

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

239  
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**FROM:** Human Resources Department

**SUBMITTAL DATE:**  
September 12, 2012

**SUBJECT:** Standard Life Insurance and Long-Term Disability plan renewal rates; and the Discontinuance of Lincoln Financial Group Life Insurance plan.

**RECOMMENDED MOTION:** That the Board of Supervisors 1) approve Standard Insurance Company (Standard) as the life insurance vendor to provide Basic Life Insurance, Accidental Death and Dismemberment Insurance, and supplemental Life Insurance, for eligible County of Riverside employees, their spouses/domestic partners and/or their dependent child(ren), effective January 1, 2013; 2) approve the Standard Long-Term Disability renewal rates; 3) approve the premium rates for each life insurance plan (Attachment A-B); and 4) approve the discontinuance of Lincoln Financial Group (Lincoln) Basic Life and Supplemental Life Insurance plans, effective December 31, 2012.

Departmental Concurrence

*Barbara A. Olivier*  
\_\_\_\_\_  
Barbara A. Olivier  
Asst. County Executive Officer/Human Resources Director

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ (665,816)	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$	Budget Adjustment:	No
	Annual Net County Cost:	\$	For Fiscal Year:	2012/13

<b>SOURCE OF FUNDS:</b> Department and employee payroll deductions.	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:**

**APPROVE**  
BY: *Ivan M. Chand*  
Ivan M. Chand 9/25/2012

**County Executive Office Signature**

- Consent
- Policy
- Consent
- Policy

Dept't Recomm.:  
Per Exec. Ofc.:

**Prev. Agn. Ref.:** 08/16/2011, 3.60 | **District:** ALL | **Agenda Number:**

**3.17**

**Background continued:**

Aon Consulting, Inc., (Aon Hewitt), on behalf of Human Resources, released a Request for Proposal (RFP) for Basic Life, Accidental Death and Dismemberment, Supplemental Life and Long-Term Disability Insurances, mailing solicitations to 10 organizations. Seven organizations submitted bids in response to the RFP. The initial bids ranged from \$2,689,194 for partial services to \$5,265,723 for all services requested in the RFP.

The proposals were reviewed by Human Resources and Aon Hewitt, and were based on the following criteria: experience and ability, customer service, overall cost, clarifications and exceptions.

The County entered into Best and Final Negotiations with four finalists. The Standard Life Insurance Company (Standard) was selected as the most responsive bidder at an estimated annual cost of \$4,063,192 which includes fees and commissions. Standard has a national reputation for quality products, personalized service, and strong financial performance. Standard was the most cost-effective respondent and offered the largest scope of services requested. The consolidation of the County's Basic Life, Accidental Death and Dismemberment, and Supplemental Life Insurance plans to Standard Life Insurance Company as the sole life insurance and Long-Term Disability provider is estimated to produce a combined savings of \$1,215,090 (29.9%) for employees and the County.

**Basic Life, Accidental Death & Dismemberment Life Insurance**

The Basic Life and Accidental Death and Dismemberment plan coverage for Elected Officials, Riverside County Deputy District Attorneys Association (RCDDAA), Law Enforcement Management Unit (LEMU), Confidential, Management, and Unrepresented employees will remain at \$50,000; coverage for Riverside Sheriffs Association Public Safety Unit (PSU) will remain at \$10,000. The Standard Basic Life insurance coverage is an employer paid benefit. There are approximately 12,505 employees enrolled in the Standard Group Basic Life and Accidental Death and Dismemberment plans. If the recommendation of this policy renewal is approved, Standard will reduce the basic life rate from 0.150 to 0.119 per \$1,000 of benefit, which would represent a savings of 24.6%.

Employees in the Service Employees International Union (SEIU) and Laborers' International Union of North America (LIUNA) who are enrolled in the Lincoln Financial Group (Lincoln) Basic Life plan will be transferred to a comparable Standard group life insurance plan. The coverage level for this plan will remain one times the employee's annual earnings, rounded to the next higher multiple of \$1,000 not to exceed \$50,000. There are approximately 2,536 employees enrolled in this plan. For this employer paid benefit, Standard proposed a rate reduction from \$0.10 to \$0.076 per \$1,000 of benefit, which would represent a savings of 31.6%.

