

**TO:** James L. App, City Manager

**FROM:** Meg Williamson, Assistant City Manager

**SUBJECT:** Employee Group Dental & Vision Insurance Contracts / CSAC-EIA

**DATE:** December 7, 2010

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**NEEDS:** For City Council to consider extension of the City's Group Dental and Vision Insurance Contracts under a new Large Insurance Pool Program.

**FACTS:**

1. The City's contract for Vision insurance plans are with VSP and they are brokered through Mercer (Digital Insurance).
2. The City's contract for Dental insurance is with Principal and it's brokered through Gray & Troy Insurance Services.
3. The annual renewal cost of the Vision and Dental Plans are related to the "experience" of the group in the previous contract year (or "years" in the case of multiple year contracts).
4. The VSP Vision Plan annual contract was quoted with an 8.6 % premium increase for renewal. The Principal Dental Plan was a 3-year contract that was quoted for renewal at either a 6.2% increase, or a lesser 3.6% increase if the City added a "supplemental life insurance" product that employees could voluntarily purchase at their own cost.
5. During the City's renewal process for its Health Insurance contract earlier this year, the City conducted extensive research and evaluation of additional "large group plan" coverage. In doing so, the City looked closely at comparable products offered by both PERS (largest statewide pool of government agency employees) and CSAC (second largest pooled County and Municipal employee group in the State).
6. The California State Association of Counties – Excess Insurance Authority (CSAC-EIA) insurance program is a directed joint powers authority (JPA) comprised of California public agencies and insuring about 60,000 employees in their dental programs.
7. The benefit of a directed JPA, is that those employers in the "pool" share the risk and exercise purchasing power (volume discounts). The result is typically both lower premiums and a "smoothing" of premium

increases over time, making contract management and budgeting more predictable.

8. The CSAC-EIA joint power authority is governed by public employers. The JPA has retained Alliant Insurance Services, Inc. as its broker to administer all public sector programs. Joining CSAC-EIA would mean a compulsory transition in insurance brokers.
9. The City sought quotes from CSAC-EIA for a comparative suite of benefits to expiring insurance contracts. The following types of insurance were quoted:
  - Vision
  - Dental
  - Life
  - Long Term Disability

Following optional plans (at employee's cost):

- Supplemental Life
  - Ancillary products (alternative to AFLAC)
10. The CSAC program offers the exact VSP vision plans (or better) with a lower rate. The change over to VSP/CSAC-EIA will be seamless for the employees and the City will save money.
  11. The CSAC program offers a Delta dental plan whose premium rate is slightly higher than the quoted Principal renewal rate. However, Delta has a broader provider network in our area which translates to costs savings for the employee using an in-network dentist. The employees will experience a slight/negligible increase in monthly premiums, but which are expected to be off-set by expanded network savings.
  12. Because CSAC-EIA offers much lower rates for the life and LTD insurance programs (premiums of which are paid for by the City), the overall/cumulative cost difference will result in a net savings to the City (please see fiscal analysis section).
  13. All employee labor contracts require that changes in insurance benefit premiums be shared proportionally between the City and the employee. The City pays 75%, and employees 25%, of the cost increase.
  14. All employee bargaining groups have endorsed the transition to the CSAC-EIA group of insurance products.

#### ANALYSIS &

CONCLUSION: The City's VSP Vision and Principal Dental plans will expire January 1, 2011. The City researched other "large group plan" alternatives to counter rising contract costs and found CSAC-EIA to be a logical choice in balancing costs and benefits with this group of renewals.

Participation in the CSAC-EIA joint power authority program is expected to result in the smoothing of premium rates for better budget management, and it is hoped that the volume purchasing will result in better/lower premium rates over time.

#### POLICY

REFERENCE: Employee Group Labor Contracts.

#### FISCAL

IMPACT: Per City labor contracts, the City shares the cost of the incremental premium increases with employees. While the City's portion of the dental plan premiums will increase by approximately \$8,400, the cumulative cost savings of the vision, life and LTD plans will exceed \$8,500. Therefore, the change to CSAC-EIA will result in an approximate net annual savings of \$150 for the City.

The City's recent Financial Forecast had estimated an across the board increase of 20% to all "health" related benefit plans. The savings generated by the switch to CSAC-EIA program is beneficial for the City's projected financial picture.

#### OPTIONS:

- a. For the City Council to:
  1. Adopt Resolution No. 10-XXX authorizing the City Manager to execute a change to the CSAC-EIA joint power authority for purchase of Vision, Dental, Life, Long Term Disability and related employee purchased supplemental insurance for a one (1) year duration as provided for in current employee contracts; and
  2. Adopt Resolution No. 10-XXX delegating authority to the City Manager and/or the Assistant City Manager to act on the City's behalf in matters relating to the joint power authority.
- b. Amend, modify or reject the above option.

