Joint Labor-Management Benefits Committee (JLMBC)
COMMITTEE REPORT 24-16

Date: April 4, 2024

To: JLMBC

From: Staff

Subject: **New Hire Benefit Eligibility**

RECOMMENDATION

That the JLMBC direct staff to develop a proposal for changing LAwell Program Plan Rules and allow newly hired or rehired employees to elect benefits on their first day of employment as a plan rule change for LAwell Plan Year 2025.

DISCUSSION

In response to improving the competitiveness of the City's benefits program in comparison to private sector businesses, and with the implementation of Workday, the JLMBC may consider asking staff to develop a plan administration change which would allow newly hired employees to begin benefits earlier than currently allowed.

Background

In 1990 the Joint Labor-Management Benefits Committee (JL-MBC) was created to bring health care costs under control and to create a flexible benefit program. Historical records of actions and the discussion behind them are somewhat limited. However, the known historical records indicate that some of the rules in place today regarding how benefits are offered and administered may have been adopted for two main reasons: 1) to control costs; and 2) data limitations.

In 1996, the JL-MBC launched its new and improved "FLEX" Benefits Program. This program fully adopted Internal Revenue Service requirements to provide pre-tax benefits under Internal Revenue Code (IRC) Section 125 (cafeteria plan) and improved the benefit menu and options available to employees over a phased implementation process spanning 1996 and 1997. The report to the City Council recording this new program is captured in Council File 96-1150 and a portion of the report is included in **Attachment A**. As mentioned in the report, the JL-MBC's then consultant, Foster Higgins, helped the JL-MBC develop guidelines for how the new FLEX Benefits Program would be administered. The Administrative guidelines (**Attachment B**) developed by Foster Higgins include references to employee coverage not starting until an employee is actively at work and also reference how to treat employees who go off payroll. Additionally, minutes from JL-MBC meetings held in 1997 confirm discussion of the 40-hour rule and document when the JLMBC formally documented a half-time employee having a 20-hour rule (**Attachment C**). And lastly, the new FLEX Benefits Program launched the cash-in-lieu program effective 1997, with communications launching the benefit confirming a 40-hour work requirement (**Attachment D**).

Unfortunately, the records of JLMBC meetings prior to 1997 or benefit plan administration of the program before the launch of the "FLEX" Benefits program are not currently available for staff to review. Therefore, it is not known if the 40-hour rule was in effect prior to the establishment of the "FLEX" Benefits Program.

Nevertheless, it is clear the City of Los Angeles had a strong desire to create a flexible benefits program prior to 1996/97 but was not able to do so since it lacked the proper payroll system to accommodate such a program. In City Council documents going back to 1985, the City requested proposals and recommendations to develop an IRC Section 125 benefit plan but cited that such a plan could not be implemented until a new payroll system (then described as the Los Angeles Human Resources System, or LAHRS) was launched - which was determined to be around 1988. A Council report developed in 1990 to establish the JL-MBC and tasked it with developing the IRC Section 125 plan identified the LAHRS system as still not yet operative. **Attachment E** shows the progression of Council Reports in developing the IRC Section 125 plan and the JL-MBC from 1985 to 1990.

The delay in adopting a payroll system which can accommodate a IRC Section 125 plan is a very tangible example with a broad and adverse impact. However, smaller changes have impacted rules and policy of the employee benefits plan over time, and most of these smaller changes are attributed to technological changes. When the LAwell Program moved from its prior recordkeeper (Mercer) to its current Third Party Administrator (TPA) TELUS Health (formerly Morneau Shepell, then Lifeworks), changes in the recordkeeper system allowed for incremental changes to plan rules. For example, under Mercer there was no document imaging capability at all. Thus, every time an employee made a coverage change for their dependent, the employee was required to submit supporting documentation of that dependent to prove the relationship for the new change - even if the employee had submitted the documentation previously. With the change to TELUS, document imaging is now included in the recordkeeper system. Now, an employee only needs to submit proof of the employee's dependent once and the document is retained in the system. The employee would not need to resubmit documentation as long as their dependent does not change. Another example is the timeliness of making a benefits offer. Under Mercer, the recordkeeping system was unable to digest enough information to make an immediate determination. The system received data and then produced a report that staff would need to review and verify and then make manual determinations on which newly hired employees correctly met criteria. Staff would then report back to Mercer on which employees were approved to receive a benefits offer, and then Mercer would subsequently calculate the offer for the approved employees. This added weeks to the benefit offer cycle for new employees, anywhere between 4-8 weeks from their date of hire.

Recruitment and Retention of New Employees

The City strives to attract the best talent for its various job opportunities. And, until recently, the recurring dialogue from City departments and City Council was focused on what can be done to improve the City in filling its vacancies and in being more successful through its recruitment efforts.

A robust benefits package is seen as part of a prospective employees overall compensation package, and the City's ability to provide a competitive benefits package can substantially add to the City's ability to attract and retain talent. However, the City, as a government entity, operates in a fundamentally different way than the private sector when it comes to how its benefits package is offered to its employees. In the private sector, it is common for benefits to be effective on the first day of employment whereas in the public sector benefits become effective at a later date. This has served, on occasion, to be a deterrent or a barrier for new employees who begin their very first public sector job with the City and who are concerned about any potential gap between insurance plans.

Comparable Public Sector Organizations

Although a delayed start of benefits is common practice with governmental agencies, staff wanted to know how the City of Los Angeles compares to other entities. The Employee Benefits Division worked with its consultant, Segal, to understand how the City compares to other California based governments. **Attachment F** shows their research as of April 2023. Many variations are represented, however, the most common approach is for benefits to be effective the calendar month after the date of hire. In contrast, the LAwell Program stands somewhat apart in making benefits effective the date of election, but with still a delay from the start date.

The LAwell Program is not the only City benefits program. City of Los Angeles sworn unions and associations that offer health plans to police officers and firefighters generally hold a different administrative practice than the LAwell Program and make their benefits effective on the first date of employment provided that the employee fully completes benefit enrollment materials within the first 30 days. However, the hiring of a sworn police officer and firefighter is fundamentally different from a civilian employee in that new recruits are required to attend a centralized (one location) in-person orientation that the union/association also attends where education and enrollment can occur simultaneously. The sworn union/associations also hold an administrative practice to collect premiums in advance of coverage, thereby having an employee pay up front. Lastly, all of this effort, from the understanding of staff, is widely done manually by union/association representatives. Although the result of the union/association efforts for sworn employees may be very attractive, the application towards the decentralized and widely varied civilian population is not currently practical.

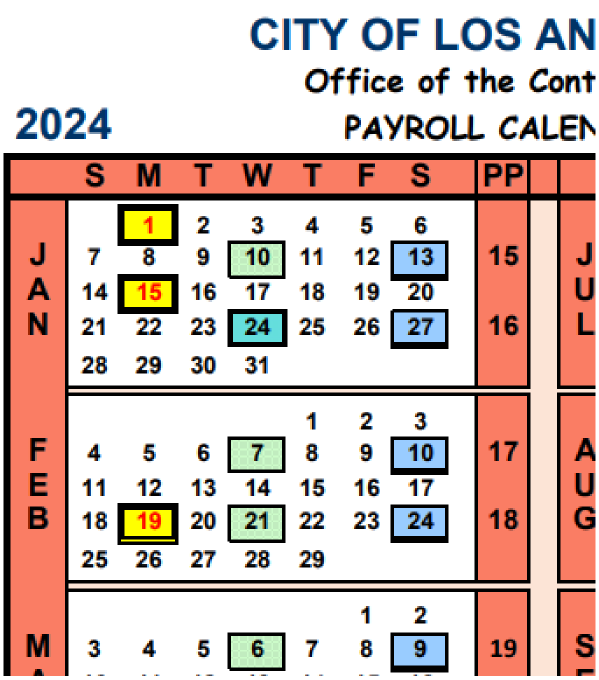
All things considered, there is not a required practice, per se, for benefits administration. However, what is required should be what is generally accepted as a fair and justifiable rule for both employees and benefit providers, and what is practical and sustainable for staff to administrator.

Current Benefits Administration

LAwell benefits are first offered to an employee after data of that employee has been collected and verified as compliant with LAwell plan rules. Employees must be a LACERS contributing employee (or, for some job classifications, designated as LAFPP employee who is currently contributing to the cities pension savings plan awaiting LAFPP confirmation), they must be in a job classification that is eligible for LAwell benefits, and they must be compensated the minimum number of hours required for LAwell benefits.

In addition to these eligible criteria, employees must have the minimum data elements required for the LAwell program to generate/calculate a benefit offer and for the LAwell vendors to accept the enrollment data of the employee into their system.

Currently, this data is collected via a combination of the Workday/PaySR systems and is then passed to the LAwell Third Party Administrator system for an offer to be generated and made to the employee. The timing of this action typically takes 3-4 weeks from when an employee starts work to when the offer is made. For example, based on the payroll calendar below, if an employee started work on January 16, 2024 - the first working day of the pay period beginning Sunday January 14, 2024 and ending Saturday January 27, 2024 - and worked the minimum required hours, then the LAwell TPA would first receive all the data elements required to make an offer of coverage on a file that is transmitted on Friday February 2, 2024. The system takes some time to fully process offers, but the employee would be able to make New Hire elections no later than Wednesday Feb 7, 2024, which is the first payday for this new employee and the day that the employee can view the paystub and confirm it has all the data elements required for benefits (compensated hours, LACERS deduction, etc).



__Payroll Cycle__

Pay Period Start = Saturday Jan 14th
Pay Period End = Sunday Jan 27th
Emp D-time entered/approved = Mon Jan 29th through Wed Jan 31st.
Payroll closes = Thurs Feb 1st
Payroll files sent to vendor = Friday Feb 2nd
Payday = Wed February 7th

Employees are currently able to elect coverage as soon as their benefits offer is generated in the system; they do not need to wait for their offer to be printed and arrive in the mail. And, their elections are effective the exact same day that they elect. In the example above, the employee could elect by February 7th or any date through the date of their offer (which stays open for 60 days). Once an election is made, a payroll deduction is sent to the payroll system to deduct the applicable premium payments for the employee. However, timeline plays a very key role. If, in the example above, the employee elected coverage right when the offer was made, the election should make the next paycheck in February (February 21st). If the employee made an election later in February, the coverage would still be effective in February, but the timing of payroll files would not create an ability to take a payment in February, and the first payroll deduction would occur in March.

