

# Memorandum



CITY OF DALLAS

DATE June 14, 2019

Honorable Members of the Public Safety and Criminal Justice Committee:  
TO B. Adam McGough (Chair), Philip T. Kingston (Vice Chair), Jennifer S. Gates,  
Casey Thomas, Adam Medrano, Sandy Greyson, Kevin Felder, Carolyn King Arnold

SUBJECT **Employee Survivor Benefits and Life Insurance Benefits**

On June 10, 2019, staff briefed the Public Safety and Criminal Justice Committee on the City's Employee Survivor Benefits & Life Insurance Benefits. The following responses are provided as a follow-up to the questions received during and after the meeting from Council members:

**Q. Is there an opportunity to separate the insurance plan for sworn staff and nonsworn civilian staff?**

**A.** Keeping one large risk pool to provide health benefits to employees would enable the City to have more predictable costs and greater negotiation power, which translates into savings for the City and all employees. In addition to cost, risk pool segmentation may also open the City to discrimination claims and the potential for unintended bias. For those reasons, City staff does not advise to offer separate health benefits plans for sworn staff.

**Q. Is COBRA the best option for surviving spouses?**

**A.** City staff's recommendation is to provide paid COBRA benefits for two months following the death of an employee. This approach would allow the surviving spouse time to consider all healthcare options and select the best one, according to their needs. The City would not mandate survivors to remain in COBRA after the first two months of coverage. This would be at the sole discretion of the eligible survivors.

COBRA would benefit surviving spouses by providing the option for continuation of benefits, which may be needed, depending on the circumstances. Not all surviving spouses would elect COBRA as there may be more affordable options available in the market or access to supplemental insurance.

**Q. Can the City keep off-duty survivors' spouses in the active employee health insurance plan?**

**A.** The City offers cost-shared health insurance coverage to active employees, which is standard practice. A surviving spouse does not meet the definition or qualifies as an active employee and could not participate in the plan as such.

On September 22, 2010, City Council voted to stop all health insurance subsidies going forward, other than offering a limited subsidy for retirees (former City of Dallas employees) hired before 2010. The City does not offer subsidized health insurance coverage to retirees hired after 2010 or spouses of retired employees. This decision was based in part to limit the City's 'other post-employment benefit' (OPEB) liability, and the need to set aside funds to cover expenses related to future benefits committed to retirees today. The Governmental

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Accounting Standards Board (GASB) Statement No. 75 indicates that for reporting periods beginning after June 15, 2017, governments are required to recognize their unfunded accrued OPEB obligation on the face of their financial statements. OPEB comprises mostly post-employment health care benefits and can represent a very significant liability for many state and local governments, especially if the government has set aside few assets to pay for those benefits, which is the case of the City of Dallas.

City staff does not recommend providing a spousal subsidy as it will impact the City's OPEB liability and moreover, is not a benefit provided to former employees (retirees) who pay in full their spousal and dependent insurance, because the City's retirees (former employees) are required to pay in full for their health care premiums.

**Q. Why is staff recommending offering additional life insurance for City employees?**

**A.** As mentioned at the PSCJ Committee meeting, the City of Dallas currently provides life insurance in the amount of \$50,000 for all city employees. This amount significantly lags the employer-paid life insurance benefits offered by other Cities in the region and employers in general. Since life insurance plays an important role in supporting survivor spouses, staff identified an opportunity to provide support in a manner more closely aligned with the market and current standard business practices. Also, not all surviving spouses and families have the same needs and offering support through additional life insurance would provide surviving spouses the flexibility to use the funds as they see fit, according to their individual needs at the time.

Staff acknowledges that the life insurance benefit will need to be reviewed periodically as City updates its total compensation study.

**Q. Are the deaths of sworn employees classified as off-duty or line-of-duty deaths by the City of Dallas?**

**A.** No. The City of Dallas does not make such determinations. For an off-duty death to be classified as line-of-duty, it has to meet certain criteria for Public Safety Officers' Benefits (PSOB) program or the State of Texas, Employee Retirement System of Texas (ERS).