**Supplemental Life Insurance**

Standard and Lincoln Employee Additional Life, Spouse/Domestic Partner Life and Dependent Child Life insurance policies are available to employees for purchase. Under the current plan structure and based on the employee's bargaining unit or employee group, eligible employees may purchase additional life insurance up to \$750,000, Spouse/Domestic Partner Life up to \$150,000, and Dependent Child Life up to \$20,000. There are approximately 4,762 employees enrolled in the additional life plan, and 4,332 dependents enrolled in Spouse/Domestic Partner and Dependent Child Life plans.

The consolidation of the Supplemental Life Insurance plans will limit future participants' coverage to a maximum of \$600,000 for additional life insurance, \$100,000 for spouse/domestic partner life insurance and/or \$10,000 for dependent child life insurance. Employees with supplemental life insurance coverage which exceeds the new limits will be grandfathered into the plan with the same coverage levels the employee had in effect on December 31, 2012. See Attachment A and B for coverage levels and rates.

### **Enhanced Services**

In addition to significant rate reductions, Standard will also offer the following services:

- Online Enrollment and Claim Submissions
  - Provide a secure, flexible, web-based tool to streamline the enrollment process
- Member Notification Service
  - Provide administrative services for notification of group life insurance portability and conversion
- Beneficiary Financial Counseling Service
  - Consultations with a certified financial planner for general financial counseling for 12 months following the date of death of a person insured under the Group Policy

### **Special Open Enrollment**

In an effort to successfully communicate the life insurance changes, a special life insurance open enrollment for eligible employees will be offered in February 2013. The Special Open Enrollment will allow eligible employees to elect additional life insurance coverage for the first time or increase coverage levels for themselves and their spouse/domestic partner and/or dependent child(ren). If approved, plan rates and changes will be communicated to employees during the special life insurance open enrollment.

### **Long-Term Disability**

The County's Long-Term Disability (LTD) policy with Standard is an employer paid benefit and provides temporary replacement income for eligible members.

Currently, the County provides this benefit to approximately 3,495 eligible employees. The LTD benefit is provided on a fully insured basis and provides income replacement up to 66 2/3% of qualified pre-disability earnings. If the renewal rates for the LTD plan are approved, effective January 1, 2013, Standard will reduce the LTD rate from 0.76% of salary to .604% of salary.

### **Conclusion**

The Human Resources Department is working with Standard to amend the current life insurance policy to incorporate changes to allow employees enrolled in Lincoln insurance plans to transition coverage to Standard, effective January 1, 2013. The plan amendments and additional plan policies are being prepared. Once complete, the final documents will be submitted to the Board for approval prior to January 1, 2013.

**ATTACHMENT A**

**Standard Basic Life Insurance Plan Coverage  
2013 Proposed Rate Changes**

Employer Paid Life Insurance for Elected Officials, Management, Confidential, Unrepresented, Riverside County Deputy District Attorney Association, Law Enforcement Management Unit, Riverside Sheriffs' Association Public Safety Unit.

<b>Employer Paid Life Insurance</b>	<b>Basic Life Insurance</b>	<b>Current Rate</b>	<b>Proposed Rate – with commissions</b>
Elected Officials	\$50,000	\$0.150 per \$1,000	\$0.119 per \$1,000
Management, Confidential, Unrepresented	\$50,000	\$0.150 per \$1,000	\$0.119 per \$1,000
Deputy District Attorney Association (DDAA)	\$50,000	\$0.150 per \$1,000	\$0.119 per \$1,000
Law Enforcement Management Unit (LEMU)	\$50,000	\$0.150 per \$1,000	\$0.119 per \$1,000
Riverside Sheriffs' Association Public Safety Unit (PSU)	\$10,000	\$0.150 per \$1,000	\$0.119 per \$1,000
Basic AD&D	\$50,000	\$0.028 per \$1,000	\$0.023 per \$1,000
Non-Contributory Spouse/Child Supplemental Life Coverage	\$1,500	\$0.60 per \$1,000	\$0.54 per \$1,000

**ATTACHMENT A**

**Standard Basic Life Insurance Plan Coverage  
2013 Proposed Rate Changes**

Employer Paid Life Insurance for Elected Officials, Management, Confidential, Unrepresented, Riverside County Deputy District Attorney Association, Law Enforcement Management Unit, Riverside Sheriffs' Association Public Safety Unit.

