ORIGINAL

ORDINANCE NO. 56

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, AMENDING ORDINANCE NO. 29 WHICH AUTHORIZED PARTICIPATION BY CITY EMPLOYEES, APPOINTIVE AND ELECTED OFFICIALS IN THE WASHINGTON PUBLIC EMPLOYEES' RETIREMENT SYSTEM BY DESIGNATING THE PUBLIC EMPLOYEES RETIREMENT SYSTEM AS THE CITY'S QUALIFYING RETIREMENT PROGRAM IN LIEU OF PARTICIPATION BY THE CITY IN THE FEDERAL SOCIAL SECURITY SYSTEM, AND ESTABLISHING MEDICAL, DENTAL, VISION, LIFE AND DISABILITY INSURANCE AND OTHER BENEFITS FOR CITY EMPLOYEES.

WHEREAS, in Ordinance No. 29 the City Council authorized participation in the Public Employees Retirement System; and

WHEREAS, the City Council after studying the employee benefit programs presently oared by cities of comparable size in the Puget Sound Region now wishes to establish a fair and comparable employee benefits package so that the City can continue to attract talented employees: NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Amending Section 1 of Ordinance No 29. Section 1 of Ordinance No. 29 is amended to read as follows:

> The City authorizes and approves participation and membership of its eligible employees and appointive and elected officials in the Washington Public Employees' Retirement System pursuant to RCW 41.40.062; and authorizes the expenditure of the necessary funds to cover its proportionate share for such participation in the System. Participation in the Washington Public Employees' Retirement System is hereby declared to be the City's qualifying retirement program in lieu of participation in the Federal Social Security System.

Section 2. Authorizing the City Manager to execute contracts with the Association of Washington Cities (AWC) to provide medical, dental, vision, life and disability insurance and other benefits for City employees. The City Manager is authorized to execute contracts with the Association of Washington Cities and its related agencies and Trusts to provide medical, dental, vision, long term disability insurance and other benefits to City employees pursuant to the Interim City Manager's September 11, 1995, Memorandum. a copy of which has been filed with the City Clerk and identified as Clerk's Receiving No. ___.

Section 3. Authorizing the expenditure of City funds to provide for an employee benefits package. The City Manager is authorized to expend such funds as may be necessary to carry out Section 2 of this Ordinance: PROVIDED, that the maximum monthly payment which may be made for the benefit of any City employee shall be $400 as provided for in the Memorandum referenced above.

Section 4. Severability. Should any section, paragraph, sentence, clause or phrase of this Ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be preempted by state or federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this Ordinance or its application -on to other persons or circumstances.

Section 5. Effective Date and Publication. A summary of this Ordinance consisting of its title shall be published in the official newspaper of the City. This ordinance shall take effect and be in full force five days after publication.

PASSED BY THE CITY COUNCIL ON SEPTEMBER 11th, 1995

Connie King

Mayor Connie King

ATTEST:

Sharon Mattioli

Sharon Mattioli, CMC
City Clerk

APPROVED AS TO FORM:

Timothy X. Sullivan, Interim City Attorney

Date of Publication: 9/13/95
Effective Date: 9/18/95

SHORELINE

Memorandum

DATE: September 11, 1995

TO: Administration, Budget & Finance Committee

FROM: Interim City Manager

RE: Proposed Employee Benefits

CC:

Attached for your review are estimates of various scenarios regarding the proposed benefit package. This proposal consists of the following components:

- **Medical Insurance** - We are assuming the costs of AWC coverage under the PPO Plan as outlined in the Association of Washington Cities Employee Benefit Trust Rates and Program Descriptions. The costs of the program vary depending on numbers of enrolled persons. Enrollment in this plan requires 75% of staff to participate.
- **Dental Insurance** - Also provided by the AWC, requires 100% participation of all employees.
- **Vision Insurance** - Provided by the AWC, requires 100 % participation of all employees.
- **LTD Disability Insurance** - Offered by AWC and designed to make up for disability provisions under FICA
- **Life Insurance** - Offered as base value of Employee's salary with maximum of $50,000 with provision of employee purchase of additional amounts
- **PERS (State Retirement)** - Mandated state retirement program. Employees will be enrolled in PERS II program. PERS is recommended as the City's statutory substitute for FICA.
- **Medicare** - Regardless of City's option on FICA, is required payment.
- **FICA/Replacement** - Package assumes replacement provisions equal to FICA deductions

The total cost of the package outlined above for a family earning $35,000 gross income including employee, spouse, and two dependents is $897. As Example One illustrates, the City's contribution to this program is capped at $835. The remaining cost, as well as future increases in benefit costs associated with the medical package, may be held to be the employee's contribution.

RECOMMENDATION

I recommend the adoption of the package outlined above with the following provisions.

1. A cap of $400 be used to limit the City's cost in these programs.

2. The $400 be available to purchase benefits in the City's medical and benefits program only. Unused amounts will be available for transfer to the employees 457 plan.

3. When an employee-owed balance exists after the application of the $400 allowance to the prescribed benefit program, the employee may elect to apply up to the maximum monthly amount provided by the City's FICA contribution, an installment equal to the balance owing after the application of the City's contribution to the benefit program. This will have the net effect of reducing the employee's direct out-of-pocket expense and transfer, to the maximum noted above, the expense as a reduction to the employee's deferred compensation program.

I have attached two schedules illustrating scenarios in which the employer pays al costs associated with the program and a scenario in which the City sets a $400 allowance for the employee to purchase benefits. The scenario reflecting the allowance is the recommended option of the Administration, Budget & Finance Committee.

Employee Benefit Schedule
Example One

Employer pays all cost

Benefit	Average Cost	% of Total	# Benchmark Cities Offering
Medical Insurance	$ 344	38%	All
Dental Insurance	$ 84	9%	All
Vision Insurance	$ 12	1%	5
LTD Disability Ins.	$ 16	2%	5
Life Insurance	$ 7	1%	All
Sub Total	$ 462	52%	
PERS (State Retirement)	$ 211	24%	Mandatory
Medicare (@1.4%)	$ 41	5%	Mandatory
FICA/Replacement (@ 6.25%)	$ 182	20%	All
Sub Total	$ 435	48%	
Total	$ 897	31%	(% of Salary)

Assumes family with employee, spouse, and two dependents with annual salary of $ 35,000

Employer Paid $400 Allowance + Mandates

Benefit	Average Cost	% of Total	# Benchmark Cities Offering
Medical Insurance	$ 344	38%	All
Dental Insurance	$ 84	9%	All
Vision Insurance	$ 12	1%	5
LTD Disability Ins.	$ 16	2%	5
Life Insurance	$ 7	1%	All
Capped Allowance	$ 400	45%	
PERS (State Retirement)	$ 211	24%	Mandatory
Medicare (@1.4%)	$ 41	5%	Mandatory
FICA/Replacement (@ 6.25%)	$ 182	20%	All
Sub Total	$ 435	48%	
Total City Paid	$ 835	29%	(% of Salary)
Total Package Cost	$ 897	31%	
Employee Balance	$ 62	7%	

Assumes family with employee, spouse, and two dependents with annual salary of $ 35,000