

REPORT  
FROM



THE PERSONNEL  
DEPARTMENT

TO: City Council	DATE September 16, 2019
REFERENCE: Los Angeles Administrative Code Division 5, Chapter 95	COUNCIL FILE

SUBJECT: **LAWell Program Employee Benefits Trust Fund Review Fiscal Year (FY) 2018-19**

**RECOMMENDATION:**

That the City Council note and file the LAWell Program Employee Benefits Trust Fund review for Fiscal Year (FY) 2018-19.

**SUMMARY:**

The Personnel Department administers the City's LAWell Civilian Benefits Program (LAWell Program) for active City civilian employees and their qualified dependents in conjunction with the City's Joint Labor Management Benefits Committee (JLMBC). The JLMBC is composed of five management and five labor representatives. The JLMBC was created in 1990 by action of the City Council and Mayor for the purpose of determining what plans were to be included in the Civilian Benefits Program, defining the structure of benefit plans, and recommending service providers to the General Manager Personnel Department.

The mission of the LAWell Program is to promote employee health and wellness with competitive benefits at a reasonable level relative to the City's financial capacity. Currently, the LAWell Program covers approximately 26,500 employees and 33,000 dependents.

On January 7, 1997, the City established an Employee Benefits Trust Fund (Trust Fund) under Los Angeles Administrative Code (LAAC) Division 5, Chapter 95 (Chapter 95). The purpose of the Trust Fund is for the receipt and retention of employer and employee contributions for the LAWell Program. The Trust Fund operates as a temporary pass-through account for the funding of premium payments to benefit service providers. Funding sources include General Fund and proprietary transfers for employer-paid costs, employee contributions for supplemental coverage, and interest earnings. Other one-time potential revenue sources that have occurred in the past or may occur in the future include refunds of premiums from participating insurance contracts or legal settlements. The Trust Fund also issues payments to benefit service providers, salary reimbursements for positions authorized for reimbursement by the JLMBC, contractual service payments, travel, and internal administrative expenses.

Chapter 95, Sec. 5.495 (g) provides that "The Chairperson of the Joint Labor-Management Benefits Committee shall report to the City Council and the Mayor regarding and identifying all receipts into, and all expenditures out of, the Fund, as well as the purposes for which the expenditures were made. Each report shall cover a fiscal year and shall be submitted within 90 days after the close of said fiscal year." This report provides a review of Trust Fund activity and expenditures for FY 2018-19.

## A. BENEFIT PLANS OVERVIEW

The LAwell Program contains an array of benefit plans with multiple contracted service providers. Collectively, these plans and providers create opportunities for employees to customize their benefit needs and support the health and well-being of themselves and their dependents. In Plan Year 2020, benefit plans and service providers will include the following:



## B. REVIEW OF FY 2018-19 EMPLOYEE BENEFITS TRUST FUND ACTIVITY

The JLMBC has completed its FY 2018-19 review and reconciliation of the Trust Fund. **Attachment A** provides a summary description of the activity items as indicated below:

### Revenues

- *Employer Contributions* – General Fund transfers for payment of benefit program premiums.
- *Reimbursements from Other Funds* – Proprietary fund transfers for payment of benefit program premiums.
- *Employee Contributions* – Employee payments for required premium cost-sharing or optional supplemental coverage.

## Payments

- *Printing and Binding* – Printing costs for LAwell Program communication materials.
- *Cash-in-Lieu (CIL) Reimbursements* – Reimbursements to City departments for CIL payments made to employees who opt out of City health coverage.
- *Personnel Department Staffing* – Reimbursement of Personnel Department/Employee Benefits Division positions approved to be funded by the Trust Fund.
- *Refunds of Employee Contributions* – Refunds of over-contributions of premium payments to employees.
- *Carrier Payments* – Payments made to LAwell Program providers.
- *Wellness Program Expenditures* – All Wellness Program expenditures for staffing, licenses, promotional materials, and communications.
- *Travel* – Travel to the International Foundation of Employee Benefit Plans annual conference.
- *Contractual Services* – Payments for consulting services.
- *Office Expenses* – Incidental office and administrative expenses.

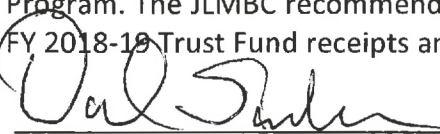
In addition, Attachment A further reflects certain revenue and payment items accrued but not yet recorded in FY 2018-19. Net of all recorded and accrued items, assets in the Trust Fund totaled **\$16,529,518** as of June 30, 2019.

