



Good Neighbors

San Diego  
Housing Commission

# REPORT

ITEM 103

DATE: For the Agenda of May 19, 2000

REPORT NO.: HCR00-056

SUBJECT: Renewal of Employee Group Benefits Plans

## SUMMARY

**Issue:** Should the Housing Commission provide employee group benefits for employees represented by the union and nonrepresented employees through FY01 based on employee input and negotiated agreement?

**Recommendation:** Pursuant to this year's union negotiated agreement, authorize the Chief Executive Officer to execute agreements to: (1) **renew** a Kaiser modified plan and **replace** Health Net medical plan with PacifiCare group medical plan; (2) **replace** Safeguard group dental prepaid plan and Delta Dental PPO/Indemnity plan with PacifiCare prepaid and PPO/Indemnity dental plans; (3) **renew** Universal Permanent Life option through Reliastar; (4) **renew** Reliastar Voluntary Portable Term Life/AD&D plan, and **renew** the following core benefits: (5) Reliance Standard LTD plan; and (6) Reliance Standard Basic Term Life and AD&D plan.

**Fiscal Impact:** The estimated annual Flex Credits contribution and cost of core benefits provided by the Commission for renewal of the Employee Group Flexible Benefits Plan is \$1,110,617 per year for 244.5 employees. Costs exceeding the Commission provided Flex Credits and any additional benefits are paid by the employee. FY01 benefits costs are included in the proposed FY01 Budget.



**Certificate of Funding Availability:**

Certificate No: 01-024  
Amount: \$1,110,617  
Revenue Source: Multiple  
Division: Multiple  
Line Item: Benefits

**Equal Opportunity Statement:** Staff monitors each carrier's workforce to ensure compliance with federal, state and local equal employment laws and regulations.

Workforce reports have been requested from all providers. None of the carriers are certified Minority, Women, Disabled Veteran Business Enterprise firms, nor are there any known certified firms to deliver the required scope of services. Outreach recruitment efforts to add licensed medical and dental plan providers have been discussed with the Commission's consultant.

**Future Related Action(s):** Action regarding FY01 Flexible Benefits Contribution amount available to employees is the subject of meet and confer and will be addressed in a report on the June 6, 2000 Housing Commission agenda.

**BACKGROUND**

The Housing Commission Section 125 Flexible Benefits Plan was implemented July 1, 1988 and includes employer-paid core benefits to employees for (1) basic term life with accidental death and dismemberment (AD&D) insurance equal to one year's salary per employee with a minimum of \$15,000 and (2) a long term disability plan.

The Commission currently contributes \$3,800 per year to employees to purchase certain optional benefits on a pre-tax basis or, if covered by an approved outside plan, to receive as taxable income. Benefit options include health, dental, employee and spouse additional life and AD&D insurance, additional dependent life insurance, and flexible spending accounts to pay for non-reimbursed health and dependent care expenses. Employees can select benefits in excess of their allowance by contributing the cost differential.

On April 27, 1998 the Housing Commission approved a contract with Barney & Barney, LLC for benefit consulting services for the term July 1, 1998 through June 30, 2000 with option to renew for three (3) additional one-year terms. The first year option to renew effective July 1, 2000 is currently in process.

## **DISCUSSION**

In cooperation with the employee union, Service Employees International Union, Local 535, the Commission surveyed employee benefits interest prior to plan solicitation and recommendation. Barney & Barney solicited and evaluated benefits plan proposals for implementation July 1, 2000 including proposals recommended by Local 535 through a Trust Agreement for union represented employees and their associates. Benefits plan recommendations, Attachments 1 and 2, were developed after considering various coverage options and conditions, costs, and employee survey results. The recommendations reflect the best overall plan selections for employees based on employee interest, survey responses, cost and union negotiations.

Each year, the cost of plan providers for employee group benefits increases. Kaiser health plan rates increased approximately 21%, Health Net increased 13%, Safeguard dental increased 0%, and Delta Dental PPO/Indemnity plan renewal increase January 1, 2001 is estimated to be 4-6%.

Recommendations for employee-paid benefits include renewing a Kaiser modified plan, and replacing the Health Net health plan, the Safeguard prepaid dental plan and the Delta Dental PPO/Indemnity dental plan. Some changes to plan design or coverage are included.

The Kaiser modified plan presents a cost savings of 8.8% on Kaiser renewal rates. The PacifiCare health plan provides a viable option to the Health Net plan by providing the same plan design, a larger plan network, and a cost savings of 9.1% on Health Net renewal rates. The PacifiCare prepaid dental plan offers a 0% increase in cost, a larger provider network and features a second-year rate cap at 8%. The PacifiCare PPO/Indemnity plan provides an improved dental network, a 10% second-year rate cap, and a corresponding plan year.

The Reliance Standard package of employer paid Basic Term Life/AD&D Insurance and LTD insurance newly placed last year at a reduced cost of 17% and 25% respectively, are recommended for renewal at a 0% cost increase.

The Voluntary Additional Term Life/AD&D currently provided by Reliastar was improved last year by the addition of a portability feature at a cost reduction of 8% to 14% (varies by age). Renewal is recommended at a 0% cost increase.

Last year's addition of a new Voluntary Permanent Universal Life option for employees, spouses and children, providing a paid-up policy with cash value at retirement at no cost to the Commission, is also recommended for renewal.

