TOWN OF PALM BEACH

Office of The Town Clerk

REPORT OF THE FINANCE & TAXATION COMMITTEE MEETING HELD ON WEDNESDAY, NOVEMBER 10, 2010

I. CALL TO ORDER AND ROLL CALL

The Finance and Taxation Committee Meeting was called to order at 2:00 p.m. on Wednesday, November 10, 2010, in the Council Chambers, 360 S. County Rd., Palm Beach. Chairman Wildrick and Committee Member Rosow were present.

II. PLEDGE OF ALLEGIANCE

Chair Wildrick led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

The Agenda was approved as presented.

IV. REVIEW OF THE TOWN'S SELF-INSURED RETENTION LEVELS FOR PROPERTY, LIABILITY, AND WORKERS' COMPENSATION INSURANCE

Deputy Town Manager Bradford stated that the purpose of the meeting was to review the Town's various insurance policies. Staff revisited what was done in 2007 and what could be re-evaluated again and increase the deductibles.

Committee Member Rosow had requested the review. He cited that the Town has reserves of $35 million in various accounts. He wanted to avoided being "doubly covered" by the reserves and insurance monies.

Finance Director Jane Struder stated there was actually $80 million in reserves. Some of those funds were in the OPEB trust ($16 million). The Town has $70 million available in reserves. She added that the reserves and insurance policies are needed to protect the Town's financial position.

Committee Member Rosow felt there may be double reserves, and noted that he did not have the back-up prior to the meeting to review.

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Risk Manager Karen Temme went through the various coverages and cited the example of wind coverage and the correlation to the Town receiving FEMA reimbursement monies. Committee Member Rosow said he would like to see how the town can increase its windstorm deductible to possibly save more money.

Chair Wildrick added he would also like to see new rate tiers, (small, medium, and large SIR/Deductible), without giving up any FEMA support for property insurance.

Risk Manager Karen Temme urged the Committee to consider that sometimes you may save a few thousand dollars, but the risk you would take on may outweigh that savings. She stated that they really have to look at each line of coverage and identify what risk the Town would be willing to take.

Deputy Town Manager Bradford reminded the Committee that they are a member of PGIT (Preferred Government Insurance Trust), which is a government trust program and there would not be a lot of flexibility in rates. They can ask for revised rates but may have to formally go to Town Council to ask for an RFP.

Chair Wildrick asked staff to report back with data in February with three proposals — small, medium and large — for fiscal year 2012. At that time, the Committee could request that an RFP be issued or review the proposed plans and make changes.

V. <u>ANY OTHER MATTERS</u>

Council Member Bill Diamond, 220 Wells Road, asked about reviewing health insurance premiums and if the carrier was paid a flat fee or a percentage of the coverage. Town Manager Elwell outlined the process and that the Human Resources Department handles health insurance. A review of rates could be placed on the agenda in February. He stated that they were paid a flat fee.

Chair Wildrick added that Health Insurance was different due to Obamacare, and many Federal Government rules.

**Clerk's note: Town Manager Elwell clarified in an email that he misspoke during the meeting and issued the following statement to the Mayor and Town Council Members:*

I misspoke at today's Finance and Taxation Committee meeting when answering Mr. Diamond's question regarding the long tenure of Gallagher Benefit Services, Inc., as brokers/consultants for the Town's health insurance program. I stated that the Gallagher is paid a flat fee so as to avoid any incentive for them to earn higher fees by having the Town pay higher premiums. That statement correctly described the change in our approach to broker fees for the property/liability/WC package when we switched brokers several years ago. Also, since the Town controls the selection of health plan providers and since that selection is based on an open and competitive RFP process, we are protected against Gallagher driving the process and inflating both the Town's costs and Gallagher's fees.

However, the health insurance broker fees Gallagher receives for its services to the Town are not fixed. They are calculated as follows:
15% of the Town's premium for Stop Loss coverage;
15% of the Town's premium for Basic Life and Accidental Death/Dismemberment coverage;
15% of the employee paid premiums for Voluntary Supplemental Life and AD/D coverage;
15% of the Town's premium for Long Term Disability coverage; and
0.005% of the Town's premium for prescription drug coverage.

For FY10, the total fees paid to Gallagher for its services to the Town amounted to $112,548. In all cases, these fees are paid by the providers to Gallagher as a percentage of the fee the providers receive from the Town. The Town does not actually pay any fees directly to Gallagher, either for the annual assistance provided during the RFP process or for assistance Richard Schell and others from Gallagher provide to the Town throughout the year as we address issues related to coverage levels, program administration, claims management, etc.

I apologize for my error and any resulting confusion.

The bottom line of Mr. Diamond's question, my answer, and Mr. Wildrick's observations about the changing nature of health insurance nationally is the same as we discussed at the meeting: Town staff was already moving toward an RFP for health insurance broker/consultant services, will continue on that path with the intention of completing the RFP process in 2011, and will assist the Finance and Taxation Committee in a more comprehensive review of the health insurance program at a future F&T Committee meeting

VI. ADJOURNMENT

There being no further business, the Finance and Taxation Committee Meeting of Wednesday, November 10, 2010 was adjourned at 2:27 p.m.

APPROVED:

Robert N. Wildrick
Chairman

11-10-10 Finance & Tax Backup