

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: FLEXIBLE BENEFITS FOR CALENDAR YEAR 2006

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

At the Board meeting of March 16, 2005, the Board authorized staff to enter into negotiations with companies currently providing flexible benefits to Board employees to seek multi-year renewals for such programs, effective January 1, 2006. Additionally, at the Board meeting of June 15, 2005, the Board authorized the Superintendent to issue Request for Proposal (RFP) #089-EE10, Short Term and Long Term Disability Coverages, which was opened at the Bid Opening of July 14, 2005.

Staff has analyzed each negotiated proposal, as well as the three proposals which were received in response on RFP # 089-EE10 for short and long term disability coverages. The recommendations for all flexible benefit products have also been the subject of Strategic Labor/Management meetings with the labor unions and associations which represent Board employees. At the most recent labor negotiation sessions with each of the labor unions, agreement has been reached with regard to the recommended flexible benefit products to be offered employees, effective January 1, 2006 for a three year term. The recommended products are as follows:

GROUP TERM LIFE INSURANCE

The optional group term life insurance coverage is provided by CIGNA and is available in \$10,000 increments from a basic amount of \$10,000 to a new maximum benefit of \$100,000 (previously \$50,000). CIGNA has confirmed that the monthly rate for this coverage will be reduced from \$0.34/\$1000 coverage to \$0.33/\$1,000 coverage, representing a premium reduction of 2.9% for the three year term.

PERSONAL ACCIDENT INSURANCE

This accidental death and dismemberment coverage with coverage provided by CIGNA provides specific benefits to employees or their insured dependents in the event of an injury resulting from a covered accident. CIGNA has agreed to reduce the rates from \$0.032/\$1000 for employee only coverage to \$0.017/\$1,000, and has agreed to reduce the rates from \$0.052/\$1000 for employee and family coverage to \$0.035/\$1000, representing a premium reduction of 46.9% and 32.7% respectively, for the three year term. CIGNA also agreed to increase the plan limit to \$500,000 (evidence of insurability is required over \$300,000) and to add a child day care benefit at the above rates.

PRE-PAID LEGAL/SENIOR ADVOCATE

This program, which provides employees with a broad selection of benefits for legal services from both network and non-network attorneys is provided by ARAG Group, Inc. ARAG has agreed to renew its existing legal program for employees and their families at existing monthly rate of \$17.30. They have also agreed to renew their Senior Advocate coverage for employees and their families inclusive of a rate reduction from \$8.00/employee/month to \$7.78/employee/month, representing a premium reduction of 2.8%. These rates are guaranteed for the three year term.

HOSPITAL INCOME

This coverage provides a stated dollar benefit in the event a covered employee, or family member is admitted into a hospital, and is provided by CIGNA. CIGNA has agreed to renew the coverage with an overall rate reduction of 23% for both the employee only and employee and family coverages. These monthly rates are guaranteed for the three year term and are as follows:

	<u>\$50 day</u>	<u>\$100 day</u>	<u>\$150 day</u>
Board-Paid (Opt Out & Retiree Incentives)	\$ 1.50	\$ 3.00	N/A
Employee Only	\$ 5.00	\$10.00	\$15.00
Employee & Family Retiree (Voluntary)	\$11.50	\$23.00	\$34.50
Retiree Only	\$ 5.00	\$10.00	\$15.00
Retiree & Family	\$11.50	\$23.00	\$34.50

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VISION COVERAGE

CompBenefits provides this coverage for employees and their eligible dependents for vision services including exams, glasses, contact lenses, etc. CompBenefits has agreed to renew their program with a rate reduction of 22.3% from \$8.62/month for employees to \$6.70/month, and from \$20.68/month to \$16.08/month for employee and family coverage. These monthly rates are guaranteed for the three year term, and include an increase to the frame allowance from \$25 to \$45.

