



# CITY OF HAYWARD

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## Cover Memo

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**DATE:** November 3, 2015

**TO:** Mayor and City Council

**FROM:** Director of Human Resources

### **SUBJECT**

Resolutions Authorizing the City Manager to Enter Into an Agreement with Alliant Insurance Services, Inc. to Provide Group Insurance Broker and Advisory Services, Include the City of Hayward with the CSAC Excess Insurance Authority Municipality Pools for Delta Dental, VSP, and Cigna Life/Disability Insurance, and Move the City of Hayward's Transit and Flexible Spending Account Benefits, COBRA and Retiree Dental Administration to Priselac & Associates, Inc.

### **RECOMMENDATION**

That the City Council adopts the attached Resolutions authorizing the City Manager to:

- 1) Enter into an agreement with Alliant Insurance Services, Inc. ("Alliant") for group insurance broker and advisory services; and
- 2) Enter into an agreement with Alliant for dental, vision and life/disability coverage for City of Hayward ("City") employees through the CSAC Excess Insurance Authority ("CSAC EIA") Municipality Pools; and
- 3) Move the administration of the City's transit and flexible spending account benefit plans, COBRA and retiree dental administration to Priselac & Associates, Inc. ("P & A Group").

### **BACKGROUND**

The City provides a competitive package of non-medical benefits for its qualified employees and their eligible dependents as agreed upon in the applicable Resolutions and Memoranda of Understanding. To administer the benefit plans in the most cost effective and efficient manner, the City requires the services of a group insurance broker and advisor to assist with its benefit programs by providing special services and the advice of specially trained personnel. In 2011, the City entered into an agreement with Wells Fargo (the City's former benefits broker); this agreement expired on June 30, 2014. In May 2014, the City solicited proposals through a competitive bid process for group insurance broker services.

Because of its excellent reputation as California's largest public agency consultant and benefits broker and ability to provide superior services at a reduced cost, Alliant was selected to provide broker services for the non-medical benefits for a three (3) year term, beginning July 1, 2014. Alliant is one of the largest public entity broker/consultants in California working with over 1,000 public entity clients including counties, special districts, community college districts, K-12 public schools, and other cities in Northern California such as Alameda, Concord, Fremont, Livermore, Mountain View, Pleasanton, Richmond, San

Leandro, South San Francisco, Sunnyvale, Vacaville, and Walnut Creek . Alliant offers a dedicated team of seven (7) individuals with extensive experience working with public agency groups.

Alliant has also developed a Smartphone application (Ben IQ), proving the company's commitment to the next generation of employee benefit plans. The application is designed to provide employees with access to their health plan information, assist employees with finding in-network providers, store and organize plan ID cards, and track health and wellness plan progress. Alliant offers additional services including: developing communication, education and training as needed by the City; web-based tools and communications including designing a City benefit summary/brochure, newsletters and an employee handbook; and assistance with building and constructing an effective wellness program.

The City of Hayward is fully insured for vision, life, and disability; and self-insured for dental coverage. Therefore, the City pays for actual services its employees receive versus paying insurance premiums for a specific coverage level based on enrollment status. To contain costs and essentially spread the risk associated with claims amongst a larger group of participants, as well as take advantage of group discounts, self-insured municipalities often select an administrator and join a pool that includes multiple municipalities.

The City is currently a part of the Wells Fargo Municipality Pool for Delta Dental coverage. The City has a vision plan through VSP and participates in their Signature Network; life/disability insurance is contracted directly through Cigna. Other non-medical benefits offered by the City are administered through additional vendors: transit benefit and flexible spending accounts are administered through Total Administrative Services Corporation ("TASC"); and COBRA and retiree dental are administered through Eflex Group ("Eflex").

## **DISCUSSION**

Over the past six months, staff has been working with Alliant to combine brokerage services and administrative services for dental and vision plans as well as other non-medical benefits including life/disability insurance, transit benefits, flexible spending accounts and COBRA and retiree dental administration. These selections will reduce administrative costs for the City and improve the level of service provided to employees while expanding and improving technical benefits services, all with no additional brokerage fees and a reduction in administrative fees for the City.

