

REPORT  
FROM



THE PERSONNEL  
DEPARTMENT

TO: City Council	DATE January 25, 2022
REFERENCE: Part-Time Employee Benefits	COUNCIL FILE 21-0565
SUBJECT: <b>Part-Time Employee Benefits/Pro-Rated Benefits/Economic Assessment</b>	

**RECOMMENDATION:**

That the City Council note and file this report regarding part-time employee benefits in response to Lee/Koretz motion dated May 25, 2021, Council File 21-0565.

**DISCUSSION:**

**A. Background**

On May 25, 2021, a motion regarding part-time benefits for City employees was referred to the Budget and Finance Committee. On June 2, 2021, the referral was corrected to include the Personnel and Animal Welfare (PAAW) Committee.

The motion instructed the Personnel Department, with the assistance of the City Administrative Officer, to report on the steps necessary to provide prorated benefits to all part-time employees of the City of Los Angeles as well as an economic assessment of providing these benefits.

**B. LAwell Program and Benefits Eligibility**

The Personnel Department administers the City's LAwell Program (formerly named "Civilian Flex Benefits 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 benefits program, defining the structure of benefit plans, and recommending service providers to the Personnel Department General Manager. Currently, the LAwell Program covers approximately 26,000 employees and 32,000 dependents offering medical, dental, vision, life, accidental death and dismemberment, disability, and tax-advantaged spending account benefit plans.

Division 4, Chapter 7, Article 5, Sec. 4.303 of the Los Angeles Administrative Code (LAAC) provides that, *"The City's Joint Labor-Management Benefits Committee shall recommend and the Personnel Department shall maintain and administer, on behalf of the City of Los Angeles, suitable employee benefit programs, as authorized by the City Council, for officers and employees of the City of Los Angeles who are eligible for benefits through membership in either the Los Angeles City Employees' Retirement Systems (LACERS), provided for in Sections 1150 - 1170 of the Charter of the City of Los Angeles, or the Fire and Police Pension System, provided for in Sections 1200 - 1630 thereof."*

Presently, therefore, eligibility for the LAwell Program is predicated on participation in LACERS or Los Angeles Fire and Police Pensions (LAFPP). Eligible LACERS or LAFPP members who opt into LAwell Program

coverage can elect from benefits designed by the JLMBC and administered by the Personnel Department, with subsidies defined in applicable Memorandums of Understanding (MOUs). Half-time employees are defined as employees who are regularly assigned to a work schedule of half-time (1,040 hours) or more in any service year, but less than full-time (2,080 hours). Half-time employees who are LACERS members are eligible for the LAwell Program. MOUs with the City's labor organizations define the benefits and subsidies provided to half-time employees, including the levels of City-paid subsidies for medical, dental, and vision coverages and pro-rated basic life insurance benefits.

LAAC Section 4.110 categorizes part-time employees as either half-time or intermittent employees. Intermittent employees are defined as employees assigned to a regular or on-call work schedule of less than half of the available working time (less than 1,040 hours) in any service year. The City's intermittent (temporary and seasonal employees) are not LACERS or LAFPP members. Rather, they are members of a separate retirement plan, the Pension Savings Plan (PSP). The City established the PSP in December 1993 under Internal Revenue Code (IRC) Section 457(b) and as permitted under IRC Section 3121 to provide a retirement-savings alternative to Social Security for certain City employees not eligible to participate in one of the City's three primary defined benefit pension plans for civilian, sworn, and Department of Water and Power (DWP) employees.

### **C. Steps Required to Provide Benefits to Part-Time Employees**

Presently there are approximately 7,000 intermittent employees in an active status on the City's payroll system. Over the July through December 2021 time period, the number of these individuals who actually worked is approximately 3,000 per month.

