



500 West Big Beaver  
Troy, MI 48084  
troymi.gov

## CITY COUNCIL AGENDA ITEM

Date: June 9, 2021



To: Mark F. Miller, City Manager

From: Robert J. Bruner, Assistant City Manager  
Lisa Burnham, Controller  
Jeanette Menig, Human Resources Director  
Emily Frontera, Purchasing Manager

Subject: Award Standard Purchasing Resolution 3 – Exercise Renewal Option - Workers' Compensation Renewal

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### History

- The State of Michigan requires the City of Troy to provide workers' disability compensation under Public Act 317 of 1969.
- The Michigan Municipal League (MML) Workers' Compensation Fund has been providing Workers' Compensation coverage to the City of Troy since 1986.
- The MML provides coverage to more than 900 public entities throughout Michigan.
- The MML Workers' Compensation Fund's Pay Lag was an average of 9 days for calendar year 2020 compared to the 22-day average for all of Michigan's 28 Group workers' compensation funds. This is the lowest average number of days of any of the Michigan Group funds. It shows the responsiveness of the MML Workers' Compensation Fund.
- The MML Workers' Compensation Fund is audited annually by the State of Michigan and continues to comply with all State requirements.
- The MML Workers' Compensation Fund 2019 audited Financial report can be found at [http://www.mml.org/insurance/fund/pdf/06\\_30\\_2020\\_audit\\_report.pdf](http://www.mml.org/insurance/fund/pdf/06_30_2020_audit_report.pdf)
- The MML Workers' Compensation Fund in conjunction with Meadowbrook as the Third-Party Administrator consistently provides:
  - Legal expertise, defense and related expenses
  - Loss control consultation and expertise
  - Expertise in claims specific to municipalities (including Police and Fire claims)
  - Medical Bill Review that mitigates medical expenses
  - Timely customer service to City management and injured employees
  - Responsive services that assist City staff communications with employees, administration and others
  - Knowledge specific to the City of Troy claims including long-term claims
  - When in the City's best interest, they actively monitor and initiate settlement on the City's behalf.



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## **CITY COUNCIL AGENDA ITEM**

### **Purchasing**

The bid process is waived for the following reasons:

- The City has over 30 years of claims history with the MML Workers' Compensation Fund; The Experience Modifier is calculated based on 3.5 years of claims and payroll history by classification code.
- The City's Experience Modifier at 1.30, which is up from last's year's Modifier of 1.16 is due to an increase in the City's total claims incurred.
- The City of Troy continues to benefit from the expertise of the MML in the unique provisions of Workers' Compensation that specifically apply to Police Officers and Firefighters.
- If the City were to enroll with a different carrier, current dividends would be frozen for a minimum of 2-3 years.
- A different carrier would necessitate City management to work with multiple Third-Party Administrators. New claims would be determined by the new insurance company and existing claims would still be handled by the MML.

### **Financial**

- The City is in receipt of the renewal package from the MML Workers' Compensation Fund which includes a dividend credit attributable to Fund members overall.
- The City will receive a dividend credit of \$219,753.
- The renewal premium for FY 2021-2022 is \$658,217 (net of dividend credit). Rates change annually, but the MML Workers' Compensation Fund works to maintain rate stability from year to year. For 2021/2022, average rates are down by approximately 2.6%.
- Premium cost fluctuates predicated upon the City's payroll by classification code. There is a greater change in premium when employees are added or reduced in the higher risk classes such as Street Operations, Fire, Police and Building Operations.
- The relevant indicator is the Experience Modifier which reflects the City's performance with loss control, return to work programs and overall safety training and performance.
- Funds are budgeted and available in the Workers' Compensation Fund in the 2021-2022 Fiscal Year.

### **Recommendation**

City management recommends it is in the City's best interest to waive the bid process and continue the relationship with the Michigan Municipal League Workers' Compensation Fund. It is recommended that City Council approve the renewal of the City's Workers' Compensation Fund for the net cost of \$658,217 as detailed in the attached Michigan Municipal League Workers' Compensation Fund Declaration Page for the Fiscal Year 2021/2022.

### **Legal Review**

This item was submitted to the City Attorney for review pursuant to City Charter Section 3.17.

# Michigan Municipal League Workers' Compensation Fund

04/19/2021

Declaration Page

5000410-21

City of Troy  
Attn: Lisa Burnham  
500 W. Big Beaver  
Troy, MI 48084

Coverage Period 7/1/2021 to 6/30/2022

RENEWAL

Class Code	Class Description	Estimated Annual Payroll	Rate per \$100 of Payroll	Estimated Annual Premium
5509-00	Street Operations	1,506,108	6.80	102,415
7382-00	Transit Authority/Dial-A-Ride Drivers	102,326	3.98	4,073
7520-00	Water Operations	1,681,335	3.46	58,174
7704-01	Firefighters	1,256,910	4.30	54,047
7704-02	Volunteer/On-Call Firefighters	79,000	7.25	5,728
7720-01	Police Officers	12,823,998	2.61	334,706
8395-00	Garage Operations	820,467	3.11	25,517
8810-01	Clerical-Office	7,339,722	0.41	30,093
8810-02	Elected Officials	36,400	0.21	76
8810-03	Libraries & Museums: Prof/Clerical	2,122,574	0.28	5,943
8820-00	Attorneys/Judges	446,194	0.29	1,294
9015-00	Building Operations	650,177	4.20	27,307
9102-00	Parks & Recreation	2,018,159	2.91	58,728
9103-00	Crossing Guards	13,026	3.56	464
9104-00	Lifeguards	232,458	1.64	3,812
9410-00	Municipal Employee	2,262,027	0.71	16,060
	Totals:	\$33,390,881		\$728,437

## Coverage Amount

Employers Liability: \$2,000,000  
Workers' Compensation: STATUTORY

**Premium To Be Billed on Installments: \$658,217**

Total Standard Premium	\$728,437
Experience Modifier: 1.30	\$218,531
Modified Premium	= \$946,968
Size of Premium Credit	(\$69,148)
Expense Constant	\$150
Total Estimated Premium	= \$877,970
(Dividend Credit)	(\$219,753)
NET ESTIMATED ANNUAL PREMIUM	= \$658,217