**Q. Is there any other support available for a spouse of a sworn employee that dies off-duty while actively employed by the City of Dallas?**

**A.** The Dallas Police and Fire pension confirmed that when a sworn employee dies while still in Active Service, they are deemed to have 20 years of service and deemed to be at the normal retirement age. All Active deaths, regardless if it is on-duty or off duty, and regardless if they were eligible for retirement at the time of death are considered retirement eligible. The deemed 20 years of service is used if the sworn employee has less than 20 years of service. However, if the deceased sworn employee has more actual service, the actual service is used.

Qualifying survivors (spouse, children under 19 and dependent parents) are eligible to receive a death benefit based on the employee's deemed calculation. The death benefit is typically 50% of the member's benefit calculation. However, it can be more in certain circumstances. For example, if an employee dies and has both a spouse and a child or children under 19, that family will receive 100% of the sworn employee's benefit until the

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youngest child ages out. Any additional questions regarding retirement benefits for off-duty death can be referred to Kelly Gottschalk, Executive Director of the Dallas Police and Fire Pension.

**Q. What would be the timeline for implementation of Staff's recommendations?**

**A.** Any consideration for changes to current practices will be in the context of including both uniform and civilian employees and will come to the City Council through the budget process for review and input. Benefit changes are administered in accordance with calendar year. Therefore, January 1, 2020 would be the soonest implementation.

**Q. Can the City provide retroactive benefits to an individual or group of survivors?**

**A.** No. Any changes to the Benefits Program do not apply to prior situations. Any changes will be applied going forward.

Staff will be available at the City Council budget workshop on June 18, 2019 to respond to any questions. For your convenience, I have attached a copy of the briefing made to the Public Safety and Criminal Justice Committee on June 10, 2019.

Please feel free to contact me if you have any additional questions and advise if you have any comments or should you require further information at this time.



Kimberly B. Tolbert  
Chief of Staff to the City Manager

[Attachment]

c: Honorable Mayor and Members of City Council  
T.C. Broadnax, City Manager  
Chris Caso, City Attorney (Interim)  
Mark Swann, City Auditor  
Billerae Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer  
Michael Mendoza, Chief of Economic Development and Neighborhood Services  
M. Elizabeth Reich, Chief Financial Officer  
Laila Alequresh, Chief Innovation Officer  
Directors and Assistant Directors

# **Employee Survivor Benefits & Life Insurance Benefits**

**Public Safety & Criminal  
Justice Committee  
June 10, 2019**

**Kimberly Tolbert  
Chief of Staff**

**Carmel Fritz  
Compensation Manager**

**City of Dallas**



# Agenda

- Background
  - Current Survivor Benefits for all City of Dallas employees  
Line of Duty vs. Off-Duty  
Civilian
  - Life Insurance Coverage (Basic Coverage)
- Survey/Research Results – peer cities
  - Survivor Benefits
  - Life Insurance
- Options/Proposed Recommendations
- Next Steps

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# Background – COD Survivor Death Benefits

- Survivors of COD employees are eligible to enroll in COBRA
  - Survivors have a 60-day grace period to select COBRA, after the day the death occurred
  - COBRA Premium is 102% of full active employee benefit premium
  - Premium cost depends on the benefit plan and dependents covered
  - Survivors pay full cost (no cost share with the City)
  - Survivors are eligible to stay on COBRA for 18 months
- Benefits offered to survivors are the same for all City employees except for sworn personnel **line-of-duty** death
- There are no special survivor benefits offered in the event of:
  - a non-sworn or civilian death at work
  - a sworn off-duty death

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# Background – COD Survivor Death Benefits

## Sworn Personnel Off-duty Death

- An **off-duty** death is a death that occurs while not on shift or while not working in an official capacity for the City of Dallas
- In order for an **off-duty** death to be classified as **line-of-duty**, the death has to meet certain criteria for Public Safety Officers' Benefits (PSOB) program or State of Texas, Employee Retirement System of Texas (ERS)

