

**AUTHORIZING EXTENSION OF PARTICIPATION
IN THE INTERGOVERNMENTAL PERSONNEL
BENEFIT COOPERATIVE (IPBC) FOR THE
PROVISION OF HEALTH AND LIFE INSURANCE
BENEFITS TO CITY OF DEKALB EMPLOYEES.**

WHEREAS, Section 10 of Article VII of the Illinois Constitution of 1970 authorizes units of local government to contract or otherwise associate among themselves in any manner not prohibited by law or by ordinance; and,

WHEREAS, the “Intergovernmental Cooperation Act”, 5 ILCS 220/1 *et seq.*, authorizes units of local government to exercise any power or powers, privileges or authority, which may be exercised by a unit of local government individually, to be exercised and enjoyed jointly with any other unit of local government in the, State; and,

WHEREAS, units of local government within Illinois have found it increasingly expensive to provide, health and life insurance benefits to their officers and employees; and,

WHEREAS, a large number of local government entities, having undertaken a series of studies to determine the feasibility of entering into an intergovernmental Personnel Benefits Cooperative ("IPBC") for the purpose of administering some or all of the personnel benefits programs offered by its member units of local government to their respective officers and employees, created and have successfully operated such a Cooperative; and,

WHEREAS, on January 1, 2008 the City of DeKalb became a member of the IPBC as a means of providing health and life insurance benefits to its employees in a cost-effective manner; and,

WHEREAS, the City Council of the City of DeKalb has determined that it is in the best interest of the City of DeKalb to continue as a member of this organization participating with other municipalities in the benefits of pooling health insurance for its employees; now,

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL of the City of DeKalb, Illinois, in the exercise of its home rule powers, as follows:

Section 1. That membership in the Intergovernmental Personnel Benefits Cooperative is hereby, extended, commencing January 1, 2011 until June 30, 2014; and,

Section 2. That the contract and by-laws of the IPBC, attached hereto and made a part hereof, are hereby adopted and approved; and,

Section 3. That the Assistant City Manager is hereby designated as the delegate, and the Management Analyst / Human Resources Coordinator is hereby designated as the alternate delegate for the City of DeKalb.

PASSED BY THE CITY COUNCIL of the City of DeKalb, Illinois at a regular meeting thereof held on the 28th day of March, 2011 and approved by me as Mayor on the same day. Passed on roll call vote: 6-0-1. Aye: Simpson, Teresinski, Verbic, Naylor, Baker, Kammes. Nay: None. Absent: Gallagher.

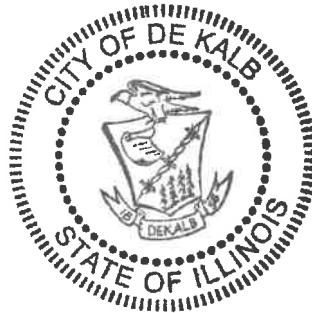
ATTEST:



STEVE KAPITAN, City Clerk



KRIS POVLSSEN, Mayor



Documents noted in Section 2 cannot be located.

DATE: March 23, 2011

TO: Mayor
City Council

FROM: Mark Biernacki, City Manager
Rudy Espiritu, Assistant City Manager

SUBJECT: Resolution Extending the Period of Participation in the Intergovernmental Personnel Benefit Cooperative (IPBC) for a period of three additional years

STRATEGIC GOAL: Ensure a Financially Stable City Government

Regularly assess all expenditure needs and modify where necessary
Regularly assess the financial implications of all programs

I. Summary:

As part of the FY2008 Budget, City Council was told that health insurance claims were projected to increase over 25% from the previous year. This was primarily attributed to the high number of catastrophic claims we experienced in FY07. As part of an on-going effort to identify the most cost effective means of providing health insurance and to help stabilize these drastic increases in the future, staff began exploring other options for health insurance. Our main goals in considering these options include the need to offer an equal amount of health care coverage to our employees and retirees, find a plan that has the ability to adopt our plan designs based on union obligations, and provide these services at a lower cost to the City.

