

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



## 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

Legislative Memorandum

Page | 3

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

	Current	Renewal - PY2025
Basic Life / AD&D	Ochs / Securian Financial	Standard
<b>Class 1</b>		
Eligibility	Sr Management Employees working 40 hrs / week	Sr Management Employees working 40 hrs / week
Basic Life Benefit	2 x Salary to \$500,000	2 x Salary to \$500,000
Minimum Benefit	\$30,000	\$30,000
Age Reduction Schedule	65% at age 65; 50% at age 70	65% at age 65; 50% at age 70
<b>Class 2</b>		
Eligibility	All Other Employees working 40 hrs / week	All Other Employees working 40 hrs / week
Basic Life Benefit	1 x Salary to \$350,000	1 x Salary to \$350,000
Minimum Benefit	\$30,000	\$30,000
Age Reduction Schedule	65% at age 65; 50% at age 70	65% at age 65; 50% at age 70
<b>Class 3</b>		
Eligibility	Elected Officials	Elected Officials
Basic Life Benefit	\$30,000	\$30,000
Age Reduction Schedule (Reduce to)	65% at age 65; 50% at age 70	65% at age 65; 50% at age 70
<b>Class 4</b>		
Eligibility	Retirees	Retirees
Basic Life Benefit	\$2,500	\$2,500
Age Reduction Schedule	None	None
<b>Dependent Life</b>		
Eligibility	Spouse & Children live birth to age 26	Spouse & Children live birth to age 26
Basic Life Benefit	Spouse Life: \$5,000 / Child: \$5,000	Spouse Life: \$5,000 / Child: \$5,000
<b>Features</b>		
Basic AD&D Benefit	Class 1 - 3: Equal to Life Benefit	Class 1 - 3: Equal to Life Benefit
Accelerated Death Benefit	100% of Basic & Supplemental up to \$1,000,000	<b>80%</b> of Basic & Supplemental up to <b>\$500,000</b>
Waiver of Premium (Class 1-3)	Disabled Prior to age 60; up to SSNRA; Elimination Period: 6 Months	Disabled Prior to age 60; up to SSNRA; Elimination Period: 6 Months
Portability/Conversion (Class 1-3)	Conversion & Portability	Conversion & Portability
<b>Monthly Rates</b>		
<b>Volume</b>	<b>\$56,822,850</b>	<b>\$56,822,850</b>
Basic Life Rate / \$1,000	\$0.060	\$0.060
AD&D Rate / \$1,000	\$0.020	\$0.020
Dependent Life Rate / Unit 551	\$1.45	\$1.45
Retiree Life Rate / Unit 45	\$2.00	\$2.00
<b>Rate Guarantee Period</b>	<b>12/31/2024</b>	<b>12/31/2027</b>
<b>Monthly Premium</b>	<b>\$5,435</b>	<b>\$5,435</b>
<b>Annual Premium</b>	<b>\$65,217</b>	<b>\$65,217</b>
<b>\$ Increase/Decrease</b>	<b>-</b>	<b>\$0</b>
<b>% Increase/Decrease</b>	<b>-</b>	<b>0.0%</b>

