

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: September 9, 2013
	Agenda Item No. 29 Roll Call No. <u>13-1403</u> Communication No. <u>13-459</u> Submitted by: James R. Wells, Human Resources Director

AGENDA HEADING:

Approve contract with Principal Financial Group, Larry Zimpleman, President and CEO, 711 High Street, Des Moines, Iowa 50309, for the provision of group and supplemental life insurance and long-term disability (LTD) benefits for eligible employees.

SYNOPSIS:

Nine (9) proposals were received in response to a Request for Proposal (RFP) for employee life and LTD insurance. Principal Financial Group (PFG) submitted the lowest cost and received the overall highest score. The proposed rates for the group life insurance and the long-term disability are lower than current rates for an estimated premium savings of \$161,000 per year. PFG guaranteed their rates for three (3) years. The agreement will include two (2) additional one (1) year options. If the Incurred Experience is 90% or better, an immediate 1 year will be added to the guarantee. After an additional 12 months, if the Incurred Experience is 90% or better, an immediate 1 year will be added to the guarantee. However, if the Incurred Experience is between 90% and 100%, PFG will cap the rate at a 10% increase. If the experience is 100% or greater in either years 4 or 5, PFG and the City will need to re-rate the plans and return to City Council for approval. The RFP also solicited bids for the Des Moines Airport Authority and the Des Moines Water Works (DMWW). The Airport Authority purchases employee benefits through the City group and DMWW was offered a similar opportunity. DMWW's current contracts for life and LTD insurance expire January 1, 2014. They will decide to either purchase insurance from PFG through the City group or continue to purchase these benefits independent of the City.

FISCAL IMPACT:

Amount: \$466,102/year (\$149,568 life; \$316,534 LTD)

Funding Source: SP451 HRS961000, p. 133 Operating Budget ending June 30, 2014

ADDITIONAL INFORMATION:

The City provides LTD benefits to various union employees (Municipal Employees Association [MEA]; Central Iowa Public Employees Council [CIPEC]; American Federal, State, County and Municipal Employees [AFSCME]) and the Supervisor, Professional and Management (SPM) employees. This benefit provides partial income replacement of an employee's salary in the event they are unable to work due to an illness or accident. Benefit coverage for each union group is determined through the collective bargaining process. The City also provides basic term life insurance to most permanent

employees. Benefit coverage varies by employee group. The Hartford currently provides the LTD benefit and Dearborn insures the life insurance benefit.

The RFP process generated nine (9) proposals. PFG submitted the lowest cost proposal and received the highest overall score. PFG's life insurance quote of \$.11/\$1,000 of coverage are two (2) cents less than City's current cost for an annual savings of \$27,000. PFG's LTD quote is less than current rates in all categories for a projected annual savings of \$134,000. Supplemental life insurance is offered to employees as well through the group life contract. These rates remain unchanged. Benefits will remain the same for City employees. This RFP also solicited quotes for FMLA administration. This service is normally provided by companies that offer LTD insurance. Staff will begin evaluating the value of outsourcing FMLA administration.

PREVIOUS COUNCIL ACTION(S):

Date: May 20, 2013

Roll Call Number: [13-0810](#)

Action: [Exception](#) to Competitive Procurement Process and approving long term disability benefits for eligible employees with the Hartford for the period July 1, 2013 through September 30, 2013. ([Council Communication 13-254](#)) Moved by Hensley to approve. Motion carried 7-0.

Date: August 9, 2010

Roll Call Number: [10-1282](#)

Action: [Approving](#) Long Term Disability Insurance Coverage benefits through June 30, 2013 with The Hartford Life Group (Liam E. McGee, President and CEO). ([Council Communication No. 10-484](#)) Moved by Moore to adopt. Motion carried 7-0.

Date: September 8, 2008

Roll Call Number: [08-1592](#)

Action: [Authorizing](#) negotiation of contract with Wellmark/Fort Dearborn Life for life insurance benefits for City Employees, commencing October 1, 2008 for five (5) years. ([Council Communication No. 08-525](#)) Moved by Vlassis to adopt. Motion carried 7-0.

Date: June 4, 2007

Roll Call Number: [07-1084](#)

Action: [Long-Term](#) Disability Insurance coverage with The Hartford Life Group beginning July 2007 through June 30, 2010 with three (3) one (1) year options to renew. ([Council Communication No. 07-337](#)) Moved by Vlassis to adopt. Motion carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.