

CITY OF KERRVILLE EMPLOYEE BENEFITS TRUST AGENDA

TUESDAY, JULY 21, 2015, 6:15 P.M. (approximately)

KERRVILLE CITY HALL COUNCIL CHAMBERS

701 MAIN STREET, KERRVILLE, TEXAS

1. CALL TO ORDER

2. CONSIDERATION AND POSSIBLE ACTION:

2A. Approval of the renewals and rates for the Fiscal Year 2016 employee benefit plans.

- Medical: Blue Cross Blue Shield of Texas
- Dental: MetLife
- Vision: MetLife
- Group Life & AD&D, Voluntary Life & AD&D, and Short Term Disability:
Lincoln Financial Group

3. ADJOURNMENT

The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-257-8000 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the city hall of the city of Kerrville, Texas, and said notice was posted on the following date and time: July 17, 2014 at 1:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Cheryl Brown
Deputy City Secretary, City of Kerrville, Texas

**TO BE CONSIDERED BY THE TRUSTEES OF THE EMPLOYEE BENEFIT TRUST
CITY OF KERRVILLE, TEXAS**

SUBJECT: Approval of the renewals and rates for the FY 2016 employee benefit plans.

FOR AGENDA OF: July 21, 2015

DATE SUBMITTED: July 16, 2015

SUBMITTED BY: Kimberly Meismer *KMi*
Director of General Operations

CLEARANCES: Todd Parton
City Manager

EXHIBITS: Benefit Spreadsheets & Provider Rate Sheets

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *TP*

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
----------------------------------	--	-----------------------------	----------------------------

(Fees are a part of the Group Insurance line item and are budgeted in each department.)

PAYMENT TO BE MADE TO: Blue Cross Blue Shield, MetLife, and Lincoln

REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

Kerrville established the Employee Benefit Trust in 2008 in order to qualify for the tax exemptions pursuant to Chapter 222.002 of the Texas Insurance Code. Chapter 222.022 creates an annual tax that is imposed on insurers for gross premiums received from their policyholders. Gross premiums paid by a municipality, county, or hospital district are **exempt** from the tax being collected by their insurer, if the municipality, county, or hospital district establishes either a single entity benefit trust or establishes or participates in a Chapter 172 risk pool. Since 2008, we have saved over \$320,000.

The City of Kerrville Employee Benefits Trust shall consider awarding the FY 2016 employee benefits. Below shows a nine (9) year history of our benefits budget representing the total annual City contribution toward the cost of benefits for City employees and their dependents:

Fiscal Year	\$ Per Employee Per Year
FY 2008	\$8,920
FY 2009	\$8,950
FY 2010	\$8,950
FY 2011	\$7,800
FY 2012	\$6,800
FY 2013	\$7,100
FY 2014	\$7,500
FY 2015	\$7,500
FY 2016	\$7,000

Kerrville, again, secured a comprehensive, cost effective quality benefits package for City employees.

Medical

Blue Cross Blue Shield of Texas (BCBSTX) has offered to renew the medical plan with an overall 5% rate reduction for the same plan currently provided. The rate is guaranteed for one year, from October 2015 – September 2016.

BCBSTX has provided quality coverage the past two years. A 5% reduction in premiums will reduce the City's cost from \$6,907 per employee per year to \$6,655 per employee per year. Employee experience with BCBSTX has been very good. With the rate reduction, City staff is requesting that the City contribution toward dependent care coverage be increased from 51% to 60%. This adjustment keeps the City's cost per employee below FY 2015 costs.

Dental

MetLife offered to renew the same dental plan for FY 2016 with a 4% increase in premiums. This represents a \$21 per employee per year increase. This would be the third year of coverage under the same MetLife benefit program. This rate is guaranteed for one year, from October 2015 - September 2016. The rate increase can be absorbed without increasing the City's overall cost due to significant decreases in the medical plan. The \$21 cited above includes an increase in the City's contribution for dependent dental coverage from 3% to 7% in order to keep the employee's out of pocket expenses consistent with the current plan year.

