

City of Milwaukee

## Marketing Analysis

Long Term Disability Insurance and Family Medical Leave Act Administration

September 14, 2018





## EXECUTIVE SUMMARY AND RECOMMENDATION

This summary includes information pertaining to the City of Milwaukee, Department of Employee Relations (DER) Request for Proposal (RFP) process including the review and evaluation of responses and recommendations to approve a contract for Long Term Disability Insurance and Family Medical Leave Act Administration (state and federal) services. After an extensive review process the selection committee is recommending Sun Life Financial to administer the City's LTD program and FMLA effective January 1, 2019. The estimated annual cost to the City is:

- \$674,338 for Long Term Disability Insurance of which \$54,338 is paid by employees for optional improved coverage.
- \$138,000 for Family Medical Leave Act Administration (State and Federal) Services

## OBJECTIVE

Secure a proposer to provide a Long Term Disability insurance program to select employee groups as part of the City's comprehensive benefit package and administration of the Family Medical Leave Act (FMLA) required under both state and federal laws.

## CONSIDERATIONS AND BACKGROUND INFORMATION

The City of Milwaukee offers a Long Term Disability (LTD) program for certain eligible employees. The basic benefit is provided by the City at no cost to eligible general City employees (excludes sworn Fire and Police personnel) with a 180 calendar day waiting period. Employees can purchase a shorter benefit waiting period of 60, 90 and 120 days for coverage to begin sooner.

The current Long Term Disability program is underwritten by Lincoln National and expires on December 31, 2018. Willis Towers Watson, the City's benefits brokerage and actuarial firm, marketed the program in anticipation of this expiration. Willis Towers Watson requested proposals from twelve carriers including the incumbent, Lincoln National.

The City currently administers the requirements of the state and federal Family Medical Leave Act (FMLA). Program administration is decentralized and managed by Departmental FMLA Administrators with oversight and compliance coordination by the Department of Employee Relations and the City Attorney's office. Departmental FMLA Administrators are responsible for receiving and processing requests, determining eligibility, providing rights and determination notices, managing and tracking WFMLA/FMLA leaves, communicating return to work status, and other communication with the employee and the employee's supervisor/manager.

There are federal and state laws that protect an eligible employee's job while they take up to 12 work weeks of unpaid leave. FMLA also requires that employers covered by the law maintain health benefits for eligible workers just as if they were working. The requirements of the Wisconsin FMLA are similar, but in some areas are more generous, adding to the complexity of administration.

The law requires consistent and close coordination with the City's leave programs including paid time off and the LTD program. There are also significant financial penalties if the requirements of the FMLA are not followed. As federal and state leave requirements have become more complex, the DER and Willis Towers Watson believe there is considerable risk in continuing to administer the requirements of these laws internally.

Therefore, in conjunction with the RFP process for the Long Term Disability insurance program noted above, terms were obtained from proposers to also administer FMLA, ensuring compliance with state and federal regulations, reducing the risk of violations of law, securing protected health information and verifying leave requests are valid.

Responses were sought from the following companies, with the results noted.

Carrier	Response
Lincoln National (incumbent)	Quote received
Cigna	Declined to quote
The Hartford	Quote received
Liberty Mutual	Declined due to acquisition by Lincoln National
MetLife	Quote received
Prudential	Declined to quote
Reliance Standard	Quote received
Sun Life	Quote received
The Standard	Quote Received
UNUM	Declined to quote
Voya	Quote received
Zurich	Declined to quote

After reviewing the terms and pricing of each proposal received, the list was narrowed to the top three carriers that provided the most competitive financial terms. These carriers were interviewed by a selection team comprised of members from the DER and staff of various departments involved in the administration of family medical leave including the Department of Public Works, the Police and Fire Departments, the Library and an employee representative from AFSCME 32.

LTD/FMLA Review Committee:

- Maria Montegudo – DER
- Renee Joos – DER
- Crystal Owens – DER
- Christine Carlson – DER
- Lindsey O'Connor – DPW
- Dawn Crowbridge – DPW
- Victoria Robertson– Library
- Yvette Rowe – Fire Department

- Arvis Williams – Police Department
- Ken Wischer – Employee Representative, AFSCME 32

Prior to the candidate interviews, Willis Towers Watson requested each firm provide a best and final offer. The table below shows the final terms quoted. The top three carriers agreed to match the existing benefit terms and all insured rates are guaranteed for two years. The FMLA administrative terms are guaranteed for the periods noted.

