

FISCAL IMPACT STATEMENT

Indicate the **Total Fiscal Impact** of the action requested, including personnel, operating, and capital costs. Indicate costs for the current fiscal year and continuing costs in future years. Include all related costs necessary to place the asset in service.

1. DESCRIPTION: Approval to negotiate and execute a contract and subsequent renewals with the top ranked firm of the Group Term Life, Accidental Death and Dismemberment (AD&D), Short Term Disability (STD) and Long Term Disability (LTD) Insurance Request for Proposals (RFP17-0276), Standard Insurance Company.

COSTS:

2. Does the acceptance of this action require the hiring of additional or new personnel or the use of overtime?
☐ Yes ☒ No (if Yes, include all personnel costs below).

3. Is the action funded in the current year budget and/or through reallocation of existing Department resources:
☒ Yes ☐ No If No, how will this item be funded? _____. PLEASE NOTE: If the action is funded by a grant received by the City please include the fiscal year of the funding award, grantor name, granting agency or office name (if any), grant name and when the grant agreement was approved by City Council.

Did this item require BRC action? ☐ Yes ☒ No If Yes, BRC Date: _____ BRC Item #: _____

4. This item will be charged to Fund/Dept/Program/Project: Group Term Life - 0010 F/BSA0010 C (Active Life) and 6540 F/PEN00012 C (Retiree Life); AD&D - 0010 F/BSA0010 C; STD - 0010 F/BSA0010 C; LTD - 0010 F/BSA0010 C (Fully-Insured LTD) and 6535 F/NON0011 C (Self Insured LTD).

| 5. | (a) Current Year Estimate | (b) Next Year Annualized | (c) Annual Continuing Costs Thereafter |
|--------------|---------------------------------|--------------------------------|--|
| Personnel | \$ | \$ | \$ |
| Operating | | \$930,000 | \$1,240,000 |
| Capital | | | |
| Total | | <u>\$930,000</u> | <u>\$1,240,000</u> |

6. If costs do not continue indefinitely, explain nature and expiration date of costs: Premium rates are proposed on a Plan Year (Calendar Year) basis. Column (b) represents 9 months of the City's portion of premiums from 1/1/2018 - 9/30/2018. Column (c) represents 12 months of the City's portion of premiums from 10/1/2018 - 9/30/2019. Premiums are guaranteed for 3 years (Calendar Year 2018, 2019, and 2020). The guarantee will continue for calendar years 2021 and 2022 if loss ratios are below 85% for Life/AD&D and below 75% for STD/LTD.

7. OTHER COSTS

(a). Are there any future costs, one-time payments, lump sum payments, or other costs payable for this item at a later date that are **not** reflected above: ☐ Yes ☒ No

(b) If yes, by Fiscal Year, identify the dollar amount and year payment is due: \$ N/A Payment due date _____

(c) What is the nature of these costs: N/A

REVENUE:

8. What is the estimated increase in "valuation" added to the tax rolls? \$ N/A. Tax roll increase is:
☐ real property, ☐ tangible personal property, ☐ other (identify _____).

9. What is source of the revenue and the estimated annual recurring revenue? Source: N/A \$ N/A

10. If non-recurring, what is the estimated Fiscal Year and amount of non-recurring revenue that will be realized?
Source N/A Fiscal year N/A \$ N/A non-recurring revenue

11. What is the Payback period? N/A years

12. JUSTIFICATION: Document justification for request. Include anticipated economies or efficiencies to be realized by the City, including reductions in personnel or actual cost (cash flow) reductions to be realized in your budget. STD and AD&D premiums remain unchanged with no financial impact. Due to the high volume of Life and LTD claims, Standard requires a 20% and 15% increase, respectively, in order to stabilize the loss ratios. This will result in an estimated \$255,000 increase to premiums annually (\$175,000 increase to City-paid premium and an \$80,000 increase to employee-paid premium). Based on the high claims experience, these increases will better position the City to keep

rates stable in years 4 and 5 (2021 and 2022). In addition, when the Life and Disability contract was originally awarded to Standard Insurance Company in 2011, the annual premium savings was \$300,000 below the incumbent carrier. The 2018 through 2020 rates proposed by Standard Insurance Company for Life and AD&D remain below the rates that were in place in 2010. Disability premiums cannot be compared to 2010 due to: 1) STD had 14-day and 30-day elimination periods while the current plan only has a 14-day elimination period; and 2) LTD was administered and funded by the City in 2010.

13. APPROVED: Ana Palenzuela (Submitting Director or authorized Division Mgr **Only**)

FIS 3/14/08