Based on this research, the City joined the Intergovernmental Personnel Benefit Cooperative (IPBC) in January 2008. IPBC Bylaws require that each member formally renew its membership commitment every three years. The preliminary increase to the City's health care cost for the 2011 plan year is 9.6%. Even though the 9.6% is higher than what we would prefer, this increase is still lower than the trend of 10%. Staff had our consultant seek quotes from insurance carriers and found that with our retiree population and recent claims experience, going totally self-insured would cost the City 15% more than the IPBC renewal or approximately \$700,000 a year. Staying with the intergovernmental pool for health insurance seems to be cost effective for the City, so we recommend that we participate in the IPBC for another three year period.

II. Background:

The IPBC is an entity created under Illinois state laws, which allow municipal groups to band together for the purpose of insurance. The IPBC was founded in 1979 and has 61 public sector entities as members (9,000 covered lives). IPBC members retain the right to create and change their own plan designs, and operate as a group to control finances within the pool.

There remain several advantages to continuing our participation in the IPBC pool:

- Intergovernmental pooling has proven to be an effective alternative to traditional insurance. The City is not as vulnerable to the drastic market swings of the private insurance marketplace and rate increases have trended lower than industry standards.
- The IPBC structure promotes stability inherent to larger employers while still allowing flexibility at the individual plan design level. As part of a larger group, more than 9,000 employees in the IPBC, the City benefits from economies of scale and increased bargaining strength with national insurance vendors.
- Risk pooling allows a municipality to moderate rate increases it would otherwise experience and benefits from lower administrative costs. This was evident when staff sought quotes to go totally self-insured, which was more than 15% above the renewal with the IPBC.
- The IPBC provides access to the expertise of private sector partners such as benefit consultants, legal, accounting, and financial service companies as well as the peer group of municipal partners (fellow HR professionals, finance directors, and city managers) that will be critical with the market changes that have and will be occurring due to Health Care Reform legislation.
- The City self-insures the first \$30,000 of an individual's annual health claim costs. Annual claims incurred between \$30,000 and \$125,000 are pooled and shared evenly among all IPBC members.
- Economies are experienced from negotiating and purchasing insurance products in intergovernmental consortiums. The IPBC purchases excess insurance to cover losses over \$125,000 per claimant.
- The IPBC has expanded access to more effective cost containment options by negotiating contracts with Blue Cross Blue Shield of Illinois, Cigna and United Healthcare and Medco. All of these companies offer an extensive network of physicians and hospitals that help reduce overall plan costs and pharmacies for prescription drugs.

- The City can easily develop multiple plan designs to satisfy the different needs of our various labor groups.
- The IPBC has seen continued growth over the past three years adding several new communities to the membership rolls, thus lowering annual costs.
- Participation in the IPBC allows for intergovernmental cooperation to improve services and control costs to the City.

III. Community Groups/Interested Parties Contacted:

All City employees and retirees are currently under Blue Cross Blue Shield for medical and MetLife for dental insurance. These plans are administered by the IPBC.

IV. Legal Impact:

The IPBC by-laws require each member to renew with the IPBC for a 3-year term by May 1, 2011. The term with the IPBC would be July 1, 2011 through June 30, 2014.

V. Financial Impact:

As a member of IPBC, the City's annual premium would be determined as a two-step process. The average increase for the entire pool is calculated first, and then each member's actual increase is based on the member's own claims experience, but capped at +/- 10% of the pool's average. These factors would provide the City rate and financial stability over an extended period of time.

We sought quotes from insurance carriers to go completely self-insured. We had two insurance carriers decline to provide a quote due to the number of retirees on our plan. We received quotes from Blue Cross Blue Shield for medical insurance and Humana for dental coverage. These quotes were 15% higher compared to renewing with the IPBC, which would equate to approximately \$700,000 in additional costs.

