28.

CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL. 349-4300
FAX. 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

November 7, 1994

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 58, regarding potential overpayments of insurance policies by retired school department employees, received from Michael P. Gardner, Personnel Director.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
attachment

Printed on Recycled Paper

CITY OF CAMBRIDGE
795 MASSACHUSETTS AVENUE
CAMBRIDGE, MASSACHUSETTS 02139
TEL. 349-4332
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PERSONNEL DEPARTMENT
MICHAEL P. GARDNER
Director

November 3, 1994

RECEIVED
94 NOV -3 PM 12: 32
OFFICE OF THE CITY MANAGER

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

AN AFFIRMATIVE ACTION/EQUAL OPPORTUNITY EMPLOYER

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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he case of hourly
uired work-hours.

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

VENDOR#: 999999

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

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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

AUTHORIZED SIGNATURE

⑈000311229⑈ ⑆011000206⑆ 20 010159 2⑈

Consent Agenda #28

S-503

Response to an Awaiting Report Item No. Fifty-eight, regarding potential overpayments of insurance policies by retired school department employees.

11/14/94 Referred back to the City Manager on motion of Vice Mayor Russell

In City Council,

November 7, 1994

Charter Right exercised by Councillor Toomey