



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Mark Danaj  
Jennifer A. Maguire

**SUBJECT:** SEE BELOW

**DATE:** September 16, 2010

Approved

Date

9/23/10

**SUBJECT: AGREEMENTS WITH FRINGE BENEFITS MANAGEMENT COMPANY (FBMC) FOR FLEXIBLE SPENDING ACCOUNTS, INCLUDING INTERNAL REVENUE CODE SECTION 125 PLAN ADMINISTRATION, AND ADMINISTRATIVE SERVICES FOR THE VOLUNTARY INSURANCE BENEFITS FOR THE PERIOD OF JANUARY 1, 2011 TO DECEMBER 31, 2014; AGREEMENTS WITH TRUSTMARK INSURANCE SERVICES FOR VOLUNTARY INSURANCE GROUP PLANS FOR THE PERIOD OF JANUARY 1, 2011 TO DECEMBER 31, 2014; AND APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN THE BENEFIT FUND FOR FISCAL YEAR 2010-2011.**

## RECOMMENDATION

1. Adopt a resolution authorizing the City Manager to
  - a. Negotiate and execute an Agreement with Fringe Benefits Management Company (FBMC) to provide compliance management services for the City's medical and childcare flexible spending accounts, including Internal Revenue Code (IRC) Section 125 plan administration, for the period of January 1, 2011 to December 31, 2011, and to exercise up to three (3) one-year options to renew the Agreement through December 31, 2014, for costs not to exceed \$1,000 for calendar year 2011 and with annual cost adjustments for each subsequent year based on a pre-funding requirement in the flexible spending account program and collective bargaining agreements where applicable, for a total amount not to exceed \$4,000 for a potential four (4) year term, subject to the appropriation of funds by the City Council and collective bargaining agreements where applicable; and
  - b. Negotiate and execute any group plan documents, adoption agreements, Business Associate Agreements, or other ancillary agreements with FBMC that are necessary to facilitate the above Agreement for the period of January 1, 2011 through December 31, 2014;

2. Adopt a resolution authorizing the City Manager to
  - a. Negotiate and execute an Agreement with Fringe Benefits Management Company (FBMC) to provide enrollment, administration and customer services (broker services) in support of the City's voluntary insurance benefits program for employees, retirees, dependents and beneficiaries for the period of January 1, 2011 to December 31, 2011, and to exercise up to three (3) one-year options to renew the Agreement through December 31, 2014, for no cost to City for the potential four (4) year term; and
  - b. Negotiate and execute any group plan documents, adoption agreements, Business Associate Agreements, or other ancillary agreements with FBMC that are necessary to facilitate the Agreement for voluntary insurance support services, for the period of January 1, 2011 through December 31, 2014; and
  - c. Negotiate and execute, through FBMC, any group insurance plan contracts, Business Associate Agreements, or other Agreements with Trustmark Insurance Company (Trustmark) that are necessary to provide voluntary (participant-paid) insurance benefits, including Critical Illness Insurance (with Cancer Rider) group plans and Accident Insurance group plans, for City's employees, retirees, dependents and beneficiaries for the period of January 1, 2011 through December 31, 2014, for no cost to City for the potential four (4) year term.
  
3. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Benefit Fund (Fund 160) for 2010-2011;
  - a. Establish an estimate for Earned Revenue to the Benefit Fund in the amount of \$1,000.
  - b. Establish an appropriation to the Human Resources Department for Flexible Spending Accounts in the amount of \$1,000.

### **OUTCOME**

Approval of the recommendations will allow Employee Benefits staff in Human Resources to offer high quality and cost effective flexible spending accounts to City employees and dependents and voluntary (participant-paid) insurance benefits to City employees, retirees and their dependents and beneficiaries.

### **EXECUTIVE SUMMARY**

Staff initiated a request for proposal (RFP) process to select a provider for administration of the City's flexible spending accounts, including Internal Revenue Code (IRC) Section 125 plan compliance services. Staff initiated a second RFP to select a provider(s) of voluntary (participant-paid) insurance for the City's employees, retirees and their dependents and beneficiaries.