Vision

Vision coverage is offered on a voluntary basis with no cost impact to the City. The vision coverage is currently with MetLife. The renewal came back with no increase for the same plan design as currently offered. The rate is guaranteed for one year, from October 2015 – September 2016.

Group Life & AD&D, Voluntary Life & AD&D, and Short Term Disability

The City has enjoyed a long standing relationship with Lincoln Financial Group, strong coverages, competitive and stable pricing, along with capable service. The Group Life and AD&D coverages will continue at CURRENT premium rates for the FY 2016 plan year.

The Short Term Disability (STD) will see a small increase from \$.45 to \$.495 per \$10 of benefit. This is due to having less than 100 participating employees and the amount paid claims. This is voluntary coverage with no impact to the City. If we went out to bid on the STD, claims would dictate these rates and based on experience would be higher than the renewal rates we have received from Lincoln.

The Group Life and AD&D, Voluntary Life and AD&D and Short Term Disability rates are guaranteed for two years, from October 2015 – September 2017.

RECOMMENDATION

Staff recommends Council approve the renewals and rates for the FY 2016 employee benefit plans as presented.

CURRENT FY 2015 MEDICAL (24 Pay Periods)

BCBS		FY 2015 PPO Plan						
		\$2,500 Deductible, Office Visit \$35/\$50, RX \$100 Ded + \$15/\$40/\$70						
Tier of Coverage	Count	Employee Bi-Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	
Emp Only (77)	226	0.00	0.00	378.33	378.33	100%	\$ 1,026,031	
Spouse	27	115.50	231.00	260.84	491.84	53%	\$ 84,512	
Child(ren)	59	99.25	198.50	225.24	423.74	53%	\$ 159,470	
Family	72	192.00	384.00	444.57	828.57	54%	\$ 384,108	
	226						\$ 1,654,122	
BCBS		FY 2015 HRA Plan						
		\$2,500 Deductible, RX \$100 Ded + \$15/\$40/\$70						
Tier of Coverage	Count	Employee Bi-Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	
Emp Only (31)	64	0.00	0.00	348.06	348.06	100%	\$ 267,310	
Spouse	1	105.25	212.50	239.99	452.49	53%	\$ 2,880	
Child(ren)	14	91.00	182.00	207.85	389.85	53%	\$ 34,919	
Family	9	179.00	358.00	404.29	762.29	53%	\$ 43,663	
	64						\$ 348,772	
	290		PEPY	\$6,907			\$ 2,002,894	

Notes for FY 2015

- 3.7% Rate Decrease from FY 2014
- Same Plan Design
- No Change in Employee Contribution

Total EE + CITY Rates	Total EE + CITY Burden
378.33	\$349,577
870.17	\$281,935
802.07	\$567,866
1206.90	\$1,042,762
	\$2,242,139

Total EE + CITY Rates	Total EE + CITY Burden
348.06	\$129,478
800.55	\$9,607
737.91	\$123,969
1110.35	\$119,918
	\$382,972
	\$2,625,111

FY 2016 MEDICAL (24 Pay Periods)										
5% OVERALL RATE DECREASE - SAME PLAN DESIGN										
FY 2016 PPO Plan										
BCBS										
\$2,500 Deductible, Office Visit \$35/\$50, RX \$100 Ded + \$15/\$40/\$70										
Tier of Coverage	Count	Employee Bi-Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	Total EE + CITY Rates	Total EE + CITY Burden	
Emp Only (90)	233	0.00	0.00	359.38	359.38	100%	\$ 1,004,826	359.38	\$392,443	
Spouse	25	94.00	188.00	279.21	467.21	60%	\$ 83,763	826.59	\$247,977	
Child(ren)	47	81.50	163.00	239.52	402.52	60%	\$ 135,089	761.90	\$429,712	
Family	71	156.00	312.00	475.07	787.07	60%	\$ 404,760	1146.45	\$976,775	
	233						\$ 1,628,438		\$2,046,907	
FY 2016 HRA Plan										
BCBS										
\$2,500 Deductible, RX \$100 Ded + \$15/\$40/\$70										
Tier of Coverage	Count	Employee Bi-Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	Total EE + CITY Rates	Total EE + CITY Burden	
Emp Only (35)	51	0.00	0.00	330.63	330.63	100%	\$ 202,346	330.63	\$130,929	
Spouse	4	87.00	174.00	255.83	429.83	60%	\$ 12,280	760.46	\$36,502	
Child(ren)	6	74.50	149.00	221.32	370.32	60%	\$ 15,935	700.95	\$50,468	
Family	6	146.50	293.00	431.11	724.11	60%	\$ 31,040	1054.74	\$75,941	
	51						\$ 261,600		\$293,841	
	284		PEPY	\$6,655			\$ 1,890,039		\$2,340,748	

