CITY OF CAMBRIDGE
795 MASSACHUSETTS AVENUE
CAMBRIDGE, MASSACHUSETTS 02139
TEL. 349-4332
FAX: 349-4312

PERSONNEL DEPARTMENT
MICHAEL P. GARDNER
Director

MEMORANDUM

TO: Robert W. Healy
City Manager

FROM: Michael P. Gardner
Personnel Director

DATE: April 25, 1995

RE: Complaints of Retiree Mary Daley

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At the April 24, 1995 City Council meeting you were asked to supply the Council with a response to certain complaints raised by a retiree, Ms. Mary Daley, of Medford, MA.

Attached is a prior response on this matter, submitted in November, 1994. As I understand it, Ms. Daley's basic complaint appears to be the same--neither the City or the insurance carrier has been willing to reimburse her for life insurance premiums she paid for optional term coverage after retirement but prior to reaching age seventy. Reimbursement has been denied because she was legally and properly covered during that time period. Had she died, the insurance company would have paid out on the claim. Thus, she got value for her premium dollars.

This has been explained to Ms. Daley on several occasions. She has chosen to rely on the fact that, many years ago, when she enrolled in the optional life insurance plan, such optional coverage, by law, ended at retirement. Sometime well before her retirement, the law changed and the policy was upgraded to incorporate the extended coverage. Because the cost is so low, and the coverage guaranteed without underwriting, this is a substantial benefit to retirees who most likely could not obtain such coverage at such a rate elsewhere. (In essence, active employees subsidize retiree coverage to age seventy.) Had Ms. Daley not wanted the coverage she could have cancelled it at any time. She chose to keep it and, if, in the unfortunate circumstance her death had occurred in that time period, her beneficiaries or estate would have been compensated.

We did attempt to reimburse Ms. Daley for optional insurance premiums inappropriately withheld after she reached age seventy, in October, 1994. She claimed never to have received the first check. We issued a stop payment, and cut a new check on December 1,

1994. When told the check was ready, she said she was refusing it, that she did not want it. This was told to several people in both the Personnel and Payroll office. The Payroll Office redeposited the check. On the afternoon of April 21, 1995, she called our office to say she could not remember cashing the check, and wanted Payroll to trace it for her. The person she spoke to was unaware of what had happened to the check, but promised to inquire. Ms. Daley said she wanted the results by Monday, April 24, 1995. The Payroll office could not comply with such a request in that time frame. Subsequent investigation has determined that the check was redeposited. At this point, Ms. Daley apparently having decided that she will accept the check, I would recommend issuance of a new check, delivery of a new check to her by certified mail, or personally, as she wishes, along with a request that she please cash or deposit the check promptly.

Finally, I would like to note that, as a result of Ms. Daley's appearance before the Council on April 24, 1995, and statements she made, a number of retirees contacted our office the next morning, confused and concerned over the level of their insurance coverage. We have attempted to reassure them that all retirees regardless of age, who elected such coverage when it was offered and who continue to pay the premiums through payroll deduction, have $2,000 basic coverage, along with, for those who elected it, an additional $3,000 death benefit administered by the City. Those under seventy who took out optional insurance (either $5,000 or $10,000 additional coverage) while employed, and who continue to pay the premium, retain such coverage until age seventy. At age seventy, this optional coverage ends. Ms. Daley herself currently has the $2,000 basic and $3,000 additional life insurance. This coverage will not be cancelled so long as she continues to authorize her 25% premium deduction from her retirement check.

Our office administers life insurance for approximately 1,800 retirees. We have had few problems with coverage or claims; but we have been unable to persuade Ms. Daley that she received value for the premium she paid for optional coverage up until age seventy.

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PERSONNEL DEPARTMENT
MICHAEL P. GARDNER
Director

November 3, 1994

MEMORANDUM

TO: Robert W. Healy
City Manager

FROM: Michael P. Gardner
Personnel Director

RE: Response to Council Order #6, from Oct. 31, 1994

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Attached is the report of Duane Brown, Manager of Employee Benefits for the City.

