

LRB-FISCAL REVIEW SECTION ANALYSIS

AUGUST 1, 2001

ITEM 11a, FILE 010505

FINANCE & PERSONEL COMMITTEE

MARK A. RAMION

File # 010505 is a resolution approving the *extension* of the contract with Standard Insurance to provide long-term disability insurance from January 1, 2002 through December 31, 2002.

Background

The City of Milwaukee provides long term disability insurance to selected (police, fire and Local 61 personnel are not covered under this plan) city employees. The current five-year contract with Standard Insurance ends on December 31, 2001.

Discussion

1. The City of Milwaukee Department of Employee Relations (DER) – Employee Benefits Division will execute an amendment to the agreement to extend a contract with Standard Insurance for a period of one year.
2. Long Term Disability Insurance is a Special Purpose Account.
3. The premium for years 2000 and 2001 was **\$425,000**.
4. It is the intention of DER to submit new RFPs for long term disability insurance for year 2003.
5. The notable **26%** increase (\$110,046) to **\$535,046** for the 2002 premium, from year 2001, is the result of higher-than-anticipated claims in the second, third and fourth years of this contract.

Fiscal Impact

As the premium is calculated by using a multiplier of .36% of *Insured Payroll*, the fiscal impact to the city is **\$535,046**. This premium amount represents a **20%** increase from the 2001 approved budget with an assumption of a **2.5%** *cost of living allowance* increase in the year 2002 salaries of eligible employees.

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LRB-Fiscal Review Section
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