VI. Alternatives:

1. Adopt the resolution extending membership with the IPBC for another 3 year term.
2. Do not join the health insurance cooperative and have the City go totally self-insured. This option would cost the City approximately \$700,000 more each year.

VII. Recommendation:

It is staff's recommendation that the City Council approve the resolution to extend the City of DeKalb's participation in the Intergovernmental Personnel Benefit Cooperative (IPBC) for a period of three additional years through June 30, 2014.

Respectfully submitted for City Council consideration,

Reviewed By:

Approved By:

Rudy Espiritu
Assistant City Manager

Mark Biernacki
City Manager



City of DeKalb Marketing 2011 Summary

	IPBC Current Costs	IPBC Renewal Costs	BCBS Medical & Humana Dental Proposed Costs
Medical - Blue Cross Blue Shield	\$4,360,891	\$4,779,536	\$5,473,689
Dental - MetLife	\$225,355	\$232,566	\$265,164
Total	\$4,586,246	\$5,012,103	\$5,738,854
Changes From Current			
Net Total	\$4,586,246	\$5,012,103	\$5,738,854
\$ Variance to Current	n/a	\$425,857	\$1,152,608
% Variance to Current	n/a	9.29%	25.13%

Please Note: The analysis is for illustrative purposes only, and is not a guarantee of future expenses, claims costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. Please see your policy of contract us for specific information or further details in this regard.



AN INTERGOVERNMENTAL SELF-INSURED
HEALTH BENEFIT PROGRAM

INTERGOVERNMENTAL PERSONNEL BENEFIT COOPERATIVE
NIU Center for Governmental Studies, 1120 E. Diehl Road,
Naperville, Illinois 60563

Fact Sheet

Inception: 1979, per the Illinois Intergovernmental Cooperation Act

Members: 61 public sector entities as of March 1, 2011

Governance: Member communities designate representation to the Board of Delegates, then governed by Chair, Vice Chair, and Treasurer are officers selected from Membership

Employees Covered: Life Insurance: 9, 074

PPO: 5,975

HMO: 3,531

Dental: 4,038

Insurance Providers: BlueCross Blue Shield (PPO/ HMO (Blue Advantage and HMO Illinois))

United Healthcare (PPO/EPO)

CIGNA (PPO)

MetLife (Dental)

Reliance Standard (Life/AD & D)

2010-2011 Expenditures: \$137,635,666 (estimated)

2010-2011 Reserves: \$21,340,597 (restricted)*
\$23,944,626 (unrestricted)*

*Per IPBC Audit Year End 6/30/10

IPBC

INTERGOVERNMENTAL PERSONNEL BENEFIT COOPERATIVE

AN INTERGOVERNMENTAL SELF-INSURED
HEALTH BENEFIT PROGRAM

The Intergovernmental Personnel Benefit Cooperative (IPBC)

History

The Intergovernmental Personnel Benefit Cooperative (IPBC) is an entity created under Illinois state laws, which allows municipal groups to band together for the purposes of insurance. The IPBC was established in 1979 and currently includes 61 municipalities or municipal entities as members.

Purpose

The purpose of the IPBC is to provide economies of scale and risk pooling that will allow members more financial stability than offered by the commercial insurance market in a *fully transparent environment*. **The members retain the right within the IPBC to create and change their PPO plan design, which is often required due to the nature of bargained contracts.** Members also operate as part of a larger Board of Directors to control the finances within the pool.

Members

Long-term commitment by members to the philosophy of risk pooling has been instrumental in the success of the IPBC. Many members have been part of the organization for more than two decades.

“The Streamwood Village Board has established a formal budgetary policy encouraging intergovernmental cooperation in order to improve services and control costs. The IPBC offers group purchasing power that the Village would not have on their own. The IPBC Board has worked hard to develop creative products and flexible plan designs that are both cost-effective and meet the needs of our employees.”

