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City of Hiawatha
101 Emmons Street
Hiawatha, Iowa 52233

City Clerk's Office
319-393-1515

Memo

To: Mayor and City Council

From: Kelly Kornegor, City Clerk

Date: May 16, 2018

Re: Employee Benefits Renewal – Vision Insurance and Life Insurance, Short Term and Long Term Disability, and Accidental Death and Dismemberment Benefits for FY 2018-2019

The following employee benefits are up for renewal on June 30, 2018: vision insurance, life insurance including accidental death and dismemberment, short term disability, long term disability, and voluntary supplemental life insurance. When we last renewed these benefits in 2016, the carriers gave us a two year contract with no rate increases.

Renewal information is provided below:

Employee Vision Insurance - Avesis

The City currently offers employees the option to participate in vision insurance at their own expense through payroll deductions that are paid toward the premiums. Staff is requesting to stay with our current provider of Avesis with renewal rates shown in the table below:

Rate Type	Current Monthly Premiums	Renewal Monthly Premiums	Renewal Monthly Premium Change
Single	$11.13	$11.46	$0.33
Employee/Spouse	$21.31	$21.95	$0.64
Employee/Children	$23.24	$23.94	$0.70
Family	$29.90	$30.80	$0.90

*** Avesis is extending a two year contract with no rate increases effective July 1, 2018. ***

Employee Life Insurance, Short Term and Long Term Disability and Accidental Death and Dismemberment Benefits

The City currently sponsors a life insurance policy for each eligible employee along with providing accidental death and dismemberment, short term disability, and long term disability benefits. The City also offers employees the option to participate in a voluntary life insurance policy at their own expense through payroll deductions paid toward the premiums. Staff is requesting to stay with our current provider, Lincoln Financial Group.

We are also requesting to increase short term disability maximum weekly benefit amount from the current level of $150 to a higher level of either $300 or $500. The maximum weekly benefit amount of $150 has not changed for several years and after review with True North, we are of the opinion that it is not enough to supplement the wages of an employee who is unable to work for a short period of time due to sickness or

injury not covered by Workers Compensation. Teri Copler of True North prepared a memo and put together a cost analysis for our renewal at the $150 max benefit versus increasing to $300 or $500 max benefit (see attachments).

Along with the request to increase the short term disability maximum weekly benefit amount we are also requesting to extend the waiting period for payment of benefits from 1st day accident/8th day illness to 15th day accident/15th day illness. True North recommended we make this change as many of our employees have enough sick leave banked to cover the waiting period and it also provides a slight cost reduction in premium. Keep in mind too that any serious illness or accident is most likely going to fall under FMLA covered leave and the city requires employees to exhaust paid time off while on FMLA leave. This would reduce the benefits available under short term disability.

True North felt the long term disability levels did not require any adjustment at this time so we are not asking for any changes. No change in premium for the employee voluntary life insurance plan.

* Lincoln is extending a one year contract with no rate increases effective July 1, 2018. *

When considering staff recommendation for renewal of City life insurance/voluntary life insurance, accidental death and dismemberment, short term disability, and long term disability benefits with Lincoln Financial, please take action on setting the short term disability maximum weekly benefit to one of the options below:

1. $300 with a 1st day accident/8th day illness waiting period, annual premium $19,335.89
2. $300 with a 15 day waiting period, annual premium $17,535.89
3. $500 with a 1st day accident/8th day illness waiting period, annual premium $24,622.81
4. $500 with a 15 day waiting period, annual premium $21,715.57
5. Maintaining the current level of $150 with a 1st day accident/8th day illness, annual premium $15,042.89

I have checked with the Finance Director and there is room in the budget to support any of the options presented above. Thank you for your consideration of this matter. I would be happy to answer any questions that you may have.

TRUE NORTH
Insurance and Financial Strategies

MEMO

To: City Council

From: Teri Copler, TrueNorth

Date: May 3, 2018

Re: Short Term Disability Analysis

The $150 weekly STD maximum has been in place since at least 2011. This equates to 60% of an annual salary of $13,000.

Our first recommendation is that the City of Hiawatha increase the weekly maximum on the short-term disability. As employee's wages increase it is important to review the salary based benefits, such as short-term and long-term disability, to ensure they are adjusting in connection with wage changes.

A $300 weekly STD maximum covers 60% of an annual salary of $26,000.

A $500 weekly STD maximum covers 60% of an annual salary of $43,333.

Our second recommendation is to increase the elimination period from 1st day accident/8th illness to 15th day accident/15th day illness. The city provides employees with a robust sick leave benefit. The majority of the city's employees have adequate sick time available in their sick bank to cover the recommended 15 day elimination period.

Adjusting the elimination period to 15th day accident/15th day illness will decrease the premium cost for the short-term disability.

We recommend choosing one of the asterisked plans on the following analysis.

Group Life, STD and LTD Cost Analysis for City of Hiawatha for July 2018

LIFE AND AD&D

PLAN PROVISIONS	Current- Lincoln	Renewal - Lincoln
Life & AD&D Benefit Amount	All Other Full-Time Employees - $10,000 City Administrator - $100,000	All Other Full-Time Employees - $10,000 City Administrator - $100,000
Benefit Reduction	35% at age 65 Add'l 15% at age 70	35% at age 65 Add'l 15% at age 70
Covered Volume	$490,500	$490,500
Rate Per $1,000 of Covered Benefit Life	$0.230	$0.265
Rate Per $1,000 of Covered Benefit AD&D	$0.035	$0.035
Total Rate	$0.27	$0.30
Monthly Premium Total - Life & AD&D	$129.98	$147.15
Rate Guarantee		

SHORT TERM DISABILITY (STD)

