

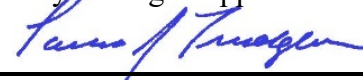
ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: September 23, 2019
Item No.: 9.g

Department Approval



City Manager Approval



Item Description: 2020 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 2020 range from 4% on the low end, to a 14% 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 2020 was a 10.67% increase. Currently, the marketplace industry trend for renewal rates is roughly between 9-11%.

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.

City Contributions Background and Recommendations:

Historically, as other municipalities have done, the City has paid 100% of the premium for medical and dental insurance for the single plan. This does not mean that the single employee has free coverage. Employees are still responsible for fulfilling their deductible as well as their out-of-pocket costs which could amount to as much as \$5,600 for a single and \$11,200 for a family depending on the plan they choose.

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

Staff recommends the City contribution to the 2020 Cafeteria Plan for full-time employees as follows:

2020 Cafeteria Plans			
	2019 Cafeteria contribution	2020 Cafeteria Contribution	Increase in Cafeteria amount in \$Dollars
Opt Out	\$510	\$510	\$0
<u>\$2000 Deductible</u>			
Single	\$861	\$878	\$17
Single +1	\$1,008	\$1,058	\$50
Family	\$1,255	\$1,355	\$100
<u>\$2700 Deductible</u>			
Single	\$872	\$872	\$0*
Single +1	\$1,019	\$1,070	\$51
Family	\$1,265	\$1,354	\$89

*This plan currently covers the premium cost therefore no increase is recommended

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Dental Renewal:

The dental insurance for the City is self-insured. The 2019 dental claims compared to premiums paid were running in-line with premiums. Thus, there will be no increase in premium costs for staff in 2020 and no changes in coverage for the plan.

POLICY OBJECTIVE

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

BUDGET IMPLICATIONS

The proposed Cafeteria Plan budget for 2020 as presented above utilizes the 5% budget increase that has been earmarked in the 2020 City Manager recommended budget.

STAFF RECOMMENDATION

Approve the 2020 City benefits insurance renewals with the insurance carriers and the City’s employer cafeteria contributions as described in this report.

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64 **REQUESTED COUNCIL ACTION**

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Prepared by: Rebecca Olson, Assistant City Manager