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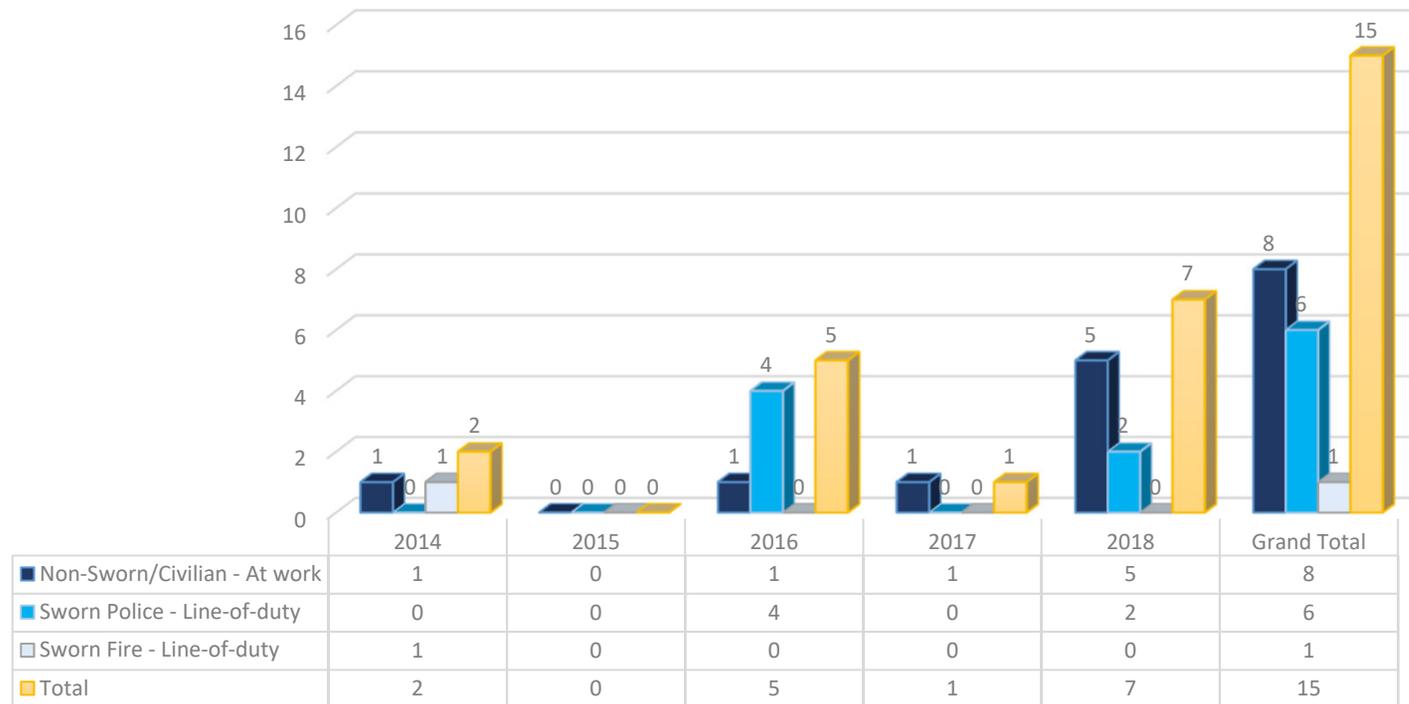
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# COD Employee Deaths at Work/Line-of-Duty

COD Employee Deaths 2014 - 2018  
Sworn Line-of-Duty and Non-Sworn/Civilian At-work