I have reviewed the situation and was consulted on the matter at the time the issue first arose.

In my view, the response of the City was correct. We apologized to Mrs. Daly for the inconvenience and confusion. We reimbursed her the $88.00 she was due for 22 months of premium payments made after her coverage should have ended. We have attempted to explain what happened and why her reimbursement was not larger.

We have declined to reimburse her for premiums paid from the date of retirement until she reached age seventy because her coverage was still properly in effect at that time. Had she wanted to cancel coverage at retirement she could have. She chose to continue coverage. As with all term insurance the premiums she paid provided coverage in the case of death during the relevant time period. Had she died her beneficiaries would have collected on the policy. Thus there is no basis for reimbursement.

The extension of such low cost group term coverage to retirees is a significant improvement in the benefit which many retirees enjoy. It is optional coverage however and subject to cancellation by the employee/retiree at any time.

Our insurance carrier for this product, Boston Mutual Life insurance Company, is responsible for notifications of cancellation of group coverage and the option of conversion to non group coverage. We have had significant administrative difficulties with Boston Mutual, over this and other matters. That is a primary reason why we intend to rebid this insurance during FY 95.

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PERSONNEL DEPARTMENT
MICHAEL P. GARDNER
Director

MEMORANDUM

DATE: November 1, 1994

TO: Michael Gardner

FROM: Duane Brown

RE: City Council Order

Mary Daly, when an employee of the School Department, was enrolled in an optional term life insurance policy for $5,000.00 through the City of Cambridge group with the Boston Mutual Life Insurance Company. Upon attainment of age 70, and in accordance with the terms of our policy with Boston Mutual and state law, she became ineligible to continue this coverage on a group basis. In error the premium continued to be deducted from her pension. When this error was brought to our attention, the deduction was stopped. The over-payment was calculated from the date she attained age 70 and Mrs. Daly was reimbursed for those deductions and offered the option of converting her policy on a non-group basis with Boston Mutual as is done with all retirees. She remains eligible for a total of $5,000.00 basic group life from the City.

Contrary to her belief, Mrs. Daly was covered for the optional $5,000.00 until August 22, 1992, her seventieth birthday. Mrs. Daly feels she should be compensated for deductions from her retirement date forward. Mrs. Daly read a clause from her policy which states, "Upon attaining age 70 or retirement, whichever occurs first, benefits would cease". On at least two occasions I explained to Mrs. Daly that this clause is no longer in effect because of a change in state law. Our coverage now extends coverage to both employees and retirees to age 70.

This is of course a substantial benefit to retirees who wish to continue low cost group coverage at rates well below what they would have to pay, based upon age, for non-group insurance. To cancel coverage at retirement would be a significant reduction in benefits to retirees.

The disputed time period was from the date of her retirement until the time she reached age 70. During that time Mrs. Daly continued with viable, enforceable term insurance coverage. She also continued to have a payroll deduction, which was noted on her retirement check stubs, so she had notice of the continued deduction and coverage. She could have stopped the deduction and canceled coverage at any time but did not do so. It would be inequitable to reimburse her for that cost now because the deductions actually paid for continued term insurance coverage. Her beneficiary would have been paid in the event of her death; thus there is no basis to retroactively cancel that coverage now. This has been explained to Mrs. Daly in detail.

Our carrier, Boston Mutual Insurance Company, is responsible for monitoring coverage, and providing notice to employees or retirees who reach age 70 of cancellation of group coverage and the option to convert to nongroup individual coverage. In this case Boston Mutual failed to make timely notice at age 70. The Personnel Department intends to rebid the group term life insurance contract during FY95, in part because of administrative problems such as this.

We also periodically review our deduction reports to determine if there are persons over age 70 who have not been notified of group policy cancellation, in order to ensure that the individuals are aware of their insurance status and are not paying for coverage they do not in fact have. Whenever we find cases of overpayment, we reimburse to the date the coverage should have ceased. We do not reimburse to an earlier date when coverage was still in effect.