The eligibility criteria (hours, retirement, and job class) which generates the employee offer at new hire is carried through to each and every pay period for the career of the employee. This concept is most tangibly noticed when employees go through a pause in their working status, whether that pause is planned or unplanned. If an employee stops working due to medical need, protection allows the employee to continue receiving City subsidy if the leave is approved under the Family Medical Leave Act or if the employee has an approved medical disability and is part of the LAwell Programs Benefit Protection Plan. Unpaid leaves not due to these situations would not qualify for the City subsidy and prompt the plan to bill the employee for the full plan premium (a practice in place since 1997, if not earlier). Currently, staff identify, on average per pay period, approximately 200 employees who do not have FMLA/BPP protection and do not meet LAwell criteria in one pay period. This equates to approximately over $2.2 million in City subsidy not paid by the City in one calendar year.

The biggest challenge that staff have in administering eligibility criteria, despite the physical action of administering the billing process, is keeping employees knowledgeable and informed about the 20/40-hour requirement. Employees can often work for many consecutive years before experiencing a situation which causes them to pause employment or otherwise not work enough hours in a specific pay period. It is also common for employees who are satisfied with their benefits coverage to ignore benefits information they receive and forget about program rules.

<u>Required Changes to Offer Benefits on First Day of Employment</u>

With changes to the City's payroll system, there is potential to change when the LAwell Program receives employee data and how an employee can be eligible to make benefit elections. The Workday system has the potential for departments to hire employees and record almost all of the data elements currently required to calculate and provide a benefits offer to an employee on their first day of employment. Workday allows a newly hired employee to complete their onboarding process as soon as the employing department processes the hire event in the Workday system. The newly hired employee does not need to be present at work to complete this action, and the department does not need to wait for the start date to begin the hire process. In theory, the department could begin a hire process as soon as the employee accepted a conditional offer of employment and the employee could complete onboarding weeks before they start work.

The two data elements currently required for a LAwell benefits offer that are separate from the hire process and which are not expected to be available on the first day of employment are a) the acceptance of membership to a LACERS retirement plan and b) the required minimum hours. However, if the JL-MBC would like to pursue to the concept of changing when benefits can be offered so that employees can have coverage effective on the first day of employment, the next step would be to develop a proposal that changes the following existing rules and administrative practices:

1) Eligibility requirements for LAwell benefits offer
2) Terms and Conditions of benefits enrollment
3) Accounting/Billing process for when eligibility is lost or not met

Fiscal Impact.

Changing these rules to allow for benefits on the first day of employment will result in an additional cost of up to approximately $3 Million *(based on current enrollment trends of an average of 142 new/rehired employees per pay period, an average pay period subsidy expense of $650, and assumption that the majority of new hires/rehires will make elections on first day. Actual fiscal impact will vary by multiple factors)*. This additional cost will stem from offering benefits to new LAwell members roughly three to four weeks sooner than the current benefits offerings which occur after eligibility confirmation including compensation at the minimum number of requisite hours.

Next Steps

If the JLMBC elects to move forward, staff will develop an implementation plan for the rule change and present to the JLMBC for further discussion. The implementation plan will outline the system and administrative changes required to accommodate the rule change, and the planned timeline of required work.

Submitted by: ____________________________________

Paul Makowski
Chief Benefits Analyst

ATTACHMENT A

REPORT FROM

JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

TO: Honorable Members of the Personnel Committee	DATE: 5/30/96
REFERENCE:	COUNCIL FILE:
SUBJECT: CIVILIAN MODIFIED FLEXIBLE BENEFITS PROGRAM	

RECOMMENDATION

Recommend to Council approval of the City's Joint Labor-Management Benefits Committee (JL-MBC) proposal for a Civilian Modified Flexible Benefits Program (excluding the Department of Water and Power) and the creation of an Internal Revenue Code 501(c)9 Employee Benefits Trust Fund.

Instruct the City Attorney to prepare and present an ordinance to provide for the Employee Benefits Trust Fund.

FISCAL IMPACT

When compared to the City's existing employee benefits, the proposed program is projected to be cost-neutral.

FINDINGS

Background

The JL-MBC was created in 1990 with two primary challenges: to bring spiraling City health care costs under control, and to design a flexible benefits program. The JL-MBC has made great strides to reduce rates and has successfully implemented a number of changes to the City's Civilian Health Plans, which, by June 1996, will have saved the City $47 million over the previous health plan design. The Committee, with assistance of its consultant, A. Foster Higgins, was also able to negotiate a reduction in the reserves being held by one of the City's health plans for fiscal years 1994-95 and 1995-96, which resulted in a return of premium to the City of 15.5 million dollars. The Committee's work will produce a further 12.1 million dollar reduction in actual health plan subsidy expenditures for fiscal years 1995-96 and 1996-97.

The JL-MBC has now met its other primary objective and developed a proposal for a Modified Flexible Benefits Program for civilian employees (excluding the Department of Water and Power) which will offer improved benefits for City employees and make more efficient use of employee benefit dollars. This Civilian Modified Flexible Benefits Program ("Flex"), developed with the JL-MBC's consultant, represents a major step forward in offering a competitive, modern employee benefits program for the City's civilian labor force while remaining cost neutral for the City.

PERSONNEL
JUN 17 1996

Raymond C Allen
CHAIRPERSON

Proposal

This proposed Flex program would be implemented in two phases: Phase One would be the creation of an Internal Revenue Code 501(c)9 Employee Benefits Trust Fund and in January 1997, the implementation of a cash-in-lieu option, in which employees who have health coverage available through another group plan and forego City coverage, would receive a monthly $100 cash compensation.

The savings generated from the cash-in-lieu provision would be used to provide the improved and expanded benefits implemented in Phase Two, beginning January 1998.

Phase Two has the following features:

Health/Dental Benefits	Employees receive a set of core benefits, including a maximum health subsidy set at the cost of the Kaiser full family coverage; the maximum dental subsidy continues to provide employee-only coverage. A new Preventive Dental Plan is offered that provides for only basic annual services.
Flex Credits	Employees receive $20 monthly in flex credits with which they can purchase supplemental benefits or receive as taxable cash; an additional $5 can be received by employees who elect the Preventive Dental Plan.
Disability Protection	50% Sick Time Benefit accruals are frozen; all employees receive a base 50% disability insurance plan that pays up to $2,000 monthly for 24 months after expiration of 100% and 75% sick time.
Life Insurance	Employees are provided a base $10,000 life insurance policy.
Optional Benefits	Employees can use their credits or their own salary to purchase the following optional benefits: additional life insurance, increased disability insurance coverage, accidental death and dismemberment insurance, and long term care insurance.

The current Dependent Care Reimbursement Account Plan, Employee Assistance Program, and Catastrophic Leave Donation Program will remain available.

The JL-MBC is committed to developing ongoing strategies to ensure that civilian employees have access to the highest quality benefits delivered in the most cost effective and efficient manner. The following attachments compare the current civilian benefits structure with Flex. The cost comparison report clearly demonstrates how Flex will provide civilian employees with quality and expanded benefits while remaining cost neutral for the City.

The successful implementation and administration of Flex will require complete support from City management. The JL-MBC is prepared to work with City management to find a creative way to fund the administration and ensure that appropriate staffing levels are provided and maintained and that sufficient resources are allocated to the Flex program.

The JL-MBC has worked diligently to ensure that City civilian employees receive effective and cost efficient quality benefits. The proposed Flex program will take the City and its employees into the 21st Century.

JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

Flexible Benefit Plan Options
Full Time Employees

	95 / 96 Benefit Program	JL-MBC Proposed Flex Plan Phase 1 (1/97)	Phase 2 (1/98)
Health Plans			
Benefits	current	no change	no change
Subsidy	max $472 / mo.	max $472.00 / mo.	max $389.34 / mo.
Subsidy Escalator	yes	yes	yes
Cash In Lieu	na	$100 / mo.	$100 / mo.
Cash In Lieu Escalator	na	no	no
Dental Plans			
Benefits	current	no change	no change
Preventive Dental Plan	no	no	yes
Subsidy	employee only	employee only	employee only
Subsidy Escalator	yes	yes	yes
Disability Plans			
100% Sick Time Bank	yes	yes	yes
75% Sick Time Bank	yes	yes	yes
50% Sick Time Bank	yes	yes	no
50% Sick Time Bank Payout	no	yes	yes
Current Disability Insurance Plan	opt	opt	no
Basic Disability Insurance Plan	no	no	yes
Optional Disability Insurance Plan	no	no	opt
Life Insurance			
Basic Benefit	no	no	yes
Optional Benefit	no	no	opt
Voluntary Accidental Death & Dismemberment	no	no	opt
Long Term Care	no	no	opt
Dependent Care Reimbursement Account	opt	opt	opt
Flex Credits			
Monthly Amount	na	no	$20 / mo.
Flex Credit Escalator	na	no	yes

Disability Plans

50% Sick Time Bank - Balance frozen at time of implementation of Flex Program (no further credits or withdrawals).

50% Sick Time Bank Payout - Upon retirement, frozen balance of accumulated sick leave at 50% pay shall be paid in cash at 25% of the employees salary rate at the time of retirement.

Basic Disability Insurance Plan - All employees receive a disability plan that pays 66 2/3% up to $3,000 for the first month. For the next 23 months of disability, plan pays 50% up to $2,000 monthly.

Optional Disability Insurance Plan - Employees have the option to increase coverage to 66 2/3% to age 65. Projected bi-weekly premium for this optional benefit is $0.25 per $100 of covered income.

Life Insurance Plans

Basic Benefit - All employees receive $10,000 life insurance.

Optional Benefit - All employees have the option to increase coverage up to five times annual gross wages.

JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

Flexible Benefit Plan Options
Half Time Employees

	95 / 96 Benefit Program	JL-MBC Proposed Flex Plan Phase 1 (1/97)	Phase 2 (1/98)
Health Plans			
Benefits	current	no change	no change
Subsidy	max $170 / mo.	max $170.00 / mo.	max $139.42 / mo.
Subsidy Escalator	yes	yes	yes
Cash In Lieu	na	$50 / mo.	$50 / mo.
Cash In Lieu Escalator	na	no	no
Dental Plans			
Benefits	current	no change	no change
Preventive Dental Plan	no	no	yes
Subsidy	employee only	employee only	employee only
Subsidy Escalator	yes	yes	yes
Disability Plans			
100% Sick Time Bank	yes	yes	yes
75% Sick Time Bank	yes	yes	yes
50% Sick Time Bank	yes	yes	no
50% Sick Time Bank Payout	no	yes	yes
Current Disability Insurance Plan	opt	opt	no
Basic Disability Insurance Plan	no	no	yes
Optional Disability Insurance Plan	no	no	opt
Life Insurance			
Basic Benefit	no	no	yes
Optional Benefit	no	no	opt
Voluntary Accidental Death & Dismemberment	no	no	opt
Long Term Care	no	no	opt
Dependent Care Reimbursement Account	opt	opt	opt
Flex Credits			
Monthly Amount	na	no	$10 / mo.
Flex Credit Escalator	na	no	yes

Disability Plans

50% Sick Time Bank - Balance frozen at time of implementation of Flex Program (no further credits or withdrawals).

