



## **HUMAN RESOURCES DEPARTMENT City of Burlington**

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**To: Board of Finance**

**From: Susan Leonard, Director of Human Resources**

**Date: June 19, 2013**

**Re: Employee Benefits' Agreements; Dental Care and Life Insurance**

Requests for Proposals (RFP) for dental care benefits and life insurance were issued on April 10, 2013. We are recommending entering into three year agreements with Northeast Delta Dental for Dental Care Benefits and The Standard for Life Insurance Benefits.

Northeast Delta Dental (NDD), our current provider, proposed a reduction in their administrative service fee from \$4.18 to \$3.50 per employee per month (PEPM). This represents a savings of \$.68 PEPM. Based on 700 employees, the corresponding savings is \$476.00 per month or approximately \$5,712 per year. Further, they have agreed to honor this rate for all three contract years.

It is relevant to note that although Northeast Delta Dental's administrative rates were not the lowest of those responding to the RFP, the recommendation to stay with NDD is based on the projected total cost comparison. Because NDD has the largest network of dentists, and over 97% of the City's claims dollars are paid to network dentists, the savings in claims cost is projected to offset their administrative fees. Put in perspective, of the approximately \$500,000 the City spends per year for employee dental benefits, based on 700 employees, only approximately \$35,000 of that figure would be attributable to administrative fees.

The recommendation to enter into a three year agreement with The Standard to provide Life Insurance Benefits for City Employees is based on cost. The current provider was not responsive to the Request for Proposal. This benefit generally provides Police and Fire employees with life insurance of twice annual salary up to \$100,000 and all other employees twice annual salary up to \$50,000. The total cost for this benefit is approximately \$85,000 and is paid per month per employee. The rates provided by The Standard are less than the rates currently being paid. The current rates for Life and Accidental Death and Dismemberment are \$.130 per \$1000 of coverage per employee per month and \$.020 per \$1000 of coverage per employee per month respectively. The approximate annual cost for 700 employees (based on 200 Police and Fire Employees and 500 other employees) at these rates is \$6550.00 per month. The rates proposed by

The Standard for Life and Accidental Death and Dismemberment are \$.122 per thousand of coverage per employee per month and \$.020 per thousand of coverage per employee per month. The approximate annual cost for 700 employees (based on 200 Police and Fire Employees and 500 other employees) at the proposed rates is \$6,490 per month. This represents an approximate annual savings of \$720.00. The Standard has proposed these rates for the next two fiscal years. The proposal for The Standard to provide this benefit was submitted through Northern Benefits, Ltd.

The total monthly cost of these administrative fees/premiums is dependent upon the total number of employees/retirees which can vary and ultimately determines the total cost of each benefit.

I look forward to answering any questions you may have; draft resolutions are attached.