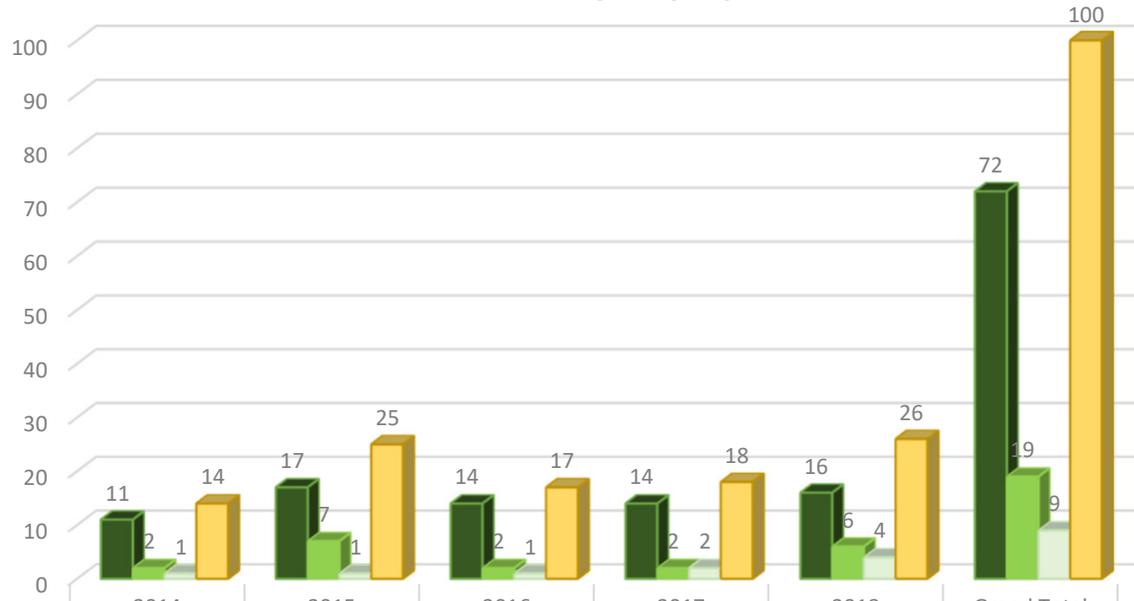
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# COD Employee Deaths NOT at Work/Off-Duty

COD All Not at Work and Off-Duty Employee Deaths 2014 - 2018



	2014	2015	2016	2017	2018	Grand Total
■ Non-Sworn/Civilian - Not at work	11	17	14	14	16	72
■ Sworn Police - Off-duty	2	7	2	2	6	19
■ Sworn Fire - Off-duty	1	1	1	2	4	9
■ Total	14	25	17	18	26	100

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## Survey Results – Survivor Benefits

- 18 Cities in Texas and surrounding states were surveyed (all responded)
- 16 Cities in Texas offer the same survivor benefits as the City of Dallas
- 2 Cities, Denver and Austin, reported providing different benefits specific to off-duty uniformed deaths

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# Survey Results – Survivor Benefits

- **Denver**

- The **City of Denver’s Employees Retirement Pension Plan** for civilian/sheriff uniform officers continues to offer medical and dental insurance to surviving eligible dependents at a premium reduction  
*(Note: The City of Denver does not pay for this benefit)*
- Eligibility: Dependents to age 19, and surviving spouse for life

- **Austin**

- Eligible surviving dependents are able to continue health benefits with rates based on the employee’s years of service at a premium reduction paid by the City of Austin (5 to 9 years – 10 to 14 years – 15 to 19 years)
- If the employee was eligible for retirement benefits, then the surviving spouse and dependents enrolled at the time of death may continue with coverage
- Eligibility: Dependents to age 26 and surviving spouse until they remarry



## Background – City of Dallas Life Insurance

- \$50,000 of life insurance coverage for all City employees
- Current annual premium for all City employees is \$260,988 (premium paid by the City)
- Employees may purchase additional supplemental coverages (additional premium paid by the employee)



# Survey Results – Life Insurance

- 32 Cities in Texas and surrounding areas were surveyed
- 13 Cities responded
- The most consistent offering for basic coverage is 2x the annual salary up to \$300,000
- **Coverage is paid in full by the surveyed cities**



