

**CITY COUNCIL  
COMMUNICATION:**

**REVISED**

**ITEM \_\_\_\_\_**

**98-569**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**AGENDA:**

**SYNOPSIS -**

DECEMBER 21, 1998

The Human Resources staff, in response to discussions with the Supervisory, Professional and Management (SPM) Board, recommends approval of a Long Term Disability (LTD) Insurance Plan with the Principal Group. This LTD Plan, effective January 1, 1999, would protect SPM employees not otherwise protected under Iowa law against income loss caused by catastrophic illness or incident. Concurrently, the Human Resources staff recommends discontinuation of Longevity Pay for all SPM employees hired on or after January 1, 1999.

**SUBJECT:**

LONG TERM DISABILITY  
INSURANCE PLAN FOR  
SUPERVISORY,  
PROFESSIONAL AND  
MANAGERIAL (SPM)  
EMPLOYEES

**FISCAL IMPACT -**

**TYPE:**

**RESOLUTION  
ORDINANCE  
RECEIVE/FILE**

The estimated annual cost for the proposed LTD Plan will be \$57,000 for Calendar Year 1999. This will result in an increase in the Trust and Agency tax levy of 1.3 cents or a 0.08 percent increase. Estimated savings from discontinuation of Longevity Pay prospectively would offset LTD annual costs in FY 2008/09.

**SUBMITTED BY:**

WILLIAM STOWE  
HUMAN RESOURCES  
DIRECTOR

**RECOMMENDATION -**

**Approve LTD Insurance for SPM employees and  
discontinue Longevity eligibility for SPM employees  
hired on or after January 1, 1999.**

**BACKGROUND -**

In its role as an advocate for non-represented SPM City of Des Moines employees, the SPM Board had surveyed SPM employees to learn what, if any, shortcomings exist

in City benefits. Consistently, a majority of City SPM employees have responded that the City's failure to provide LTD benefits, ensuring income protection in the event an employee is medically unable to work, is the single greatest concern of non-sworn SPM employees. Police Officers and firefighters already receive disability income coverage under Iowa Code Chapters 410 and 411. The proposed LTD policy would bring non-sworn SPM employees closer to the level of coverage that sworn SPM employees now receive. In response to this perceived need, the SPM Board asked the City's Human Resources Director for permission to solicit Requests for Proposals (RFP's) on this benefit. Without assurance of ultimate approval of this benefit, the SPM Board and a LTD subcommittee put considerable effort into an RFP process which resulted in three compliant responses. A team including the SPM Board President, Vice President, and City's Risk Manager reviewed these responses and recommended selection of the Principal Financial Group's proposal for LTD Insurance, with a 66 2/3 percent of salary, 90 day waiting period, \$6000 monthly maximum/2 year own occupation design. This plan design will permit 66 2/3 percent income replacement to an SPM employee that earns up to \$9,000 per month or \$108,000 per year.

In making its recommendation, the SPM Board has been cognizant of the costs of this recommendation (approximating \$57,000 for calendar year 1999) balanced against the City's benefit gap in not providing LTD coverage. (A recent survey noted that 9 of 9 area employers provided LTD benefits to employees including other area governments and private employers.) In considering the City's cost concerns, the SPM Board has surveyed its membership based on the Human Resource Director's conclusion that the benefits addition may be cost-justified over time if Longevity Pay were eliminated for SPM employees hired on or after January 1, 1999. Ending future SPM Longevity Pay does not provide savings until 2004 (five years).