## Current - PY2024

## Renewal - PY2025

Supplemental Life/AD&D	Ochs			Standard		
<b>Employee - Class 1, 2 and 3</b>						
Life Benefit	\$10,000 increments to a max of \$500,000			\$10,000 increments to a maximum of \$500,000		
Guaranteed Issue	\$250,000			\$250,000		
<b>Spouse</b>						
Life Benefit	\$5,000 increments to a max of \$250,000, not to			\$5,000 increments to a max of \$250,000, not to		
Guaranteed Issue	\$50,000			\$50,000		
Spouse Rate Calculation	Employee's Age			Employee's Age		
<b>Child(ren)</b>						
Eligibility	Day 1 to 31 (\$5,000); Day 31 to Age 26			Day 1 to 31 (\$5,000); Day 31 to Age 26		
Life Benefit	\$5,000, \$10,000 or \$15,000			\$5,000, \$10,000 or \$15,000		
Guaranteed Issue	\$15,000			\$15,000		
<b>Features</b>						
Annual Open Enrollment	Annually \$10,000 up to \$250,000, without EOI			Increase up to GI without EOI		
Waiver of Premium	Included			Included		
Age Reduction Schedule (Reduce to)	None			None		
Portability/Conversion	Conversion & Portability Available			Conversion & Portability Available		
<b>Participation Requirements</b>	None			Current Participation		
<b>Life Age Band</b>	<b>Rate Per \$1,000</b>	<b>\$10k Monthly</b>	<b>\$10k Per Pay</b>	<b>Rate Per \$1,000</b>	<b>\$10k Monthly</b>	<b>\$10k Per Pay</b>
Under Age 25	\$0.030	\$0.60	\$0.28	\$0.030	\$0.60	\$0.28
Age 25 - 29	\$0.030	\$0.60	\$0.28	\$0.030	\$0.60	\$0.28
Age 30 - 34	\$0.060	\$0.90	\$0.42	\$0.060	\$0.90	\$0.42
Age 35 - 39	\$0.060	\$0.90	\$0.42	\$0.060	\$0.90	\$0.42
Age 40 - 44	\$0.080	\$1.10	\$0.51	\$0.080	\$1.10	\$0.51
Age 45 - 49	\$0.190	\$2.20	\$1.02	\$0.190	\$2.20	\$1.02
Age 50 - 54	\$0.330	\$3.60	\$1.66	\$0.330	\$3.60	\$1.66
Age 55 - 59	\$0.560	\$5.90	\$2.72	\$0.560	\$5.90	\$2.72
Age 60 - 64	\$0.800	\$8.30	\$3.83	\$0.800	\$8.30	\$3.83
Age 65 - 69	\$1.480	\$15.10	\$6.97	\$1.480	\$15.10	\$6.97
Age 70 +	\$4.150	\$41.80	\$19.29	\$4.150	\$41.80	\$19.29
AD&D	\$0.030	-	-	\$0.030	-	-
<b>Rate Guarantee Period</b>	<b>12/31/2024</b>			<b>12/31/2027</b>		
<b>Monthly Premium</b>	<b>\$27,314</b>			<b>\$27,314</b>		
<b>Annual Premium</b>	<b>\$327,770</b>			<b>\$327,770</b>		
<b>\$ Increase / Decrease</b>	<b>-</b>			<b>\$0.00</b>		
<b>% Increase / Decrease</b>	<b>-</b>			<b>0.0%</b>		
<b>Child Life/AD&amp;D</b>	<b>Rate Per \$1,000</b>	<b>Monthly</b>	<b>Per Pay</b>	<b>Rate Per \$1,000</b>	<b>Monthly</b>	<b>Per Pay</b>
Child(ren) - \$5,000	\$0.115	\$0.775	\$0.36	\$0.115	\$0.780	\$0.36
Child(ren) - \$10,000	\$0.115	\$1.550	\$0.72	\$0.115	\$1.550	\$0.72
Child(ren) - \$15,000	\$0.115	\$2.325	\$1.07	\$0.115	\$2.330	\$1.08
AD&D - Child(ren)	\$0.040	-	-	\$0.030	-	-
<b>Monthly Premium</b>	<b>\$522</b>			<b>\$489</b>		
<b>Annual Premium</b>	<b>\$6,268</b>			<b>\$5,864</b>		
<b>\$ Increase / \$ Decrease</b>	<b>-</b>			<b>(\$404)</b>		
<b>% Increase / % Decrease</b>	<b>-</b>			<b>(6.5%)</b>		
<b>Supplemental Life Annual Premium</b>	<b>\$334,039</b>			<b>\$333,634</b>		
<b>\$ Increase / \$ Decrease</b>	<b>-</b>			<b>(\$404)</b>		
<b>% Increase / % Decrease</b>	<b>-</b>			<b>(0.1%)</b>		

## Current - PY2024

## Renewal - PY2025

Short Term Disability	Ochs	Standard
Eligibility (Class 1 and 2)	All active, full time employees working 40 hrs/week	All active, full time employees working 40 hrs/week
Elimination Period	Injury: None Illness: 7 Days	Injury: None Illness: 7 Days
Weekly Benefit	66 ⅔%	66 ⅔%
Minimum Weekly Benefit	\$15	\$15
Maximum Weekly Benefit	\$700	\$700
Duration of Benefit	26 Weeks or LTD approval	26 Weeks or LTD approval
Benefits Offset	Sick Pay Excluded (up to 100% predisability earnings)	Sick Pay Excluded (up to 100% predisability earnings)
Vocational Rehabilitation Benefit	Included	Included
Pre-Existing Condition Limitation	None EOI Required for Late Enrollees	None EOI Required for Late Enrollees
Participation Requirements	25%	Current Participation
<b>Admin Fee</b>		<b>Advice to Pay (Self-Funded)</b>
Per Employee Per Month 568	N/A	\$2.50
Benefits Calculation		Included
<b>Rate Guarantee Period</b>	-	<b>12/31/2027</b>
<b>Monthly Premium</b>	-	<b>\$1,420</b>
<b>Annual Premium</b>	-	<b>\$17,040</b>
<b>Monthly Rate</b>	<b>Fully Insured</b>	<b>Funding Rates</b>
STD Rate / \$10 of Weekly Benefit	\$0.683	\$0.683
Estimated Volume	\$372,492	\$372,492
<b>Rate Guarantee Period</b>	<b>12/31/2024</b>	<b>12/31/2025</b>
<b>Monthly Premium</b>	<b>\$25,441</b>	<b>\$25,441</b>
<b>Annual Premium</b>	<b>\$305,295</b>	<b>\$305,295</b>
<b>\$ Increase/Decrease</b>	-	<b>\$0</b>
<b>% Increase/Decrease</b>	-	<b>0.0%</b>

