attributable to compensation actually being higher than projected by \$4,119 due to increased enrollment levels through December 31, 2025. Life insurance premiums for calendar years 2026 through 2030 will continue at the 2025 rates; there will be no rate increases. Actual contract costs will vary based on enrollment.

LTD Insurance

LTD Insurance is a voluntary, optional benefit. The costs are borne by the employees who choose to enroll and are not paid by the City. LTD premium payments will vary based on actual enrollment in either the LTD-30 or LTD-60 plan. A contingency factor of 10% is added for plan year 2026 and 7% for each plan year from 2027 through 2030 to account for projected increased enrollments and salaries.

Contract Year	Maximum Amount of Compensation
January 1, 2026 – December 31, 2026	\$3,675,862
January 1, 2027 – December 31, 2027	\$3,933,172
January 1, 2028 – December 31, 2028	\$4,208,494
January 1, 2029 – December 31, 2029	\$4,503,089
January 1, 2030 – December 31, 2030	\$4,818,305
TOTAL January 1, 2026 – December 31, 2030	\$21,138,922

The increase in the total maximum compensation of \$21,777,499 as recommended in this memorandum, from \$21,141,181 to \$42,918,680, is higher than the \$21,138,922 total in the chart above and is attributable to compensation actually being higher than projected by \$638,577 due to increased enrollment levels through December 31, 2025. LTD premiums for calendar years 2026 through 2030 will continue at the 2025 rates; there will be no premium increases. Actual contract costs will vary based on enrollment and salaries and will be paid by employees.

Personal Accident/AD&D Insurance

Personal accident/AD&D insurance is a voluntary, optional 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 15% was added to each plan year's projected cost to account for increased enrollments.

Contract Year	Maximum Amount of Compensation
January 1, 2026 – December 31, 2026	\$854,143
January 1, 2027 – December 31, 2027	\$982,264
January 1, 2028 – December 31, 2028	\$1,129,604
January 1, 2029 – December 31, 2029	\$1,299,045
January 1, 2030 – December 31, 2030	\$1,493,902
TOTAL January 1, 2026 – December 31, 2030	\$5,758,958

The increase in the total maximum compensation of \$5,536,874 as recommended in this memorandum, from \$7,100,000 to \$12,636,874 is lower than the \$5,758,958 total in the chart above and, is attributable to compensation actually being lower than projected by \$222,084 due to lower enrollment levels through December 31, 2025. Premiums for calendar years 2026 through 2030 will continue at the 2025 rates; there will be no premium increases. Actual contract costs will vary based on enrollment and will be paid by employees and retirees.

BUDGET REFERENCE

The table below identifies the fund and appropriation used to fund the contract as recommended as part of this memorandum for life insurance. Staff is not requesting a change to the budget at this time. Any necessary adjustments will be made as part of the regular budget process. The costs for future years are subject to appropriation and will be included as part of the annual budget processes.

Fund #	Appn. #	Appn. Name	Total Appn.	Amount for Contract	2025-2026 Proposed Budget Page*	Last Budget Action (Date, Ord. No.)
156	3224	Insurance Premiums	\$2,023,000	\$1,095,000	855	6/17/2025 31230

* The 2025-2026 Adopted Operating Budget was approved on June 10, 2025 and adopted on June 17, 2025 by the City Council.

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Premium costs for LTD and personal accident/AD&D insurance are fully funded by participants (employees and/or retirees) who choose to enroll; therefore, there are no budgetary implications for the City. LTD and personal accident/AD&D premium payments will vary based on actual enrollment, and premium costs will be offset by participant contributions.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the October 28, 2025 City Council Agenda.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

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

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.



Aram Kouyoumdjian
Director of Human Resources and
City Manager's Office of Employee Relations

For questions, please contact Damiana Garcia, Benefits Manager, Human Resources Department, at damiana.garcia@sanjoseca.gov.