

REPORT
FROM



THE PERSONNEL
DEPARTMENT

TO: City Council	DATE September <u>22</u> , 2022
REFERENCE: Los Angeles Administrative Code Division 5, Chapter 95	COUNCIL FILE <u> </u>

SUBJECT: **LAWell Program Employee Benefits Trust Fund Review Fiscal Year (FY) 2021-22**

RECOMMENDATION:

That the City Council note and file the LAWell Program Employee Benefits Trust Fund review for Fiscal Year (FY) 2021-22.

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 25,000 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 2021-22.

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. Current benefit plans, services, and service providers include the following:



The JLMBC has completed its FY 2021-22 review and reconciliation of the Trust Fund. **Attachment A** provides a summary description of the activity items as indicated in the following:

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 2021-22. Net of all recorded and accrued items, assets in the Trust Fund totaled **\$7,545,335** as of June 30, 2022.

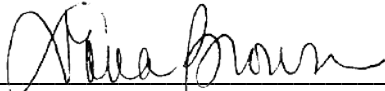
Attachment B provides a three-year historical review of Trust Fund debits, credits, and balances from the period 2021-2022 and also provides reporting on a Generally Accepted Accounting Principles accrual basis (whereby revenues and expenses are reported in the period earned and incurred, respectively). 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 \$4.0 million. However, it should be noted that the full \$3.5 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 2021-22 Trust Fund receipts and expenditures and purposes for which expenditures were made.



DANA BROWN, CHAIRPERSON



9/8/22

DAVID SANDERS, VICE-CHAIRPERSON

JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE