

BOARD APPROVED
October 10, 2019
Janice Indrutz
Corporate Secretary

Approval of Contract in Excess of \$2,000,000

Vendor: Guardian Life Insurance

Item: University Third-Party Disability Administration

Amount: \$4,785,501

- Purdue University LTD \$1,455,516/annually for three years
- Purdue University STD ASO \$54,202/annually for three years
- Purdue Global LTD \$85,449/annually for three years

Campus: West Lafayette; Fort Wayne; Northwest; Purdue Global

Source of Funds: LTD and STD Plan Funds (employer/employee premiums); Purdue Global

Remarks:

As part of our employee benefit programs, short and long-term disability insurance is available for University employees. Long-term disability is a fully insured plan with the University funding 50% of the premium and the employee funding 50%. Short-term disability is a voluntary benefit with premiums fully paid by employees who elect coverage. The University is self-insured for short-term disability. Around 1,700 University employees elect short-term disability coverage. Purdue Global offers long-term disability coverage to its employees.

We are seeking approval from the Board of Trustees for Guardian Life Insurance to serve as the third-party administrator for the University's disability plans and Purdue Global's long term disability plan. This would be a change from the current administrator, Cigna, Inc. Services provided by Guardian include review and determination of claims, payment of income replacement to qualified beneficiaries and monitoring of compliance within the states that Purdue employees are located. For LTD, as a fully insured product, Guardian also bears the underwriting risk relative to claims paid compared to premiums collected.

HR Benefits and Procurement Services issued a Request for Proposal ("RFP") earlier this year and ten (10) qualified responses were received. Aided by our external consultant, LHD Benefits Advisors, a comprehensive review of the proposals was undertaken by representatives from the Treasurer's Office, HR-Benefits, HR-Business Partners and Purdue Global. Three finalists were interviewed and best and final offers were solicited and received from all three finalists.

Following this review, Guardian was the consensus recommendation for the following reasons:

1. Thirty-one (31) percent reduction in LTD rates, saving the University \$675,000 annually with half of those savings going directly to employees through lower premium rates. Note: Purdue Global LTD rates remain the same.
2. In addition to the cost advantages, Guardian is able to mirror the benefit offerings to employees as they currently exist.
3. Guardian's technology and customer service capabilities to serve both the University and Purdue Global populations surpassed other finalists.

4. Guardian is best positioned to help both the University and Purdue Global maintain compliance with the growing complexity around state, municipal and federal leave laws.
5. Guardian has the capability and technology to assist with leaves management, an area currently under review to determine whether the University should maintain an in-house program or outsource to a 3rd party.

Guardian will also serve as the third-party administrator for the University's self-insured short-term disability plan, generating modest savings compared to the current provider.