The RFP process involved convening a single committee of key stakeholders to identify issues and objectives and set selection criteria for each of the RFPs. The Review Committee held separate meetings for and reviewed each RFP separately.

The Review Committee selected FBMC to provide compliance management services for the City's flexible spending accounts, including IRC Section 125 administration, for participating employees and dependents.

In addition, the Review Committee selected Trustmark's Critical Illness (with Cancer Rider) and Accident Insurance products, to be purchased through FBMC, who will serve in a broker role and provide the City with enrollment, administrative and customer services in support of these insurance products.

As a result of the RFP processes, staff is recommending that Council:

1. Adopt a resolution authorizing the City Manager to negotiate and execute an Agreement with FBMC to provide compliance management services for the City's flexible spending accounts, including IRC Section 125 plan administration, for the period of January 1, 2011 to December 31, 2011, and to exercise up to three (3) one-year options to renew the Agreement through December 31, 2014; and to negotiate and execute and any group plan contracts or other ancillary agreements with FBMC that are necessary to facilitate the Agreement, subject to the appropriation of funds; and
2. Adopt a resolution authorizing the City Manager to negotiate and execute an Agreement with FBMC to provide enrollment, administration and customer services (broker services) for voluntary (participant-paid) Critical Illness (with Cancer Rider) and Accident Insurance to be offered through Trustmark Insurance Company; negotiate and execute any group plan documents or other ancillary agreements with FBMC that are necessary facilitate the Agreement; and negotiate and execute Agreements, including group insurance plan contracts or other ancillary agreements, with Trustmark that are necessary to make voluntary Critical Illness and Accident insurance available to City's employees, retirees and their families for the period of January 1, 2011 through December 31, 2014, subject to the appropriation of funds; and
3. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Benefit Fund (Fund 160) for 2010-2011;
  - a. Establish an estimate for Earned Revenue to the Benefit Fund in the amount of \$1,000; and
  - b. Establish an appropriation to the Human Resources Department for Flexible Spending Accounts in the amount of \$1,000.

These RFPs were successful in securing reputable benefits providers at a low cost to City employees and retirees and will result in no reduction of service levels. The success of the RFP processes for a voluntary insurance provider and flexible spending account administrator will help to ensure that the City will continue to offer competitive benefits to City employees, retirees, and their dependents and beneficiaries.

## **BACKGROUND**

The City last conducted RFP processes for flexible spending accounts, including IRC Section 125 administrative services, and for a voluntary insurance provider in 2006. The current plans are scheduled to expire December 31, 2010.

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The new RFP for flexible spending accounts, including IRC Section 125 plan administration services, and the RFP for voluntary insurance services were designed to obtain the best possible service and prices for City employees, retirees and their dependents and beneficiaries while maintaining existing benefit levels.

Provest Flexible Benefits (Provest) currently provides administration of the City's flexible spending accounts, including administrative services to insure IRC Section 125 compliance. Services provided to the City by Provest include, but are not limited to, plan administration, eligibility verification, enrollment, customer service, compliance with government rules and regulations, such as IRC Section 125, and plan document preparation.

The City's flexible spending accounts allow employees to set aside pre-tax dollars in individual trust accounts that they can use to reimburse themselves for qualified out-of-pocket health care and dependent childcare expenses. If employees do not spend all of the dollars they have set aside in their accounts, the excess funds are forfeited and returned to the City in conformance with IRC Section 125 and cannot be returned to the participating employees per IRS rules.

In addition to administration of the flexible spending accounts, Provest manages the City's IRS Section 125 plan document. IRC Section 125 governs permissible pre-tax employee contributions to qualified plans, such as the City's health plans (including medical, dental and vision) and flexible spending accounts. As the City's current IRC Section 125 administrator, Provest is responsible for updating and ensuring that the City's plan document is in conformance with IRC Section 125 and providing legislative updates on an as needed basis.

