

Reply to Common Council File No. 050192

From DOA-Budget and Management Division

June 2, 2005

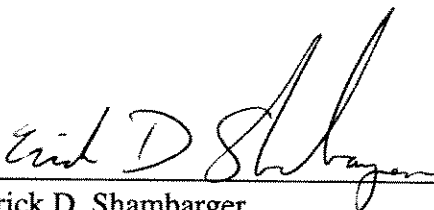
Ref: 05013

File 050192 is a resolution authorizing a contract extension for long term disability insurance with Standard Insurance for a one-year period, January 1, 2006 to December 31, 2006.

The Department of Employee Relations currently plans to request proposals for a new contract for 2007 and beyond. The City provides Long Term Disability Insurance to over 3,600 city employees. The Long Term Disability Program provides income continuation benefits at 60% of pre-disability earnings to eligible employees who are unable to work due to a disabling injury or illness. The program supplements the City's sick leave and pension disability program. It features two components: a core benefit, provided to the City at no cost to the employees, and an optional benefit, purchased by the employee through payroll deductions. The core benefit has a 180-day "buy down." A buy down is the period of time between when an injury is reported and when disability benefits are paid. Employees can supplement this by shortening the buy down period at their own expense. Supplemental options include 120-day, 90-day, and 60-day buy downs. Under the contract extension, the city-share cost per employee will not change from 2005. The 2006 budget for long term disability will increase, however, as more employees will be covered under the program.

The employee share costs for the 120-day and 90-day buy down options will not change under the contract extension. However, the premium for the 60-day buy down option will increase seven fold from .23% of predisability earnings to 1.62%. For an employee earning \$40,000 per year, the premium for 60-day buy down option would climb from \$92 to \$648. Of the 3,600 employees covered by this program, about 750 (21%) have selected the 60-day buy down option, though they may select a different option in 2006.

**RECOMMENDATION: ADOPT THE RESOLUTION INCLUDED IN THIS FILE APPROVING THE ONE-YEAR CONTRACT EXTENSION WITH STANDARD INSURANCE.**

  
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