— Dave Richardson,
Finance Director, Village of Streamwood

Products

The IPBC offers self-insured PPO, HMO, and Dental programs. Upon entering the IPBC, each community will have access to a Life, AD & D benefit as well as a multitude of other products (vision, property and casualty, long-term care, retirement, etc.). The PPO program allows members authority over plan design, but provides a unique pooling of risk among all members for individual claims between \$30,000 and \$125,000. Claims over \$125,000 are fully reinsured. Therefore, members are responsible for claims under \$30,000 and the redistributed claims cost for claims between \$30,000 and \$125,000. This allows for increased budgetability and stability from year to year.

The HMO product is also self-insured through a special arrangement. Members pay for fixed costs of capitation (monthly stipend paid to primary care physician) for hospital and Rx charges. There are several different choices of plan designs with different levels of office visit and prescription drug co-pays. All members pay the same rates based on plan design offerings.

The Dental program is self-insured, and each member has complete flexibility over plan design. Several different network options are available to members through the IPBC's vendors.

Business Partners

Ancel Glink (Attorney)
Sikich (Auditing)
Lauterbach & Amen (Accounting)
NIU/CGS (Recordkeeping)
Gallagher Benefit Services (Benefits Consulting)

Executive Committee

Bob Fialkowski (Deerfield): Chairman
Patrick Seger (Hoffman Estates): Vice Chair
David Richardson (Streamwood): Treasurer
Kelly Amidei (Libertyville): Finance & Operations
Lisa Happ (Carpentersville): Membership

For more information please contact Erin N. Duffy
(630-285-4439, erin_duffy@ajg.com)



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IPBC Membership

Individual Members

- Barrington (7/1/1979)
- Bloomingdale (7/1/1984)
- Carol Stream (10/1/1983)
- Carpentersville (1/1/2007)
- Central Lake County JAWA (6/1/1997)
- Collinsville (6/1/2004)
- Deerfield (5/1/2003)
- DeKalb (1/1/2008)
- Des Plaines (6/1/2003)
- Evanston (12/1/2009)
- Forest Preserve District of DuPage County (1/1/2004)
- Franklin Park (11/1/2003)
- Glenview (7/1/1979)
- Hanover Park (5/1/1981)
- Highland Park (1/1/2008)
- Hinsdale (6/1/1997)
- Hoffinan Estates (1/1/2005)
- Homewood (1/1/2005)
- NW Suburban JAWA (1/1/2000)
- Libertyville (5/1/2006)
- Morton Grove (1/1/2007)
- Mount Prospect (4/1/1998)
- Northbrook (5/1/2003)
- Oswego (7/1/2010)
- Rolling Meadows (7/1/1979)
- Streamwood (7/1/1979)
- West Chicago (10/1/1997)
- Westmont (7/1/1979)
- Wheaton (4/1/2003)
- Wheeling (7/1/1979)
- Wood Dale (7/1/1981)

SCDCBP Benefit Pool

- Burr Ridge (3/1/1985)
- Clarendon Hills (9/1/1984)
- Darien (9/1/1984)
- Willowbrook (9/1/1984)
- Woodridge (9/1/1984)

SWAHM Benefit Pool

- Crest Hill (8/1/2010)
- Glen Ellyn (1/1/2009)
- Homer Glen (1/1/2009)
- Lemont (7/1/1992)
- Lockport 7/1/2008)
- Mokena (7/1/1992)
- New Lenox (7/1/1992)
- Plainfield (7/1/1992)
- Shorewood (7/1/1992)

WCMC Benefit Pool

- Countryside (8/1/1983)
- Indian Head Park (8/1/1983)
- LaGrange Park (8/1/1983)
- Riverside (9/1/1984)

NIHII Benefit Pool

- North Riverside (10/1/2009)
- Rock Falls (1/1/2010)
- Cary (3/1/2010)
- SEECOM (1/1/2011)
- Gilberts (4/1/2011)
- Bensenville (6/1/2011)