50% Sick Time Bank Payout - Upon retirement, frozen balance of accumulated sick leave at 50% pay shall be paid in cash at 25% of the employees salary rate at the time of retirement.

Basic Disability Insurance Plan - All employees receive a disability plan that pays 66 2/3% up to $3,000 for the first month. For the next 23 months of disability, plan pays 50% up to $2,000 monthly.

Optional Disability Insurance Plan - Employees have the option to increase coverage to 66 2/3% to age 65. Projected bi-weekly premium for this optional benefit is $0.25 per $100 of covered income.

Life Insurance Plans

Basic Benefit - All employees receive $5,000 life insurance.

Optional Benefit - All employees have the option to increase coverage up to five times annual gross wages.

Summary of JL-MBC Proposed Civilian Modified Flexible Benefits Plan

(Effective 1-1-97)

- An IRC 501(c)9 trust is created for the administration of the Flexible Benefits Program
- Cash in lieu equal to $100/month — no escalator provision
- 50% Sick Time Bank Payout - upon retirement, frozen balance of accumulated sick leave at 50% pay shall be paid in cash at 25% of the employees salary rate at the time of retirement

(Effective 1-1-98)

- Employees receive subsidy equal to the cost of their medical plan but not to exceed the cost of Kaiser family coverage
- Negotiated MOU subsidy provisions unchanged for dental coverage
- Health and dental subsidy escalator provisions included
- Preventive Dental Plan
- All employees receive $10,000 life insurance
- All employees receive 50% disability plan that pays up to $2,000 monthly after expiration of 100% and 75% sick time for up to 24 months of benefits
- 50% Sick Time Bank - balance frozen at time of implementation of Flex Program (no further credits or withdrawals)
- In first year all employees receive $20/mo. either in aftertax cash or credits to buy additional benefits
- In subsequent years the amount of the aftertax cash or credits will be determined by the JL-MBC based on projected program savings

Advantages/Disadvantages of JL-MBC Proposed Flex Plan

Advantages

- Leaves current MOU dental subsidy provisions in place
- Subsidizes family coverage up to the Kaiser family rate
- Health and dental subsidy escalator provisions are included
- Provides all employees with basic life and disability coverage
- Provides all employees with cash savings to buy additional benefits
- Provides cash for employees who choose to be covered under their spouse's health plan

Disadvantages

- Requires CIGNA POS enrollees with dependent coverage to increase their contributions

City of Los Angeles Benefit Plan Cost Comparison - July 1996 thru June 1998

	1996/1997	1997/1998	Total 1996 - 1998
Current Benefit Program Costs			
Health Subsidy	$79,075,853	$81,686,918	
Dental Subsidy	5,528,801	5,782,575	
75% Sick Time	3,090,000	3,182,700	
50% Sick Time	1,545,000	1,591,350	
Total Cost	$89,239,654	$92,243,543	$181,483,197
JL-MBC Proposed Flex Benefit Program Costs			
Health Subsidy	$71,232,862	$67,271,357	
Dental Subsidy	5,528,801	5,438,813	
Cash in Lieu Payout	1,939,200	3,669,600	
Flex Credit ($20)	na	5,244,000	
Life Insurance	na	782,928	
LTD	na	3,787,576	
75% Sick Time	3,090,000	3,182,700	
50% Sick Time	1,545,000	na	
50% Sick Time Bank Payout	1,551,600	1,598,148	
Flex Administration			
Communication	694,420	457,520	
Administration	1,045,000	330,000	
Contingency Reserve for Premium Variations	2,612,771	480,901	
Total Cost	$89,239,654	$92,243,543	$181,483,197

A. All coverage terminates at midnight of the employee's last day at work; the exception is if an employee retires – in that case, medical and dental insurance continues through the last day of the month in which he/she retires.

B. An employee cannot also be covered as a dependent under any other City benefit plan. If, for example, both spouses/domestic partners are City employees, one spouse/domestic partner cannot cover the other spouse/domestic partner as a dependent. One employee can choose family coverage and the other employee must select "cash in lieu". If the employee chooses "cash in lieu", he/she would be eligible to be covered for medical under the spouse or domestic partner's plan. If one employee chooses family coverage, the other employee can only elect cash in lieu.

C. Employees must be actively at work on the effective date of their new benefits; if not actively at work due to illness or injury, their new coverages (life, disability and AD&D) will be effective when they return to active, full-time status.

D. Employees are not permitted to make changes to their plans during the plan year <u>except</u> if one of the following occurs. Employee change requests must be submitted within 30 days of the event:

- Marriage or divorce of the employee.
- Commencement or dissolution of domestic partnership.
- Death of the employee's spouse/domestic partner or dependent.
- Birth or adoption of a child of the employee.
- Termination of employment or commencement of employment by the employee's spouse/domestic partner.
- The switching from part-time to full-time or from full-time to part-time status by the employee's spouse/domestic partner.
- The taking of an unpaid leave of absence by the employee's spouse/domestic partner.
- Significant change in the health coverage of the spouse/domestic partner attributable to spouse's/domestic partner's employment.
- Moving your residence outside of your medical or dental plan's service area.

All plan changes must be consistent with the Family Status change. For example, if you move outside the Kaiser service area, you may change from Kaiser to California Care or CIGNA but you cannot change your life insurance from 1 X's to 2 X's your annual pay.

E. Employees who are in a "non-pay status" because of a personal leave, family leave, or extended sick leave, can continue their health and/or dental coverages by direct pay for up to 6 months. All other benefits will cease until the employee returns to active pay status.

F. Employees who return to "pay status" will have up to 6 pay periods to pay back for health and/or dental coverage while on a "non-pay status".

ATTACHMENT C

June 19, 1997

MINUTES OF REGULAR MEETING

JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

A regular meeting of the Joint Labor-Management Benefits Committee was held on the above date and convened at 8:40 a.m.

Present:

Committee Members

Jeannette Ross - Chairperson, EAA
Ray Allen - Vice-Chairperson, Personnel
Michelle Buehler - Local 347
Frank Martinez- ITA
Pat McGinn - L.A. B&CT
Cheryl Parisi - AFSCME
Tom Sisson - CAO
Bill White - PW/Street Maintenance

Note: Dennis Harbach - PW/MES, Ralph DeSimone - MCIA, were not present

Support Staff
Henry Hurd - Personnel/Employee Benefits
Maryanne Keehn - Personnel/Employee Benefits
Shirlene Sue - Personnel/Employee Benefits

1. Public Comments

None.

2. Minutes

With two corrections to page 2, a motion was made by Tom Sisson and seconded by Michelle Buehler to approve the minutes from the May 15, 1997 meeting; the Committee unanimously adopted this motion.

2A. Discussion of FLEX Benefits Program

Jeannette Ross commented on some concerns she had on the interpretation of the health subsidy factors in the FLEX program. In recent union bargaining sessions, there appeared language in the negotiations that stated the health subsidy would increase and decrease with the Kaiser family rate. She stated that it was her understanding that there would be no change in the MOU language in regards to the health subsidy. The Labor representatives concurred that it was their understanding that there would be only a one-time decrease in the subsidy to that of the Kaiser family rate but that there would be no change in the MOU language. The MOU language would not change and would not indicate any further possibility of a subsidy decrease in the future. Labor representatives stated that they interpreted the FLEX subsidy "escalator" as an upward moving subsidy. Management representatives stated that their interpretation of the subsidy "escalator" as upward and downward moving subsidy.

Cheryl Parisi raised a concern that tying the subsidy to the Kaiser Family Rate would provide Kaiser the opportunity to conduct market pricing. Liz Lake, Foster Higgins, commented that Kaiser cannot give a better rate than that given for Federal employees.

Liz Lake further commented that a subsidy change would not impact the FLEX program since an annual percentage increase had been included in the Kaiser rates and FLEX projections.

Tom Sisson proposed keeping the current MOU language with the slight modification that the subsidy equal the Kaiser family rate, rather than rounded to the nearest whole dollar, and that any changes in the Kaiser rate be brought before the Committee for discussion and decision of its impact to FLEX and its management.

Pat McGinn further proposed that all benefit issues and language be reviewed by the Committee prior to being presented at the bargaining tablel. He stated that this will help to maintain trust among the Labor Coalition, who has placed its confidence in the labor representatives of the Committee.

Tom Sisson will present the language at the next meeting for a formal vote and record.

3. Report on 1998 Dental Rates

Liz Lake and Clay Levister, Foster Higgins, presented the report on the 1998 Dental Rates recommending that the Committee select CIGNA Dental as the provider for the preventive and PPO dental plans and SafeGuard Health Plans for the prepaid dental plan.

Foster Higgins recommends a PPO Dental plan, which has lower costs and which will offset increases in the cost of preventive services. It will provide in-network and out-of-network benefits, with the out-of-network remaining identical to the current indemnity plan benefits. The PPO has one composite rate but services will be less expensive in-network. There will also be a greater maximum, $1200, under the in-network. The overall costs, both to the City and the employee, will be less than with just an indemnity plan. The new plan will now also offer orthodontia and a higher annual maximum with in-network services.

A motion was made by Tom Sisson and seconded by Michelle Buehler to implement a PPO dental plan to replace the current indemnity dental plan; the Committee unanimously adopted this motion.

Liz Lake stated that the CIGNA PPO dental network is not as large as others but is expanding, and is not necessarily the same as the SafeGuard network dentists. Under the PPO the claims processing would be the same.

In comparison to MetLife, Liz Lake stated they believe the rates quoted by MetLife are insufficient for the risk. There is also no established reserve with MetLife. CIGNA/Connecticut General has a current reserve to offset the rates. With CIGNA, there will be maintained the same level of customer service and claim service. They cannot guarantee the same service with MetLife.