Allstate currently offers the City's voluntary (participant-paid) insurance policies for City employees. The voluntary insurance benefits program currently includes Critical Illness, Cancer, and Accident insurance. These individual policies are available to and fully paid for by employees and their dependents and can be continued into retirement.

As a third party administrator, Provest also provides the City with support services for the Allstate policies, including plan administration, enrollment, and customer service. As a third party administrator and licensed insurance broker, Provest is paid through broker and administrative fees received directly from Allstate. These broker fees are included in the Allstate insurance policy premium rates, which Allstate files with the State of California's Department of Insurance.

Currently, the City incurs no cost for Provest to provide flexible spending accounts, Section 125 plan administration and the enrollment services for the Allstate voluntary insurance products because Provest receives broker fees/commissions from Allstate that cover all of Provest's expenses for services to the City. This arrangement is possible because insurance products with filed fees can not be modified or removed from the insurance product, even if no broker of record is identified for the product. Many third party administrators, including Provest, have obtained insurance broker licenses and accept these State filed fees in return for providing administrative services to the employers who utilize the insurance products. As a result, the third party administrator's cost of administration for any additional administration services can be

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absorbed by the filed fees, so the third party administrator can offer additional services with no additional cost to the employer.

As explained below, in the new RFP process, the City sought a similar model to cover the City's costs related to administrative support for the City's flexible spending account and voluntary insurance programs.

### ANALYSIS

#### Review Committee

The Review Committee for the RFP for Flexible Spending Accounts/Section 125 and the RFP for Voluntary Insurance Benefits consisted of representatives from Human Resources, various bargaining units, and Retirement Services.

#### Targeted Outreach

The City conducted targeted outreach to benefit plan administrators and providers by posting the RFP documents on the City's BidSync website in order to solicit proposals from all interested providers. The City's benefits consultant for participant-paid benefits, Keenan & Associates, also directly contacted known administrators and providers and invited them to participate in the two RFPs.

Staff anticipated that the RFPs might attract bidders who could provide both types of services sought by City: 1) flexible spending, including IRC Section 125 administrative services, and 2) voluntary insurance products such as critical illness insurance. Therefore, the RFPs requested that responders submit separate proposals to the City for each service they were interested in contracting for, and the Review Committee reviewed and discussed the proposals for each RFP separately.

The City received proposals from the benefit plan administrators and insurance providers shown in the following tables:

#### **Proposals for Flexible Spending Accounts and IRC Section 125 Administration**

<b>Name</b>	<b>Location</b>
Fringe Benefits Management Company (FBMC)	Tallahassee, FL
Conexis	Dallas, TX
Optum	Golden Valley, MN
Provest Flexible Benefits (Provest)	Los Alamitos, CA
Employee Benefit Specialists (EBS)	Pleasanton, CA
Total Administrative Services Corporation (TASC)	Madison, WI
Chard Snyder	Mason, OH

**Proposals for Voluntary Insurance Provider**

<b>Name</b>	<b>Location</b>
AFLAC	New York, NY
American General	Nashville, TN
American Public Health	Washington, DC
Kanawha (Humana)	Louisville, KY
MetLife	New York, NY
Trustmark	Jackson, MI
Unum	Chattanooga, TN

Evaluation Criteria

The RFPs were structured to mirror the following selection criteria developed by the Review Committee. It was the intent of the Review Committee to choose the best administrator and provider for each service based on these selection criteria.

<b>Flexible Spending Accounts and IRC Section 125 Selection Criteria</b>	<b>Weight</b>
Ability to provide requested services	50%
Cost/Fee Structure	25%
References	15%
Local Business Enterprise (LBE)	5%
Small Business Enterprise (SBE)	5%

<b>Voluntary Insurance Benefits Selection Criteria</b>	<b>Weight</b>
Pricing	20%
Coverage and Benefits	15%
Marketing and Enrollment	10%
Payroll and Information Technology	10%
Customer Service/Call Center	5%
Claims	5%
Administration	5%
Eligibility	5%
Application and Underwriting	5%
Performance Standards	5%
General	5%
Local Business Enterprise (LBE)	5%
Small Business Enterprise (SBE)	5%