<b>Employee Paid</b>	<b>Age Group</b>	<b>Current Rate</b>	<b>Proposed Rate – with commissions</b>
	<29	\$0.030 per \$1,000	\$0.027 per \$1,000
	30-34	\$0.040 per \$1,000	\$0.036 per \$1,000
	35-39	\$0.050 per \$1,000	\$0.045 per \$1,000
	40-44	\$0.080 per \$1,000	\$0.072 per \$1,000
	45-49	\$0.120 per \$1,000	\$0.108 per \$1,000
	50-54	\$0.190 per \$1,000	\$0.171 per \$1,000
	55-59	\$0.360 per \$1,000	\$0.324 per \$1,000
	60-64	\$0.450 per \$1,000	\$0.405 per \$1,000
	65+	\$1.070 per \$1,000	\$0.963 per \$1,000
<b>Child Life Insurance</b> • <b>Increments up to \$5,000 or \$10,000</b>	Up to age 26	\$0.070	\$0.063

\*Employees enrolled in the former Lincoln Financial Group plan and have Standard Life Insurance coverage up to \$500,000 with a combined total above \$600,000 will be grandfathered with the same level of coverage not to exceed \$750,000.

**ATTACHMENT B**  
**Standard (Former Lincoln Financial Group) Life Insurance Plan Coverage**  
**2013 Proposed Rate Changes**

<b>Employer Paid Life Insurance</b>	<b>Basic Life Insurance</b>	<b>Current Rate</b>	<b>Proposed Rate – with commissions</b>
Laborer's International Union of North America (LIUNA)	One (1) times annual salary up to \$50,000	\$0.10 per \$1,000	\$0.076 per \$1,000
Service Employees International Union (SEIU)	One (1) times annual salary up to \$50,000	\$0.10 per \$1,000	\$0.076 per \$1,000

**ATTACHMENT B**  
**Standard (Former Lincoln Financial Group) Life Insurance Plan Coverage**  
**2013 Proposed Rate Changes**

Service Employees International Union (SEIU) and Laborers' International Union of North America (LIUNA)

<b>Employee Paid</b>	<b>Age Group</b>	<b>Current Rate</b>	<b>Proposed Rate – with commissions</b>
<b>Additional Employee Life Insurance</b> <ul style="list-style-type: none"> <li>• Increments up to \$600,000, not to exceed seven (7) times the employees annual earnings.</li> </ul>	<29	\$0.070 per \$1,000	\$0.050 per \$1,000
	30-34	\$0.070 per \$1,000	\$0.050 per \$1,000
	35-39	\$0.100 per \$1,000	\$0.072 per \$1,000
	40-44	\$0.160 per \$1,000	\$0.115 per \$1,000
	45-49	\$0.260 per \$1,000	\$0.187 per \$1,000
	50-54	\$0.440 per \$1,000	\$0.317 per \$1,000
	55-59	\$0.700 per \$1,000	\$0.504 per \$1,000
<b>Additional Spouse Life Insurance</b> <ul style="list-style-type: none"> <li>• Increments up to \$50,000</li> </ul>	60-64	\$0.870 per \$1,000	\$0.626 per \$1,000
	65+	\$1.640 per \$1,000	\$1.181 per \$1,000
<b>Child Life Insurance</b> <ul style="list-style-type: none"> <li>• Increments \$5,000 or \$10,000</li> </ul>	Up to age 26	\$0.20	\$0.144