MANAGED CARE DENTAL

CompBenefits provides a two tier program consisting of standard and high options, the difference of which is reflected in the co-payments which the employee must pay. CompBenefits has agreed to renew the program inclusive of a 5% overall decrease resulting in the following monthly rates:

	<u>Standard</u>	<u>High</u>
Employee Only	\$ 8.26	\$12.78
Employee & Family	\$20.80	\$32.22

These rates have been guaranteed by CompBenefits for the three year term.

INDEMNITY DENTAL

MetLife provides this traditional dental program offering employees and their eligible dependents the ability to seek services from any licensed dentist, with the ability to reduce their out of pocket expenses if they use a contracted PDP network dentist. The program is provided on a two tier platform with the standard plan providing a scheduled benefit which includes fixed co-payments for covered dental procedures. The high option plan pays a percentage of the negotiated fees for providers participating in the MetLife PDP network and provides a percentage of usual and customary charges for all other dental providers. MetLife has agreed to renew the program, inclusive of a 35% premium reduction for the standard plan, and a 22% reduction for the high option plan resulting in the following monthly rate structure:

	<u>Standard</u>	<u>High</u>
Employee Only	\$17.68	\$ 36.94
Employee & Family	\$54.23	\$110.41

The rates are guaranteed for 2006, with a maximum increase of 6% for 2007 and 6% for 2008.

SHORT TERM AND LONG TERM DISABILITY

Pursuant to Board authority obtained at the Board meeting of June 15, 2005, Request For Proposal (RFP) #089-EE10 was issued to seek competitive quotations for short term and long term disability coverages. Three responses were received at the bid opening of July 14, 2005.

Staff and the Board's benefit consulting firm of Deloitte Consulting, LLP conducted a technical analysis of the three received proposals, which was then taken to the unions in a collective bargaining session which occurred on July 28, 2005.

Of the three proposals received from MetLife, The Standard, and UnumProvident, the proposal received from UnumProvident met specifications and had the lowest overall cost for both the Board (basic short term disability) and employees. The MetLife proposal was lower in cost on the short term disability; however, the long term disability quotation did not meet the RFP specifications and limited benefits to a two year payout period. The current program and the other two proposers provided a payout period on the long term disability program until the covered individual becomes 65 and/or Medicare eligible.

The School Board pays for the basic short term disability benefit for all full time benefit-eligible employees. Employees may elect to purchase the high plan on a voluntary basis, along with all long term disability levels.

Based upon proposals received the projected annual costs are as follows:

	UnumProvident (current 2005)	MetLife	The Standard	UnumProvident
Short Term Disability				
Standard Plan	\$4,580,000	\$3,672,000	\$4,001,000	\$4,184,000
High Plan	<u>\$2,037,000</u>	<u>\$1,633,000</u>	<u>\$1,781,000</u>	<u>\$1,860,000</u>
<i>Subtotal</i>	<i>6,617,000</i>	<i>\$5,305,000</i>	<i>\$5,782,000</i>	<i>\$6,044,000</i>
Long Term Disability				
Standard Plan	\$1,049,000	Not Quoted	\$1,422,000	\$1,103,000
Maximum Plan	\$1,041,000	Not Quoted	\$1,446,000	\$1,094,000
Maximum Plus	<u>\$ 807,000</u>	Not Quoted	<u>\$1,110,000</u>	<u>\$ 848,000</u>
<i>Subtotal</i>	<i>\$2,897,000</i>		<i>\$3,978,000</i>	<i>\$3,045,000</i>
TOTAL COST	\$9,514,000		\$9,760,000	\$9,089,000

In addition, UnumProvident is willing to provide employees the ability to purchase additional amounts of long term disability coverage, up to a maximum monthly benefit amount of \$7,500 for a standard rate. Rates on the long term disability coverages were sought with and without an evidence of insurability provision. The quotations which include the evidence of insurability provision are less expensive, and all the unions felt that this provision needed to be introduced in 2006. As such, employees will have the opportunity to enroll in long term disability effective January 1, 2006 without evidence of insurability. Any existing Board employee who does not purchase the coverage, and subsequently elects to do so will be subject to the evidence of insurability provision. All new employees will be provided the opportunity to enroll in the coverage when hired, but will be subject to the evidence of insurability in subsequent re-enrollment periods, if they do not elect to purchase the coverage when it was first made available to them.