**City of Palm Bay**  
**Long Term Disability Evaluation**  
**Effective Date: January 1, 2025**

	PY2024	Renewal - PY2025
Long Term Disability	Ochs / Madison National	Standard
All Eligible Employees	All active, full time employees working 40 hrs/week	All active, full time employees working 40 hrs/week
Elimination Period	180 days	180 days
Monthly Benefit	66 ⅔%	66 ⅔%
Minimum Monthly Benefit	Greater of \$50 or 10%	Greater of \$100 or 10%
Maximum Monthly Benefit	\$9,000 (\$13,500 Max Monthly Salary)	\$9,000 (\$13,500 Max Monthly Salary)
Own Occupation Period	24 months	24 months
Own Occupation Earnings Test	99% / 85% of Predisability earnings	80% of Predisability earnings
Duration of Benefit	Disabled Prior to age 63 up to SSNRA, 12 mths min	Disabled Prior to age 63 up to SSNRA, 12 mths min
Mental Illness/ Substance Limitation	24 months	24 months
Pre-Existing Condition Limitation	3 months / 12 months	3 months / 12 months
Benefits Offset	Excludes 401(a) distributions	Excludes 401(a) distributions
Survivor Benefit	3x monthly benefit	3x monthly benefit
Monthly Rates		
LTD Rate / \$100 of Covered Payroll	\$0.425	\$0.332
Estimated Volume	\$4,160,074	\$4,160,074 Expires
Rate Guarantee Period	Expires 12/31/2024	12/31/2027
Monthly Premium	\$17,680	\$13,811
Annual Premium	\$212,164	\$165,737
\$ Increase/Decrease	-	(\$46,426)
% Increase/Decrease	-	(21.9%)



## Current - PY2024

## Renewal - PY 2025

Life/Disability	Ochs		Standard	
	Rate Per \$1,000	Premium	Rate Per \$1,000	Premium
<b>Basic Life/AD&amp;D</b>				
Basic Life	\$0.060	\$3,409	\$0.060	\$3,409
Basic AD&D	\$0.020	\$1,136	\$0.020	\$1,136
Retiree Life	\$2.000	\$90	\$2.000	\$90
Dependent Life Per Unit	\$1.450	\$799	\$1.450	\$799
<b>Monthly Total</b>		<b>\$5,435</b>		<b>\$5,435</b>
<b>Annual Total</b>		<b>\$65,217</b>		<b>\$65,217</b>
<b>\$ Increase / Decrease</b>		-		<b>\$0</b>
<b>% Increase / Decrease</b>		-		<b>0.0%</b>
<b>Supplemental Life</b>	<b>Rate Per \$1,000</b>	<b>Premium</b>	<b>Rate Per \$1,000</b>	<b>Premium</b>
Supplemental Life - Employee	Age Banded	\$21,930	Age Banded	\$21,930
Supplemental Life - Spouse	Age Banded	\$2,729	Age Banded	\$2,729
Supplemental AD&D	\$0.030	\$2,656	\$0.030	\$2,656
Child Life	\$0.115	\$388	\$0.115	\$388
Child AD&D	\$0.040	\$135	\$0.030	\$101
<b>Monthly Total</b>		<b>\$27,837</b>		<b>\$27,803</b>
<b>Annual Total</b>		<b>\$334,039</b>		<b>\$333,634</b>
<b>\$ Increase / Decrease</b>		-		<b>-\$404</b>
<b>% Increase / Decrease</b>		-		<b>-0.1%</b>
<b>Disability</b>	<b>Rate Per \$10 / \$100</b>	<b>Premium</b>	<b>Rate Per \$10 / \$100</b>	<b>Premium</b>
Short-Term Disability Per \$10	\$0.683	\$25,441	\$0.683	\$25,441
Long-Term Disability Per \$100	\$0.425	\$17,680	\$0.332	\$13,811
<b>Monthly Total</b>		<b>\$43,122</b>		<b>\$39,253</b>
<b>Annual Total</b>		<b>\$517,459</b>		<b>\$471,032</b>
<b>\$ Increase / Decrease</b>		-		<b>-\$46,426</b>
<b>% Increase / Decrease</b>		-		<b>-9.0%</b>
<b>Monthly Total</b>	<b>\$76,393</b>		<b>\$72,490</b>	
<b>Annual Total</b>	<b>\$916,714</b>		<b>\$869,884</b>	
<b>\$ Increase / \$ Decrease</b>	-		<b>-\$46,831</b>	
<b>% Increase / % Decrease</b>	-		<b>-5.1%</b>	