



## AGENDA MEMORANDUM

Action Item for the City Council Meeting June 14, 2022

**DATE:** June 14, 2022

**TO:** Peter Zaroni, City Manager

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### Service Agreement for Employee Long-Term Disability Insurance

#### **CAPTION:**

Motion authorizing a one-year extension with Madison National Life Insurance Company, Inc. for fully insured long-term disability insurance with an estimated cost of \$290,000, effective October 1, 2022, with funding requested in the FY 2023 Proposed Budget from the Health Benefits Fund.

#### **SUMMARY:**

This motion authorizes the second and final of two one-year extension options for health benefits effective October 1, 2022.

#### **BACKGROUND AND FINDINGS:**

The first extension for employee health benefits will expire September 30, 2022. This proposed contract extension is to exercise the final one-year option agreement. These benefits provide long term disability insurance to City employees. City staff will complete a full Request for Proposals (RFP) process next year to ensure the best value for the City.

The City provides Long-term disability to all full-time non-uniformed employees at a base plan of 50% of their base salary with a six-month waiting period from the date of injury or illness to the date disability income payments begin. Employees may pay extra to obtain policies that have shorter waiting periods and cover up to 66.67% of their base salary. The City's long-term disability insurance premiums for FY 2023 are estimated at \$150,000, and the employees will contribute an additional \$140,000 through payroll deductions for the more generous policy options.

#### **PROCUREMENT DETAIL:**

This item is requesting the second and final extension granted under RFP Number 1484 which was released January 15, 2018.

Four long-term disability insurance providers submitted proposals and were evaluated by the RFP committee. The firms also provided best and final offers for review. Scores were tabulated and Madison National Life Insurance was recommended for award as the highest-ranking firm that offered the best value to the City for long term disability insurance benefits.

The City’s Human Resources Department will complete a new RFP over the next nine months, evaluating firms for pricing, financial stability, claims processing, customer service, and performance.

**ALTERNATIVES:**

The Council may choose to not pass the motion.

**FISCAL IMPACT:**

There are no funds needed for this fiscal year as the contract extension will not begin until next fiscal year. The estimated value of this contract extension is \$290,000 for the one-year extension term. That cost is an estimation based on current employee participation in disability insurance programs.

**FUNDING DETAIL:**

Description	Fund	Fund Name	Accounting Unit	Account No.	Amount
<b>Madison National Life Insurance</b>					
City-paid Long Term Disability Insurance	5614	Other EE Benefits	5614-40610-213	537270	\$ 150,000
Employee-Paid Long Term Disability Insurance	5614	Other EE Benefits	5614-00000-000	200548	\$ 140,000
<b>BCBS Total</b>					<b>\$ 290,000</b>

**RECOMMENDATION:**

Staff recommends approval of this motion, as presented.