Total EE + CITY Rates	Total EE + CITY Burden
359.38	\$392,443
826.59	\$247,977
761.90	\$429,712
1146.45	\$976,775
	\$2,046,907

Total EE + CITY Rates	Total EE + CITY Burden
330.63	\$130,929
760.46	\$36,502
700.95	\$50,468
1054.74	\$75,941
	\$293,841
	\$2,340,748

FY 2016 DENTAL - 24 Pay Periods

4% RATE INCREASE ABSORBED BY CITY - SAME PLAN DESIGN

FY 2016 Dental - Annual Maximum \$1,500 - Orthodontics Included										
MetLife										
Tier of Coverage	Count	Employee Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	CITY Total Annual Cost	Total EE + CITY Rates	Total EE + CITY Burden
Emp Only	290	0.00	0.00	20.72	20.72	100%	\$ 72,106	\$ 72,106	20.72	\$24,367
Spouse	54	9.30	18.60	1.32	19.92	7%	\$ 855	\$ 855	40.64	\$26,335
Child(ren)	44	17.81	35.61	2.52	38.13	7%	\$ 1,331	\$ 1,331	58.85	\$31,073
Family	81	27.76	55.51	3.95	59.46	7%	\$ 3,839	\$ 3,839	80.18	\$77,935
	290		PEPY	\$269			\$ 78,131	\$ 78,131		\$159,709

FY 2015 Dental - Annual Maximum \$1,500 - Orthodontics Included (3% Rate Increase)										
MetLife										
Tier of Coverage	Count	Employee Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	CITY Total Annual Cost	Total EE + CITY Rates	Total EE + CITY Burden
Emp Only	288	0.00	0.00	19.92	19.92	100%	\$ 68,844	\$ 68,844	19.92	\$23,426
Spouse	48	9.30	18.60	0.56	19.16	3%	\$ 323	\$ 323	39.08	\$22,510
Child(ren)	47	17.81	35.61	1.06	36.67	3%	\$ 598	\$ 598	56.59	\$31,917
Family	90	27.76	55.51	1.67	57.18	3%	\$ 1,804	\$ 1,804	77.10	\$83,268
	288		PEPY	\$248			\$ 71,568	\$ 71,568		\$161,121

FY 2014 Dental - Annual Maximum \$1,500 - Orthodontics Included										
MetLife										
Tier of Coverage	Count	Employee Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	CITY Total Annual Cost	Total EE + CITY Rates	Total EE + CITY Burden
Emp Only	283	0.00	0.00	19.34	19.34	100%	\$ 65,679	\$ 65,679	19.34	\$22,744
Spouse	43	9.30	18.60	0.00	18.60	0%	\$ -	\$ -	37.94	\$19,577
Child(ren)	46	17.81	35.61	0.00	35.61	0%	\$ -	\$ -	54.95	\$30,332
Family	96	27.76	55.51	0.00	55.51	0%	\$ -	\$ -	74.85	\$86,227
	283		PEPY	\$232			\$ 65,679	\$ 65,679		\$158,880

