MEMO

DATE: November 14, 2011

TO: Vicki Robinson
City of Las Vegas

FROM: Tanna Prince

SUBJECT: Insured Short-Term Disability Plan for Appointed Employees

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As discussed, the City has decided to freeze sick pay accumulations for appointed employees as of December 31, 2011 and to replace the current sick pay plan with an insured short-term disability (STD) plan. The STD plan will pay a 70% income replacement benefit for up to 90 days. Benefits will begin on the 15th day of disability. In addition, the City wants to allow employees to supplement the 70% STD benefit with accumulated sick pay benefits up to 100% of pre-disability earnings.

As a rule, we prefer to place short-term disability and long-term disability plans with one carrier for several reasons:

- Transition from short-term to long-term disability is automatic when both plans are administered by the same company. This eliminates claim payment delays and employees (and the employer) are spared redundant paperwork requirements for two separate claim filings.

- Claim determinations are based on consistent standards.

- Typically, we get the most competitive rates for both plans when they are bundled.

Insurance companies typically prefer to cap STD benefits from all sources to no more than 70% of pre-disability earnings in order to preserve motivation to return to work. However, public sector plans tend to have slightly more generous levels, so it was important to work with a carrier that has significant public sector experience.

Based on these reasons, we approached Standard Insurance, the inforce long-term disability (LTD) carrier to provide a quote on the City's preferred STD plan design. In addition, we have significant negotiating leverage with Standard because Standard also insures the City's group life and voluntary life plans.

We did approach two other major disability carriers to gauge their interest in quoting on the STD plan. Neither carrier was willing to quote the plan on a stand-alone basis. In order to quote, both wanted to quote on a bundled package of STD, LTD and group life insurance. As you know, rates for the LTD and group life plans are guaranteed until 2013 and there is no need to rebid them at this time.

Therefore, we recommend placing the new STD plan with Standard. We will package the STD plan with the LTD and group life plans when they are up for renewal in 2013.

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