### Initial Evaluation and Elimination

#### ***Evaluation of IRS Section 125/Flexible Spending Accounts Administration***

The Review Committee evaluated proposals received for flexible spending accounts and IRC Section 125 administration and eliminated four firms, Chard Snyder, Total Administrative Services Corporation (TASC), Conexis, and Optum. Chard Snyder was eliminated from contention because they are not licensed to do business in the State of California. TASC was eliminated from consideration due to the inability to provide bilingual customer service capabilities, a required service in the City's scope of services. Conexis was eliminated from consideration due to low service satisfaction levels and poor hours of operation. Optum was also eliminated by the Review Committee due to low overall scoring and an inability to provide all requested services.

#### ***Evaluation of Voluntary Insurance Provider***

The Review Committee evaluated the proposals received for a voluntary insurance provider and eliminated four firms: American Public Health, Kanawha, MetLife, and American General. American Public Health was eliminated from contention because they do not have a Critical Illness product approved in the State of California.

The RFP required proposers to be ranked by the financial rating agencies A.M. Best, Moody's and Fitch. A rating of "A" or better ensures that the selected vendor has the financial stability to maintain a multiple-year contract with the City; therefore Kanawha was eliminated from further consideration because it is rated "B" by most of the financial rating agencies.

The third company to be eliminated from consideration was MetLife, who was unable to meet the requirement in the RFP's scope of services to provide a voluntary Accident Insurance product. American General was not selected because of high premium costs and Keenan & Associates' recommendation that they be eliminated based on low overall scoring in comparison to the Review Committee's criteria. The Review Committee eliminated American General based on Keenan's assessment and recommendation.

### Final Evaluation and Selection

#### ***Selection for Section 125/Flexible Spending Accounts Administration (FBMC)***

The following finalists were invited to interview with the Review Committee for the Section 125 and flexible spending account administration: Employee Benefits Specialists (EBS), FBMC, and Provens.

After the interviews, the Review Committee submitted individual rating sheets which rated the three finalists based on the selection criteria. The Review Committee then discussed the rankings and ratings for each of the proposals.

The following table shows the results of the Review Committee's rankings.

**Flexible Spending Accounts and IRC Section 125 Administrator Services**

<b>Criteria</b>	<b>EBS</b>	<b>FBMC</b>	<b>Provens</b>
Ability to Provide Requested Services	39%	47.8%	36.8%
Fee Structure	18%	23.6%	21%
References	10.4%	12%	6.5%
LBE	0	0	0
SBE	0	0	5%
<b>Total</b>	<b>67.4%</b>	<b>83.4%</b>	<b>69.3%</b>

The following chart shows a comparison of the fees for each finalist.

<b>Administrator</b>	<b>Annual Cost if Fee Paid to Provider by City Directly</b>	<b>Annual Cost if Fee Absorbed by Provider's Voluntary Insurance Commissions</b>
EBS	\$36,389	\$0
FBMC	\$18,536	\$0
Provens	\$26,871	\$0

FBMC rated the highest in all categories for ability to provide requested services, fee structure and references.

With a majority vote, the Review Committee selected FBMC because the Review Committee determined that FBMC could meet or exceed current services provided at a reasonable cost.

FBMC quoted administrative costs of \$18,536 per year and \$74,144 total for the four (4) year Agreement period if such administrative costs were paid directly by City to FBMC. Under a City-paid arrangement, in order to continue the flexible spending program at no cost to City, City would pass that administrative cost along to flexible spending account participants, which would result in a per employee cost of approximately \$2.25 per month for participation in the program.

However, FBMC offered to waive the above administrative costs if FBMC was also selected by the City to provide administrative support for the City's voluntary insurance programs – a compensation arrangement similar to the City's current arrangement with Provens. As explained more fully below, the selected provider for voluntary insurance, Trustmark, also recommended that the City select FBMC to provide the enrollment, customer and administrative services for Trustmark's voluntary insurance products. This proposed arrangement provided the City with the opportunity to avoid any administrative fees related to the Flexible Spending/Section 125 program.