Liz Lake stated that CIGNA had made a rate error on the PPO rate, underbidding the PPO plan. The projections were based on the indemnity plan and thus the discount was overstated. The quoted rates significantly under funded the risk and would result in a projected $1-2 million shortfall. MetLife's' rates are also low and appear to be "buying the business." Both scenarios will present problems in two years; an expected rate increase of 15-20% with a PPO plan and upwards of 28% keeping the current indemnity plan.

Clay Levister, Foster Higgins, stated that the Committee has been drawing down on the CIGNA premium reserves over the last two years. The anticipated reserve as of January 1998 is expected to be approximately $1 million. In a participating basis, reserves can be taken if positive or kept to offset future year rate adjustments. MetLife as non-participating would take the loss in bad years.

The Committee expressed concerns about flipping between plans in the two years. There were concerns about the transition of services with MetLife. Under CIGNA claims processing would be in Visalia, CA while with MetLife it would be in Ithaca, NY. Staff expressed some concerns about potential effects of pending changes in the CIGNA administration and management but also expressed concerns about Metlife's claims processing.

The offerings under MetLife and CIGNA are identical since they meet the requirements as stated in the RFP. Liz Lake stated that MetLife has had some implementation problems with other clients but primarily small clients, not those the size of the City. Given the size of the City, there would probably be a dedicated staff for the City. Liz Lake proposed that should the City select MetLife there can be a claims performance agreement in the contract. The Committee may also choose to have MetLife come in to discuss their performance.

With a PPO there should be fewer problems with those using in-network services since there should be no claims processing. Preliminary estimates indicate 25% of current usage is in the CIGNA network. The network with MetLife, however, is double the size of CIGNA. It also appears that CIGNA on a participating basis underbid the account and thus would draw down the $1 million premium reserve balance as of January 1, 1998. If the contract with CIGNA would terminated as of December 31, 1997, the balance of the premium reserves would revert to the Benefits Trust Fund.

A motion was made by Tom Sisson and seconded by Pat McGinn to select MetLife, on a nonparticipating basis, and with the proper service guarantees, as the provider for the preventive and PPO dental plans; the Committee unanimously adopted this motion.

A motion was made by Tom Sisson and seconded by Michelle Buehler to select SafeGuard Health Plans as the provider of the prepaid dental plan; the Committee unanimously adopted this motion.

Tom Sisson commented that the Mayor's Office had inquired about the possibility of having the dental subsidy equal to the SafeGuard (prepaid dental) single party rate. Staff commented that there would be no bidders if there was no employer paid subsidy for the indemnity dental plan. It would cause inverse selection. The Committee voiced a resounding "no way."

4. Discussion of FLEX Policies, Rules, and Guidelines

Liz Lake presented the preliminary administrative guidelines for FLEX. Comments were as follows:

A. Since retired coverage begins the first of the month, active coverage would continue through the last day of the month in which an employee retires. There will be included additional clarification that active coverage will begin in real time when enrolled through the IVR or when the hard copy is received by the TPA. This represents a significant change in that, in the proposal, if you enroll today you are covered today. Current practice has coverage effective anywhere between 1-2 months after enrollment.

In terms of payments to the carriers, if there is coverage before the 16th of the month, you pay for the whole month; coverage only after the 16th the City does not pay. Likewise on terminations, terminate before the 16th the City does not pay, after the 16th the City pays for the entire month. Liz Lake stated that this is common practice.

Correspondingly, COBRA will be offered the date of termination. With on-line services, there will be better notification. The TPA will send the COBRA notifications and the benefits staff will handle it from there.

B. This will allow consistency with other employers. An individual cannot be covered under two plans. The TPA will have social security numbers of all individuals and will be able to monitor duplicate coverage. For clarification, one spouse and one child may be on one plan (Kaiser) while the other spouse and other child is on another plan (CIGNA). However, the *same* child cannot be covered under two plans (i.e. both Kaiser and CIGNA). The elimination of double coverage should reduce the premiums and also increase the participation in the Cash-in-Lieu Program.

C. The new benefits will not start until an employee is actively at work. This also applies to paid sick leave. This is standard practice.

D. The rule for changes follows the IRS code. There are no exceptions. The Employee Benefits Office will not have the discretion to make exceptions. Labor representatives may receive more complaints however any exceptions jeopardizes the entire program and its compliance with IRS rules.

The new system will assist verification of coverage, at a minimum, on an annual basis. There should be no excuses. The rules will be included in each enrollment packet.

E. The "Family Leave" statement was incorrect and will be excluded from this rule. An employee who returns from a non-pay status within the same plan year will automatically have the same elections. Those who return in another year will receive a new enrollment packet to complete. A notification will be triggered when the employee returns to active work.

F. Employees in a non-pay status pay the premiums at the City rate not COBRA rates. The new system will allow for a better accounting of the non-pay periods and produce billings accordingly.

The Committee discussed a 30 day pay back period versus the current 6 pay period allowance and whether or not it should be included in the rules.

The Committee discussed the 40 hours per pay period requirement to maintain benefits and the effect on half-time employees. Adjustments for the half-time employees would probably be done manually.

Foster Higgins will revise the Administrative Guidelines based on the discussions conducted and present the Guidelines at the next meeting. No special meeting will be necessary.

5. Catastrophic Illness Leave Donation Program

Staff presented Case No. 10-97 as an addition to the Cases before the Committee.

A motion was made by Michelle Buehler and seconded by Ray Allen to approve staff's recommendations on Case Nos. 23-95, 6-97, 11-97, 12-97, and 13-97; the Committee unanimously adopted this motion.

A motion was made by Tom Sisson and seconded by Pat McGinn to approve staff's recommendation on Case No. 10-97; the Committee unanimously adopted this motion.

6. Discussion of Benefits Provided to Active City Employees

Staff requested the assistance of Michelle Buehler and Frank Martinez in evaluating the FLEX communications packet.

7. Next JL-MBC Meeting - Thursday, July 17, 1997, 8:30 A.M.

The meeting adjourned at 11:35 a.m.

July 17, 1997

MINUTES OF REGULAR MEETING

JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

A regular meeting of the Joint Labor-Management Benefits Committee was held on the above date and convened at 8:37 a.m.

Present:

Committee Members
Jeannette Ross - Chairperson, EAA
Ray Allen - Vice-Chairperson, Personnel
Michelle Buehler - Local 347
Ralph DeSimone - MCIA
Frank Martinez- ITA
Pat McGinn - L.A. B&CT
Cheryl Parisi - AFSCME
Tom Sisson - CAO
Bill White - PW/Street Maintenance

Note: Dennis Harbach - PW/MES was not present

Support Staff
Henry Hurd - Personnel/Employee Benefits
Maryanne Keehn - Personnel/Employee Benefits
Shirlene Sue - Personnel/Employee Benefits

1. Public Comments

None.

2. Minutes

The minutes for the meeting of June 19, 1997 were approved.

3. Consultant Contract Name Change

Due to the merger of the parent companies, as of July 1, 1997, A. Foster Higgins & Co. Inc., will operate under the firm name of William M. Mercer, Inc. Mercer will provide the same consulting team to the City.

A motion was made by Michelle Buehler and seconded by Frank Martinez to recommend to the Personnel Department General Manager that any current and/or pending contracts with the former A. Foster Higgins & Co., Inc., be amended to be between the City of Los Angeles and William M. Mercer, Inc.; the Committee unanimously adopted this motion.

4. Report on FLEX Administrative Rules

Liz Lake presented the administrative guidelines for FLEX as amended following the June 19, 1997 meeting.

There were no changes to Sections 1 and 2. A section was added which states that appropriate documentation will be required for dependent enrollment, including the requirement of an Affidavit of Domestic Partnership to enroll a domestic partner or children of a domestic partner. The Section on "Change in Family Status" was added to state the legal requirements that changes can only be once a year unless there is a qualified family status change.

For the Non-Pay status, employees can only continue their health and dental coverage with payments made into the Trust fund. All other coverages will be terminated until the employee returns to active pay status at which time they will be reinstated. If they do not pay, coverage terminates for that period.

Cheryl Parisi raised concerns about the pay back ability through payroll deduction. Staff indicated that there are limitations to the payroll deductions and also the difficulties of receiving consistent payments from those employees who go off and on and off again from payroll. The current system allows staff to make manual adjustments for payroll deductions, however, with the TPA, staff will not have that capability. It will be costly to have the TPA make the manual adjustments and for staff to audit the transactions. The new system will provide for employees to get billed as soon as they are shown in a non-pay status and to be billed for <u>each</u> pay period they are in a non-pay status.

Employees on Family Leave will have supplemental benefit coverages continued up to 9 pay periods on a non-premium paying basis. Employees on a non-pay status due to disability can apply for premium waiver due to an approved disability. Disability insurance can be continued for up to 12 months. If they are totally disabled under age 60, benefits will continue up to age 60.

With the new program, the effective date of coverage will be provided earlier. Notification letters will also be provided earlier. Correspondingly, terminations will be effective earlier. Coverages will terminate at midnight the day of termination, unless retiring, at which it will terminate at the end of the month in which retirement occurs.

The guidelines for COBRA remain the same.

As is standard practice across the industry for large accounts, premium payments will be made in full if coverage is effective on or before the 15th of the month, and not paid if after the 15th.

An employee must be actively at work for all life disability, and voluntary AD&D plans. Actively at work is considered reporting to work where an employee is assigned, including light duty.

An employee's annual salary will be determined on September 1, prior to the plan year. The annual salary must be defined for the life insurance and supplemental disability insurance.

The subsidies listed are consistent with current practice. The plan rules, including subsidy, flex dollars, etc., will be reviewed annually and determined by the Committee.

The Section on "Flex Dollars" will be amended to add "or taken as after-tax cash", or the like, to the end of the last sentence.

Cheryl Parisi requested that half-time employees be eligible for benefits at 20 hours per pay period. Staff will present at the September meeting a policy for the half-time employees who drop below 40 hours per pay period.

A motion was made by Pat McGinn and seconded by Frank Martinez to approve the Administrative Rules; the Committee unanimously adopted this motion.

FLEX communication materials will be mailed to all union members of the Committee as well as to all civilian unions.

Staff will present to the Committee a budget for the communications as well as the computer equipment.

5. Catastrophic Illness Leave Donation Program

Staff presented Case No. 14-97. Due to outstanding questions regarding the case, the matter was deferred to the August 21, 1997 meeting.

6. Discussion of Benefits Provided to Active City Employees

Staff reminded the Committee that representatives from Kaiser Permanente will be at the next meeting to update information on the transition of in-patient services and the consolidation of the Northern and Southern California regions.