**Attachment B** provides a three-year historical review of Trust Fund debits, credits, and balances from the period 2017-2019 and also provides reporting on a Generally Accepted Accounting Principles accrual basis (whereby revenues and expenses are reported in the period earned and incurred, respectively). The reporting format in Attachment B aligns with the format recommended by an independent auditor which conducted a Trust Fund review in 2016, the results of which were presented to the JLMBC in January 2017.

During its Trust Fund review, the independent auditor also observed that the Trust Fund's cash flow was sound relative to incoming transfers and its capacity to make timely payments to benefit service providers. The Trust Fund has a reserve target of 12.5% of monthly benefit service provider premium payments, which presently equates to approximately \$4.1 million. However, it should be noted that the full \$12.4 million net balance in the Trust Fund is also used to provide sufficient working capital to manage the cash flow needs necessary for making timely benefit carrier payments.

## C. CONCLUSION

The Trust Fund provides an important vehicle for the City to fund and process payments for the LAwell Program. The JLMBC recommends that the City Council note and file this report regarding and identifying all FY 2018-19 Trust Fund receipts and expenditures and purposes for which expenditures were made.



DAVID SANDERS, CHAIRPERSON



WENDY G. MACY, VICE-CHAIRPERSON

JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

**City of Los Angeles  
Employee Benefits Trust Fund  
Review of Trust Activity  
June 30, 2019**

**FY 2019 Activity per FMS**

	<b>July 1, 2018 Opening Balance per FMS</b>	<b>\$ 39,971,815</b>
<b>Revenues</b>		
Employer Contributions	282,485,496	
Reimbursement from Other Funds	65,303,636	
Employee Contributions	49,330,871	
Interest Income	911,379	
		<b>398,031,383</b>
<b>Payments</b>		
Printing and Binding	113,027	
CIL Reimbursements to Departments	1,298,464	
Personnel Department Staffing	411,720	
Refunds of Employee Contributions	47,861	
Carrier Payments	389,424,474	
Providers Adjustment to Employees	6,892,323	
Wellness Program Expenditures	495,514	
Travel	13,254	
Contractual Services	428,839	
Office Expenses	6,842	
		<b>399,132,317</b>
	<b>June 30, 2019 Closing Balance per FMS</b>	<b>\$ 38,870,881</b>
<b>Post June 30, 2019 Activity</b>		
<b>Revenues</b>		
Reimbursement from Other Funds (Received from 07/01/19 to 08/31/19)	610,505	
		<b>610,505</b>
<b>Payments</b>		
Carrier Payments (June 2019)	16,642,060	
Personnel Department Staffing (Apr 2019 to June 2019)	78,716	
Contractual Services	33,333	
Contractual Services - Keenan Consulting	0	
		<b>16,754,110</b>
<b>Outstanding Liabilities and Reserve Requirement</b>		
<b>Liabilities</b>		
Employee Refunds	700,000	
Wellness Program	5,402,120	
Wellness Interest Income	95,639	
		<b>6,197,759</b>
Reserve Requirement (12.5% of June 2019 carrier payments)	4,105,258	
		<b>4,105,258</b>
	<b>June 30, 2019 Available Balance, net of Liabilities &amp; Reserved Capital</b>	<b>\$ 12,424,260</b>

**Trust Fund for Civilian LAWell Benefits Program**  
**Validation of Net Assets - Adjusted Trial Balance Groupings**  
**June 30, 2017 to June 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>DEBITS</b>			
Cash and pooled investments - FMS	38,870,881	39,962,470	29,384,461
Payroll and employee receivables	-	-	-
Proprietary funds receivable	610,505	2,525,147	8,990,182
<b>Assets</b>	<u>39,481,387</u>	<u>42,487,617</u>	<u>38,374,643</u>
<b>CREDITS</b>			
Insurance premiums payable to carriers	16,642,060	16,770,542	15,869,091
Accrued staffing costs	78,716	108,834	213,111
Accrued contractual services	33,333	33,333	53,708
Accrued refundable to employees	700,000	7,304,748	7,153,172
Wellness Program	5,497,759	3,349,959	1,656,850
<b>Liabilities</b>	<u>22,951,869</u>	<u>27,567,416</u>	<u>24,945,932</u>
<b>Net Assets Restricted for Trust Purposes</b>	<u>16,529,518</u>	<u>14,920,201</u>	<u>13,428,711</u>