The proposed benefits result from extensive research and cost comparative analysis by the labor negotiation teams and consider the overall interest of all employees and the Commission. All employees have been notified of the proposed changes in plans and costs.

**ALTERNATIVES**

Delay approval or do not approve the plans offered. Neither of these options are recommended because proposals are guaranteed for up to 60 days and approval is needed to lock in these reasonable rates. Delay or nonapproval will require extension of current plan agreements with insurance carriers, or potentially cause interruption of coverage for employees. Non-implementation may result in a loss of good faith bargaining.

Respectfully submitted,

**Signature on File  
With Original Document**

Approved by,

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Steven L. Mikelman  
Chief Operating Officer

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Elizabeth C. Morris  
Chief Executive Officer

C. Baker-Pautsch

- Attachments: 1) Renewal Summary  
2) Renewal Rate Schedule

San Diego Housing Commission  
**Group Benefits Renewal Summary**

<b>MONTHLY RATE PER EMPLOYEE</b>				
<b>BENEFIT PROVIDER</b>	<b>CURRENT</b>	<b>RENEWAL</b>	<b>AVERAGE % CHANGE</b>	<b>RECOMMENDATION</b>
<b>Group Health</b>				
Health Net (\$5 OV - \$5/\$10/50% RX)	172.11	194.48	+ 13.0%	Delete
Kaiser (\$5 OV - \$7 RX)	138.11	167.72	+ 21.4%	Delete
Kaiser (\$10 OV - \$10 RX)	N/A	155.58	+ 12.6%	Add
PacifiCare (\$5 OV - \$5/\$10/\$25 RX)	N/A	178.84	+ 3.9 %	Add
<b>Group Dental</b>				
Safeguard - Prepaid	9.42	9.42	+ 0 %	Delete
Delta Dental - PPO/Indemnity *Estimated renewal 1/1/01	32.47	33.32*	+ 4.0 %*	Delete
PacifiCare 590 – Prepaid	N/A	9.42	+ 0 %	Add
PacifiCare – PPO/Indemnity A-1600	N/A	31.98	+ 6.5 %	Add
<b>Universal Permanent Life</b> (Employee, Spouse & Dependent) ReliaStar				
	Individual Policy Rates		N/A	Renew
<b>Additional Portable Term Life</b> (Employee & Spouse) ReliaStar				
	Age Rated	Age Rated	+ 0 %	Renew
<b>Additional AD&amp;D</b> (Employee & Spouse) ReliaStar				
	.03/\$1,000	.03/\$1,000	+ 0 %	Renew
<b>Dependent Portable Term Life</b> ReliaStar				
	.25/\$1,000	.25/\$1,000	+ 0 %	Renew
<b>Long Term Disability</b> (Core Benefit - 60 day wait) Reliance Standard* <b>*\$56,480 annual cost</b>				
	.53/\$100	.53/\$100	+ 0 %	Renew
<b>Basic Term Life/AD&amp;D</b> (Core Benefit -1x Salary, min \$15,000) Reliance Standard* <b>*\$25,576 annual cost</b>				
	.20/\$1,000	.20/\$1,000	+ 0 %	Renew

San Diego Housing Commission  
**Group Benefits Renewal Rate Schedule Effective July 1, 2000**

MONTHLY RATES <b>OPTIONAL</b> COVERAGE				
Coverage Carrier		Current 07/01/99 To 06/30/00	Renewal/Replace 07/01/00 To 06/30/01	Percent Change (from current rate)
<b>PacifiCare Medical Plan</b> (\$5 OV - \$5/\$10/\$25 RX)	EE Only	N/A	\$178.84	+ 3.9 %
	EE1	N/A	\$356.68	+ 3.6 %
	EE2+	N/A	\$518.76	+ 3.9 %
<b>Kaiser Medical Plan</b> (\$10 OV - \$10 RX)	EE Only	\$138.11	\$155.58	+ 12.6 %
	EE1	\$276.22	\$311.16	+ 12.6 %
	EE2+	\$390.85	\$440.29	+ 12.6 %
<b>PacifiCare Dental 590 – Prepaid</b> (8% rate cap second year)	EE Only	N/A	\$9.42	+ 0 %
	EE1	N/A	\$17.96	+ 0 %
	EE2+	N/A	\$22.86	+ 0 %
<b>PacifiCare Dental PPO/Indemnity – Plan A-1600</b> (10% rate cap second year)	EE Only	N/A	\$31.98	+ 3.9 %
	EE1	N/A	\$70.92	+ 15.0 %
	EE2+	N/A	\$107.10	+ 6.7 %
<b>ReliaStar Additional Portable Term Life with AD&amp;D Employee &amp; Spouse</b> (Cost per unit of \$10,000)	Age	ReliaStar	ReliaStar	+ 0 %
	Under 30	.92	.92	
	30-34	1.01	1.01	
	35-39	1.28	1.28	
	40-44	1.83	1.83	
	45-49	2.81	2.81	
	50-54	4.43	4.43	
	55-59	6.73	6.73	
	60-64	10.33	10.33	
	65-69	18.25	18.25	
<b>ReliaStar Dependent Term Life</b> (\$1,000 per child)		.25	.25	+ 0%
	<b>ReliaStar Universal Permanent Life</b> Employee, Spouse & Dependent	N/A	Individual Policy Rates	

EE = Employee Only    EE1 = Employee plus one dependent    EE2+ = Employee plus two or more dependents