It was announced that it was the last meeting for Tom Sisson who is retiring. He will be replaced by Paul Cauley, Assistant City Administrative Officer.

7. Next JL-MBC Meeting - Thursday, August 21, 1997, 8:30 A.M.

The meeting adjourned at 10:02 a.m.

WHAT IS THE CASH-IN-LIEU OPTION?

If you have health coverage through another employer group plan through your spouse or domestic partner, you may drop your City health coverage and in return you will receive a taxable $100 a month "cash-in-lieu". You will receive an additional $50 taxable income in your paycheck each pay day for 24 pay periods, a total of $1,200 if you have another group plan for the entire year.

WHO IS ELIGIBLE?

To be eligible for this option you must be an active civilian employee of the City who:

* is compensated for at least forty (40) hours or more per pay period (excludes Part-time, Intermittent, and like positions); and
* is a contributing member of the City Employees' Retirement System; and
* is not represented by an employee representation unit, or
* is eligible for membership in one of the employee representation units for which a City-sponsored health plan has been negotiated in a Memorandum of Understanding (MOU); or
* is an Elected Official of the City or a full-time Member of the Board of Public Works.

WHEN CAN I ENROLL?

The 1997 Cash-In-Lieu Open Enrollment Period is September 16 through October 31, 1996.

HOW DO I APPLY?

An employee who wants to participate in the "cash-in-lieu" option must complete an affidavit verifying coverage under another employer group health plan through a spouse or domestic partner (See facing page.) and return it to:

EMPLOYEE BENEFITS OFFICE, 200 NORTH MAIN STREET, ROOM 1480, CITY HALL EAST, LOS ANGELES, CA 90012, MAIL STOP 621

WHEN WILL THE "CASH-IN-LIEU" BEGIN?

Participation is effective January 1, 1997. If you participate, your City health coverage will terminate December 31, 1996. You will receive your first $50 "cash-in-lieu" in your paycheck for the pay period ending November 9, 1996.

WHAT IF I CHANGE MY MIND?

Re-enrollment in a City health plan will be allowed only under the regular policies; experience a qualifying family status change (i.e. spouse/domestic partner loses health coverage) or during the Annual Employee Benefits Open Enrollment Period. A request for enrollment must be made within 30 days following a qualifying family status change.

QUESTIONS?

If you have further questions, please contact the Employee Benefits Office at (213) 485-2480.

CITY OF LOS ANGELES

PERSONNEL DEPARTMENT
EMPLOYEE BENEFITS OFFICE

ATTACHMENT D

CASH-IN-LIEU AFFIDAVIT

EMPLOYEE BENEFITS OFFICE, REV. 7/96

PLEASE PRINT ALL INFORMATION - SIGNATURE REQUIRED BELOW

EMPLOYEE INFORMATION

LAST NAME:	FIRST NAME, MIDDLE INITIAL:	SOCIAL SECURITY NUMBER:

ADDRESS

STREET ADDRESS:	CITY:	STATE:	ZIP CODE:

SELF AND ALL DEPENDENTS TO BE DELETED FROM CITY HEALTH PLAN. PLEASE CHECK THE APPROPRIATE BOX

- ☐ 12-MAXICARE
- ☐ 13-CIGNA POINT OF SERVICE (POS)
- ☐ 15-CIGNA PRIVATE PRACTICE PLAN (PPP)
- ☐ 17-KAISER PERMANENTE

NAME OF SPOUSE/DOMESTIC PARTNER WHOM COVERAGE IS PROVIDED THROUGH

LAST NAME:	FIRST NAME, MIDDLE INITIAL:	SOCIAL SECURITY NUMBER:
RELATIONSHIP:		

HEALTH CARE COVERAGE VERIFICATION

MUST BE COMPLETED BY THE SPOUSE'S/DOMESTIC PARTNER'S EMPLOYER

NAME OF INSURANCE COMPANY/PROVIDER/ADMINISTRATOR:	POLICY/MEMBERSHIP NUMBER:
HEALTH PLAN/INSURANCE TELEPHONE NUMBER:	
SIGNATURE OF EMPLOYER OR PROVIDER:	DATE SIGNED:
TITLE:	TELEPHONE NUMBER:

IMPORTANT!

IF YOU WAIVE COVERAGE DURING THIS ENROLLMENT, YOU MAY LATER REQUEST COVERAGE UNDER A CITY-SPONSORED HEALTH PLAN ONLY IF YOU EXPERIENCE A QUALIFYING FAMILY STATUS CHANGE OR DURING THE EMPLOYEE BENEFITS OPEN ENROLLMENT PERIOD.

✉ SEND COMPLETED FORM AND SUPPORTING DOCUMENTS TO:

EMPLOYEE BENEFITS OFFICE . 200 N MAIN STREET . ROOM 1480 . CITY HALL EAST . LOS ANGELES . CA . 90012

I CERTIFY THAT MY DEPENDENTS AND I HAVE HEALTH COVERAGE UNDER THE EMPLOYER HEALTH BENEFIT PLAN LISTED ABOVE. I FURTHER CERTIFY THAT ALL INFORMATION AND DOCUMENTATION PROVIDED ARE TRUE AND ACCURATE. I UNDERSTAND THAT ANY FALSE, DECEPTIVE OR OTHERWISE IMPROPER ACT MAY RESULT IN THE CANCELLATION OF MY PARTICIPATION IN THE CASH-IN-LIEU PROGRAM AND I MAY BE CONSIDERED INELIGIBLE FOR ENROLLMENT IN ANY CITY HEALTH, DENTAL, OR OTHER BENEFIT PLANS.

EMPLOYEE SIGNATURE REQUIRED BELOW

DAY TIME PHONE NUMBER:	EMPLOYEE'S SIGNATURE:	DATE SIGNED:

FOR OFFICE USE ONLY

EFFECTIVE DATE OF CANCELLATION:

City of Los Angeles

Date: September 11, 1996

To: All City Civilian Employees
(Except the Department of Water and Power)

From: Joint Labor-Management Benefits Committee

Subject: **CIVILIAN MODIFIED FLEXIBLE BENEFITS PROGRAM**

The Joint Labor-Management Benefits Committee (JL~MBC), with overwhelming support and approval from the Mayor and the City Council, proudly presents the Civilian Modified Flexible Benefits Program ("FLEX"). The Program offers a competitive, modern employee benefits program for the City's civilian labor force while remaining cost neutral for the City and making more efficient use of employee benefit dollars.

FLEX will be implemented in two phases. Phase One will begin **JANUARY 1, 1997** with the implementation of a **CASH-IN-LIEU** option. Employees who have health coverage available through another employer group plan and waive City coverage, will receive a **MONTHLY $100 TAXABLE CASH COMPENSATION**; an additional $1,200 a year! Open Enrollment for this option is **SEPTEMBER 16 THROUGH OCTOBER 31, 1996**. The procedures to receive this benefit are detailed on the following pages.

Phase Two is scheduled to begin January 1, 1998, and will provide civilian employees with improved and expanded benefits. Among the new benefits will be basic disability insurance and basic life insurance coverage for each employee and the availability of accidental death and dismemberment insurance, long term care insurance and additional life insurance for you and your dependents. More information regarding Phase Two will be presented in the months to come.

The JL~MBC has worked diligently to ensure that City civilian employees receive effective and cost efficient quality benefits. After six years of development, we are proud to offer FLEX and excited to make it available to take the City and its employees into the 21st century.

If you have further questions about FLEX, please contact the Employee Benefits Office at (213) 485-2480.

ATTACHMENT E

REPORT FROM CITY ADMINISTRATIVE OFFICER

	DATE	CAO FILE No.
The Personnel and Labor Relations Committee	12/10/86	0220-02343
REFERENCE City Council Instructions of July 1, 1986		COUNCIL FILE No. 85-1888
SUBJECT Flexible Benefits Feasibility Study - Recommendation for a Consultant		COUNCIL DISTRICT

SUMMARY

The Council has instructed the City Administrative Officer, with the assistance of the Personnel Department, to prepare and process a Request for Proposal (RFP) for a consultant to prepare a two-phase evaluation on the establishment of a flexible benefits plan for City employees.

The RFP was mailed to approximately 85 firms or individuals on file with the City. In addition, a notice was placed in the Wall Street Journal. A total of 11 potential proposers attended a proposers conference. The City received six proposals, ranging in cost from an estimated $53,000 to $225,000 for the first phase of the project.

A review committee composed of representatives from the City Administrative Officer and the Personnel Department reviewed each proposal and interviewed each proposer. The firm of Towers, Perrin, Forster and Crosby is recommended to conduct phase one of the study at an estimated cost of $125,000.

RECOMMENDATIONS:

That the City Council:

1. Approve Towers, Perrin, Forster and Crosby (TPF&C) as the consultant to perform the flexible benefits study.

2. Authorize the City Administrative Officer to prepare and execute, subject to the approval of the City Attorney, a contract with TPF&C.

(Recommendations continued)

John [signature] — GENERAL MANAGER

K. Comm [signature] — CITY ADMINISTRATIVE OFFICER

3. Transfer, subject to the approval of the Mayor, $125,000 from Personnel Department Fund No. 1200, Health Insurance Subsidy Account No. 929, to the City Administrative Officer Fund No. 1080, Contractual Services Account No. 304, to provide the necessary funding for the contract.

4. Instruct the City Administrative Officer and Personnel Department to report back to the Personnel and Labor Relations Committee with an analysis of the Phase I (feasibility study) report and recommendation as to whether to proceed to Phase II (implementation).

(Statement of Findings attached)

FINDINGS:

1. Background

In response to the October 23, 1985 request from the Personnel and Labor Relations Committee to determine the steps necessary to implement a flexible benefits program, the City Administrative Officer and the General Manager, Personnel Department, recommended that the City contract with a consultant to conduct a two-phase evaluation on the establishment of such a program. This recommendation was approved by your Committee with further instructions to prepare a Request for Proposal (RFP). The proposed RFP was approved by your Committee and sent to the City Council which, on July 1, 1986, instructed the City Administrative Officer to proceed with the RFP and report back to your Committee with a recommendation for the most suitable contractor.