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***Selection for Voluntary Insurance Provider (Trustmark)***

The following finalists were invited to interview with the Review Committee for the voluntary insurance provider: Aflac, Trustmark, and Unum.

The Review Committee submitted rating sheets which rated the three finalists based on the selection criteria. The following table shows the results of the Review Committee's rankings.

**Voluntary Insurance Providers**

<b>Criteria</b>	<b>Aflac</b>	<b>Trustmark</b>	<b>Unum</b>
Pricing	17%	17.2%	13.4%
Coverage & Benefits	4.4%	8.4%	7%
Marketing & Enrollment	7%	9.4%	9%
Payroll & IT	3.6%	4.8%	4.6%
Customer Service / Call Center	1.6%	4.6%	3.2%
Claims	2.6%	4.4%	4%
Administration	3.2%	4%	3.9%
Eligibility	2%	4.1%	3.8%
Application & Underwriting	4%	4.1%	4%
Performance Standards	0	0	0
General	3.4%	3.7%	3.4%
LBE	0	0	0
SBE	0%	0%	0%
<b>Total</b>	<b>48.8%</b>	<b>64.7%</b>	<b>56.3%</b>

The following table shows a comparison of the estimated annual premium cost for each finalist.

<b>Insurance Plan</b>	<b>Allstate</b>	<b>Trustmark</b>	<b>Unum</b>
Accident	\$671,324	\$446,496	\$351,200
Critical Illness / Cancer	\$577,922	\$545,328	\$757,056
<b>Total Cost</b>	<b>\$1,249,246</b>	<b>\$991,734</b>	<b>\$1,108,256</b>

Based on the vendor interview responses and overall scoring criteria, Trustmark was rated the highest in all selection criteria categories. Therefore, the Review Committee selected Trustmark to provide Accident, Critical Illness and Cancer insurance based on Trustmark's ability to provide the expertise required by the RFP scope of services and Trustmark's comparatively low-cost insurance premiums.

***Selection of Broker/Insurance Carrier Combination (FBMC and Trustmark)***

As demonstrated by the City's current arrangement with Provest, in the past, the City has obtained its voluntary group insurance plans through third party administrators who are licensed as insurance brokers to provide support services for voluntary insurance products.

As explained above, FBMC is a third party administrator and a licensed broker for insurance plans in the State of California.

During the RFP interview process, Trustmark brought FBMC to the interview and suggested that the City consider using FBMC as the enroller, customer service and administrator for Trustmark's insurance products. Although Trustmark was proposing FBMC, it is important to note that the City could direct Trustmark to use another third party administrator as well.

As a third party administrator and broker, FBMC can offer Trustmark's insurance products and also provide the City with any related support services at no cost to City in a compensation arrangement similar to the City's current arrangement with Provest. Like Provest, as a third party administrator with a broker's license, FBMC is paid by Trustmark through broker fees – commissions that Trustmark collects as part of participants' premium rates. Because Trustmark, like Allstate, files the premium rates for these insurance products, which include commissions/broker fees, with the State of California Department of Insurance, Trustmark cannot remove the commissions/broker fees from these filed premium rates.

The Review Committee selected FBMC to serve as third party administrator for Trustmark's insurance products, thereby eliminating any cost to the City for those additional support services.

***Compensation Arrangement with FBMC to Provide Flexible Spending Accounts and IRC Section 125 Plan Administration***

For the Medical Reimbursement flexible spending accounts only, the City will incur a cost to pre-fund the program at the beginning of the plan year to protect the account against any reimbursement requests that are submitted by participants prior to the City's first payroll distribution of that plan year. This cost of \$1000 per plan year will be explained in detail in the Cost Implications section below.

As noted above, because the Review Committee and Trustmark recommended FBMC as the third party administrator for Trustmark's insurance products, and because the Review Committee selected FBMC to provide the City's flexible spending accounts and IRC Section 125 plan administrative services, FBMC offered to waive any administrative fee for its support services related to the City's flexible spending account and IRC Section 125 program the City's voluntary insurance program. This is because FBMC, like Provest, can absorb the cost of both programs through the insurance commissions that Trustmark will pay to FBMC – part of the participant-paid premiums for Trustmark's insurance products.

