



**CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING**

#18-1002

TO: Honorable Mayor & Members of the
Fort Lauderdale City Commission

FROM: Lee R. Feldman, ICMA-CM, City Manager

DATE: October 23, 2018

TITLE: Motion Authorizing Purchase of Long Term Disability (LTD) Insurance
Policy for City Employees Eligible for 401(a) Retirement Benefits – Cigna
\$366,438.00

Recommendation

It is recommended that the City Commission approve the purchase of a Group Long Term Disability (LTD) policy for community builders eligible for 401(a) Retirement Benefits from Cigna and underwritten by Life Insurance Company of North America in the estimated three-year amount of \$366,438; and authorize execution by the City Manager of the LTD Group Insurance Policy.

Background

The City currently provides a defined benefit pension plan for sworn police officers and firefighters under the Police and Fire Retirement System; and for community builders hired before October 1, 2007 that are members of the Teamsters Union, community builders hired before November 7, 2007 that are members of the Federation of Public Employees Union, and all other community builders hired before February 20, 2008 that are not covered by a bargaining unit under the General Employees' Retirement System (GERS). All other full time regular community builders, not eligible for a defined pension benefit, are members of the City's 401(a) Defined Contribution Plan.

As the City's defined retirement benefit plans contain provisions for covered community builders to receive benefits as a result of a disability but there is currently no LTD option available for members of the City's 401(a) Defined Contribution Plan, it is recommended that the City purchase a LTD policy to cover all full-time actively employed community builders who are members of the City's 401(a) Defined Contribution Plan (approximately 756 employees as of July 31, 2018).

In an effort to assure the benefits offered by the City are competitive with other local government employer benefits, a survey of twenty (20) neighboring public entities was reviewed by staff. It was discovered that the current benefits which does not include a City paid for LTD policy for employees was in the minority. Based on the survey, the majority of comparable employers provide an employer paid for LTD policy of some

type. As a result, a City sponsored LTD policy with a one-hundred eighty (180) day waiting period for all full-time actively employed Community Builders who are members of the City's 401(a) Defined Contribution Plan is recommended.

The City's contracted consultant, Lloyd Rhodes of The Rhodes Insurance Group, conducted negotiations with available markets, and fourteen (14) responses were received. Following a detailed request for proposal (RFP) process and analysis comparing benefit provisions and cost, the results found Cigna to be the best policy option. Based on the current salary volume of the 756 eligible Community Builders (as of July 31, 2018), Cigna maintained a very competitive premium quote, a three-year rate guarantee for 2019-2021, a reduction on the City's health plan administration fees of 1% (estimated to be \$6,877 annual savings) and a projected 0.5% medical claim reduction. The Cigna LTD policy includes a maximum benefit of 60% of monthly earnings to a maximum of \$15,000 monthly following a 180-day elimination (waiting) period. In addition, Cigna's willingness to accept the City's P-card for premium payment made them the best selection.

Staff, and by recommendation from the Insurance Advisory Board and the City's Benefits Consultant, requests City Commission approval for the purchase of a Group LTD policy from Cigna for all active full-time benefit eligible Community Builders who are members of the City's 401(a) Defined Contribution Plan in the estimated annual amount of \$116,237 for 2019, \$122,049 for 2020, and \$128,152 for 2021 based on current salary volume with an estimated 5% annual increase. The Insurance Advisory Board reviewed and recommended approval of this item at their August 1, 2018 meeting. A sample specimen policy is attached as Exhibit 4. The actual LTD Group Insurance Policy will be submitted upon binding.

Resource Impact

Taking into consideration cost-of living adjustments along with filling vacant positions and based on estimated salary volume, there will be an estimated current year fiscal impact to the City in the amount of \$116,237. Future expenditures are contingent upon approval and appropriation of the 2020 and 2021 Fiscal Year Budgets.

<i>Funds available as of October 1, 2018</i>					
ACCOUNT NUMBER	INDEX NAME (Program)	CHARACTER CODE/ SUB-OBJECT NAME	AMENDED BUDGET (Character)	AVAILABLE BALANCE (Character)	AMOUNT
545-INS220101-5135	Self-Insured Health Benefits	Non-Oper Exp/ Other Carrier Premiums	\$26,943,186	\$26,943,186	\$116,237
TOTAL AMOUNT ►					\$116,237

Strategic Connections

This item is a *Press Play Fort Lauderdale Strategic Plan 2018* initiative, included within the Internal Support Cylinder of Excellence, specifically advancing:

- Goal 12: Be a leading government organization, managing our resources wisely and sustainably.
- Objective 1: Ensure sound fiscal management.

This item advances the *Fast Forward Fort Lauderdale 2035 Vision Plan: We Are United*.

Attachments

Exhibit 1 – Group LTD Policy Proposal from Cigna underwritten by Life Insurance Company of America

Exhibit 2 – Group LTD RFP Recommendation Letter from The Rhodes Insurance Group

Exhibit 3 – City of Fort Lauderdale Group LTD Policy Comparison Summary

Exhibit 4 - Cigna Sample LTD Policy

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