EWCCM Benefit Pool

- Crete (11/1/2010)
- Beecher (11/1/2010)
- Peotone (11/1/2010)
- Monee (11/1/2010)
- Steger (11/1/2010)
- Crete Township (11/1/2010)



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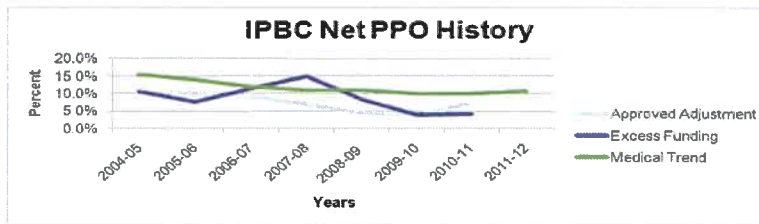
Renewal History

Callagher Benefit Services, Inc.

IPBC Average PPO Rate History

PPO Rate History

	Avg. Approved Adjustment	Avg. Excess Funding*	Medical Trend
2004-05	10.0%	10.6%	15.5%
2005-06	10.0%	7.7%	14.0%
2006-07	9.0%	11.7%	12.0%
2007-08	7.0%	14.9%	11.0%
2008-09	4.5%	8.4%	11.0%
2009-10	3.9%	3.9%	10.0%
2010-11	7.2%	4.3%**	10.0%
2011-2012	TBD	TBD	10.8%



**Through January 2011
*Dividend represents reserve funding as well as positive plan performance

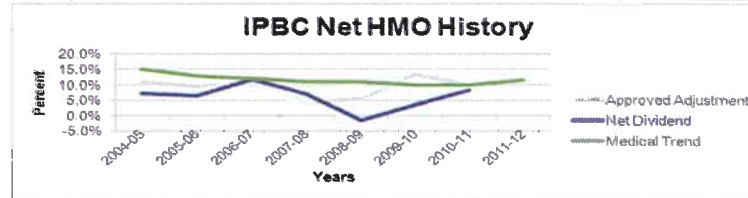
Updated 3/1/11

Callagher Benefit Services, Inc.

IPBC Average HMO Rate History

HMO Rate History

	Avg. Approved Adjustment	Avg. Dividend*	Medical Trend
2004-05	10.9%	7.2%	15.0%
2005-06	9.5%	6.6%	13.0%
2006-07	11.5%	11.8%	12.0%
2007-08	4.1%	7.0%	11.0%
2008-09	5.4%	-1.7%	11.0%
2009-10	13.1%	5.3%	10.0%
2010-11	10.1%	8.3%**	10.0%
2011-12	TBD	TBD	11.7%



**Through January 2011
*Dividend represents reserve funding as well as positive plan performance

Updated 3/1/11



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A note from the Chairman...

Bob Fialkowski, Finance Director, Village of Deerfield

“...I believe the most important benefit of joining the pool is the future flexibility provided in designing a health benefits program within the budget set forth by the Village each year and access to innovative strategies to deal with the continued provision of these benefits to our employees. There have been quite a number of articles recently in the local and national press concerning the widespread expert opinion of 15% annual increases in employer-provided health insurance into the future and the unknown effect of the recent major changes to come due to the Federal health insurance bill. To deal with these types of increases and rapid changes, we need to be able to offer a menu of alternatives designed to share a greater responsibility for choosing and managing cost-effective health care with the employees. With 175 lives, we are not big enough on our own to offer a cafeteria of options to effect this transfer of decision-making. But as part of a pool of like-minded and similarly situated municipalities, membership in the IPBC will enable us to share and pool, with a larger number of covered employees, alternatives such as high-deductible plans or healthcare reimbursement arrangements. It also gives us access to consultants who can evaluate our individual circumstances along with the pool as an entity and offer cost effective programs to deal with the rising cost of these benefits.”

This document briefly highlights the history of the Intergovernmental Personnel Benefit Cooperative (IPBC). This information is proprietary and may be shared with your Boards.