By selecting FBMC to provide flexible spending accounts and IRC Section plan services and selecting FBMC to serve as third party administrator for Trustmark's Critical Illness and Accident insurance products, the City can effectively eliminate any cost to the City for FBMC's administration of both programs.

As explained above, currently, the City's costs for the flexible spending accounts and IRC Section 125 plan administration are covered by commissions that Provest receives from Allstate

for serving as third party administrator and broker for the voluntary insurance plans. Staff recommends continuing this practice.

Utilizing a third party administrator with a broker license provides the advantage of providing a well-supported and less staff-intensive employee benefits program, including flexible spending accounts, and it eliminates fees and provides tax-savings to participants and the City. As described above, if the City did not enter into a compensation arrangement in which third party administrator fees are covered by voluntary insurance plan commissions, City employees participating in the flexible spending accounts would pay a fee for participation.

Because the insurance premium rates proposed by Trustmark, like all rates proposed by bidders in the RFP process, are "filed rates," the insurance provider cannot off-set the filed commission amount of the rate to reduce participant premiums, increase benefits within the insurance products or return the filed commission amounts to the City for any reason.

Therefore, if the City chose not to enter into the above-described compensation arrangement with FBMC, Trustmark would retain the commission/broker fees and use the fees to off-set Trustmark's own costs related to the voluntary insurance plans. Any remaining amounts would be retained by Trustmark as additional earnings. In addition, the City and employees would incur new administrative fees for participating in the flexible spending accounts program. This would likely reduce participation in the flexible spending accounts, a pre-tax benefit, which would further increase tax costs to both the City and to employees no longer participating in the flexible spending account program.

### **EVALUATION AND FOLLOW-UP**

This project addresses the Human Resources' performance measure of the cost of benefits administration and operations per budgeted full-time employee. The Employee Benefits division of Human Resources ensures that the City of San José employees and retirees receive high quality and cost effective benefits by subjecting benefit plan providers to regular competitive processes (usually every four years).

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)**
- Criterion 2: Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)**
- Criterion 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

All key stakeholders were invited to participate in the RFP process.

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This recommendation was reviewed and unanimously supported by the Benefits Review Forum, consisting of representatives from all bargaining units, on June 23, 2010.

This memorandum is posted on the City's website for the October 5, 2010 Council Agenda.

### **COORDINATION**

This memorandum has been coordinated with Retirement Services and the Office of the City Attorney.

### **COST SUMMARY/IMPLICATIONS**

All costs for the City's group insurance contracts with Trustmark are funded by premiums paid by the employees who participate in those insurance programs, and therefore, the Trustmark voluntary group insurance plans will not result in any costs to the City.

There will be a pre-funding requirement for Medical Reimbursement Account only in the flexible spending account program. This pre-funding by City to FBMC protects the account at the beginning of the plan year against any reimbursement requests that are submitted by participants prior to the first payroll distribution of the plan year. The calculation for this pre-funding amount is: Total Annual Employee Election, multiplied by 2%, divided by 365 days, multiplied by the number of days from the beginning of the year until the first pay day (14 days in 2011). The pre-funding amount needed for the 2011 plan year is not expected to exceed \$1,000 and is not expected to exceed \$4,000 for the four (4) year term of the Agreement.

The City's pre-funding cost will be covered by participants' flexible spending account forfeitures, which, as explained in the Background section of this memo, cannot be returned to participants. Using forfeited plan dollars for the pre-funding requirement will result in no cost to the City. For the 2009 plan year, the City is scheduled to receive participant forfeitures which are recommended to be appropriated for the \$1,000 pre-funding requirement.

