



500 West Big Beaver
Troy, MI 48084
troymi.gov

CITY COUNCIL AGENDA ITEM

Date: May 15, 2023



To: Mark F. Miller, City Manager

From: Robert J. Bruner, Deputy City Manager
Rob Maleszyk, Chief Financial Officer
Dee Ann Irby, Controller
Jeanette Menig, Human Resources Director
Emily Frontera, Purchasing Manager

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

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 4 days for calendar year 2022 compared to the 25-day average for all of Michigan's 22 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 2022 audited Financial report can be found at <https://mml.org/wp-content/uploads/2023/01/MML-WC-Fund-Audited-Financial-Statements-at-June-30-2022.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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Purchasing

City Management recommends waiving the bid process for the following reasons:

- 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.
- The City has more than 35 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 has not changed and remains at 1.07. Prior years have been as high as 1.30. This stable experience modifier is a result of the City's ability to train employees on safety which holds our total claims incurred for 2019, 2020, 2021, and half of 2022.
- 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 two to three years.

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 \$271,041. The renewal premium for FY 2023-2024 is \$493,885 (net of dividend credit). Rates change annually, but the MML Workers' Compensation Fund works to maintain rate stability from year to year. For 2023-2024 average rates are increased by approximately 4.0%.
- 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 2023-2024 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 \$493,885 as detailed in the attached Michigan Municipal League Workers' Compensation Fund Declaration Page for the Fiscal Year 2023-2024.

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

04/17/2023

Declaration Page

5000410-23

City of Troy
 Attn: Lori Thaar
 500 W. Big Beaver
 Troy, MI 48084

Coverage Period 7/1/2023 to 6/30/2024
 RENEWAL

Class Code	Class Description	Estimated Annual Payroll	Rate per \$100 of Payroll	Estimated Annual Premium
0106-00	Tree Pruning	67,079	5.75	3,857
5509-00	Street Operations	1,723,628	6.39	110,140
7382-00	Transit Authority/Dial-A-Ride Drivers	251,171	3.65	9,168
7520-00	Water Operations	1,877,036	3.17	59,502
7704-01	Firefighters	1,128,513	4.47	50,445
7704-02	Volunteer/On-Call Firefighters	75,000	6.65	4,988
7720-01	Police Officers	13,988,275	2.52	352,505
8395-00	Garage Operations	920,345	3.00	27,610
8810-01	Clerical-Office	8,624,834	0.37	31,912
8810-02	Elected Officials	36,400	0.20	73
8810-03	Libraries & Museums: Prof/Clerical	2,455,552	0.27	6,630
8820-00	Attorneys/Judges	487,230	0.26	1,267
9015-00	Building Operations	729,162	4.05	29,531
9102-00	Parks & Recreation	2,146,668	2.88	61,824
9103-00	Crossing Guards	37,111	3.43	1,273
9104-00	Lifeguards	149,150	1.50	2,237
9410-00	Municipal Employee	2,924,609	0.61	17,840
	Totals:	\$37,621,763		\$770,802

Coverage Amount

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

Premium To Be Billed on Installments: \$493,885

Total Standard Premium	\$770,802
Experience Modifier: 1.07	\$53,956
Modified Premium	= \$824,758
Size of Premium Credit	(\$59,982)
Expense Constant	\$150
Total Estimated Premium	= \$764,926
(Dividend Credit)	(\$271,041)
NET ESTIMATED ANNUAL PREMIUM	= \$493,885