As intermittent employees are represented by labor organizations and benefits relate to the terms and conditions of employment, the City would need to identify a bargaining position with respect to intermittent employee benefits and then engage in bargaining with the affected labor organizations. As part of its analysis the City would need to take the following steps:

- (1) Define Benefit Plans – The City would need to define the types of benefits it would propose to offer, which could include, for example, health, dental, and vision plans. The City could propose to define eligibility relative to an existing set of health plan options under an already established benefit menu, or create a new menu.
- (2) Define Benefit Group and Benefit Administrator – The City would need to define the parameters for this group of employees as well as identify a benefits administrator to administer the benefit plans. Presently the City's intermittent employees are found in a variety of departmental and organizational groups. If PSP membership was to be the broad grouping, it should be noted that small numbers of PSP employees are found in the Police and Fire Departments (specifically Police Academy and Drill Tower recruits prior to completing their training) as well as the Department of Water and Power (DWP). The Personnel Department and JLMBC oversee the LAwell Program; sworn employees (including those in the Police Academy and Drill Tower) receive their health and welfare benefits through associations and labor organizations; and DWP employees receive health and welfare benefits through DWP and labor organizations. Additionally, employees employed

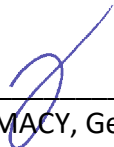
through a hiring hall (trade-specific jobs which are typically also less than 1,040 hours per year) receive their benefits through a multi-employer plan offered through their labor organization.

- (3) Define Benefit Providers and Assess Contracting Implications – Related to the question of what entity would be responsible for administering benefits is who the providers would be of the plans being offered. Utilizing an existing set of providers (e.g. health and dental insurers under the LAwell Program) may eliminate the need for separate procurements and contracts, but it nevertheless would require revisiting existing contracts and premiums since the change in the covered populations, and composition of risk pools, may be determined to be substantial and require revisions to premiums.
- (4) Allocate Administrative Resources – The City would need to ensure appropriate resources are allocated for the administration of benefits for such a large population. The degree of administrative complexity would depend on the benefit design and eligibility rules, but it is likely to be considerable given the intermittent nature of employment for these temporary and seasonal employees, and all of the responsibilities and obligations that an employer must fulfill when offering benefits (for example, it is likely that offering COBRA continuation benefits to this population would require substantial City resources given that a much larger number of them would be expected to have intermittent periods of unemployment in which they would need to be offered continuation benefits). Further, recordkeeping responsibilities must also be assigned. Presently the LAwell Program utilizes a Third-Party Administrator (TPA) to provide recordkeeping and fulfill other related compliance, communications, and enrollment functions. The various administrators of the sworn and DWP benefits all utilize different approaches and generally self-administer. If consolidating all of these employees into one system is contemplated, a decision would need to be made regarding outsourced administration vs. self-administration. If the City wished to consider using LAwell Program benefits, changes to the eligibility interface between the TPA and the City's payroll system would be necessary to include a new class of employees, particularly a class which will be provided benefits under its own unique set of eligibility rules.
- (5) Define Benefit Eligibility Parameters - Benefit eligibility could be defined based on some formula tied to the quantity of hours worked, or some other formula. For example, half-time employees must work a minimum of 20 hours per pay period to be eligible for City subsidies for health, dental, and vision insurance. However, an hours-worked eligibility criterion for intermittent employees would need to be carefully considered, given that the hours worked by many of these employees (less than 1,040 hours in a calendar year) are both limited and sporadic. Hours-based eligibility would likely involve substantial administrative complexity.
- (6) Define Benefit Cost-Sharing Design – The City would need to define its benefit cost-sharing design relative to the types of benefits being offered. For example, with respect to health insurance, half-time employees are eligible for a subsidy equal to the City's maximum subsidy for the Kaiser Permanente HMO employee-only rate (presently \$653.74 per month); and with respect to dental insurance, half-time employees are eligible for a subsidy equal to 50% of the Dental PPO single-party rate. However, half-time employees are generally expected to work approximately 1,040

hours per calendar year, but intermittent employee hours worked could fall across a much wider range, depending on the position classification and type of assignment.

**D. Cost of Benefits**

The cost of benefits, including both premium costs for contracted providers and administrative costs for staff, cannot be specifically assessed until certain assumptions are made as to benefit design and all of the factors previously outlined in this report. However, for illustrative purposes, the current average monthly cost for half-time employee benefits (including health, dental, vision, basic life, and basic disability) is \$626.86 per month, or \$7,522 annually per employee. The annual cost per thousand employees working a half-time schedule (assuming continuous coverage throughout the year) is approximately \$7.5 million.



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