All other costs for the Agreements with FBMC related to City's flexible spending accounts and IRC Section 125 plan administration and the City's voluntary insurance benefits program will be funded by the commissions that FBMC will receive from Trustmark – commissions that will be included in participant-paid premium rates for the Trustmark voluntary group insurance plans. Therefore, the City's Agreements with FBMC for these two benefits programs – the IRS Section 125/cafeteria plan and flexible spending account program and the voluntary insurance benefits program – will not result in any administrative costs to the City.

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By offering Trustmark group insurance policies through FBMC, the City will offer significant savings to participants, as shown in the table below.

**Estimated Annual Employee-Paid Premiums**

	<b>Current Provider</b>	<b>Trustmark</b>
Accident	\$671,324	\$446,496
Critical Illness / Cancer	\$577,922	\$545,328
Total Cost	\$1,249,246	\$991,824
Percentage Savings		20% Savings

An additional comparison of benefits and cost between the current provider, Allstate, and Trustmark for the Critical Illness and Cancer insurance (the most popular insurance policies) is provided in Attachment A.

**BUDGET REFERENCE**

Since the Trustmark group insurance contracts are to be fully funded by employee premiums, there is no applicable budget reference.

**CEQA**

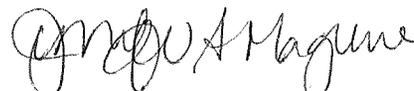
Not a project, File No. PP10-068 (b), Municipal Code, Title 3.

/s/

MARK DANAJ  
Director, Human Resources

  
JENNIFER A. MAGUIRE  
Budget Director

I hereby certify that there will be available for appropriation in the Benefit Fund in the Fiscal Year 2010-2011 monies in excess of those heretofore appropriated there from, said excess being at least \$1,000.

  
JENNIFER A. MAGUIRE  
Budget Director

For questions please contact Jeanne Groen, Benefits Manager, at (408) 975-1428.

**ATTACHMENT A  
Critical Illness and Cancer Insurance Comparison**

	<b>ALLSTATE</b>	<b>TRUSTMARK</b>
<b>Carrier Name</b>	Critical Illness/Cancer	Critical Illness/Cancer Rider
<b>Plan name</b>	Group	Individual
<b>Contract</b>		
<b>Covered Conditions</b>	\$5,000, \$15,000 or \$30,000 Heart Attack Stroke End Stage Renal (Kidney) Failure Major Organ Transplant ( Other than Heart) Paralysis ( Not as a result of a stroke) Alzheimer's Disease	100% up to \$100,000 - lump sum one time payment Heart Attack Stroke End-Stage Renal (Kidney) Failure Major Organ Transplant Paralysis (2 or more limbs) Blindness ALS (Lou Gehrig's Disease)
<b>Initial Diagnosis Policy</b>	Coronary Artery By-Pass Surgery Not stated	Coronary Artery Disease (Bypass Surgery) First Diagnosis - The first time a Physician identifies a Critical Illness from its signs or symptoms. A diagnosis of Critical Illness or Cancer is based on generally accepted principles of medicine in the United States at the time the diagnosis is made.
<b>Additional Occurrence</b>	Up to 25% of previously paid benefit if there is more than 18 months between each diagnosis. Only one recurrence benefit is allowed per specified critical illness.	Offers a Double Benefit Rider which provides a second cash payment in the event the insured is diagnosed with a different covered illness or condition. The diagnosis must be at least 6 months or more after the first initial diagnosis that was covered by the plan. There are 2 options a 50% or 100% benefit. Trustmark is recommending the 100% Double Benefit Rider.
<b>First Occurrence Benefit</b>	Lump Sum Benefit Payment up to \$30,000	Lump Sum Benefit payment up to \$100,000
<b>Wellness</b>	Cancer and Heart Screenings \$100 per year	Health Screening Benefit \$100 per year
<b>Minimum Benefit</b>	\$5,000	\$5,000
<b>Maximum Benefit</b>	\$30,000	\$100,000
<b>Waiting Period</b>	Not stated	Trustmark's Critical Illness plans do not have waiting periods as long as the application date is at least 30 days prior to the effective date.
<b>Benefit Reduction</b>	Not stated	Unlike most carriers, Trustmark does not reduce benefits due to age, ever. With Trustmark's Critical Illness plans, full benefits are payable at all ages, including people over 70, who are most at risk for having a critical illness.
<b>Issue Ages</b>	Employee: Minimum of 18; Maximum Not stated Spouse: Minimum of 18; Maximum Not stated Child: up to 22 and up to 26 if full time student	Employee: 18-70 (18-64 CA & NY) Spouse: 18-70 (18-64 CA & NY) Child: 0-23 (subject to state requirements)
<b>Spouse Eligibility</b>	Legally married spouse/domestic partner	Legally married spouse, resides in U.S.
<b>Spouse/Child Benefit</b>	Spouse/Domestic Partner & Child: 50% of employee coverage	Spouse and Dependent Child - 50% of employee coverage
<b>Actively at Work</b>	Yes	Yes
<b>Portability</b>	Yes	Yes
<b>Guaranteed Issue</b>	\$20,000	\$20,000
<b>Pre Ex Conditions</b>	12/12	12/12

