



## CITY OF MARSHALL AGENDA ITEM REPORT

<b>Meeting Date:</b>	Tuesday, October 13, 2020
<b>Category:</b>	CONSENT AGENDA
<b>Type:</b>	ACTION
<b>Subject:</b>	Consider approval of an agreement with Sun Life Financial for Basic Life, AD&D, Child Life, and Supplemental Life insurance
<b>Background Information:</b>	<p>The Council Personnel Committee reviewed this item at their 09/29/2020 meeting and recommended unanimously to approve the agreement with Sun Life Financial with plan language that removes the indefinite plan coverage of retirees on and after 01/01/2021. Sun Life Financial provided the lowest cost proposal with a 3-year rate guarantee.</p> <p>Background: In accordance with MN statutes, Integrity Employee Benefits, LLC performed a request for proposals (RFP) on the City’s behalf for our Basic Life, AD&amp;D, Child Life, and Supplemental Life insurance plan.</p> <p>Our current plan is through Minnesota Life Insurance Company, through Securian (formerly Ochs, Inc.). Minnesota Life declined to submit a proposal in response to the RFP; and therefore, the City will no longer have coverage by this carrier effective 01/01/2021. Three companies responded with proposals, Sun Life Financial, Dearborn, and Principal. The rate sheets are attached.</p> <p>The Sun Life proposal presents the lowest cost proposal, with an annual savings of \$215.00, and matches our existing benefit plan design. Sun Life is offering a 3-year rate guarantee and an open enrollment guaranteed issue opportunity with no health questions upon plan takeover. The Personnel Committee and staff are Staff are recommending approval of Sun Life Financial through Integrity Employee Benefits, LLC.</p> <p>When reviewing the plan design, the broker proposed and recommended alternative plan design options relative to retirees. Currently, our plan with Minnesota Life offers retired employees the option to stay on the plan indefinitely, as long as the retiree pays the premium. If the retiree’s spouse and dependents were also on the plan prior to the retirement date, the spouse and dependents may also stay on the plan indefinitely—as long as the retiree is on the plan and pays for coverage. If life insurance is elected after retirement, the retired employee pays the entire premium---there is no cost to the City. However, offering life insurance to retirees on an indefinite basis is not required. The City is only required to offer the life insurance through the 18-month COBRA period in accordance with MN law. Offering life insurance to retirees has a long-term impact on our rate structure. Insurance companies may see this as a guaranteed claim. Typically, employer-offered life insurance plans are meant to help employees, while they are employees, when they need the coverage the most to assist with a mortgage, care of dependents, etc., should a tragedy occur. In retirement, the life insurance benefit may function with a different purpose, such as a funeral expense benefit; employers don’t typically have their life insurance plans function for that purpose.</p>

	<p>The Personnel Committee considered the plan design options available and is recommending to amend the plan to “grandfather” existing retirees, but to remove the indefinite plan coverage of employees who retire on and after 01/01/2021.</p> <p>By law, retirees will still have the ability to purchase the life insurance at group coverage rates through the duration of the 18-month COBRA period. Retirees will also have the option to cover his/her policy to a universal life policy and pay the premium directly to the carrier.</p> <p>The plan design change will have no short-term financial benefit to the City, as carriers will still have risk exposure with the existing retirees on the plan. There are currently 15 retirees on the plan and 5 retirees in the COBRA period. The benefit (cost savings) will be seen in the long-term, when the retirees are no longer on the plan.</p> <p>Staff will partner with Integrity Employee Benefits (broker for this benefit) to communicate the changes during the employee open enrollment period.</p>
<b>Fiscal Impact:</b>	Estimated cost savings of \$215.00 annually. Total annual City cost in 2021 is \$3,090. The Sun Life Financial proposal includes a 3-year rate guarantee.
<b>Alternative/ Variations:</b>	None recommended
<b>Recommendations:</b>	To approve an agreement with Sun Life Financial for Basic Life, AD&D, Child Life, and Supplemental Life Insurance with amended plan language to remove the indefinite plan coverage of retirees on and after 01/01/2021.