

[Labor and Employment Code - Health Service System - Exemption for Life and Long-Term Disability Insurance Contract]

Ordinance exempting the Health Service System's Life and Long-Term Disability Insurance services contract from the requirements of Article 111 (Minimum Compensation) and Article 121 (Health Care Accountability) of the Labor and Employment Code.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Background and General Findings.

(a) The San Francisco Health Service System ("SFHSS") contracts for Basic Group Life ("Basic Life") Insurance and Long-Term Disability ("LTD") Insurance. These are mandated by dozens of collective bargaining agreements between the City and County of San Francisco and its labor partners. Together, Basic Life and LTD benefits provide essential income protection and financial security for tens of thousands of City employees and their dependents, as well as critical support for employees and their families following a death or disability. The Plan Year 2026 contract also requires additional protections for employees and their families in the form of optional supplemental life insurance, voluntary accidental death and dismemberment insurance, and voluntary short-term disability insurance, which are administered by a third-party voluntary benefits vendor and offered to SFHSS members at favorable rates by packaging the plans together for the large population of City employees

1 and their eligible dependents.

2 (b) SFHSS issued RFPQHSS2024.B1 for Basic Life and LTD and other insurance
3 coverages for Plan Year 2026 through 2028. The intended contractor, The Life Insurance
4 Company of North America, doing business as New York Life Group Benefit Solutions (“New
5 York Life”), was the highest-ranked respondent. Following that ranking, SFHSS recommended
6 to the San Francisco Health Service Board award to the vendor of the contract for life
7 insurance, accidental death and dismemberment insurance, short-term and long-term
8 disability insurance beginning January 1, 2026. The rationales identified by SFHSS and the
9 panel included competitive rates for Basic Life and LTD (guaranteed for five years and
10 accounting for nearly \$2 million in savings annual over current employer-paid premiums),
11 complementary employee, family, and beneficiary support services, robust financial and
12 administrative support capabilities, and reporting and performance standards. On May 8,
13 2025, the Health Service Board voted unanimously to award the contract to New York Life. On
14 July 29, 2025, the Board of Supervisors unanimously approved the Health Service System
15 Plans and Contribution Rates for Calendar Year 2026, including for Basic Life and LTD for
16 Plan Year 2026 (Ord. 168-25).

17 (c) SFHSS began contract negotiations in May 2025. By August, the parties reached
18 an agreement on nearly all contract terms save for adherence to Article 111 (Minimum
19 Compensation Ordinance) and Article 121 (Health Care Accountability Ordinance) of the
20 Labor and Employment Codes. New York Life’s leadership and legal counsel researched the
21 Articles, discussed with the City’s Office of Labor Standards and Enforcement, and in
22 September 2025 made clear it will not execute a contract that includes Articles 111 and 121
23 obligations. New York Life stated that their nationwide workforce cannot be siloed to
24 guarantee compliance and there are no organization-wide reporting mechanisms capable of
25 determining which of their 23,000+ workforce worked on claims, calls, financial and/or

1 administrative support related to this proposed contract, tracking that is required to ensure
2 compliance with Articles 111 and 121.

3 (d) No existing statutory exemption or waiver process applies to this agreement.
4 SFHSS supports awarding the contract to the proposed vendor due to its top ranking in the
5 selection process and the anticipated cost savings. Re-procurement is not feasible as no
6 alternative vendor can be implemented in time for the January 1, 2026 start of the Plan Year.
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8 Section 2. Exemption from Labor and Employment Code Articles 111 and 121.

9 The Health Service System's Plan Year 2026 agreement for life and disability
10 insurance services is not subject to the requirements of Labor and Employment Code Articles
11 111 and 121. The exemption applies to Plan Year 2026 agreement as well as amendments of
12 the agreement to extend the term for additional years or other modifications of the terms.
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14 Section 3. Effective Date. This ordinance shall become effective 30 days after
15 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
16 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
17 of Supervisors overrides the Mayor's veto of the ordinance
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21 APPROVED AS TO FORM:
22 DAVID CHIU, City Attorney

23 By: /s/
24 Gustin. R Guibert
Deputy City Attorney

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