# Survey Results – Summary

## Survivor's Benefits:

- 18 Cities surveyed
- All Cities offer COBRA – Consistent with City of Dallas
- Denver and Austin offer additional benefits

### Denver

- Eligible dependents continue medical and dental insurance at a premium reduction
- Provided by the City's Employees Retirement Pension Plan, not by the City of Denver
- Dependents to age 19 and surviving spouse for life

### Austin

- Eligible dependents continue health benefits
- Rates based on years of service at a premium reduction
- If retirement benefits eligible, enrolled surviving spouse and dependents may continue with coverage
- Provided by the City of Austin
- Dependents to age 26 and surviving spouse until they remarry

## Life Insurance:

- 32 Cities surveyed
- 13 Cities responded

### Most Consistent Offering – Paid by the City

- 2x the annual salary up to \$300,000

### City of Dallas Offering – Paid by the City

- \$50,000



# Options – Survivor Benefits

Options	Cost (Annual)
<b>Option 1:</b> Maintain current benefits - <b>No Change</b>	No additional cost
<b>Option 2:</b> City provide the <b>first 2 months</b> of COBRA health insurance premium - direct payment to COBRA vendor	Based on highest premium plan and 20 deaths per year average - <b>\$58,993.00</b>
<b>Option 3:</b> City provide <b>COBRA coverage through cost share</b> , utilizing a *sliding scale, based on years of service - Cost sharing with the City similar to the cost sharing percentages for active employees coverage	Based on highest premium plan, 20 years of service, and 20 deaths per year average - <b>\$328,497.00</b>
<b>Option 4:</b> City provide <b>full COBRA premium</b> utilizing a *sliding scale, based on years of service	Based on highest premium plan, 20 years of service, and 20 deaths per year average - <b>\$530,935.00</b>

**Sliding Scale\***  
Based on Years of Employment



**5-9 Years**

3 Months of COBRA Premium Paid by COD



**10-14 Years**

6 Months of COBRA Premium Paid by COD



**15-19 Years**

12 months of COBRA Premium Paid by COD



**20 Years+**

18 months of COBRA Premium Paid by COD

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# Options – Life Insurance

Option 1:

- Maintain current coverage (\$50,000)

Option 2:

- Increase basic life insurance coverage to \$75,000 for all employees
- City annual premium increase from \$260,988 to \$685,116 - (Results in taxable imputed income on the increased \$25,000)

Option 3:

- Increase basic life insurance coverage to \$100,000 for all employees
- City annual premium increase from \$260,988 to \$1,105,020 - (Results in taxable imputed income on the increased \$50,000)

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# Proposed Recommendations

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# Proposed Recommendation A: Enhanced Survivor's COBRA Benefit

## Survivor Benefits Option 4:

City provide full COBRA premium utilizing a \*sliding scale, based on years of service. Annual Cost based on highest premium plan, 20 years of service, and 20 deaths per year average - **\$530,935.00**

**Sliding Scale\***  
Based on Years of  
Employment



**5-9 Years**  
3 Months of  
COBRA  
Premium Paid  
by COD



**10-14 Years**  
6 Months of  
COBRA  
Premium Paid  
by COD



**15-19 Years**  
12 months of  
COBRA  
Premium Paid  
by COD



**20 Years+**  
18 months of  
COBRA  
Premium Paid  
by COD

**Rationale:** Provide support to surviving spouses and families, while recognizing employee service to the City



# Proposed Recommendation B: Enhanced Survivor's COBRA Benefit + Life Insurance

## Survivor Benefits Option 3 + 75,000 Life Insurance:

City provide COBRA coverage through cost share, utilizing a \*sliding scale, based on years of service - Cost sharing with the City similar to the cost sharing percentages for active employees coverage

Annual Cost based on highest premium plan, 20 years of service, and 20 deaths per year average - **\$328,497.00 + \$424,128.00 (Life Insurance) = \$752,625.00**