**ATTACHMENT A  
Critical Illness and Cancer Insurance Comparison**

<b>Carrier Name</b>		<b>ALLSTATE</b>	<b>TRUSTMARK</b>
Plan name	Critical Illness/Cancer	Critical Illness/Cancer	Critical Illness/Cancer Rider
Riders (included in quote)	Wellness Benefit (Cancer and Heart Screenings) Recurrence Benefit Cancer plus 29 other Specified Diseases with Schedule of Benefits	Wellness Benefit (Cancer and Heart Screenings) Recurrence Benefit Cancer plus 29 other Specified Diseases with Schedule of Benefits	Double Benefit Rider 50% or 100% Job Loss Protection Waiver of Premium Cancer Rider
Premium By Age:	Non-Smoker Rates Employee Only Coverage	Non-Smoker Rates Employee Only Coverage	Non-Smoker Rates Employee Only Coverage \$30,000
30	\$24.51 (Cancer) + \$8.73 (Critical Illness) = \$33.24	\$22.00	\$32.39
40	\$26.33 (Cancer) + \$19.60 (Critical Illness) = \$45.93	\$58.65	\$101.06
50	\$26.45 (Cancer) + \$24.30 (Critical Illness) = \$50.75		
60	\$26.97 (Cancer) + \$29.02 (Critical Illness) = \$55.99		
Rate Stability			Though rate changes are infrequent, rates are only guaranteed not to change for the first year. Rates, product availability, Health questions, etc. may vary by state.
Rate Assumptions	Rates are a composite of a Single non-smoker and of the three Plan Options Allstate Provides. This represents the average rate of actual participation. Allstate offers the Cancer Plan with two (high/low) options with rates on a 2-tiered rate structure. Allstate offers the Critical Illness Plan with three (low/medium/high) options with rates on a 4-tiered structure.		All Rates are Age Banded; The Cancer Coverage is a Rider to the Critical Illness Age Bands match up 100% to current Age Bands with Allstate. Assumes all current Critical Illness Participant will also purchase a Cancer Rider with Trustmark.
Annual Employee Premiums for both Critical Illness and Cancer	Cancer Rates are not Age Banded Critical Illness Rates are Age Banded		
Annual Employee Premiums for both Critical Illness and Cancer	\$577,922		\$545,328
Commissions	(Combined Critical Illness Premium of \$182,964 and Cancer Premium of \$394,958)		
Critical Illness	First Year is 65%		Trustmark pays First Year Commissions of 65% for Takeover Plans with Renewal Commissions of 11% for Critical Illness and Cancer plans combined
Cancer	Renewal Year is 10% First Year is 47% Renewal Year is 9%		Trustmark pays First Year Commissions of 80% for new plans with Renewal Commissions of 11% for Critical Illness and Cancer plans combined
Estimated First Year Commissions (Included in Annual Employee Premiums)			
Critical Illness	\$118,927		\$354,463
Cancer	\$185,630		Included
Total First Year Commissions	\$304,557		\$354,463