

**ROSEVILLE**  
**REQUEST FOR COUNCIL ACTION**

Date: 9/24/2018  
Item No.: 9.d

Department Approval

City Manager Approval



Item Description: Approve 2019 Insurance Benefit Renewals and City Cafeteria Contributions

**BACKGROUND**

A cafeteria plan is a type of employee benefit plan offered pursuant to Section 125 of the Internal Revenue Code. The Internal Revenue Code sets forth the requirements and tax treatment of cafeteria plans. A cafeteria plan allows employees to choose between different types of benefits. Employees may choose benefits such as health insurance, group-term life insurance, voluntary “supplemental” insurance (dental, accident, etc.) and flexible spending accounts through the plan.

The City of Roseville has a Cafeteria Benefits Plan that meets the requirements of Section 125 of the Code. One of the main purposes of a cafeteria plan are the tax savings advantages for both the employer and employee. Employees’ pretax contributions are not subject to federal, state or social security taxes. As an employer, the City saves on the employer portion of FICA, FUTA and worker’s compensation insurance premiums.

As part of an annual renewal process, staff receives insurance premium renewal notices from our insurance carriers. These renewal notices are based on the previous year’s plan claims, number of participants and loss ratios.

The increase in rates for our self-insured pool for 2019 range from 6% on the low end, to an 18% increase on the upper end. Due to many factors, including our employees participation in a wellness program, along with our loss ratio factor that looks at how our plan is funded versus the claims paid, the City’s rate change for 2019 was a 6% increase. The City Manager’s recommended budget that was presented to Council included a 5% budgeted amount for these rate increases. The additional costs will be part of the employee cost sharing partnership.

The City of Roseville has worked to implement policies and plans that have led to a decline and stabilization of claims over the years, as well as a cost sharing partnership with employees. Over the last 4 years the City has averaged a 3.18% increase in insurance premiums which is significantly lower than industry and insurance pool trends. Because of the participation of our employees in wellness programs along with a reduction in claims, the city has been fortunate to not see double digit increases in rates for several years. This has led to a reduction in benefit costs to the city as well as for our employees.

37 **City Contributions Background and Recommendations:**

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39 Historically, as other municipalities have done, the City has paid 100% of the premium for  
40 medical and dental insurance for the single plan. This does not mean that the single  
41 employee has free coverage. Employees are still responsible for fulfilling their deductible as  
42 well as their out-of-pocket costs which could amount to as much as \$5,400 for a single and  
43 \$10,800 for a family depending on the plan they choose.

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45 Since 2010, the City has utilized a Benefits Contribution Incentive that has worked very  
46 well and provides the full cafeteria dollar amount only to those benefit eligible employees  
47 who participate in a confidential health risk assessment, and a preventive care physical with  
48 a blood pressure check. If an employee does not participate in these wellness items they  
49 receive \$40 less per month in their cafeteria amount.

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51 Staff recommends the City contribution to the 2019 Cafeteria Plan as follows:

<b>2018-2019 Cafeteria Plans</b>			
	<b>2018 Cafeteria contribution</b>	<b>2019 Cafeteria Contribution (5% increase)</b>	<b>Increase in Cafeteria amount in Dollars</b>
<b>Opt Out</b>	\$510	\$510 (no change)	\$0
<b><u>\$2000 Deductible</u></b>			
<b>Single</b>	\$820	\$861	\$41
<b>Single +1</b>	\$960	\$1,008	\$48
<b>Family</b>	\$1,195	\$1,255	\$60
<b><u>\$2700 Deductible</u></b>			
<b>Single</b>	\$830	\$872	\$42
<b>Single +1</b>	\$970	\$1,019	\$49
<b>Family</b>	\$1,205	\$1,265	\$60

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54 **Dental Renewal:**

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56 The dental insurance for the City is self-insured. The 2019 dental claims compared to  
57 premiums paid were running in-line with premiums. Thus, there will be no increase in  
58 premium costs for staff in 2019 and no changes in coverage for the plan.

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60 **Life & Long Term Disability:**

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62 The City has been able to extend the contract with Cigna for an additional 24 months through  
63 2020 which provides for no rate or plan design changes for Long Term Disability and Life  
64 insurance.

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66 **POLICY OBJECTIVE**

67 To offer and maintain market comparable and equitable benefits internally and externally that  
68 solidify retention and attract exceptional employees.

69 **BUDGET IMPLICATIONS**

70 The proposed Cafeteria Plan budget for 2019 as presented above utilizes the 5% budget increase that  
71 has been earmarked in the 2019 City Manager recommended budget.

72 **STAFF RECOMMENDATION**

73 Approve the 2019 City benefits insurance renewals with the insurance carriers and the  
74 City's employer cafeteria contributions as described in this report.

75 **REQUESTED COUNCIL ACTION**

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77 City's employer cafeteria contributions as described in this report.

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