In an effort to improve the City's administrative services and reduce costs associated with employee benefit programs, Alliant conducted a marketing analysis for the City's current non-medical benefits including dental, vision, life/disability, transit, employee assistance, flexible spending accounts, and COBRA. As a result of the marketing analysis, the City has opted to move from the Wells Fargo Municipality Pool to the CSAC EIA Municipality Pool for Delta Dental coverage effective January 1, 2016. There will be an immediate savings in premiums for the City in the amount of approximately \$75,000 annually. Additionally, EIA provides an administrative platform for program members; Preferred Benefits Insurance Administrators ("PBIA") will be the primary administrative platform for the EIA program membership. PBIA offers a complete online system that will allow the City to manage eligibility and make changes as needed online and will also provide billing and eligibility to Delta Dental on behalf of the City.

The City has opted to switch VSP vision coverage from direct to the CSAC EIA Municipality Pool and participate in their Choice Network effective January 1, 2016. For an additional cost of \$22,000 annually, which is offset by the savings in administrative fees, the City will be able to provide qualified employees and their eligible dependents with an increased annual allowance of one hundred and fifty dollars (\$150.00) for frames or contacts. Additionally, VSP offers a variety of enhancements including discounts on certain frame and contact lens brands.

Effective July 1, 2015, the City elected to move from current life/disability insurance coverage directly through Cigna to the CSAC EIA Municipality Pool. Coverage will continue to be provided by Cigna, but through the CSAC EIA pool instead of on a direct basis. By moving to CSAC EIA, the current rate guarantee through January 1, 2016 will be extended to July 1, 2017. The rate guarantee is to the City's advantage in that it avoided potential renewal rate cost increases that would have been effective January 1, 2016. There will be no increase in cost to the City or those employees currently participating in voluntary life insurance through at least July 1, 2017.

In addition to the aforementioned changes for dental, vision, and life/disability insurance, Alliant's marketing analysis also identified opportunities for savings by switching vendors for administration of the City's transit benefit, flexible spending accounts, COBRA, and retiree dental. These changes will result in overall lower administration fees and an increase in rate guarantees from one year to five years.

As part of the combined brokerage and administrative services and execution of this agreement, Alliant has offered the City additional services which include: 1) assistance with open enrollment events and processing of forms; 2) assistance with employee communication and education regarding health and wellness including a customized benefit booklet, and a health management smart phone application; 3) enhanced technical assistance and research related to compliance of the Affordable Care Act; 4) the redesign of employee benefit programs, including support to the negotiation team; and 5) other communications and online trainings (seminars and webinars) regarding legislative updates and compliance.

### FISCAL IMPACT

The proposed agreement with Alliant reduces costs associated with administering non-medical employee benefits, while maintaining competitive and quality benefit options for City of Hayward employees and increasing administrative assistance for the Human Resources function at no additional cost. It is estimated that by partnering with Alliant, and implementing the changes discussed above, the City will save approximately \$61,200 annually in the provision and administration of its non-medical benefits while maintaining and/or increasing benefits.

These savings will be achieved as follows:

Proposed Change	Savings/Cost
Move Delta Dental coverage from Wells Fargo Pool to CSAC EIA Pool	\$75,000 annual savings

Move vision plan from VSP Signature Network (Direct) to VSP Choice Network (CSAC EIA Pool)	\$22,000 annual cost
Move administration of COBRA and retiree dental from Eflex to P & A Group	\$8,200 annual savings
<b>Total annual savings</b>	<b>\$61,200</b>

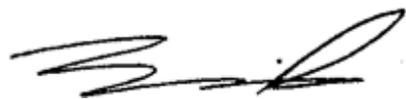
Additionally, the City currently pays the Wells Fargo Municipality Pool an administrative fee of 9.3% of the paid claims for Delta Dental benefits. Through the CSAC EIA Municipality Pool the administrative fee will be reduced to 8.66% of the paid claims for the same services. This fee of 8.66% is currently inflated due to a penalty for switching from the Wells Fargo Municipality Pool; it is anticipated that the administrative fee will be reduced to 7.2% of the paid claims for Dental benefits, after the penalty period, which is approximately two years.

There is no increase in cost for switching Life/Disability Insurance from direct to the CSAC EIA Municipality Pool. Similarly, there is no increase in cost associated with changing vendors for the administration of the City's transit benefit and flexible spending accounts.

*Prepared by:* Vanessa Lopez, Senior Human Resources Analyst

*Recommended by:* Nina S. Collins, Director of Human Resources

Approved by:



Fran David, City Manager

Attachments:

- Attachment I                      Resolution Authorizing the City Manager to Enter Into an Agreement with Alliant
- Attachment II                     Resolution to Join Municipality Pools for Dental, Vision and Life/Disability
- Attachment III                    Resolution to Move Administration of Transit and Flexible Spending Account Plans, and COBRA and Retiree Dental