



City of Grand Island

Tuesday, November 14, 2006

Council Session

Item G4

#2006-328 - Approving Contract for Long Term Disability

Staff Contact: Brenda Sutherland

Council Agenda Memo

From: Brenda Sutherland, Human Resources Director

Meeting: November 14, 2006

Subject: Long Term Disability Insurance

Item #'s: G-4

Presenter(s): Brenda Sutherland, Human Resources Director

Background

The City of Grand Island has provided long term disability insurance for its employees for several years. The City's contract with Jefferson Pilot has been in place for seven years and will expire as of November 30, 2006. This benefit has been implemented to provide monthly income benefits to an employee who can no longer work due to an accident or illness. It provides a partial replacement of income while the employee is disabled.

Discussion

The Human Resources Department advertised a request for proposal to secure a contract with a company to provide long term disability insurance for the employees at the City. Analysis was done as to the current level of benefits and what is common in the marketplace today. The City's current plan allows for income replacement of up to 60% of an employee's monthly income with a maximum of \$3,000 for employees who are compensated at an annual rate of \$48,000 or more per year and 50% of an employee's monthly income with a maximum of \$2,000 per month for employees who are compensated at an annual rate of \$48,000 or less per year. These rates were set in 1999.

After consideration and evaluation of current salaries and marketplace trends, a decision to obtain coverage with higher limits to more accurately reflect the needs of the City's employees was made. The City was able to negotiate a contract that will allow for a 60% income replacement with a limit of \$6,000 for less than it paid for the current coverage with much lower limits. The company that is being brought forward for the Council's consideration to provide the insurance benefit is The Standard Insurance Company. The Standard is rated with an A or higher by all three of the major rating companies (A.M. Best, Moody's and Standard and Poor's). This proposal was brought to us by a local company, Primark Inc. J.J. Green is the local agent who will service the account. The

new contract with higher levels of coverage will actually represent a savings of 3.7% over the current price. This rate is guaranteed for three years. A copy of the contract is on file at the Clerk's office.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council approve the contract with The Standard Insurance Company to provide long term disability insurance for City employees.

Sample Motion

Motion to approve the contract with The Standard Insurance Company of Portland, Oregon for long term disability insurance coverage.



Dale M. Shotkoski, Assistant City Attorney

*Working Together for a
Better Tomorrow, Today*

**REQUEST FOR PROPOSAL
FOR
LONG TERM DISABILITY INSURANCE**

RFP DUE DATE: October 27, 2006 at 4:00 p.m.
DEPARTMENT: Human Resources
PUBLICATION DATE: October 6, 2006
NO. POTENTIAL BIDDERS: 5

SUMMARY OF PROPOSALS RECEIVED

<u>Primark, Inc.</u> Grand Island, NE (Mutual of Omaha) (The Standard) (Fort Dearborn Life) (Lincoln Financial/Jefferson Pilot)	<u>Phares Financial Services</u> North Platte, NE (Fort Dearborn Life) (ING Employee Benefits) (Mutual of Omaha) (Prudential)	<u>MetLife</u> Overland Park, KS (Primark) (Homes Murphy) (Strong Financial Resources, Inc.)
<u>CBS Insurance Associates, Inc.</u> Grand Island, NE (Mutual of Omaha)	<u>Strong Financial Resources, Inc.</u> Aurora, NE (Kansas City Life)	<u>Holmes Murphy & Associates</u> Omaha, NE (ING Employee Benefits) (Sun Life)

cc: Brenda Sutherland, Human Resources Director
Gary Greer, City Administrator
Dale Shotkoski, Purchasing Agent

Tami Herald, HR Specialist
David Springer, Finance Director
Sherry Peters, Legal Secretary

Please type or print

REQUESTED EFFECTIVE DATE 12-1-06

APPLICANT

Full Legal Name of Group (Exactly as it is to be shown in the policy.)

CITY OF GRAND ISLAND

Street Address 100 E. 1st Street

City Grand Island

State NE

Zip Code 68801

Phone Number (308) 385-5444 ext. 192

FAX Number (308) 385-5422

Group Contact Tami Herald

Contact's Title Human Resources Specialist

Contact's Phone No. if different ()

Contact's FAX No. if different ()

Nature of Business Municipal Government

INSURANCE COVERAGE REQUESTED

- | | | | | |
|---|---|--|---|--------------------------|
| <input type="checkbox"/> Life Only | <input type="checkbox"/> Supplemental Life | <input type="checkbox"/> Dental/Employees | <input checked="" type="checkbox"/> LTD | <input type="checkbox"/> |
| <input type="checkbox"/> Life & AD&D | <input type="checkbox"/> Additional/Optional Life | <input type="checkbox"/> Dental/Employees and Dep(s) | <input type="checkbox"/> STD | <input type="checkbox"/> |
| <input type="checkbox"/> Dependent Life | <input type="checkbox"/> Stand Alone AD&D | <input type="checkbox"/> Dental/Orthodontia | <input type="checkbox"/> LTD with Transitional Duty Agreement | |

OTHER INSURANCE

A. Does this insurance supplement other insurance? Yes No

If yes, specify for each line of coverage and Insurance Carrier: _____

B. Does this insurance replace existing insurance? Yes No

If yes, specify for each existing line of coverage: LTD

• Please submit a copy of each in force policy, certificate or plan document.

Effective date of Prior Plan: 12-1-99 Termination date of Prior Plan: 11-30-06

ACTIVE WORK REQUIREMENT: A person must meet an Active Work requirement to become insured. Members who have not met an Active Work requirement are not insured until returning to work for one full day and meeting all other contractual requirements.

Initial: BKS

Note: Some members who do not meet an Active Work requirement may be eligible for Waiver of Premium with a prior carrier. The Active Work requirement does not apply to Dental coverage.

