ITEM 13D.

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ITEM ID:	**2026-286-0**
TRANSMITTAL DATE:	**September 18, 2026**
MEETING DATE:	**September 25, 2026**
TO:	**Board of Directors**
FROM:	**Alberto Lara, Chief People Officer**
SUBJECT:	**Supplemental Benefits for Authority Employees**

Issue

Approval is needed to enter into agreements for Life, Accidental Death & Dismemberment (AD&D), and Long-Term Disability insurance, family and medical leave administration and voluntary benefits for Authority employees.

Recommendation

It is recommended that the Board authorize the Chief Executive Officer to enter into an agreement with Delta Dental for dental insurance; Vision Service Plan (VSP) for vision insurance; Prudential for life, AD&D, and LTD insurance, voluntary benefits, and family and medical leave administration; and Aflac for Short-term Disability for employees enrolled in the plan as of December 31, 2026 only.

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

In addition to the medical insurance offered to employees through the California Public Employees Retirement System (CalPERS), the Authority currently offers the following supplemental benefits and services:

- Dental insurance provided by Delta Dental
- Vision insurance provided by Vision Service Plan (VSP)
- Life, Accidental Death and Dismemberment (AD&D) and Long-Term Disability (LTD) insurance provided by Mutual of Omaha
- Individual Disability Insurance (IDI) provided by Unum
- Accident, Hospital Indemnity, Critical Illness and Short-term Disability insurance provided by Aflac
- Health advocacy services provided by Health Advocate
- Flexible Spending Account and Consolidated Omnibus Budget Reconciliation Act (COBRA) administration services provided by WEX

The current agreements with Delta Dental, VSP, and Mutual of Omaha will expire on December 31, 2026. The remaining insurance plans and services are in the middle of multi-year agreements.

Discussion

Staff asked Mercer Health and Benefits ("Mercer"), the Authority's benefits broker/consultant, to obtain renewal proposals from Delta Dental and VSP for our current plans, with no plan design changes.

Additionally, staff requested that Mercer market the life, AD&D and LTD coverages provided by Mutual of Omaha and the voluntary benefits provided by Aflac. Recently there have been service and billing issues with Aflac. Although there have been no issues with Mutual of Omaha, it is common to consolidate life/disability and voluntary benefit carriers for administrative efficiencies, integration and improved resources & capabilities.

Mercer issued a Request For Proposal to Mutual of Omaha, Unum, Prudential and SunLife based on their ability to offer all coverages, integration capabilities with ADP, the Authority's HR/Payroll system, and their ongoing service model. All carriers submitted proposals for employer-paid Life, AD&D and LTD insurance, and employee-paid Voluntary Term Life, Voluntary AD&D, Accident, Critical Illness, Hospital Indemnity, and Short-term Disability. Their proposals and premium rates assume that all lines of coverage are written with the same carrier.

Mercer also requested that the carriers provide pricing on family and medical leave administration, which is currently handled in-house. In recent years, the Authority has seen a steady increase in the number leave requests and the complexity of leave requests. A Third-Party Administrator (TPA) will handle the time-consuming processes of tracking leave time, communicating with employees, sending required legal notices within stringent deadlines and ensuring compliance with applicable and overlapping federal and state leave laws, thus reducing staff's time spent on manual leave administration processes.

Below are the results of Mercer's marketing and negotiations.

Dental Insurance
Mercer obtained a renewal quote from Delta Dental. They proposed no increase to the PPO plan premiums and a 5 percent increase to the HMO plan premiums. Based on current enrollment data, the total annual increase will be 0.09 percent or $358 because there are only 25 employees enrolled in the HMO plan. The premium rates are guaranteed for two (2) years, through December 31, 2028. Details of their proposal can be found in Attachment A.

Vision Insurance
Mercer obtained a renewal quote from VSP. They proposed a 9 percent decrease to the Basic plan premiums and a 7 percent decrease to the Buy-Up plan premiums. Based on current enrollment data, the total annual savings to the Authority will be 9.1 percent or approximately $4,000. Details of their proposal can be found in Attachment B.

Employer-Paid Life, AD&D, and LTD Insurance, and Family and Medical Leave Administration
For employer-paid life, AD&D and LTD, the proposed plan designs are generally comparable to the current plan designs. Mutual of Omaha proposed an overall rate decrease of 6 percent, which represents a $13,333 savings to the Authority based on current enrollment data. Sunlife proposed an overall rate decrease of 19 percent, which represents a $42,147 savings to the Authority based on current enrollment data. Prudential proposed an overall rate decrease of 30 percent, which represents a $65,595 savings to the Authority based on current enrollment data. Unum was uncompetitive, with a 16 percent or $35,496 increase based on current enrollment data.

Three of the four carriers provided pricing for family and medical leave administration in their proposals. SunLife has not yet provided rates. Below is the total annual cost proposed by each carrier, based on the current number of employees:

Mutual of Omaha: $10,550
Unum: $11,525
Prudential: $15,456
SunLife: TBD

Although Prudential's total annual cost for family and medical leave administration is higher than the other two carriers, their overall total annual cost, including the employer-paid Life, AD&D, and LTD Insurance, is the lowest and represents a 23 percent or $50,139 total annual savings to the Authority. The premium rates for all plans are guaranteed for three (3) years, through December 31, 2029, except Short-Term Disability, which is guaranteed for two (2) years through December 31, 2028. A detailed comparison of the costs proposed by each carrier can be found in Attachment C.

