

REPORT
FROM



THE PERSONNEL
DEPARTMENT

TO: City Council	DATE September 7, 2018
REFERENCE: Los Angeles Administrative Code Division 5, Chapter 95	COUNCIL FILE

SUBJECT: LAwell Program Employee Benefits Trust Fund Review Fiscal Year (FY) 17-18

RECOMMENDATION:

That the City Council note and file the LAwell Program Employee Benefits Trust Fund review for Fiscal Year (FY) 17-18.

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 26,100 employees and 33,200 dependents.

On January 7, 1997, the City established an Employee Benefits Trust Fund (Trust Fund) under Los Angeles Administrative Code (LAAC) Division 4, Chapter 95 (Chapter 95). The purpose of the Trust Fund is for the receipt and retention of employer and employee contributions for the LAwell Civilian Benefits Program (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 17-18.

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 2019, benefits 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 INSURANCE The Standard Insurance Company - Voluntary AD&D and Dependent AD&D	TAX-ADVANTAGED SAVINGS ACCOUNTS WageWorks - Flexible Spending, Dependent Care Reimbursement, Transportation Saving, Parking Saving
EMPLOYEE ASSISTANCE PROGRAM Optum - Work/Life Assistance	VISION PLAN EyeMed - Vision Health/Eyewear	WELLNESS SERVICES Limeade - Wellness engagement administration and data management (implementation date to be determined)

B. REVIEW OF FY 17-18 EMPLOYEE BENEFITS TRUST FUND ACTIVITY

The JLMBC has completed its FY 17-18 review and reconciliation for 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.
- *CIL Reimbursements* – Reimbursements to City departments for cash-in-lieu (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 Benefits 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 17-18. Net of all recorded and accrued items, assets in the Trust Fund totaled **\$14,920,201** as of June 30, 2018.

Attachment B provides a three-year historical review of Trust Fund debits, credits, and balances from the period 2016-2018. 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. Working with the City Controller's Internal Audit Section, the firm of Turner, Warren, Hwang & Conrad (TWHC) was secured to provide a review of the Trust Fund for the purpose of validating its assets, liabilities and net surplus and for making any necessary recommendations as to Trust Fund accounting practices.

TWHC recommended that ongoing reporting be prepared on a GAAP-accrual basis (whereby revenues and expenses are reported in the period earned and incurred, respectively), and provided a monthly reporting template to help more effectively track accrual and net assets on a monthly basis. TWHC's recommended changes were implemented by the Personnel Department. The reporting format in Attachment B reflects the reporting format developed by TWHC.

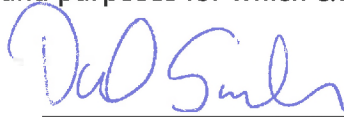
TWHC further observed that the Trust Fund's cash flow was sound relative to incoming transfers and its capacity to make timely payments to benefit service providers. The Trust Fund has a reserve target of 12.5% of monthly benefit service provider premium payments, which presently equates to approximately \$4.0 million. However, it should be noted that the full \$14.9 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 17-18 Trust Fund receipts and expenditures and purposes for which expenditures were made.



WENDY G. 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, 2018

FY 2018 Activity per FMS

July 1, 2017 Opening Balance per FMS \$ 29,384,461

Revenues

Employer Contributions	273,994,624	
Reimbursement from Other Funds	68,769,330	
Employee Contributions	46,924,195	
Interest Income	619,118	
	390,307,266	390,307,266

Payments

Printing and Binding	112,205	
CIL Reimbursements to Departments	1,795,631	
Personnel Department Staffing	0	
Refunds of Employee Contributions	61,796	
Carrier Payments	376,707,112	
Wellness Program Expenditures	495,041	
Travel	9,919	
Contractual Services	544,143	
Office Expenses	3,409	
	379,729,257	379,729,257

June 30, 2018 Closing Balance per FMS \$ 39,962,470

Post June 30, 2018 Activity

Revenues

Reimbursement from Other Funds (Received from 07/01/18 to 08/31/18)	2,525,147	
		2,525,147

Payments

Carrier Payments (June 2018)	16,770,542	
Personnel Department Staffing (Apr 2018 to Jun 2018)	108,834	
Contractual Services	33,333	
		16,912,709

Outstanding Liabilities and Reserve Requirement
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Liabilities

Employee Refunds	7,304,748	
Wellness Program	3,349,959	
	10,654,707	10,654,707
<i>Reserve Requirement (12.5% of June 2018 carrier payments)</i>	4,008,818	
	4,008,818	4,008,818

June 30, 2018 Available Balance, net of Liabilities & Reserved Capital \$ 10,911,385

**Trust Fund for Civilian LAWell Benefits Program
Validation of Net Assets - Adjusted Trial Balance Groupings
June 30, 2016 to June 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
DEBITS			
Cash and pooled investments - FMS	39,962,470	29,384,461	30,576,770
Payroll and employee receivables	-		-
Proprietary funds receivable	2,525,147	8,990,182	7,867,029
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Assets	<u>42,487,617</u>	<u>38,374,643</u>	<u>38,443,799</u>
CREDITS			
Insurance premiums payable to carriers	16,770,542	15,869,091	14,937,450
Accrued staffing costs	108,834	213,111	611,967
Accrued contractual services	33,333	53,708	510,663
Accrued refundable to employees	7,304,748	7,153,172	6,651,600
Wellness Program	3,349,959	1,656,850	900,000
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Liabilities	<u>27,567,416</u>	<u>24,945,932</u>	<u>23,611,680</u>
Net Assets Restricted for Trust Purposes	<u>14,920,201</u>	<u>13,428,711</u>	<u>14,832,119</u>