



**ITEM ID:** 2023-313-0

**TRANSMITTAL DATE:** September 1, 2023

**MEETING DATE:** September 8, 2023

**TO:** Executive Committee

**FROM:** Ilyssa DeCasperis, Chief People Officer

**SUBJECT:** Changes to Life, AD&D and Disability Insurance Benefits

### **Issue**

The Basic Life and Basic Accidental Death and Dismemberment (AD&D) insurance plans do not provide all employees with a true benefit amount of one-time annual salary due to the benefit maximums. Additionally, the Long-Term Disability (LTD) insurance plan does not provide all employees with a true benefit amount of 60 percent of monthly earnings, also due to the benefit maximum. Approval is needed to enhance these benefits to ensure that all eligible employees have the same level of benefits.

### **Recommendation**

It is recommended that the Executive Committee recommend that the Board authorize the Chief Executive Officer to:

1. Modify its agreement with Mutual of Omaha to increase the Basic Life and Basic AD&D benefit maximum to \$350,000 to ensure that all eligible employees have a true benefit amount of one-time annual salary.
2. Modify its agreement with Mutual of Omaha to increase the LTD benefit maximum to \$10,000 for all eligible employees, which will ensure that all employees earning up to \$200,000 per year will have a true benefit amount of 60 percent of monthly earnings.
3. Enter into an agreement with Unum Life Insurance Company of America ("Unum") to provide Individual Disability Insurance (IDI) to eligible employees earning more than \$200,000 per year, to bridge the gap between the proposed \$10,000 maximum provided by the LTD plan and 60 percent of their monthly earnings.

### **Strategic Commitment**

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. Staff's recommendations contribute to this goal by ensuring that the Authority provides a competitive benefits package to recruit, retain and invest in a qualified and diverse workforce.

## **Background**

The Authority provides Basic Life and Basic AD&D insurance to eligible employees equal to one-time annual salary, rounded to the nearest \$1,000, up to a maximum of \$250,000, provided by Mutual of Omaha ("Mutual"). Due to the current benefit maximum, approximately six (6) employees earning more than \$250,000 per year have a benefit amount of less than one time their annual salary. It should be noted that the number of employees earning more than \$250,000 per year will increase in the future as employees receive pay increases. Additionally, the Authority provides eligible employees with LTD insurance, also provided by Mutual, which provides income replacement of 60 percent of monthly earnings, up to a maximum \$7,500 per month, if an employee is disabled and unable to work for more than 90 days. Due to the current maximum benefit, approximately 58 employees who currently earn more than \$150,000 per year have a benefit amount of less than 60 percent of their monthly earnings.

## **Discussion**

### **Basic Life, Basic AD&D and LTD**

Staff requested that Mercer Health and Benefits ("Mercer"), the Authority's benefits consultant, obtain proposals from Mutual to:

1. Increase the Basic Life and Basic AD&D maximum benefit from \$250,000 to \$350,000.
2. Increase the LTD maximum benefit from \$7,500 to \$10,000 per month.

With the proposed increase to the Basic Life and Basic AD&D maximum benefit amount, all eligible employees will have a benefit of one time their annual salary. Mutual's proposed cost represents an estimated annual increase of approximately \$2,508.

With the proposed increase to the LTD maximum benefit, 42 of the 58 employees earning more than \$150,000 per year will have a benefit amount of 60 percent of their monthly earnings. The remaining 16 employees earning more than \$200,000 per year will have a benefit amount of less than 60 percent of their monthly earnings. Mutual's proposed cost represents an estimated annual increase of approximately \$10,428.

Attachment A includes the current and proposed renewal costs for Basic Life, Basic AD&D and LTD, with the plan enhancements.

### **Individual Disability Insurance (IDI)**

To restore and equalize LTD benefits across all employees, Mercer also obtained proposals from the following four carriers to provide employer-paid Individual Disability Insurance (IDI) for employees earning more than \$200,000 per year:

- Berkshire Life Insurance Company of America (Guardian)
- The Standard Insurance Company (Standard)
- Principal
- Unum Life Insurance Company of America (Unum)

IDI would provide “gap” coverage for the 16 employees earning more than \$200,000 per year, and the CEO, to increase their LTD benefit amount to 60 percent of their monthly earnings. Unum provided the best premium rate. The total annual cost for IDI proposed by Unum for the 16 employees and CEO, based on their current salaries, is \$23,890. Unum also has the most streamlined and seamless process for enrolling employees, requiring only a census file from the Authority to enroll employees, while the other carriers require a short application from each employee. According to Mercer, by far, Unum is the largest carrier in the IDI market. Approximately 90% of Mercer’s IDI clients are with Unum due to their strength, lower pricing, administration ease, high quality service and commitment to the IDI market.

Attachment B includes a summary of the proposals.

### **Conclusion**

To ensure that the Authority’s benefit plans are equitable for all employees, staff recommends modifying its agreement with Mutual to increase the benefit maximum amount for Basic Life, Basic AD&D and LTD as indicated above. Additionally, staff recommends entering into an agreement with Unum for IDI for employees earning more than \$200,000 per year. The estimated total annual cost for the proposed changes is approximately \$37,000 per year. This amount represents the total increase for supplemental benefits for Authority employees in 2024 due to the other plans being under a rate guarantee through the end of 2024.

### **Budget Impact**

The amount of approximately \$39,000 for which contract authority is requested is included in the Adopted Operating Budget for FY24.

### **Next Steps**

With Executive Committee and Board approval, the CEO will enter into agreements with Mutual of Omaha and Unum under the terms outlined in the Board Item. Open enrollment begins in September, and the changes would be effective January 1, 2024.

Prepared by: Roxanne Randolph, Senior Manager, Human Resources  
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Approved by: Ilyssa DeCasperis, Chief People Officer

### **Attachment(s)**

[Attachment A - Current vs. Proposed Renewal Costs for Life, AD&D & LTD](#)  
[Attachment B - IDI Options and Premium Summary](#)

Presentation - Life, AD&D and Disability Insurance