Employee-Paid Voluntary Term Life, Voluntary AD&D, Accident, Critical Illness, Hospital Indemnity, and Short-Term Disability

For Voluntary Life/AD&D, Accident, Critical Illness, and Hospital Indemnity, the proposed plan designs are generally comparable to our current plan designs, with some differences in individual benefit areas. However, there are more significant differences in the Short-Term Disability plan designs proposed. Prudential's proposed weekly benefit amounts are the lowest of all the carriers. It is also the only proposal with two plan options – for Railroad Retirement Employees (RRB) and All Other Employees. The RRB Employee plan has a higher benefit amount because they do not contribute to the California State Disability Insurance (SDI) program and therefore would not have this other income replacement option if they were to become disabled. The premium rates for all voluntary plans are guaranteed for three (3) years, through December 31, 2029.

If Prudential is selected, the Authority has the option to renew their agreement with Aflac for Short-term Disability only, for employees enrolled in the plan as of December 31, 2026, if they do not wish to switch to the Prudential plan.

Additional details on the employee-paid voluntary benefits can be provided upon request.

Summary and Recommendations

Staff recommends that the Board authorize the CEO to renew the agreement with Delta Dental for dental insurance, for a total annual employer cost of $397,952 based on current enrollment data, which represents a $358 increase. Staff also recommends that the Board authorize the CEO to renew the agreement with VSP for vision insurance, for a total annual cost of $38,981 based on current enrollment data, which is about $4,000 less than the current cost. Both Delta Dental and VSP have provided outstanding service to Authority employees and their families for over 22 years.

Additionally, staff recommends that the Board authorize the CEO to enter into an agreement with Prudential for Life, AD&D, LTD, Voluntary Term Life, Voluntary AD&D, Accident, Critical Illness, Hospital Indemnity, and Short-Term Disability insurance, and family and medical leave administration. Based on pricing and capabilities, Prudential offers the strongest overall proposal, with broadly competitive pricing and designs for both employer-paid coverages and voluntary products. The total annual cost for Prudential's employer-paid benefits and family and medical leave administration is $168,370, which is approximately $50,139 less than the current cost of the employer-paid life/disability benefits.

Prudential offers Electronic Data Interchange (EDI) with ADP for the transmittal of enrollment data, and Application Programming Interface (API) connectivity to simplify the Evidence Of Insurability (EOI) application process, which will improve the administrative experience for both employees and the Authority. Prudential has a strong, high touch implementation experience and ADP integration support. While certain carriers may be stronger in individual benefit areas, Prudential appears to be the most balanced single-carrier option when all lines are considered together.

Additionally, staff recommends that the Board authorize the CEO to enter into an agreement with Aflac for Short-term Disability insurance only, for employees enrolled in the plan as of December 31, 2026 who do not want to switch to Prudential. Currently, there are 17 employees enrolled in the Aflac Short-term Disability plan.

In addition to the above recommendations, staff is recommending that the Authority eliminate Individual Disability Insurance (IDI) provided by Unum, which supplements the basic LTD benefit of higher wage earners to ensure that they receive the same benefit as other employees, which is 60 percent of monthly earnings. Staff is making this recommendation due to the unpredictable nature of the IDI premium increases, which are based on a formula that takes several factors into consideration including employee salary and age. Therefore, premiums will continue to increase each year due to the salaries and ages of current enrollees going up and additional employees becoming eligible for the benefit when they reach the minimum salary requirement. While staff cannot determine the total annual savings, it will be at least $44,000, which is the 2026 annual premium.

The recommendations for the 2027 supplemental benefits renewal represent an estimated total annual savings to the Authority of about $98,000 based on current enrollment data. This is a result of the approximately $4,000 decrease in the VSP premium, approximately $50,000 decrease in the employer-paid life/AD&D/LTD premium, and approximately $44,000 savings from eliminating the IDI benefit.

Budget Impact

The amount for which contract authority is requested is included in the proposed Operating Budget for FY2026-27 and is contingent upon the adoption of the FY27 Operating Budget.

Next Steps

With Board approval, the Chief Executive Officer will enter into an agreement with Delta Dental for dental insurance; Vision Service Plan (VSP) for vision insurance; Prudential for life, AD&D, and LTD insurance, voluntary benefits, and family and medical leave administration; and Aflac for Short-term Disability for employees enrolled in the plan as of December 31, 2026 only.

Prepared by: Roxanne Randolph, Director, Human Resources

Approved by: Alberto Lara, Chief People Officer

Attachment(s)

Attachment A - Delta Dental Renewal Proposal
Attachment B - VSP Renewal Proposal
Attachment C - Comparison of Proposals for Life, ADD, LTD and FML Admin
Presentation - Supplemental Benefits for Authority Employees