

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: September 27, 2021
Item No.: 9.b

Department Approval

City Manager Approval


Item Description: Approve the 2022 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.

In 2020, the city solicited Request for Proposals (RFP) for medical insurance. The city ultimately opted to stay with our current provider as they did not require changes to either the benefits provided or insurance plan structures. Based on the RFP the city was able to secure a 0% increase for rates for 2021 and a rate cap of 12% for 2022. Based on claims paid and our insurance pool, the city received an 11.5% rate increase for medical insurance premiums for plan year 2022.

Basic & Voluntary Life, AD&D and Long-term Disability Insurance

There are no changes to our Basic & Voluntary Life, AD&D and Long-term Disability Insurance premiums for 2021.

City Cafeteria Contributions Background and Recommendations:

Historically, as other municipalities have done, the City has paid 100% of the premium for medical 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.

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 has worked closely with the city’s employee Benefits Committee which has representatives from

various departments as well as union employees. In the past, the amount of city cafeteria dollars has been unevenly allocated across plans, resulting in inequitable burdens for some employees, even without taking into account the different coverage tiers. In working with the Benefits Committee, staff has made adjustments so that tiers within each plan are more equitably allocated within the amounts available within the City Manager’s recommended budget. Staff is recommending the City contribution to the 2022 Cafeteria Plan for full-time employees be as follows:

2022 Cafeteria Plans <i>*with wellness incentive</i>			
	2021 Cafeteria contribution	2022 Cafeteria Contribution	Increase in Cafeteria amount in \$Dollars
Opt Out	\$510	\$510	\$0
<u>\$2000 Deductible</u>			
Single	\$878	\$921	\$43
Single +1	\$1,058	\$1,163	\$105
Family	\$1,355	\$1,612	\$257
<u>\$2800 Deductible</u>			
Single	\$872	\$872	\$0
Single +1	\$1,070	\$1,123	\$53
Family	\$1,354	\$1,448	\$94

Dental Renewal:

The dental insurance for the City is self-insured. The dental claims paid were running in-line with premiums. Thus, there will be no increase in premium costs for staff in 2022, however staff is recommending a change to the plan to allow for up to 2 dental cleanings per year rather than one cleaning every 6 months.

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 2022 as presented above is within the 5% budget increase that has been included in the 2022 City Manager recommended budget.

STAFF RECOMMENDATION

1. Approve the 2022 City’s employer cafeteria contributions as described in this report.

REQUESTED COUNCIL ACTION

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Prepared by: Rebecca Olson, Assistant City Manager