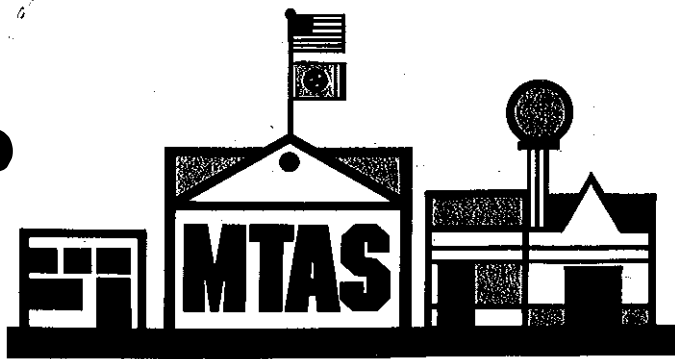




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GROUP INSURANCE FOR CITY PERSONNEL

by Don W. Ownby

Title 8, Chapter 50, Part 3, of the *Tennessee Code Annotated (TCA)*, entitled "*Insurance for Employees and Officials of Municipal Corporations and Special School Districts*" was enacted in 1961 and expressly authorizes municipal corporations to provide group life, hospitalization, disability, or medical insurance for all their employees and officials. However, this law also expressly provides that:

For the purpose of financing such insurance programs, the municipal corporation ... may bear the expense of such coverages, as the aldermen or other governing body of the municipal corporation ... shall so determine, up to an amount equaling fifty percent (50%) of the cost of such program, and the participating employees and officials shall have deducted from their salary an amount which will be sufficient to pay the remainder of the cost for the coverage.

Does this mean that cities cannot pay all of the cost of group insurance programs if they so desire? No, generally the city can pay all or any portion of the cost of group insurance for city personnel.

Section 8-50-307 of the above referred to 1961 law expressly provides that: "The authority conferred by this part shall be in addition and supplemental to, and shall not be in substitution for, the power or authority conferred by any other general or special law, or any other implied power or authority of municipal corporations and special school districts, and shall not affect insurance plans heretofore adopted."

Back in 1922, the Tennessee Supreme Court held that when a municipality buys group insurance for its employees it is, in effect, simply increasing the employees' wages. *State ex rel. Thompson v. City of Memphis et al.*, 147 Tenn 658 (1922). Thus, where the city has authority to fix wages for personnel it has implicit authority to pay all or any portion of the premiums for group insurance for them.

Thus, TCA Title 8, Chapter 50, Part 3, comes into play only for those municipal employees and officials whose compensation is not fixed by the municipal governing body. For example, often the compensation of the mayor and aldermen, and sometimes other officials such as the recorder or city judge, are fixed by the General Assembly in the city's charter. Therefore, it would not be lawful for the municipal governing body to increase the compensation of those officers by increasing their wages, paying their group insurance premium, or otherwise, unless authorized by some other law. Such another law is TCA Title 8, Chapter 50, Part 3 which expressly provides supplemental authority for the city to provide group insurance coverage for employees and officials but the city can only pay up to fifty percent of the cost under that act.

In conclusion, a municipal governing body generally has authority to pay all or any portion of the group insurance premium for city personnel whose compensation it has authority to fix and to pay up to fifty percent of such premiums for personnel whose compensation it does not have authority to fix.

Further information on this legal topic may be obtained by contacting your Municipal Management Consultant; Don W. Ownby or one of the other Municipal Legal Consultants, Municipal Technical Advisory Service. Mr. Ownby may be contacted at (615) 974-5301.

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