2. Objectives of the Flexible Benefits Study

It is anticipated that the feasibility study (Phase I) will be completed within nine months of signing a contract with the selected consultant. During this period of time, the consultant will study the City's current benefits package, including financing arrangements, premiums, claims histories and administrative procedures. The consultant will then develop a preliminary flexible benefits program based on employee demographic information and input from a City task force composed of key City human resources staff. The preliminary plan design will serve as a basis of comparison with the current benefits plan and will allow the consultant to determine:

- First year benefits costs estimates
- Preliminary systems requirements
- Group benefits financing/administrative coordination
- Preliminary communications strategy
- Estimates of implementation costs
- Estimates of long term administrative costs

Based on the consultant's findings in the above areas, the CAO and Personnel Department will present a recommendation to this Committee as to whether the City should proceed with the implementation of a flexible benefits program. If the Council ultimately determines to proceed with such a program, the consultant will then assist the City in:

- Finalizing the plan design and costs
- Determining systems requirements
- Finalizing administrative procedures
- Developing and implementing an employee communications program

(Findings continued)

Because a flexible benefits program cannot be implemented until the new payroll/personnel system (LAHRS) is operative, the start of the new benefits plan would be timed to coincide with LAHRS coming on-line, anticipated to be late 1988. Additionally, because employee benefits are subject to the meet-and-confer process, the City would have to negotiate with employee organizations prior to implementation.

3. Request for Proposal

On July 14, 1986, this Office mailed the RFP (Attachment I) to approximately 85 firms or individuals in our consultants file which had indicated an expertise in the area of employee benefits. The RFP was also sent to appropriate minority/small business firms listed in the "Index of Qualified Small-Local Business Vendors Directory" and a notice was placed in the July 21, 1986 Western Edition of the Wall Street Journal.

Approximately 10 of the mailed proposals were returned as undeliverable and 10 other firms responded with a declination to submit a proposal.

4. Proposers Conference and Proposals Received

A total of 11 firms (Attachment II) attended the July 30, 1986 proposers conference. The potential proposers met with CAO and Personnel Department staff to hear responses to written questions received prior to the conference and to ask additional questions.

A total of 6 proposals (see Attachment III) were received prior to the August 20, 1986 deadline indicated on the RFP.

5. Review Committee

The RFP stated that the selection of the contractor for this project would be made by the City Council on the basis of an evaluation by the City Administrative Officer and the General Manager, Personnel Department, on the quality and appropriateness of the proposer's experience, the proposer's perception of and approach to the project, the ability to perform in a timely and satisfactory manner, and the cost. A review committee composed of representatives from the CAO and the Personnel Department evaluated all the written proposals individually and ranked them based on criteria established for this project (Attachment IV). Each proposer was given the option of making an oral presentation before the committee and all accepted the opportunity to do so. The oral presentations were rated separately (Attachment V) by committee members. Attachment VI summarizes the 6 proposals in terms of work plan, technical approach, experience, and cost.

(Findings continued)

6. Selection of the Recommended Consultant

Following individual review, the committee met to discuss their ratings and make a recommendation to the City Administrative Officer and the General Manager, Personnel Department. The committee determined that only three of the six proposals were responsive to the requirements indicated in the RFP by their sound technical approach, extensive experience in flexible benefits plans and employee communications, and a good probability of success. The recommended selection of Towers, Perrin, Forster and Crosby is based on this firm receiving the top ranking for both written and oral presentations by a majority of the committee members and subsequent review by the City Administrative Officer and the General Manager, Personnel Department. Additionally, this recommendation is based on the proposals for both the feasibility study phase and the implementation phase of the project. Therefore, should the City Council elect to establish a flexible benefits plan, TPF&C should be approved as the consultant for both portions of the project.

In accordance with Los Angeles Administrative Code Section 10.31.3, TPF&C submitted a "Statement Regarding South Africa Business Connections". The information submitted indicates that TPF&C is not "doing business" in or with South Africa.

We are proposing to fund this contract from savings accrued in the Personnel Department's Health Insurance Subsidy Account. These savings are the result of implementing numerous cost containment features in the Connecticut General medical plan and lower than anticipated inflation of medical costs.

Susan L. Harbach

Susan L. Harbach
Senior Administrative Analyst I

APPROVED:

Assistant City Administrative Officer

SLH:JRS:tm
3306C-0035A

CITY OF LOS ANGELES

CALIFORNIA

[Eli]AS MARTINEZ
[C]ITY CLERK

WHEN MAKING INQUIRIES RELATIVE TO THIS MATTER, REFER TO FILE NO.

85-1888

TOM BRADLEY
MAYOR

OFFICE OF
CITY CLERK
ROOM 395, CITY HALL
LOS ANGELES, CA 90012
485-5705

July 1, 1986

Personnel Department
City Administrative Officer (with file)
Councilwoman Picus
Councilman Wachs

Controller -
Room 220
Accounting Division
Disbursement Division

RE: REQUEST FOR PROPOSAL FOR A CONSULTANT TO PREPARE A TWO-PHASE EVALUATION ON THE ESTABLISHMENT OF A FLEXIBLE BENEFIT PROGRAM FOR CITY EMPLOYEES

At the meeting of the Council held July 1, 1986, the following action was taken:

Attached report adopted..................................	X
" motion " ( )............	
" resolution " ( )............	
Ordinance adopted..	
Motion adopted to approve attached report..............	
" " " " " communication............	
To the Mayor for concurrence.............................	
To the CAO FORTHWITH......................................	X
Mayor concurred..	
Appointment confirmed......................................	
Appointee has/has not taken the Oath of Office............	
Findings adopted...	
Negative Declaration adopted...............................	
Categorically exempt.......................................	
Generally exempt...	
EIR certified..	
Tract map approved for filing with the County Recorder.....	
Parcel map approved for filing with the County Recorder....	
Bond approved..	
Bond is No. ______ of Contract..........	
Resolution of acceptance of future street to be known as ______ adopted.......	
Agreement mentioned therein is/are No. ______ of Contracts........	

Elias Martinez

City Clerk

File No. 85-1888

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your PERSONNEL AND LABOR RELATIONS Committee

reports as follows:

RECOMMENDATION

In order to proceed with determining the feasibility of implementing a flexible, "cafeteria-style" benefit program for City employees, we RECOMMEND, as recommended by the Personnel Department and the City Administrative Officer (CAO), in accordance with the Motion (Picus-Wachs) thereon, that the CAO be instructed to disseminate the accompanying Request for Proposal (RFP) for a consultant to prepare a two- phase evaluation on the establishment of a flexible benefit program for City employees, to be conducted as follows:

1. Phase one shall be:

   a. An evaluation of the City's benefits plan objectives and employees' benefits needs (excluding employees of the Department of Water and Power).

   b. A determination as to whether these objectives and needs can best be met through the existing benefits plan or a flexible benefits/cafeteria plan.

   c. An evaluation of the feasibility of such a program, including, but not limited to, possible alternatives for package design including pricing, and the estimated implementation and administrative costs for each.

2. Commencement of phase two shall be contingent upon the City Council's instructions to establish a flexible benefit plan and shall include recommendations for final plan design, pricing and method of implementation.

Because this report supersedes it, we FURTHER RECOMMEND that the Personnel and Labor Relations Committee report dated 2-14-86 BE RECEIVED AND FILED.

SUMMARY

On February 12, 1986, your Committee considered a joint report of the CAO and General Manager of the Personnel Department regarding the steps necessary to investigate the feasibility of implementing a flexible, "cafeteria-style" benefit program for City employees in response to the Motion (Picus-Wachs) thereon.

File No. 85-1888

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your PERSONNEL AND LABOR RELATIONS Committee

reports as follows:

The Committee generally approved of the recommendations contained in the report and, as requested by the Committee, the CAO, with the assistance of the Personnel Department, prepared a Request for Proposal (RFP) to seek the assistance of an employee benefits expert in evaluating alternative plan designs and the associated costs.

Flexible benefit programs have become popular in recent years due to their ability to meet the changing needs of different segments of the work force. The City of San Diego and the County of Los Angeles have already implemented such benefit programs.

A flexible benefit plan that is classed as a "cafeteria-style" plan basically allows employees to choose among (1) different levels of one type of benefit; (2) different types of benefits.

The City's current benefit plans (5 health plans and 2 dental plans) fall far short of a "cafeteria-style" plan, where there is a choice between cash (or other permissible taxable benefits) and non- taxable benefits which can include the following: insurance for health, dental, vision, long-term disability, life, dependent care, and auto purposes; legal services; 401(K) savings plans or cash.

In general, cafeteria plans belong to the following three broad categories:

a. Modular - provides participants with a choice of pre-designed benefit packages. Each package contains a fixed combination of benefit plans grouped together to meet the needs of a particular segment of the employee group.

b. Core-Plus-Options Plans - contains mandatory benefits that serve as the minimum level of coverage employers require for their employees, typically medical, dental, and life insurance. The options then augment the core, either by increasing the level of coverage in a core benefit (e.g. dependent health coverage) or offering additional benefits (e.g. dependent care reimbursement).

c. Flexible Spending Accounts (FSA) - from the participant's point of view, operate like personal checking accounts. Generally, funding for the FSA is accomplished through a salary reduction agreement, whereby an employee agrees to use part of his/her salary to pay for pre-selected non-taxable benefits rather than receive cash.

-continued-

File No. 85-1888

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your PERSONNEL AND LABOR RELATIONS Committee

reports as follows:

Cafeteria plans that offer a choice between taxable and non-taxable benefits are regulated by Section 125 of the Internal Revenue Code, and can be qualified plans only if they meet the requirements of the Code. The employer may subsidize all, or only a portion, of the benefits chosen by the participant.

Major factors in the consideration of establishing a flexible benefit program for City employees are:

1. Cafeteria plan administration and benefits may be restricted within the next year if proposed changes to Federal tax legislation are enacted by Congress.

2. The City's present payroll system cannot accommodate a flexible benefit program. The new system, which will be structured to handle a flexible program, will not be operative until 1988.

3. Any proposal to change the City's employee benefits plan must be discussed with employee organizations in the meet-and- confer process.
4. The cost of implementing and administering a flexible benefit program cannot be determined until decisions are made regarding plan design, option costs, and the City's amount of contribution to each employee. Such decisions will require additional research and analysis.

Flexible benefit plans are a relatively new and very complex area of employee benefits that require substantial long-range planning prior to implementation. Because the City lacks expertise in this rapidly developing field, analysis of the impact of a flexible benefit program should be conducted by a recognized benefits expert who would assist the City in evaluating program options, estimating potential costs, and designing a program to meet the specific needs of City employees.