### Sliding Scale\* Based on Years of Employment



#### 5-9 Years

3 Months of  
COBRA  
Premium Paid  
by COD



#### 10-14 Years

6 Months of  
COBRA  
Premium Paid  
by COD



#### 15-19 Years

12 months of  
COBRA  
Premium Paid  
by COD



#### 20 Years+

18 months of  
COBRA  
Premium Paid  
by COD

**Rationale:** Provide support to surviving spouses and families, while recognizing employee service to the City and aligning life insurance coverage with market

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# Proposed Recommendation C: Enhanced Survivor's COBRA Benefit + Life Insurance

## Survivor Benefits Option 2 + 75,000 Life Insurance:

City provide the first 2 months of COBRA health insurance premium - direct payment to COBRA vendor

Annual cost based on highest premium plan and 20 deaths per year average -  
 $\$58,993.00 + \$424,128.00 \text{ (Life Insurance)} = \$483,121.00$

**Rationale:** Provide support to surviving spouses and families through the COBRA grace period and align life insurance coverage with market

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# Proposed Recommendations Summary

## Recommendation A

Survivor Benefits Option 4

- Full COBRA premium paid by the City utilizing a \*sliding scale, based on years of service
- Annual Cost - **\$530,935.00**
- Support to surviving spouses and families, while recognizing employee service to the City

## Recommendation B

Survivor Benefits Option 3  
+ \$75,000 Life Insurance

- COBRA coverage through cost share, utilizing a \*sliding scale, based on years of service
- Annual Cost \$328,497.00 + \$424,128.00 (Life Insurance) = **\$752,625.00**
- Support for surviving spouses and families, while recognizing employee service to the City and aligning life insurance coverage with market

## Recommendation C

Survivor Benefits Option 2  
+ \$75,000 Life Insurance

- City provide the first 2 months of COBRA health insurance premium
- Annual cost - \$58,993.00 + \$424,128.00 (Life Insurance) = **\$483,121.00**
- Support to surviving spouses and families through the COBRA grace period and align life insurance coverage with market

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# Employee Survivor Benefits & Life Insurance Benefits

**Public Safety Committee**  
**June 10, 2019**

**Kimberly Tolbert**  
**Chief of Staff**

**Carmel Fritz**  
**Compensation Manager**

**City of Dallas**



# Proposed Options – Cost 2 Month’s of COBRA

Plan	Spouse	Spouse and Children
HRA	\$2,273	\$2,949
Co-Pay	\$2,240	\$2,922
HSA	\$2,102	\$2,742



# Proposed Options

- Provide COBRA premium reduction (Cost sharing with the City) similar to the cost sharing percentages for active employees coverage
- City pays full COBRA premium based on sliding scale years of service

Years of Service	Coverage	Plan Name	Spouse	Spouse/Children
5-9 years	3 months	HRA	\$3,343.23	\$4,337.70
		Co-Pay	\$3,295.08	\$4,297.80
		HDHP	\$3,091.89	\$4,032.72
10-14 years	6 months	HRA	\$6,686.46	\$8,675.40
		Co-Pay	\$6,590.16	\$8,595.60
		HDHP	\$6,183.78	\$8,065.44
15-19 years	12 months	HRA	\$13,372.92	\$17,350.80
		Co-Pay	\$13,180.32	\$17,191.20
		HDHP	\$12,367.56	\$16,130.88
20+ years	18 months	HRA	\$20,059.38	\$26,026.20
		Co-Pay	\$19,770.48	\$25,786.80
		HDHP	\$18,551.34	\$24,196.32

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# City of Dallas Deaths 2014 through May 2019

