



STAFF REPORT

DATE: April 6, 2021

TO: Kent Cagle, City Manager

FROM: Eva Bark, Executive Director of Human Resources

SUBJECT: Recommendation to the Employee Benefits Trust for the selection of dental insurance and approving contracts for an online benefit system, life and disability insurance, vision insurance and worksite benefits.

BACKGROUND AND FINDINGS:

In partnership with the City's Employee Benefit Consultant, Lockton Dunning, on January 17, 2021, the City initiated a Request for Proposal 21-017 (RFP) to solicit bids for an online benefit enrollment system that also administers COBRA (Consolidated Omnibus Budget Reconciliation Act) and ACA (Affordable Care Act) reporting. The RFP also included the review of dental insurance and life insurance (basic life and basic accidental death and dismemberment) paid by the City, as well as voluntary term life and voluntary accidental death and dismemberment, disability insurance (voluntary short-term and long-term disability), vision insurance, and worksite benefits paid by the employee. Staff received and reviewed proposals from five (5) vendors that provide an online benefit enrollment system, five (5) dental vendors, eight (8) vision vendors, four (4) life and disability vendors, and nine (9) worksite benefits vendors. The review and evaluation of the proposals was based on product offerings, reputation of the vendors, and cost savings for the City and the employees.

In evaluation of the online benefit enrollment systems, the City saves an estimated \$12,395 by continuing services with the current system, BenAdmin, managed by Web Benefits Design (WBD). The reduction in cost includes savings from platform financial support received from new dental, vision, life and disability, and worksite vendors. WBD manages the City's online benefit enrollment software; in addition, it administers COBRA and ACA reporting. Currently, the total cost for the BenAdmin system is \$74,034 annually; the City pays \$49,592 and Lincoln and Guardian (current dental, vision and worksite benefits) cover the additional cost of \$24,442 as subsidies. For FY22, the total cost will be \$75,434, which includes \$1,400 annual renewal fees; the City will pay \$38,597, and MetLife, Allstate, and Avesis, as subsidies, will cover the additional cost of \$36,837. Web Benefits Design is proposing a three-year contract with no rate increases in an estimated amount paid by the City of \$115,791 over the three-year contract period, with estimated savings of \$32,985 annually. The contract will commence on August 1, 2021.

Currently, approximately 1,167 employees elect the City's dental insurance plan. The City pays 100% of dental premium for employee only coverage on the lowest plan option. Employees may purchase additional dental care coverage for eligible family members or dependents at their added expense. The current carrier for dental insurance is Lincoln Financial Group. By transitioning to MetLife, the total savings for the City and employees is 14% (\$95,262). The City will continue to offer two dental plan options with MetLife. In addition, MetLife has agreed to a two (2) year rate

guarantee with an increase cap of 5% if we choose to renew on year three (3) with minimal benefit and network disruption. The contract will commence October 1, 2021.

Chapter 222.002 of the Texas Insurance Code creates an annual tax that is imposed on insurers for gross medical or dental premiums received from their policy holders. Gross premiums paid by some entities which includes municipalities, can be exempt the taxes being collected by the insurer. This exemption from taxes can be claimed if a municipality establishes something called a single entity benefits trust, or an Employee Benefits Trust (EBT). An EBT can save the city from paying taxes on the premiums currently paid for employee insurance benefits. The City of Killeen has established an EBT and the City Council makes a recommendation to the EBT for the selection of a dental insurance provider.

Life insurance (basic life and basic accidental death and dismemberment) paid by the City as well as voluntary term life and voluntary accidental death and dismemberment, disability insurance (voluntary short-term and long-term disability), vision and worksite insurances (including accident, critical illness, and hospital indemnity) paid by the employee were also reviewed through the RFP process. The City pays for a basic life and basic accidental death and dismemberment plan for all City employees. There is no financial impact for basic life and basic accidental death and dismemberment by transitioning to MetLife. Employees may purchase additional voluntary life insurance, disability insurance, vision insurance and worksite products at no cost to the City. Transitioning the voluntary life and disability insurance to MetLife will result in \$98,000 in annual savings for employees. The current carrier for vision is Guardian and there is no financial impact to the employees by transitioning to Avesis. In addition, Avesis is offering a four (4) year rate guarantee and improved administration with minimal benefit and network disruption. The current carriers for worksite products are Lincoln and Guardian. Transitioning these products to Allstate will result in better benefits and lower cost for most employees and improved administration for the City. The contract will commence October 1, 2021.

