



## LEGISLATIVE MEMORANDUM

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Suzanne Sherman, City Manager

**THRU:** Laura Clawson, Human Resources Director

**DATE:** September 19, 2024

**RE:** Contract: Life and disability insurance benefits, City employees - Human Resources Department (Standard Insurance Company).

### SUMMARY:

The City provides regular full-time employees with Group Basic Life/AD&D insurance in the amount of one (1) time their annual salary rounded to the next higher \$1,000 subject to a maximum of \$350,000. The benefit for Group 1 and 2 employees (generally department and division directors) is at two (2) times their annual salary subject to a maximum of \$350,000 for Group 2 employees and a maximum of \$500,000 for Group 1 employees. The City also provides long-term disability insurance to full-time employees. Group Basic Life/AD&D and Long-Term Disability insurance benefits are fully paid by the City.

The City offers full time eligible employees the option to elect Voluntary Supplemental Life/AD&D and Short-Term Disability insurance benefits which are fully employee funded through payroll deduction.

The City's current contract with OCHS for these coverages will expire December 31, 2024, with no renewal periods remaining.

The Gehring Group is the City's Broker of Record for Health Insurance and related plans. At the City's request, the Gehring Group conducted a competitive bidding process and obtained multiple quotes for these benefits. After thorough review and consideration, Staff recommends a new agreement for services for Group Basic Life/AD&D, Voluntary Supplemental Life/AD&D, Group Short-Term Disability, Group Long-Term Disability Insurance coverages with Standard Insurance Company. The agreement is for a period of three (3) years effective January 1, 2025, through December 31, 2027, with a rate guarantee through the duration of the contract period.

Standard Insurance Company has provided the following quotes:

- No change in cost for Group Basic Life/AD&D Insurance, annual cost to the City of \$66,000

- An annual reduction of 21.9% for Long-Term Disability Insurance, annual cost to the City of \$166,000.

- An annual reduction of 0.1% for Voluntary Supplemental Life Insurance, annual cost, fully employee funded, of \$334,000. Staff recommends transitioning to an Administrative Third-Party (ATP) model for Short-Term Disability (STD) benefits, effective January 1, 2025. Previously, the City paid premiums to an insurance carrier to manage and pay claims under the fully insured model. In the new ATP model, the City will self-fund STD benefits, using collected premiums, while Standard Insurance Company will manage claims and administration at a reduced cost.

This transition will maintain the same level of service and flexibility, with no disruption to employee benefit payments. The City will act as a "pass-through," collecting premiums from employees and remitting to the carrier. Under the ATP model, carrier premiums will decrease to \$17,000 annually, while the remaining collected premiums will be used to pay claims, based on Standard Insurance Company's advice to pay (ATP).

For the first year, we recommend keeping employee premium rates at the current level, with an expected annual total of \$306,000. With assistance from the Gehring Group, an actuarial study will be conducted in FY 24/25 to assess the fund balance and premiums. We anticipate passing cost savings on to employees in years 2 and 3, following the actuarial review.

#### **REQUESTING DEPARTMENTS:**

Human Resources  
Procurement

#### **FISCAL IMPACT:**

Overall combined savings by moving to Standard Insurance Company is 5.1% or \$47,000.

#### **STAFF RECOMMENDATION:**

Motion to approve a new agreement for services with Standard Insurance Company for Group Basic Term Life/AD&D, Voluntary Supplemental Life/AD&D, Group Short-Term Disability and Group Long-Term Disability Insurances through the initial rate guarantee period of December 31, 2027, and authorize Staff to negotiate terms for two (2) annual renewal options.

#### **ATTACHMENTS:**

Honorable Mayor and Members of the City Council

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1. Life and AD&D Insurance Evaluation-Gehring Group
2. Supplemental Life and AD&D Evaluation-Gehring Group
3. Long Term Disability Evaluation-Gehring Group
4. Voluntary Short Term Disability Evaluation-Gehring Group
5. Life & Disability Insurance-Rate Summary-Gehring Group