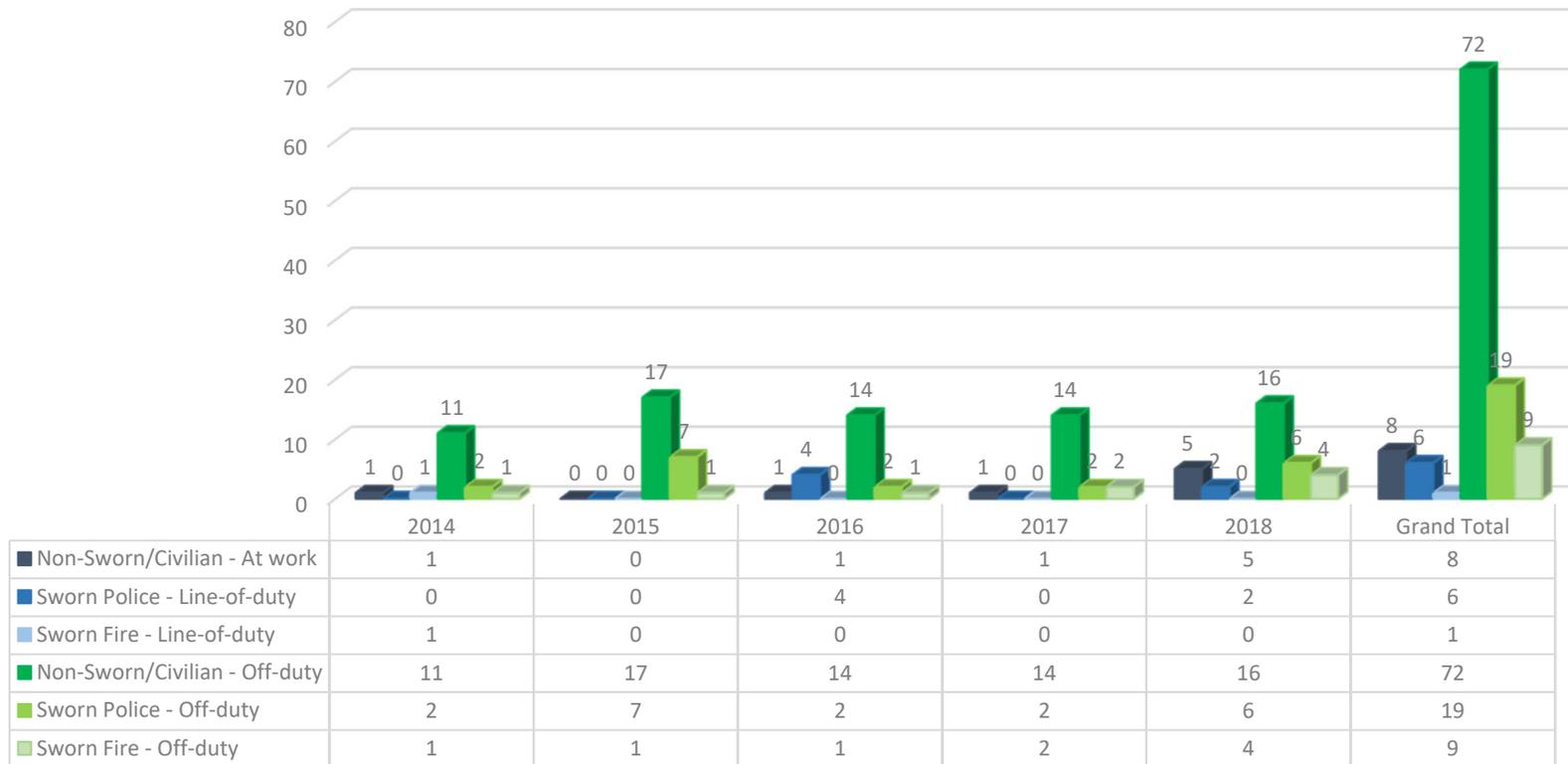
Count of Name	Column L	2014	2015	2016	2017	2018	2019	Grand Total
<b>Row Labels</b>								
<input type="checkbox"/> <b>Non-Sworn/Civilian</b>		<b>12</b>	<b>17</b>	<b>15</b>	<b>15</b>	<b>21</b>	<b>6</b>	<b>86</b>
Line-of-duty		1		1	1	5		8
Off-duty		11	17	14	14	16	6	78
<input type="checkbox"/> <b>Sworn-Fire</b>		<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>11</b>
Line-of-duty		1						1
Off-duty		1	1	1	2	4	1	10
<input type="checkbox"/> <b>Sworn-Police</b>		<b>2</b>	<b>7</b>	<b>6</b>	<b>2</b>	<b>8</b>		<b>25</b>
Line-of-duty				4		2		6
Off-duty		2	7	2	2	6		19
<b>Grand Total</b>		<b>16</b>	<b>25</b>	<b>22</b>	<b>19</b>	<b>33</b>	<b>7</b>	<b>122</b>