FY 2016 VISION - 24 Pay Periods

NO INCREASE - SAME PLAN DESIGN

MetLife (VSP)		FY 2016 Vision - 12/12/24, Exam Copay \$10, Materials Copay \$20						
Tier of Coverage	Count	Employee Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	
Emp Only	240	3.09	6.17	0.00	6.17	0%	\$ -	
Spouse	48	6.18	12.36	0.00	12.36	0%	\$ -	
Child(ren)	35	5.80	11.59	0.00	11.59	0%	\$ -	
Family	65	8.88	17.75	0.00	17.75	0%	\$ -	
	240		PEPY	\$0			\$ -	

Total Rates	Total EE Burden
6.17	\$17,770
12.36	\$7,119
11.59	\$4,868
17.75	\$13,845
	\$43,602

MetLife (VSP)		FY 2015 Vision - 12/12/24, Exam Copay \$10, Materials Copay \$20						
Tier of Coverage	Count	Employee Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	
Emp Only	240	3.09	6.17	0.00	6.17	0%	\$ -	
Spouse	48	6.18	12.36	0.00	12.36	0%	\$ -	
Child(ren)	35	5.80	11.59	0.00	11.59	0%	\$ -	
Family	65	8.88	17.75	0.00	17.75	0%	\$ -	
	240		PEPY	\$0			\$ -	

Total Rates	Total EE Burden
6.17	\$17,770
12.36	\$7,119
11.59	\$4,868
17.75	\$13,845
	\$43,602

MetLife (VSP)		FY 2014 Vision - 12/12/24, Exam Copay \$10, Materials Copay \$20						
Tier of Coverage	Count	Employee Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	
Emp Only	237	3.09	6.17	0.00	6.17	0%	\$ -	
Spouse	58	6.18	12.36	0.00	12.36	0%	\$ -	
Child(ren)	38	5.80	11.59	0.00	11.59	0%	\$ -	
Family	69	8.88	17.75	0.00	17.75	0%	\$ -	
	237		PEPY	\$0			\$ -	

Total Rates	Total EE Burden
6.17	\$17,547
12.36	\$8,603
11.59	\$5,285
17.75	\$14,697
	\$46,132

BUDGET ANALYSIS CITY CONTRIBUTION (PEPY)

	Medical	Dental	Life/ADD	LTD	Total	Budget
FY 2016	\$6,655	\$269	\$75	N/A	\$6,999	\$7,000
FY 2015	\$6,907	\$248	\$75	N/A	\$7,230	\$7,500
FY 2014	\$7,159	\$232	\$60	N/A	\$7,451	\$7,500
FY 2013	\$6,767	\$271	\$60	N/A	\$7,098	\$7,100
FY 2012	\$6,518	\$207	\$60	N/A	\$6,785	\$6,800
FY 2011	\$7,117	\$385	\$106	\$152	\$7,760	\$7,800
FY 2010	\$7,666	\$504	\$106	\$152	\$8,428	\$8,950
FY 2009	\$7,686	\$408	\$118	N/A	\$8,212	\$8,950
FY 2008	\$7,770	\$408	\$118	N/A	\$8,296	\$8,920

Blue Cross Blue Shield of Texas

The City Of Kerrville Employee Benefit Trust

Prospective Premium Projection
for the period
October 1, 2015 - September 30, 2016
10/1/2016 Fully Insured Renewal

RATE DEVELOPMENT

Please refer to the ACA Disclaimer regarding benefits and final pricing.

			PPO
Premium at Current Rates			\$2,510,423
Rate Action			-5.00 %
Requested Premium at Renewal Rates *			\$2,384,702
Allocated Taxes and Fees			\$72,605
	Lives	Current	Renewal *
HCSC Primary			
Single	33	\$348.06	\$330.63
Single Spouse	5	\$800.55	\$760.46
Single Child(ren)	7	\$737.91	\$700.95
Family	7	\$1,110.35	\$1,054.74
HCSC Primary			
Single	91	\$378.33	\$359.38
Single Spouse	25	\$870.17	\$826.59
Single Child(ren)	47	\$802.07	\$761.90
Family	72	\$1,206.90	\$1,146.45
Total	287		