File No. 85-1888

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your PERSONNEL AND LABOR RELATIONS Committee

reports as follows:

In accordance with the previously noted Committee instructions, an RFP for the evaluation study was prepared by the CAO and reviewed by the Committee at its meeting of June 11, 1986. The Committee is recommending that the CAO proceed with the dissemination of the RFP and to report back to the Committee with an analysis of responses and recommendation for the most suitable contractor. It is noted that the RFP will be mailed to those firms and individuals on file with the CAO, which file indicates those consultants with an expertise in the area of employee benefits. In addition, a notice will be placed in the WALL STREET JOURNAL notifying other prospective contractors of the RFP.

Respectfully submitted,

PERSONNEL AND LABOR RELATIONS COMMITTEE

CBP:jd
6-11-86

REPORT FROM

CITY ADMINISTRATIVE OFFICER

TO	DATE	CAO FILE No.
The Personnel and Labor Relations Committee	1.25.86	0220-02343
REFERENCE		COUNCIL FILE No.
October 23, 1985 Request from the Personnel and Labor Relations Committee		85-1888
SUBJECT		COUNCIL DISTRICT
Flexible Benefit Programs		

SUMMARY

The Committee instructed the City Administrative Officer and the Personnel Department to investigate flexible benefit programs and recommend the steps necessary to implement such a program for City employees.

Flexible benefit programs have become popular in recent years due to their ability to meet the needs of different segments of the work force. Plans that offer a choice between taxable benefits and non-taxable benefits are called cafeteria plans and are regulated by Section 125 of the Internal Revenue Code. The employer may subsidize all, or only a portion, of the benefits chosen by the participant. Cafeteria plan administration and benefits may be restricted within the next year if proposed changes to Federal tax legislation are enacted by Congress.

Major factors in the consideration of establishing a flexible benefit program for City employees are:

- It will probably cost additional benefit dollars. However, it might be paid for with lower future salary increase dollars.

- The City's present payroll system cannot accommodate a flexible benefit program. The new system, which will be structured to handle a flexible program, will not be operative until 1988.

- Any proposal to change the City's employee benefits plan must be discussed with employee organizations in the meet-and-confer process.

- The cost of implementing and administering a flexible benefit program cannot be determined until decisions are made regarding plan design, option costs, and the City's amount of contribution to each employee. Such decisions will require additional research and analysis.

John Driscoll
GENERAL MANAGER

K. Comrie
CITY ADMINISTRATIVE OFFICER

exible benefit plans are a relatively new and very complex area of mployee benefits that require substantial long-range planning prior to plementation. Because the City lacks expertise in this rapidly developing field, analysis of the impact of a flexible benefit program should be conducted by a recognized benefits expert who could assist the City in evaluating program options, estimating potential costs, and designing a program to meet the specific needs of City employees.

RECOMMENDATION:

That the City Council instruct the City Administrative Officer, with the assistance of the Personnel Department, to prepare and present to the Council for approval a Request for Proposal for a consultant to prepare a two-phase evaluation on the establishment of a flexible benefit program for City employees, to be conducted as follows:

a. Phase one shall be an evaluation of the feasiblity of such a program, including possible alternatives for package design including pricing, and the estimated implementation and administrative costs for each.

b. Commencement of phase two shall be contingent upon the City Council's instructions to establish a flexible benefit plan and shall include recommendations for final plan design, pricing and method of implementation.

(Statement of Findings attached)

NDINGS

Background

Providing employees with an opportunity to choose benefits from an array of options is one of the most popular new approaches to benefit planning today. The impetus to create these plans has come from important changes that have been taking place in the American work force over the past decade. Current benefit plans were designed in the 1960s for the typical family of a working husband, nonworking wife, and two or more dependent children. Department of Labor statistics indicate that less than 10% of today's work force fit this model. The majority of workers today are single, two-income couples, singles with dependents, and older employees. "One size fits all" when applied to benefit plans no longer best fits the needs of today's employees. Flexible benefit plans give workers the opportunity to choose the most meaningful benefits and to change direction when family circumstances change. They also can cost the employer more money.

2. What is a Flexible Benefit Plan?

A flexible benefit plan is any plan that allows participants to choose some or all of their benefits. The choices can be:

- Among different levels of one type of benefit (e.g. different health plans), or

- Among different types of benefits (e.g. life insurance, dental coverage and cash).

The employer may subsidize all, or only a portion, of the benefits selected by the participants.

Because the City currently offers a choice of five different health plans and two dental plans, the City's benefits program falls within this broad definition of flexible benefits. However, the City's program is not a cafeteria plan. Only those flexible benefit plans that offer a choice between cash (or other permissible taxable benefits) and non-taxable benefits can be called cafeteria plans. Typically, these plans can include any or all of the following:

- health insurance
- dental insurance
- vision insurance
- group life insurance

- long-term disability coverage
- dependent care reimbursement
- group legal services
- group automobile insurance
- 401(k) savings plan
- cash

Cafeteria plans are regulated by Section 125 of the Internal Revenue Code and can be qualified plans only if they meet the requirements of the Code. Essential among those requirements are non-discrimination standards that require a plan not to give significantly greater benefits to highly-compensated members of the group. The advantage of a qualified cafeteria plan is that the participants will be taxed only on the taxable benefits they choose.

A cafeteria plan may not include any benefit that defers compensation, except for 401(k) savings plans. As discussed later, the ability for the City to offer a 401(k) plan in its current form is questionable at this time.

3. Types of Cafeteria Plans

Most cafeteria plans belong to one of three broad categories:

A. Modular

A flexible benefit plan in the modular design presents participants with a choice of pre-designed benefit packages. Each package contains a fixed combination of benefit plans grouped together to meet the needs of a particular segment of the employee group. The cost to employees for each package is determined by how much the benefit module costs and how much the employer contributes towards it. When the cost of the benefit module exceeds the employer's contribution, the difference is paid by the employee. When the cost of the module is less than the employer's contribution, employees choosing that module will receive the difference in cash. This cash is considered a taxable benefit.

(Findings continued)

A modular plan could look like this:

Module 1	Module 2	Module 3
Health - Plan A	Health - Plan B	Health - Plan C
Dental - No	Dental - No	Dental - No
Vision - No	Vision - Yes	Vision - Yes
Life - $10K	Life - $20K	Life - $30K
Child Care- Yes	Child Care - No	Child Care - No
Cash Back - Yes	Cash Back - No	Cash Back - No
Cost to Employee:		
None	$$	$$$

Modules are usually designed so that individual coverages within each package appeal to different members of the employee group and the trade-offs within each package are acceptable ones. The modular plan is the most conservative approach to flexible benefits as it gives the employer the greatest degree of control over benefits selected and costs.

B. Core-Plus-Options Plans

A core plan contains mandatory benefits that serve as the minimum level of coverage employers require for their employees, typically medical, dental, and life insurance. The options then augment the core, either by increasing the level of coverage in a core benefit (e.g. dependent health coverage) or offering additional benefits (e.g. dependent care reimbursement). As with the modular plans, the cost to the employee is dependent upon the amount of the employer's contribution. This category of cafeteria plan offers the greatest potential for flexibility.

C. Flexible Spending Accounts

A Flexible Spending Account (FSA) is a type of cafeteria plan that, from the participant's point of view, operates like a personal checking account. Generally, funding for the FSA is accomplished through a salary reduction agreement, whereby an employee agrees to use part of his/her salary to pay for pre-selected non-taxable benefits rather than receive cash. A separate sub-account is established for each benefit chosen at the beginning of the benefit year. When a covered expense is incurred during the year, the participant submits a receipt to the plan administrator and is reimbursed from the appropriate FSA sub-account.

The advantage of an FSA is that the employees' salary reduction contributions are pre-tax contributions, entering the account before taxes are deducted. This differs from employee salary deductions for modular or core-plus-options plans which are made after taxes have been deducted. Proposed Internal Revenue Code changes, however, place significant restrictions on FSA plan operations, including the inability to move money from one sub-account to another and forfeiture of any money left in the account at the end of the year. Due to the potential impact on any individual's finances, these restrictions will make FSAs far less attractive to both employees and employers than the modular or core-plus-options plans.

4. Problem Areas Associated with Cafeteria Plans

Adverse Selection

The costs of certain benefit provisions may increase over budgeted amounts due to "adverse selection." Adverse selection may occur when employees with significant and immediate needs overwhelmingly select certain options. For example, employees who require eye exams and eyeglasses may all select a new vision care option, increasing the number of claims and costs in the program. The effects of adverse selection can be mitigated, however, by proper design of core-plus-options and modular plans, appropriate pricing of options, and an extensive employee communications program.

Federal Tax Reform Legislation

The deferred compensation plans (401(k)) that are permissible for cafeteria plans under current legislation would be altered by the tax reform proposal that is under consideration by Congress. The tax bill approved by the House on December 17, 1985 would prohibit public sector employers and tax exempt organizations from establishing a 401(k) plan. Private sector organizations may maintain a 401(k) plan, however the bill would limit personal contributions to $7,000 (the current limit is $30,000). It also provides that the maximum contribution to an individual retirement account (IRA) would be reduced $1 for each $1 contributed to a 401(k) plan. Thus an individual who contributes $2,000 or more to a 401(k) would be unable to take advantage of an IRA, which has a maximum contribution of $2,000. The City's present deferred compensation plan (457), which is not permissible for cafeteria plans, is not affected by the proposed legislation.

Although Congress is no longer considering a proposal to make participation in Social Security mandatory for new state and local government employees, both houses have proposed legislation that would mandate participation in Medicare. Also considered at one time, but not part of the current legislative proposal, was a plan to tax individuals for employer contributions to health insurance. If either the Social Security or health insurance tax proposals are re-inserted into the legislation or the Medicare proposal is enacted, they would have a negative impact on benefits programs.

(Findings continued)

Considerations in Implementing a Cafeteria Plan for City Employees

Certain considerations must be evaluated and resolved prior to any final decision on the implementation of a cafeteria plan for City employees.

Payroll System

The City's present payroll system cannot accommodate a flexible benefit program beyond what the City currently offers. Because the administration of a cafeteria plan covering 30,000 employees can parallel the administration of 30,000 separate benefit programs, the payroll system must have the capacity to handle the various types of deductions. The City has hired a private consultant to design a new Human Resources System (LAHRS) which will include a new payroll system, however, the payroll component will not be operative until at least 1988. The Controllers's Office has indicated that the new system will be structured to be compatible with a flexible benefits program.

Cost

The establishment of a cafeteria plan in the City would undoubtedly cost additional benefit dollars. While some private sector companies have implemented flexible plans within their benefit dollars or even with savings, their pre-cafeteria plan benefit programs were not as diverse as the City's, nor did they offer low cost options, such as Health Maintenance Organizations (HMOs). Because of this difference in plan structures, the City would not realize the cost savings experienced by these private sector companies.