After a thorough analysis of the options provided, it is recommended that the City Council recommend to the Employee Benefits Trust the selection of MetLife for dental insurance and that the City to enter into agreements with Web Benefits Design for the City's benefits online software, COBRA administration and ACA reporting, MetLife for life and disability, Avesis for vision, and Allstate for worksite products. This transition will create an overall estimated annual savings to the City and employees of \$204,257.

THE ALTERNATIVES CONSIDERED:

Alternatives considered:

- (1) Entering into a contract with one of the other BenAdmin, dental, life and disability, vision, and worksite products vendors.
- (2) Entering into a new contract with Web Benefits Design and entering into a contract with one of the other vendors for dental, life and disability, vision, and worksite products.
- (3) Entering into a new contract with Web Benefits Design for online benefit enrollment and administration with an estimated \$12,395 annual savings, effective August 1, 2021; recommending to the Employee Benefits Trust that the City enter into an agreement with MetLife for dental insurance with an estimated \$95,262 annual savings for the City and employees;

entering into an agreement with MetLife for voluntary life and disability insurance yielding \$98,000 estimated annual savings for employees; entering into an agreement with Avesis for vision; and entering into an agreement with Allstate for the worksite products, effective October 1, 2021. The total overall estimated annual savings to the City and employees of \$204,257.

Which alternative is recommended? Why?

Staff recommends the third alternative because there will be an overall estimated annual savings to the City and employees of \$204,257.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

BenAdmin - estimated annual cost savings of \$12,395 for the City.

Dental - estimated annual cost savings of \$95,262 for the City and employees.

Basic Life and AD&D - none

Voluntary Life, Accidental Death and Dismemberment, and Disability - estimated annual cost savings of \$98,000 for employees

Vision - none

Worksite Benefits - Cost savings for most employees.

What is the amount of the expenditure in the current fiscal year? For future years?

BenAdmin (contract effective 8/1/2021 thru 7/31/2024)

FY 20-21

- \$3,100 per month (\$6,200 for 2 months), plus \$1,400 one-time renewal fees

FY 21-22

- \$3,100 per month (\$37,200 for 12 months), plus \$1,400 one-time renewal fees

FY 22-23

- \$3,100 per month (\$37,200 for 12 months), plus \$1,400 one-time renewal fees

FY 23-24

- \$3,100 per month (\$31,000 for 10 months) - contract ends 7/31/2024

Dental (current contract ends 9/30/2021; new contract with new vendor effective 10/1/2021 for two years)

FY 20-21

- \$28,825 per month (\$345,899 for 12 months)

FY 21-22

- \$22,616 per month (\$271,398 for 12 months)

FY 22-23

- \$22,616 per month (\$271,398 for 12 months) - Rate guarantee ends 9/30/2023

FY 23-24

- \$23,747 per month (\$284,968 for 12 months) - Maximum 5% rate increase

Basic Life, and AD&D (current contract ends 9/30/2021; new contract with new vendor effective 10/1/2021)

FY 20-21

- \$2000 per month (\$24,000 for 12 months)

FY 21-22

- \$2,000 per month (\$24,000 for 12 months)

FY 22-23

- \$2,000 per month (\$24,000 for 12 months)

FY 23-24

- \$2,000 per month (\$24,000 for 12 months)

Is this a one-time or recurring expenditure?

This is an annually recurring expenditure.

Is this expenditure budgeted?

Yes

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes, within each division's personnel service accounts.

RECOMMENDATION:

Staff recommends the City Council authorize the City Manager or his designee to enter into a contract with Web Benefits Design for online benefit enrollment and administration, effective August 1, 2021; an agreement with MetLife for voluntary life and disability insurance; an agreement with Avesis for vision; an agreement with Allstate for the worksite products, effective October 1, 2021 and recommending to the Employee Benefits Trust that the City enter into an agreement with MetLife for dental insurance with an estimated \$95,262 annual savings for the City and employees. The City Manager or his designee are further authorized to execute any and all change orders authorized by law or policy.

DEPARTMENTAL CLEARANCES:

Purchasing

Finance

Legal

ATTACHED SUPPORTING DOCUMENTS:

Dental Rates

Web Benefits Design Corporation - Certificate of Interested Parties