

LRB-Research & Analysis Section

Finance & Personnel Committee
File: 090509

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Title

Resolution authorizing the Department of Employee Relations to extend the current agreement with Standard Insurance for Long Term Disability Benefits for City employees.

Introduction

This resolution authorizes the Department of Employee Relations (“DER”) to grant a 2-year extension of the current agreement with the Standard Insurance Company (“Standard”) to provide Long-term Disability Insurance Benefits for City employees for 2010 and 2011.

No Request for Proposal (“RFP”) was issued for this extension because Standard’s rate quote is unchanged from their 2008-2009 agreement. The City solicits RFP’s every 2-3 years to ensure rates are competitive. Standard’s rates increased 27.12% in 2008 based on increased utilization and experience over the prior 5 years.

Background

The City’s Long-term Disability Insurance benefit pays 60% of pre-disability earnings to employees who are unable to work due to injury or illness. Benefits begin on the 181st day of disability after a 180-day waiting period. Currently 95 active or former City employees are receiving Long-term Disability benefits.

Approximately 3,447 City employees were covered by the program as of September, 2009. Labor contract provisions make protective service personnel (Fire and Police) ineligible for this program. The City’s premium costs for 2010-2011 will be unchanged by this resolution at 0.45% of employee earnings. The proposed 2010 budget for this Long-term Disability Insurance benefit is \$800,000, unchanged from 2009’s Adopted Budget, and up slightly from 2008’s actual expenditures of \$781,388.

Employees may elect to pay additional premiums at their own expense to reduce the waiting period for disability payments under the City-provided disability insurance plan to 120, 90 or 60 days. Standard’s quoted rates for 2010-2011 for these “buy-down” levels are also unchanged from 2009.

Discussion

Standard's 2010-2011 Long-term Disability Insurance premium rate quote is unchanged from 2009, so there will be no change in costs for this benefit either for the City or for participating employees paying "buy-down" premiums to shorten the waiting period for payment of disability benefits.

Fiscal Impact

Providing Long-term Disability Insurance benefits for eligible City employees in 2010 is proposed to cost the City \$800,000. This projected fiscal impact is unchanged by this resolution because Standard's premium rate quote is unchanged from 2009.