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# COD Employee All Deaths by Year

COD Employee Deaths 2014 - 2018



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# Recommendation – Life Insurance

## Option 2:

- Increase basic life insurance coverage to \$75,000 for all employees
- City annual premium increase from \$260,988 to \$685,116 – Additional Cost: \$424,128.00

**Rationale:** Closer to market – more competitive



# Cities Surveyed For Off-Duty Death Survivor Benefits (All Responded)

City of Arlington

City of Austin

City of Atlanta

City of Charlotte

City of Chicago

City of Denver

City of El Paso

City of Fort Worth

City of Frisco

City of Grand Prairie

City of Garland

City of Houston

City of Irving

City of Lewisville

City of Mesquite

City of Memphis

City of San Antonio

City of Tulsa



# Cities Surveyed For Basic Life Insurance Benefits

## Surveyed

City of Arlington  
City of Allen  
City of Austin  
City of Carrollton  
City of Charlotte  
City of Chicago  
City of Denver  
City of Denton  
City of Detroit  
City of El Cajon  
City of El Paso  
City of Fort Worth  
City of Frisco  
City of Grand Prairie  
City of Garland  
City of Houston

## Surveyed

City of Garland  
City of Houston  
City of Irving  
City of Lewisville  
City of Los Angeles  
City of McKinney  
City of Mesquite  
City of Memphis  
City of New York  
City of Philadelphia  
City of Plano  
City of Phoenix  
City of Richardson  
City of San Antonio  
City of San Diego  
City of Tulsa

## Responded

Allen  
Arlington  
Carrollton  
Denton  
Fort Worth  
Frisco  
Garland  
Grand Prairie  
Irving  
Lewisville  
McKinney  
Mesquite  
Richardson



# Basic Life Insurance Survey Results

Group Life Insurance														
	Dallas	Allen	Arlington	Carrollton	Denton	Fort Worth	Frisco	Garland	Grand Prairie	Irving	Lewisville	McKinney	Mesquite	Richardson
Coverage amount*	\$50,000	1 x base salary up to \$250,000 2 x base salary up to \$350,000 for exec team	2 x annual salary up to \$300,000	2 x annual salary up to \$400,000	Class 1: 1xAE to \$300,000 Class 2: 2xAE to \$500,000	1 x annual salary	\$50,000	\$25,000	2 x annual salary to \$500,000	1 x annual salary	4 x annual salary up to \$400,000	\$50,000	2 x annual salary	2 x annual salary up to \$50,000
Employer paid*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Cost per \$1000*	\$.50 / person enrolled	0.045	0.04	0.1	0.035	0.09	0.065	0.06	0.069	0.08	0.072	0.085	0.039	0.06
*Based on 2017-2018 comparison data														

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# Basic Life Insurance Survey Results

Rate based on 2019 HRA Premium + 10% Per Year						
	Spouse - Age 20	Spouse + Children	Spouse - Age 40	Spouse + Children	Spouse - Age 60	Spouse + Children
Per death	\$ 10,588,615.48	\$ 13,738,282.25	\$ 1,315,187.36	\$ 1,706,400.16	\$ 81,643.01	\$ 105,928.37
5 deaths/year	\$ 52,943,077.39	\$ 68,691,411.24	\$ 6,575,936.79	\$ 8,532,000.79	\$ 408,215.07	\$ 529,641.85
		Time Insured: 45 years		Time Insured: 25 years		Time Insured: 5 years

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