APPLICANT AGREES THAT: I hereby apply for Group Insurance as provided in the attached proposal.

The above information is true and correct to the best of the Applicant's knowledge and belief. It forms the basis for this request for group insurance.

If the requested insurance is acceptable to Standard Insurance Company under its current rules and practices and is legally permissible, a Group Policy will be issued in the language customarily used by Standard. It will be effective on the date determined by Standard. No agent or broker has the authority to guarantee the acceptability of the requested insurance.

Standard may issue separate Group Policies if more than one coverage is requested in this Application. The insurance, if approved, will be subject to Standard Insurance Company's usual underwriting requirements, including the exclusions and limitations in the Group Policy and, if applicable, Evidence Of Insurability. The effective date of insurance for which a person is required to submit satisfactory Evidence Of Insurability will be determined in accordance with the terms of the Group Policy, subject to the Active Work requirement. No premiums will be collected or paid by the Applicant for such insurance until notification of approval.

No material describing coverage under the Group Policy will be distributed by the Applicant to any person to be insured without the prior written consent of Standard Insurance Company.

Premium rate quotations were based on data submitted to Standard. Final premium rates will be determined by the actual composition of the group.

The consideration for any Group Policy which may be issued is this Application and the payment of premiums. Payment of premium after receipt of the Group Policy is acceptance of the terms of the Group Policy.

This Application, including the attached proposal, is made a part of the Group Policy.

Applicant authorizes the agent, broker of record, or consultant to receive information regarding the applicant's claims status and experience that the applicant has a right to receive and which is reasonably necessary to assist the applicant in conducting a review of the information.

Signature and Title of Applicant's Authorized Representative

James R Green, Primark, Inc.

Signature of Witness

Signature of Licensed Agent (where required by law)

Date

License #

(Must be signed prior to the requested effective date.)

Initial Deposit \$ 5,179.00



TheStandardSM
Positively different.

An Employee Benefits Proposal for:

CITY OF GRAND ISLAND, NE

Presented By:

PRIMARK INC

Standard Insurance Company

November 7, 2006

LTD Plan 2

COVERED MEMBERS

A regular employee of the Employer working 30 hours per week

PLAN

LTD Income Benefit	60%
Insured Predisability Earnings	\$10,000
Maximum Monthly Benefit	\$6,000
Minimum Monthly Benefit	\$100
Benefit Waiting Period	180 Days
Maximum Benefit Period	To age 65
Own Occupation Period	24 Months
Guarantee Issue (benefit)	Full Benefit
Employer Contribution	100%

- The plan includes a 24 month Own Occupation Period for safety employees.
- The plan includes a Maximum Benefit Period to Social Security Normal Retirement Age definition of disability.

COST

<u>Members</u>	<u>Volume</u>	X	<u>Rate: Percent of Earnings</u>	=	<u>Monthly Premium</u>	<u>Rate Guarantee</u>
510	\$1,918,155		0.27		\$5,179	3 Years

- **Rates are guaranteed for 3 years.**
- Renewal rates will be communicated to the policyholder 31 days prior to the renewal effective date.

FEATURES

- The Standard pays the employer's matching FICA and Medicare and prepares W-2s.
- Partial Disability is always covered.
- A Survivors' Benefit is included that pays a lump sum equal to 3 times the non-integrated LTD benefit.
- The Standard consolidates the filing and management of LTD and Life Waiver Of Premium claims.
- Continuity of coverage is included.
- Primary and Dependents Social Security benefits are offset as Deductible Income.
- The plan includes a 24 month lifetime combined duration for Mental Disorder, Substance Abuse, Other Limited Conditions including musculoskeletal/connective tissue disorders.
- The plan includes a 3/12 Preexisting Condition Exclusion.

- Sick leave payable by the Employer is offset as Deductible Income.

ENHANCEMENTS

- A Transitional Duty Package is included. This package contains resource materials to help policyholders design and/or manage their own transitional duty programs.
- A Rehabilitation Plan Benefit is included that will pay for some or all of the expenses incurred by a disabled employee in connection with approved training and education, family care, and job-related and job search expenses.
- AdminEASE service is included, offering online resources for day-to-day administration of employee benefit plans.
- A Reasonable Accommodation Expense Benefit is included. This benefit reimburses employers up to \$25,000 for approved modifications made to a disabled employee's work place that result in a return to work.
- An Employee Assistance Program (EAP) is included. EAP services offered through Horizon Health EAP Services include WorkLife services, legal and financial counseling and up to three face-to-face assessment and counseling sessions.
- E-Contract Documents service is included, offering online efficiency and convenience in contract document delivery.

CONDITIONS

- This proposal assumes the group participates in Social Security.
- The plan assumes that all benefits are 100% taxable.
- The employer must participate in a Workers' Compensation Plan.
- Proposal assumes coverage is currently in force.

R E S O L U T I O N 2006-328

WHEREAS, the City subscribes to long term disability insurance for its employees as authorized by the City of Grand Island Personnel Rules and federal regulation; and

WHEREAS, the City of Grand Island invited proposals for a long term disability plan, according to the City's Request for Proposal on file with the Human Resources Department; and

WHEREAS, review and evaluation of the proposals were held; and

WHEREAS, The Standard Insurance Company submitted a proposal for administration of the Long Term Disability Coverage in accordance with the terms of the advertisement for proposals and the plans and specifications and all other statutory requirements contained therein; and

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the proposal of The Standard Insurance Company for the administration of long term disability insurance as set out in the contract is hereby approved.

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized and directed to execute such contracts for such long term disability insurance on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, November 14, 2006.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form ☐ _____
November 8, 2006 ☐ City Attorney