REPORT FROM

THE PERSONNEL DEPARTMENT

TO: City Council	DATE September 18, 2020
REFERENCE: Los Angeles Administrative Code Division 5, Chapter 95	COUNCIL FILE _________
SUBJECT: **LAwell Program Employee Benefits Trust Fund Review Fiscal Year (FY) 2019-20**	

RECOMMENDATION:

That the City Council note and file the LAwell Program Employee Benefits Trust Fund review for Fiscal Year (FY) 2019-20.

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 28,000 employees and 35,000 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 2019-20.

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 2021, benefit plans and service providers will include the following:

MEDICAL

Kaiser Permanente - Staff-Model HMO

Anthem Blue Cross - Narrow Network HMO, Full Network HMO, Regional HMO, and PPO

DENTAL

Delta Dental - PPO, HMO, and Preventive Care

LIFE INSURANCE

The Standard Insurance Company - Basic Life, Supplemental Life, and Dependent Life

DISABILITY INSURANCE

The Standard Insurance Company - Basic Disability, Supplemental Disability

ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) INSURANCE

The Standard Insurance Company - Voluntary AD&D and Dependent AD&D

TAX-ADVANTAGED SAVINGS ACCOUNTS

WageWorks - Healthcare Flexible Spending, Dependent Care Reimbursement, Transportation Saving, Parking Saving

EMPLOYEE AND FAMILY ASSISTANCE PROGRAM

Optum - Work/Life Assistance

VISION PLAN

EyeMed - Vision Health/Eyewear

WELLNESS SERVICES

Limeade - Wellness engagement administration

B. REVIEW OF FY 2019-20 EMPLOYEE BENEFITS TRUST FUND ACTIVITY

The JLMBC has completed its FY 2019-20 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 Reimbursements* – Reimbursements to City departments for 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 for training purposes.
- *Contractual Services* – Payments for consulting services.
- *Office Expenses* – Incidental office and administrative expenses.

In addition, Attachment A reflects certain revenue and payment items accrued but not yet recorded in FY 2019-20. Net of all recorded and accrued items, assets in the Trust Fund totaled **$7,988,367** as of June 30, 2020.

Attachment B provides a three-year historical review of Trust Fund debits, credits, and balances from the period 2019-2020 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 $4.3 million. However, it should be noted that the full $3.8 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 2019-20 Trust Fund receipts and expenditures and purposes for which expenditures were made.

WENDY MACY, CHAIRPERSON

DAVID SANDERS, VICE-CHAIRPERSON

JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

City of Los Angeles
Employee Benefits Trust Fund
Review of Trust Activity
June 30, 2020

FY 2020 Activity per FMS			
July 1, 2019 Opening Balance per FMS		**$**	**38,870,881**
Revenues			
Employer Contributions	291,483,692		
Reimbursement from Other Funds	62,028,684		
Employee Contributions	45,445,084		
Interest Income	981,934		
			399,939,395
Payments			
Printing and Binding	19,806		
CIL Reimbursements to Departments	1,344,348		
Personnel Department Staffing	317,868		
Refunds of Employee Contributions	19,381		
Carrier Payments	406,231,644		
Providers Adjustment to Employees	74,151		
Wellness Program Expenditures	1,182,498		
Wellness Program Salaries	294,552		
Travel	22,376		
Contractual Services	434,635		
Office Expenses	4,187		
			409,945,445
June 30, 2020 Closing Balance per FMS		**$**	**28,864,831**
Post June 30, 2020 Activity			
Revenues			
Reimbursement from Other Funds (Received from 07/01/20 to 08/31/20)	3,316,986		
			3,316,986
Payments			
Carrier Payments (June 2020)	17,203,152		
Personnel Department Staffing (Apr 2020 to June 2020)	128,146		
Contractual Services	66,666		
			17,397,964
Outstanding Liabilities and Reserve Requirement			
Liabilities			
Employee Refunds	700,000		
Wellness Program_All Years	5,681,582		
Wellness Interest Income_All Years	259,724		
			6,641,306
Reserve Requirement (12.5% of June 2020 carrier payments)	4,350,394		
			4,350,394
June 30, 2020 Available Balance, net of Liabilities & Reserved Capital		**$**	**3,792,153**

Trust Fund for Civilian LAWell Benefits Program
Validation of Net Assets - Adjusted Trial Balance Groupings
June 30, 2018 to June 30, 2020

	June 30, 2020	June 30, 2019	June 30, 2018
DEBITS			
Cash and pooled investments - FMS	28,864,831	38,870,881	39,962,470
Payroll and employee receivables	-	-	-
Proprietary funds receivable	3,316,986	610,505	2,525,147
Assets	32,181,817	39,481,387	42,487,617
CREDITS			
Insurance premiums payable to carriers	17,203,152	16,642,060	16,770,542
Accrued staffing costs	128,146	78,716	108,834
Accrued contractual services	66,666	33,333	33,333
Accrued refundable to employees	700,000	700,000	7,304,748
Wellness Program	6,095,487	5,497,759	3,349,959
Liabilities	24,193,451	22,951,869	27,567,416
Net Assets Restricted for Trust Purposes	7,988,367	16,529,518	14,920,201