


COUNTY OF MILWAUKEE
DAS-Division of Employee Benefits
INTER-OFFICE COMMUNICATION

DATE : December 30, 2011

To : Supervisor Lee Holloway, Chairman, Milwaukee County Board of Supervisors

FROM : Matthew Hanchek, Interim Director, Employee Benefits 

SUBJECT : **Report from the Interim Director, Division of Employee Benefits, requesting authorization to execute a 1-year renewal of the MetLife Contract for Basic and Supplemental Life Insurance.**

Issue

Milwaukee County has partnered with MetLife to deliver basic and supplemental life insurance coverage for eligible employees and retirees. In 2008, despite adverse utilization in the basic life product, the Employee Benefits Division successfully negotiated a contract renewal for three years with a guarantee of no rate increase in 2009, 2010, and 2011. The agreement secured seven consecutive years without an increase to the base rate. This agreement also included an "evergreen" clause allowing for automatic 1-year renewals in the absence of any material change in terms.

Unfortunately, Milwaukee County's basic life utilization continued to be unfavorable over the recent 3-year contract term, incurring an average annual claims loss ratio well over 100% of premiums. Active employee utilization has typically been favorable; however, underlying issues with the retiree life portion of the overall liability are the cause of the overall adverse utilization. As a result, Metlife has proposed a 1-year renewal with a 10.34% increase to basic life. The proposal does not change the rates for basic life.

Currently, the rate per \$1,000 of covered salary is \$0.58. Active employees pay a portion of the premium (\$0.24 per thousand) for the portion of their salaries over the County's base coverage (typically \$25,000, with some variance by union). Under the proposal, the base rate would increase to \$0.64 per \$1,000 of coverage. Using the same formula as described in Chapter 62 of the Milwaukee County Code of General Ordinances, the active employee contribution, where applicable, would increase to \$0.26 per \$1,000 of covered salary.

Disadvantaged Business Enterprise (DBE) Participation

The current Metlife contract utilizes a local DBE as the Broker of Record for the supplemental life insurance plans. This brokerage agreement would continue for the proposed renewal year in 2012.

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Requested Action

The Employee Benefits Division requests the County Board of Supervisors to authorize the one-year renewal with MetLife for the 2012 plan year. Given the current utilization and underlying structural issues with the retiree life benefit, there is little advantage to issuing an RFP at this time. Instead, approval of this renewal will afford the Employee Benefits Division with the necessary time to evaluate alternative design and financing strategies with the Employee Benefits Work Group and proceed with a potentially more effective RFP and general approach to this benefit.

Fiscal Effect

A significant increase from Metlife was anticipated for 2012. The adopted budget included adequate funding to absorb a potential rate increase of 20%. No additional allocation of funds to Org.1950 - Fringe Benefits is necessary. This contract will increase overall expenditures based on the 10.34% increase to the base rate, partially offset by a corresponding increase to employee contribution revenue. A fiscal note is attached.

Attachments

cc: County Executive Chris Abele
Amber Moreen, Chief of Staff, County Executive's Office
Terry Cooley, Chief of Staff, County Board Chairman
Supervisor Joe Sanfelippo, Chairman, Personnel Committee
Supervisor John Thomas, Chairman, Finance & Audit Committee
Patrick Farley, Director of Administrative Services
Kimberly Walker, Corporation Counsel
Rick Ceschin, Senior Research Analyst
Steve Cady, Fiscal & Budget Analyst
Carol Mueller, Chief Committee Clerk
Jodi Mapp, Personnel Committee Clerk