PLAN PROVISIONS	Current- Lincoln	Renewal - Lincoln
Weekly Benefit Amount	60% of predisability earnings	60% of predisability earnings
Maximum Weekly Benefit	$150	$150
Elimination Period-Benefit Payment will begin on:		
Injury	1st day	1st day
Sickness	8th day	8th day
Benefit Duration	26 weeks	26 weeks
STD Rate per $10	$0.530	$0.583
Volume	$7,500	$7,500
Monthly Total	$397.50	$437.25
Rate Guarantee		

LONG TERM DISABILITY (LTD)

PLAN PROVISIONS	Current- Lincoln	Renewal - Lincoln
Elimination Period	180 days	180 days
Benefit Amount	60% of predisability earnings	60% of predisability earnings
Maximum Monthly Benefit	$3,000	$3,000
Minimum Monthly Benefit	$100	$100
Benefit Period	Later of 65 age or SSNRA	Later of 65 age or SSNRA
Rate Per $100 of Covered Pay	$0.275	$0.330
Monthly Covered Payroll	$202,780	$202,780
Monthly Total	$557.65	$669.17
Rate Guarantee		

PREMIUM ANALYSIS

Premium Summary	Current- Lincoln	Renewal - Lincoln
Monthly Premium	**$1,085.13**	**$1,253.57**
Annual Premium	**$13,021.53**	**$15,042.89**
Annual Cost Difference		**$2,021.36**

Teri Copler

Prepared by TrueNorth® on 5/3/2018

Group Life, STD and LTD Cost Analysis for City of Hiawatha for July 2018

LIFE AND AD&D

* Renewal - Lincoln with increased STD Benefit to $300 with 15 day waiting period	* Renewal - Lincoln with increased STD Benefit to $500 with 15 day waiting period	Renewal - Lincoln with increased STD Benefit to $300	Renewal - Lincoln with increased STD Benefit to $500
All Other Full-Time Employees - $10,000 City Administrator - $100,000	All Other Full-Time Employees - $10,000 City Administrator - $100,000	All Other Full-Time Employees - $10,000 City Administrator - $100,000	All Other Full-Time Employees - $10,000 City Administrator - $100,000
35% at age 65 Add'l 15% at age 70	35% at age 65 Add'l 15% at age 70	35% at age 65 Add'l 15% at age 70	35% at age 65 Add'l 15% at age 70
$490,500	$490,500	$490,500	$490,500
$0.265	$0.265	$0.265	$0.265
$0.035	$0.035	$0.035	$0.035
$0.30	$0.30	$0.30	$0.30
$147.15	$147.15	$147.15	$147.15

SHORT TERM DISABILITY (STD)

* Renewal - Lincoln with increased STD Benefit to $300 with 15 day waiting period	* Renewal - Lincoln with increased STD Benefit to $500 with 15 day waiting period	Renewal - Lincoln with increased STD Benefit to $300	Renewal - Lincoln with increased STD Benefit to $500
60% of predisability earnings	60% of predisability earnings	60% of predisability earnings	60% of predisability earnings
$300	$500	$300	$500
15th day	15th day	1st day	1st day
15th day	15th day	8th day	8th day
26 weeks	26 weeks	26 weeks	26 weeks
$0.430	$0.410	$0.530	$0.510
$15,000	$24,227	$15,000	$24,227
$645.00	$993.31	$795.00	$1,235.58

LONG TERM DISABILITY (LTD)

* Renewal - Lincoln with increased STD Benefit to $300 with 15 day waiting period	* Renewal - Lincoln with increased STD Benefit to $500 with 15 day waiting period	Renewal - Lincoln with increased STD Benefit to $300	Renewal - Lincoln with increased STD Benefit to $500
180 days	180 days	180 days	180 days
60% of predisability earnings	60% of predisability earnings	60% of predisability earnings	60% of predisability earnings
$3,000	$3,000	$3,000	$3,000
$100	$100	$100	$100
Later of 65 age or SSNRA	Later of 65 age or SSNRA	Later of 65 age or SSNRA	Later of 65 age or SSNRA
$0.330	$0.330	$0.330	$0.330
$202,780	$202,780	$202,780	$202,780
$669.17	$669.17	$669.17	$669.17

PREMIUM ANALYSIS

* Renewal - Lincoln with increased STD Benefit to $300 with 15 day waiting period	* Renewal - Lincoln with increased STD Benefit to $500 with 15 day waiting period	Renewal - Lincoln with increased STD Benefit to $300	Renewal - Lincoln with increased STD Benefit to $500
$1,461.32	**$1,809.63**	**$1,611.32**	**$2,051.90**
$17,535.89	**$21,715.57**	**$19,335.89**	**$24,622.81**
$4,514.36	**$8,694.04**	**$6,314.36**	**$11,601.28**

Teri Copler

Prepared by TrueNorth® on 5/3/2018

DRAFT

RESOLUTION NO. 18-
City Council

RESOLUTION APPROVING RENEWAL OF EMPLOYEE VISION/LIFE/ ACCIDENTAL DEATH/DISABILITY BENEFITS

BE IT RESOLVED BY THE CITY COUNCIL OF HIAWATHA, IOWA, appropriate City Officials are hereby authorized to enter into agreements for renewal of the following employee benefits effective July 1, 2018:

- Voluntary Avesis vision insurance.
- Lincoln Financial Group life insurance, accidental death benefits, short term disability, long term disability, and voluntary supplemental life insurance coverage.

AYES:
NAYS:
ABSENT:

PASSED AND APPROVED on this 16th day of May, 2018.

_____
Bill Bennett, Mayor

ATTEST:

_____
Kari Graber, Deputy Clerk