It's important to mention that the experience of the City's current insured LTD program has not been favorable, and because of this, many carriers quoted rates far in excess of the current rates or declined to quote altogether.

	Lincoln National Current / Renewal		Reliance	Sun Life
<b>LTD</b>				
Number of Lives	3592		3592	3592
Class 1 (Core)	3,592		3,592	3,592
Class 2 (Buy-up opt. A)	1,219		1,219	1,219
Class 3 (Buy-up opt. B)	80		80	80
Class 4 (Buy-up opt. C)	2		2	2
Covered Payroll	\$20,022,814		\$20,022,814	\$20,022,814
Class 1 (Core)	\$14,761,918		\$14,761,918	\$14,761,918
Class 2 (Buy-up opt. A)	\$4,875,683		\$4,875,683	\$4,875,683
Class 3 (Buy-up opt. B)	\$379,282		\$379,282	\$379,282
Class 4 (Buy-up opt. C)	\$5,931		\$5,931	\$5,931
<b>Rates</b>	Current	Renewal	Reliance	Sun Life
Per \$100 of Covered Payroll				
Class 1 (Core)	\$0.350	\$0.350	\$0.350	\$0.350
Class 2 (Buy-up opt. A)	\$0.080	\$0.080	\$0.080	\$0.080
Class 3 (Buy-up opt. B)	\$0.150	\$0.150	\$0.150	\$0.150
Class 4 (Buy-up opt. C)	\$0.990	\$0.990	\$0.990	\$0.990
Monthly Premium	\$56,194.90	\$56,194.90	\$56,194.90	\$56,194.90
Annual Premium	\$674,338.79	\$674,338.79	\$674,338.79	\$674,338.79
Cost Difference (%)	--	0.00%	0.00%	0.00%
Cost Difference (\$)	--	\$0.00	\$0.00	\$0.00
Rate Guarantee	through 12/31/2018	2 Years	2 Years	2 Years
Notes:		LTD will be on the Lincoln Platform	Contingent 3rd year guarantee if ILR is 80% or less	3 yr rates are would be about a 4% increase.
<b>FML</b>				
	Lincoln National		Reliance	Sun Life
Number of Lives	5000		5000	5000
Rates				
Per Employee Per Month		\$2.98	\$2.40	\$2.30
Takeover / Implementation Fee		\$7,500	\$5,000	\$0
Other fees not included in totals		All other standard fees included	Takeover fees: \$165 per claim Data feeds: \$200 per hour	All fees included
Monthly Premium	\$0.00	\$14,900	\$12,000	\$11,500
Annual Premium (1st yr)	\$0.00	\$186,300	\$149,000	\$138,000
Rate Guarantee		2 Years	3 Years	3 Years
Notes:		Rate with a 2 yr rate guarantee would be \$3.65 FLMA will be on the Legacy Liberty Platform	Incidence cap 20%	Rates for Essential FML plan quoted. For Complete FML plan, rate is \$2.15. Includes Atty.
<b>TOTAL ESTIMATED COST YEAR 1</b>				
	Lincoln National		Reliance	Sun Life
Monthly Estimated Cost		\$71,094.90	\$68,194.90	\$67,694.90
Annual Estimated Cost		\$853,138.79	\$818,338.79	\$812,338.79
Notes:		Includes a \$20,000 implementation credit toward the LTD bill	Includes full integration of LTD and FMLA. Includes a \$20,000 implementation credit	Includes a \$20,000 implementation credit

This comparison is intended to illustrate the carrier's proposed services and rates and should not be relied upon to fully determine benefits and rates. Refer to carrier's renewal/proposal for a complete representation of coverage terms and conditions.

While cost is an important factor in any decision, service to employees, the DER and other departments is also extremely important. To thoroughly assess service and claims capabilities, the review team interviewed each of the firms and held another round of interviews for the final two candidates.

Following these meetings, the selection committee decision was unanimous and Sun Life was chosen as the firm of choice from the standpoint of service and claims capabilities. Sun Life has extensive experience with the public sector industry, an experienced implementation and customer service team and the offered the City very competitive rates. Therefore, the committee is recommending DER enter a contract with Sun Life to begin administration of the City's LTD program and FMLA starting January 1, 2019.