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With respect to any additional insurance which is in effect for an employee, there shall be withheld from each payment of salary or wages of such employee the premium for such insurance and, notwithstanding the provisions of any collective bargaining agreement to the contrary, the governmental unit shall make no contribution to said premium. If an employee is not entitled to receive salary, wages or other compensation for a calendar month, he shall make payment directly to the treasurer of the governmental unit and, notwithstanding the provisions of any collective bargaining agreement to the contrary, there shall be no contribution by the governmental unit for such payment.

An employee insured under this section may by written notice on a form prescribed by the treasurer cancel such insurance, and such insurance shall require no further premium payment the first day of the month following the expiration of fifteen days from the receipt of notice of cancellation. Insurance coverage will therefore terminate at the end of the month for which premium has been paid. If an employee withdraws as provided in section four, such withdrawal shall automatically effect a cessation of the additional insurance under this section as of the date of cessation of his minimum insurance.

Upon retirement of an employee eligible for pension allowances under any general or special law, that portion of his additional insurance under this section which is not paid-up shall terminate upon attainment of the age of seventy, and he shall be afforded the privilege of converting such term insurance in accordance with the rules and regulations issued under section fourteen. A person who has retired and whose insurance under this section has been terminated may be reinstated for the amount of insurance in force at the time of retirement provided the retiree has not attained the age of seventy and provided further that he submits proof of his physical condition satisfactory to the appropriate public authority.

The appropriate public authority is hereby authorized to negotiate for and purchase the additional insurance outlined in the above schedule on the basis of group renewable term insurance. This section shall not apply to Worcester county nor to its employees.

This section shall take effect in a county, except Worcester county, city, town or district upon its acceptance in the following manner:—In a county, except Worcester county by vote of the county commissioners; in a city having a Plan D or Plan E charter by majority vote of its city council; in any other city by vote of its city council, approved by the mayor; in a district by vote of the district at a district meeting; and in a town if a majority of the votes cast in answer to the following question, which shall be printed on the official ballot to be used at an election in said town, is in the affirmative:— "Shall the town purchase additional group life and group accidental death and dismemberment insurance for employees in accordance with the provisions

WARRANT#: VEN024
DATE: 101494

CITY OF CAMBRIDGE

REMITTANCE ADVICE

0311229

DATE	REFERENCE	DESCRIPTION	AMOUNT	DEDUCTIONS	NET AMOUNT
		OVER PYMT,			88.00

					88.00

PLEASE DETACH BEFORE DEPOSITING

CITY OF CAMBRIDGE

MASSACHUSETTS

NO. 0311229

5-20/110

CHECK NO.	CHECK DATE	CHECK AMOUNT
311229	101494	****$88.00*

SHAWMUT BANK, N.A.
BOSTON, MASSACHUSETTS 02211

999999

PAY TO THE ORDER OF

MARY DALY
16 COBB ST,
MEDFORD, MA 02155

VOID AFTER 60 DAYS

J. Maloney

AUTHORIZED SIGNATURE

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CITY OF CAMBRIDGE
SPECIAL STOP PAYMENT
VENDOR ACCOUNT
CITY HALL
CAMBRIDGE, MA 02139

1023

5-20/110

DEC 01 1994

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PAY TO THE ORDER OF MARY DALEY

$ 88.00***

PAY ONLY EIGHT EIGHT 00 CTS

DOLLARS

Shawmut
Shawmut Bank, N.A.
Boston, MA 02211

FOR REPLACE# 31122910/14/94

James Maloney

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24.

CITY OF CAMBRIDGE
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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

May 1, 1995

To The Honorable, The City Council:

With reference to Awaiting Report Item No. 45, relative to a communication from Mary Daly concerning payments of life insurance premiums by retirees, please find attached a response received from Michael P. Gardner, Personnel Director.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
attachment

Consent Agenda # 24 S-157

Response to Awaiting Report Item Number Forty-Five regarding a communication from Mary Daly concerning payments of life insurance premiums by retirees.

for original see
Communication # 12
of 4/24/95

In City Council,

May 1, 1995

Placed on file