**Reflects Blue Cross and Blue Shield of Texas current, estimated effects of Health Insurer and Reinsurance Fees, plus federal and state taxes applicable to these fees.*

Division of Health Care Service Corporation, a Mutual Legal Reserve Company,
an Independent Licensee of the Blue Cross and Blue Shield Association

Metropolitan Life Insurance Company
4150 N Mulberry Drive, Suite 300
Kansas City, MO 64116



July 7, 2015

BENEFITS ADMINISTRATOR
CITY OF KERRVILLE
701 MAIN ST
KERRVILLE, TX 78028

Re: Customer # 05911367

Dear Benefits Administrator:

We have completed our annual renewal evaluation of your group coverage with MetLife or its affiliates. Our analysis takes into consideration a variety of elements that include overall industry trends in claims incidence, shifts in employee composition as well as other financial or premium related issues that have bearing on our cost structure.

After careful consideration of the above factors, we have established our pricing for the upcoming policy year. Following are both your current and renewal rates, which will be effective on October 1, 2015.

<u>Coverage</u>	<u>Current Rates</u>	<u>Renewal Rates</u>	<u>Rate Basis</u>
DENTAL	\$19.920	\$20.720	Employee
	\$39.080	\$40.640	Employee + Spouse
	\$56.590	\$58.850	Employee + Child(ren)
	\$77.100	\$80.180	Family
VISION	\$6.170	\$6.170	Employee
	\$12.360	\$12.360	Employee + Spouse
	\$11.590	\$11.590	Employee + Child(ren)
	\$17.750	\$17.750	Family

Any additional coverage(s) not specifically mentioned in this letter, that is/are active at the time of the renewal, will have their rate(s) continued through the coming year.

Rates are guaranteed for twelve (12) months subject to the terms, conditions and provisions of your group insurance policy. Billing statements on and after October 1, 2015 will reflect the renewal rates.

It is our expressed intent to provide the best possible relationship of benefit costs to the products we provide to your group. Please be assured that our analysis has been completed with this in mind. We appreciate the opportunity to provide your employee benefits and look forward to continuing our relationship. If you have any questions regarding our renewal assessment, please do not hesitate to contact us at 800 ASK-4-MET.

Sincerely,

MetLife Renewal Underwriting

cc: GALLAGHER BENEFIT SERVICE
HOUSTON SALES OFFICE



Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

June 24, 2015

The Lincoln National Life Insurance Company
8801 Indian Hills Drive
Omaha, NE 68114-4066
toll free (800) 423-2765
www.LFG.com

City of Kerrville
701 Main Street
Kerrville, TX 78028

RE: Renewal for Policy Number(s): 01-0145199

We are proud to provide your company with quality group products and services at a cost that delivers sound value.

Each renewal period, we analyze current benefit and rate structures to determine the appropriate rates for continued group insurance protection for your valued employees. This process includes recalculation of the premium rates to reflect factors like:

- plan features
- demographics
- nature of business
- experience
- any adjustments to our underlying rate structure

Based upon our review, your renewal rates, effective 10/1/2015, are as follows:

Coverage	Rate Basis	Current Rate	Current Monthly Premium	Renewal Rate	Renewal Monthly Premium	Renewal Monthly Premium Change	Rate Guarantee Until
Life	per \$1,000	0.130	\$1,551.61	0.130	\$1,551.61	\$0.00	10/1/2017
AD&D	per \$1,000	0.020	\$236.63	0.020	\$236.63	\$0.00	10/1/2017
Premium Totals:			\$1,788.24		\$1,788.24	\$0.00	

Your Current Group Rates

Your Newly Calculated Rates Effective on 10/01/2015

Weekly Income \$.450 \$.495 per \$10 of weekly benefit

These rates are guaranteed for 24 months from the renewal date shown above. Your next renewal will take place 10/01/2017. This renewal letter is intended to serve as a policy amendment and should be kept with your policy.

Sincerely,

Lisa Ray
Group Underwriting

cc: GALLAGHER BENEFIT SERVICES INC
245 COMMERCE GREEN BLVD #290