#### Attachments:

1. Resolution approving a change to the CSAC-EIA for purchase of Vision, Dental, Life, Long Term Disability and related supplemental/optional insurance products
2. Resolution delegating authority to City Manager/Assistant City Manager for CSAC

RESOLUTION NO. 10-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
AUTHORIZING A CHANGE TO THE CSAC-EIA JOINT POWER AUTHORITY FOR  
PURCHASE OF VISION, DENTAL, LIFE, LONG TERM DISABILITY AND  
RELATED EMPLOYEE PURCHASED SUPPLEMENTAL INSURANCE PRODUCTS

WHEREAS, the City's contract for Vision insurance plans are with VSP and they are brokered through Mercer (Digital Insurance); and

WHEREAS, the City's contract for Dental insurance is with Principal and it's brokered through Gray & Troy Insurance Services; and

WHEREAS, the VSP Vision Plan annual contract renewal was quoted with a 8.3% premium increase, and the Principal Dental Plan quoted for renewal at either a 6.2% increase, or a lesser 3.6% increase if the City purchased an additional "optional life insurance" product at the same time; and

WHEREAS, the City has conducted research and evaluation of additional "large group plan" coverage to determine if comparable products are offered for better rates and/or can provide similar levels of customer service; and

WHEREAS, the California State Association of Counties Excess Insurance Authority – CSAC-EIA is a directed joint power authority (JPA) comprised of California public agencies and governed by public employers as the second largest pooled County and Municipal employee group in the State; and

WHEREAS, the benefit of a directed JPA, is that those employers in the "pool" share the risk and exercise purchasing power (volume discounts) which may result in both lower premiums and a "smoothing" of premium increases over time, making contract management and budgeting more predictable; and

WHEREAS, the JPA has retained Alliant Insurance Services, Inc. as its broker to administer all public sector programs and joining CSAC-EIA would mean a compulsory transition in insurance brokers; and

WHEREAS, the City sought quotes from CSAC-EIA for a comparative group of benefits for expiring insurance contracts, including: Vision, Dental, Life, Long Term Disability, and Optional Supplemental Life and Ancillary products; and

WHEREAS, the CSAC-EIA program offers the exact VSP vision plans (or better) with a lower rate. The change over to VSP/CSAC-EIA will be seamless for the employees and the City will save money; and

WHEREAS, the CSAC-EIA program offers a Delta dental plan whose premium rate is slightly higher than the quoted Principal rate renewal, but when combined with much lower rates offered by CSAC-EIA for the life and LTD insurance programs (premiums of which are paid for by the City), there is an approximate annual cost savings to the City of \$150.00; and

WHEREAS, all employee bargaining groups have endorsed the transition to the CSAC-EIA group of insurance products.

WHEREAS, the cost sharing agreement within each employee group contract will require that the City of Paso Robles cover 75% and the Employee 25% of the respective premium increase for the plan.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of El Paso de Robles that the City Manager shall execute a change to the California State Association of Counties – Excess Insurance Authority (CSAC-EIA) for purchase of vision, dental, life, long term disability and related employee purchased supplemental insurance products effective January 1, 2011 and July 1, 2011 respectively for all employee groups.

PASSED AND ADOPTED by the City of El Paso de Robles this 7<sup>th</sup> day of December 2010 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Duane Picanco, Mayor

ATTEST:

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Caryn Jackson, Deputy City Clerk

**RESOLUTION NO. 10-XXX**

**A RESOLUTION DELEGATING AUTHORITY TO THE CITY MANAGER  
AND/OR THE ASSISTANT CITY MANAGER TO ACT ON BEHALF OF THE  
CITY OF EL PASO DE ROBLES**

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**WHEREAS**, the CSAC Excess Insurance Authority (Authority) has determined that it is necessary for each member of the Authority to delegate to a person[s] or position[s] authority to act on the member's behalf in matters relating to the member and the Authority; and

**WHEREAS**, except as to those actions that must be approved by the City Council of the City of El Paso de Robles, such delegation of authority is necessary in order to carry out the purposes and functions of the Authority with its members; and

**WHEREAS**, in order to ensure a person[s] or position[s] is delegated with authority to act on the member's behalf in matters relating to the member and the Authority, action by the member's governing body is necessary; and

**NOW THEREFORE, BE IT RESOLVED** by the City Council of the City of El Paso de Robles as follows:

Except as to actions that must be approved by the City Council of the City of El Paso de Robles, the City Manager and/or the Assistant City Manager are hereby appointed to act in all matters relating to the member and the Authority.

**PASSED AND ADOPTED** by the City of El Paso de Robles this 7<sup>th</sup> day of December, 2010, by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

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Duane Picanco, Mayor

**ATTEST:**

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Caryn Jackson, Deputy City Clerk