



City Council Agenda Report

From: Meg Williamson, Assistant City Manager
Subject: Employee Life and LTD Insurance Contracts / CSAC-EIA
Date: May 2, 2017

Facts

1. The City contracts for employee Life and Long Term Disability (LTD) plans with the California State Association of Counties – Excess Insurance Authority (CSAC-EIA).
2. The City transitioned to CSAC-EIA in 2011 because their bundled premium rates presented a cost savings to the City.
3. The current 3-year contract for Life & LTD will expire on June 30, 2017.
4. The CSAC-EIA insurance program is a directed joint powers authority (JPA) comprised of California public agencies.
5. 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. This has proven true over the City’s 6-year experience with the pool.
6. A renewal quote from CSAC-EIA proposes a three-year contract extension with no increase to the premium rate.

Options

1. Do nothing.
2. Authorize the City Manager to extend the Life and LTD Insurance contracts for an additional three years at no change in premium rate.
3. Consider a modified term to the contract or provide alternative direction to staff.

Analysis and Conclusion

Option 1: No action on the Life and LTD insurance contracts would place the City in a position of noncompliance with its labor agreements.

Option 2: The proposed three-year contract extension at no change in premium rates will continue the City’s current insurance coverage as agreed upon with its labor groups, at no additional cost than previous years. The three-year contract will lock in these rates over multiple years.

Option 3: The City Council could consider a shorter term for these contracts, but with no cost increase being offered for a three-year term it would not be recommended.

Fiscal Impact

Per City labor contracts, the City covers the cost of certain life and LTD insurance plan premiums and these costs are included within the City’s operating budget. No change in budget is required with this contract extension.

Recommendation

Authorize the City Manager to execute a three-year contract extension for purchase of Life and Long Term Disability insurance as provided for in current employee contracts.