The UnumProvident monthly rate structure is as follows:

Short Term Disability

Final negotiations have resulted in additional rate concessions as well as a higher benefit alternative option. Recommended 2006 short term disability rates are as follows:

<u>\$500 max./week</u>	<u>2005</u>	<u>2006</u>	
Standard	\$12.25	\$10.99	Board paid for full time active employees
High	\$18.36	\$16.46	
<u>\$1,000 max./week</u>			
Standard	n/a	\$13.01	
High	n/a	\$19.81	

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Long Term Disability

	2005	2006
Standard	\$18.82	\$19.78
Maximum	\$24.12	\$25.35
Max Plus	\$36.36	\$38.21

The rate for long term disability coverage in excess of the Max Plus benefit cap of \$5,000/month up to \$7,500/month is \$0.87/\$100 of covered monthly payroll.

RECOMMENDED: That The School Board of Miami-Dade County, Florida:

1. approve the following monthly rates and enter into contracts with the following companies contained within the Board's Flexible Benefits Program, for a three year term, effective January 1, 2006 through December 31, 2008, subject to cancellation provisions, whereby the Board may cancel its contracts with a 60 day advance written notice, including agreed to benefit modifications, changes, terms and conditions:

- a. CIGNA- Group Term Life insurance coverage at a monthly rate of \$0.33/\$1,000 benefit;
- b. CIGNA – Personal Accident Insurance (Accidental Death & Dismemberment) at a monthly rate of \$0.017/\$1,000 for employee only coverage and \$0.035/\$1,000 for employee and family coverage;
- c. ARAG Group – Pre-paid legal coverage at monthly rates of \$17.30/employee and eligible dependent(s) and \$13.25 for retirees and medical opt out employees receiving Board-paid benefits;
- d. ARAG Group – Senior Advocate Plan at a monthly rate of \$7.78/employee and eligible dependents;
- e. CIGNA – Hospital Income with monthly rates as follows:

	<u>\$50 day</u>	<u>\$100 day</u>	<u>\$150 day</u>
Bd. Paid	\$ 1.50	\$ 3.00	N/A
Employee	\$ 5.00	\$10.00	\$15.00
Emp & Fam.	\$11.50	\$23.00	\$34.50
Retiree (Voluntary)			
Retiree Only	\$ 5.00	\$10.00	\$15.00
Ret. & Fam	\$11.50	\$23.00	\$34.50

f. CompBenefits – Vision coverage with monthly premiums of \$6.70/employee and \$16.08/employee and family;

g. CompBenefits – Managed Care Dental coverage with monthly rates as follows:

	<u>Standard</u>	<u>High</u>
Employee Only	\$8.26	\$12.78
Employee & Family	\$20.80	\$32.22

h. MetLife – Indemnity dental coverage with monthly rates as follows:

	<u>Standard</u>	<u>High</u>
Employee Only	\$17.68	\$ 36.94
Employee & Family	\$54.23	\$110.41

2. award its contract for short term and long term disability coverages to UnumProvident Insurance Company, pursuant to their proposal received in response to Request For Proposal (RFP)# 089-EE10, Short Term and Long Term Disability Coverages, effective January 1, 2006 for a three year term, with the following rate structure being guaranteed for 24 months and the third year renewal rates, subject to negotiations, based upon acceptable loss ratios:

SHORT TERM DISABILITY

\$500 max./week

Standard	\$10.99
High	\$16.46

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\$1,000 max./week

Standard	\$13.01
High	\$19.81

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LONG TERM DISABILITY

Standard	\$19.78
Maximum	\$25.35
Max Plus	\$38.21

The rate for long term disability coverage in excess of the Max Plus benefit cap of \$5,000/month up to \$7,500/month is \$0.87/\$100 of covered monthly payroll.

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