

LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE AND PERSONNEL COMMITTEE

ITEM 9, FILE # 050192

JUNE 8, 2005

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File # 050192 is a resolution authorizing a contract extension for Long Term Disability Insurance benefits with Standard Insurance for a one-year period, January 1, 2006 through December 31, 2006.

Background

1. This resolution will authorize the City of Milwaukee Department of Employee Relations – Employee Benefits Section to enter into a one-year contract extension with Standard Insurance for long-term disability insurance benefits.
2. Long-term disability insurance is an income replacement program for employees who cannot work due to injury or illness. Currently, about 3,600 employees are eligible as a result of collective bargaining and extension to non-represented and management employees. Insured benefits begin 180 days from the date an employee can no longer work because of illness or injury.
3. The program covers all DC 48, Local 75 Plumbers Union, Staff Nurses Council, TEAM, Scientific Personnel, Association of Municipal Attorneys, management and non-management/non-represented employees who have been on the payroll for at least six months. The expenditure level is determined, primarily, by the amount of eligible employee-covered wages.
4. Council File # 020478 authorized a three-year contract with Standard Insurance covering the period of January 1, 2003 through December 31, 2005.

Discussion

1. The City of Milwaukee Department of Employee Relations (DER) and the Willis Corporation of Wisconsin have negotiated an extension of the current contract for long-term disability with Standard Insurance.
2. DER is exercising its option for this one-year extension and will issue a request for proposal in 2006 for a new contract for long-term disability to commence January 1, 2007.
3. The period of this contract extension encompasses the period of January 1, 2006 through December 31, 2006.

Fiscal Effect

1. There is no additional fiscal effect upon the tax levy related to this extension. The 2005 budget provided for \$ 562,000 for the Long-Term Disability Special Purpose Account.
2. The city share of costs contained in the contract extension is .0036 per \$1,000 of payroll for the 180-day interim between the covered employee's inability to work and the commencement of insurance benefits. This is a similar cost as is presently incurred in 2005.
3. Employees who desire a shorter interim period before benefits commence may purchase a 60, 90 or 120 day "buy down."
4. Under the terms of this contract extension, and based upon utilization, only employees who purchase the 60-day buy down will see an increase in their bi-weekly payroll deduction from .0023 per \$1,000 of payroll in 2005 to .0162 per \$1,000 of payroll in 2006.

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LRB-Fiscal Review Section
June 7, 2005

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