Much of the cost to the City will be determined by the amount the City would contribute to the plan. For example, although the maximum current negotiated health and dental insurance subsidy for 80% of civilian employees is $257 per month, the City actually spends an average of $188 per employee. The difference between the subsidy amount and the actual amount spent is not budgeted and is not available for exployees to use for additional benefit options. To provide these options would require an increase in City benefit dollars.

Any additional costs which the City would incur from a flexible benefit program could be minimized or eliminated, however, through a negotiated trade-off that would lessen salary increases. Ultimately, costs can only be estimated after decisions have been made regarding plan design, option costs and the amount of City subsidy to the plan.

Meet-and-Confer

Because employee benefits are subject to the meet-and-confer process, the City would have to negotiate with employee organizations prior to the implementation of a cafeteria plan.

(Findings continued)

Along with determining the amount the City would contribute to the plan, a key question would be whether all bargaining units would be offered the same flexible package or whether they would differ based on the composition and specific needs of the members of a particular unit. Complicating this issue is the fact that employees in several bargaining units already receive life insurance and vision care benefits through separate MOU agreements. The affected unions elected to provide these benefits in lieu of an additional salary increase. Whether these benefits would continue as a separate benefit for specific bargaining units or become options in a flexible benefit plan would have to be determined through negotiations.

6. Recommendations for Implementing a Cafeteria Plan for City Employees

Cafeteria plans are a relatively new and increasingly complex subject in the area of employee benefits. While there are many private sector companies who have implemented such programs, they are still rare within the public sector. Because of the complexity of the factors involved in the design, implementation and administration of a cafeteria plan, the City Administrative Officer and the Personnel Department recommend that the City contract with an expert in the field of flexible benefits to assist the City in evaluating these factors and their potential long-range impact on the City's finances. Of the public sector agencies who have recently implemented flexible benefit plans, such as the County of Los Angeles and the City of San Diego, all have used a private consultant to assist them in determining the feasibility and design of their programs.

In addition, it is recommended that the consultant's evaluation be conducted in two phases. In Phase One the consultant would assist City staff in evaluating the City's benefits plan objectives, identifying the income security needs of City employees, and determining whether a cafeteria plan could meet those objectives and needs more readily than the existing benefits program. This phase would also identify estimated implementation costs and project administrative costs associated with possible alternative plan designs, taking into consideration such factors as who would be eligible for the program, what options would be offered, how contributions and benefits pricing would be determined, and what legal compliance testing is required. The information and analysis provided in Phase One would enable staff to make a more informed recommendation to the City Council as to whether a cafeteria plan would be a workable and cost effective program for the City to establish.

If a recommendation is made and accepted to implement a cafeteria plan, then Phase Two of the evaluation would commence. In this phase the consultant would assist in determining final program design, pricing, and implementation methods and procedures, including a communications program. The design of the program is extremely important because it can minimize the potential for adverse selection through proper grouping and pricing of benefit options.

If Phase Two is implemented and a plan design is approved, the City Administrative Officer would then meet with each employee organization to negotiate a change in the benefits plan for each bargaining unit.

The City has at least a two year interim before a new payroll system is operative and can accommodate a complex flexible benefit program. This time should be used to thoroughly evaluate the City's benefit plan objectives, weigh potential alternatives and costs, and develop a long-term benefits plan that will be workable from the viewpoint of both the administrators and participants.

Susan L. Harbach

Susan L. Harbach
Senior Administrative Analyst I

ROVED:

Assistant City Administrative Officer

SLH:em

CITY OF LOS ANGELES

CALIFORNIA

ELIAS MARTINEZ
CITY CLERK

TOM BRADLEY
MAYOR

OFFICE OF
CITY CLERK
ROOM 395, CITY HALL
LOS ANGELES, CA 90012
485-5705

, 1/23

EB

1-23

WHEN MAKING INQUIRIES RELATIVE TO THIS MATTER, REFER TO FILE NO.

85-1888

January 17, 1990

City Administrative Officer
x Personnel Department
Controller
City Attorney
City Employees' Retirement System
Fire & Police Pension System
Building & Safety
General Manager

Recreation and Parks,
General Manager
SEIU, Local 347
AFSCME
Harbor Department,
General Manager
Engineering & Architectural Assoc

RE: IMPLEMENTATION OF THE CITY'S PROPOSED FLEXIBLE BENEFITS PLAN.

At the meeting of the Council held January 16, 1990, the following actions were taken:

Attached report adopted	X
" motion " ( )	
" resolution " ( )	
Ordinance adopted	X
Motion adopted to approve attached report	
" " " " " communication	
To the Mayor for concurrence	
To the Mayor FORTHWITH	
Mayor concurred	
Appointment confirmed	
Appointee has/has not taken the Oath of Office	
Findings adopted	
Negative Declaration adopted	
Categorically exempt	
Generally exempt	
EIR certified	

Elias Martinez

City Clerk
dng

File No. 85-1888

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your HUMAN RESOURCES AND LABOR RELATIONS Committee

reports as follows:

	Yes	No
Public Comments	X	

SUBJECT

HUMAN RESOURCES AND LABOR RELATIONS COMMITTEE REPORT and ORDINANCE toward the implementation of the City's proposed Flexible Benefits Plan.

Recommendations for Council Action, as recommended by the City Administrative Officer:

1. REAFFIRM the Council's interest in allowing City employees to purchase additional new benefits at their own expense.

2. APPROVE the establishment of the Joint Labor-Management Committee on Flexible Benefits. The Committee consists of five employee organization representatives and five management representatives to develop a comprehensive Flexible Benefits Plan for active City employees.

3. PRESENT and ADOPT the accompanying ordinance to amend the Los Angeles Administrative Code to give the Personnel Department the authority to administer any new benefit programs approved by the Council.

SUMMARY

In December 1988, City Council instructed the City Administrative Officer to bargain with civilian organizations for additional employee benefits in the form of a Flexible Benefits Plan, including the following components: short-term disability, long-term disability, group universal life insurance, dependent care reimbursement account, and medical expense reimbursement account.

In the course of these negotiations, an agreement was reached to form a Joint Labor-Management Committee on Flexible Benefits. The Committee will replace coalition bargaining for changes in existing benefits or proposals of new benefits (a copy of the special MOU is attached to the Council File). The Committee will review and make recommendations on all new benefits, changes in existing benefits, benefits providers and a benefits communication consultant.

A full flexible benefits plan cannot be implemented until the City's new payroll system (LAHRS) is operative. However, selected benefits have been agreed to in concept, on an employee-pay-all basis.

-Continued-

File No. 85-1888

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your HUMAN RESOURCES AND LABOR RELATIONS Committee

reports as follows:

However, additional meetings are necessary to determine the specific content of these benefits.

To properly administer the new programs, the Personnel Department projects a cost of $515,000 for staff and equipment. No additional staff or equipment will initially be needed if the City moves on to a full flex program. Also, it has been proposed that the City contract with an expert in benefits communication once the providers have been selected, at an estimated cost of $500,000 to $700,000.

It should be noted that any new plans will require administrative and communication costs, the payment of which is subject to negotiation. It is possible that employees could be required to pay an administrative fee to cover all or part of the associated costs; however, this will need to be discussed in the Joint Committee.

Finally, a change to the Administrative Code is required to authorize the Personnel Department to administer any new benefit programs that are approved by the Council, including the negotiation and execution of contracts for these flexible benefits programs.

Respectfully submitted,

HUMAN RESOURCES AND LABOR RELATIONS COMMITTEE

Joy Picus

Joel Wachs

Joan Milke Flores

JL
1-5-90

CAO
Personnel
Controller
CLA
City Attorney
CERS
Fire & Police Pension
BES, D.M.
Heliga, D.M.

Gary Clint Assoc.
SEIU Local 347
AFSCME

REPORT & ORD
ADOPTED

JAN 1 3 1990

LOS ANGELES CITY COUNCIL

REPORT FROM

CITY ADMINISTRATIVE OFFICER

TO	DATE	CAO FILE No.
The Human Resources and Labor Relations Committee	12/89	

REFERENCE	COUNCIL FILE No.
City Council Meeting of December 13, 1988	85-1888

SUBJECT	COUNCIL DISTRICT
Flexible Benefits Plan	

SUMMARY

In December, 1988 the City Council instructed this Office to bargain with civilian employee organizations for additional employee benefits in the form of a Flexible Benefits Plan. In the course of negotiations, an agreement was reached to form a Joint Labor-Management Committee on Flexible Benefits to review and make recommendations on all new benefits, changes to existing benefits, benefits providers and a benefits communication consultant. A full flexible benefits plan cannot be implemented until the City's new payroll system is operative. However, selected benefits have been agreed to in concept on an employee-pay-all basis. Additional meetings are necessary to determine the specific content of these benefits. Any new plans will require administrative and communication costs, the payment of which is subject to negotiation.

An Administrative Code change is required to authorize the Personnel Department to administer any new benefit programs that are approved by the Council.

RECOMMENDATIONS

That the City Council:

1. Reaffirm the Council's interest in allowing City employees to purchase additional new benefits at their own expense.

2. Approve the establishment of the Joint Labor-Management Committee on Flexible Benefits.

(Recommendations continued)

K. Comrie

CITY ADMINISTRATIVE OFFICER

3. Instruct the preparation of an ordinance (attached) to amend Division 4, Chapter 7, Article 5 of the Los Angeles Administrative Code to give the Personnel Department the authority to administer any new benefit programs approved by the Council.

(Statement of Findings attached)

FINDINGS

1. Background

During 1987, a study was conducted by the benefits consulting firm of Towers, Perrin, Forster and Crosby (TPF&C) to determine the feasibility of implementing a flexible benefits plan for City employees. After analyzing the City's current benefits structure and surveying employee interest, TPF&C recommended a full flexible benefits plan that would be cost neutral to the City. In November 1988, this Office recommended that the full flex plan be delayed until the new computerized payroll system (LAHRS) is operational. It was also recommended that five new benefits be implemented on an employee-pay-all basis, including:

-short-term disability

-long-term disability

-group universal life insurance

-dependent care reimbursement account

-medical expense reimbursement account

The Council adopted this Office's recommendations and issued formal instructions to begin bargaining with the City's employee organizations for the new benefits.

2. Status of Negotiations

After several meetings with the coalition of employee organizations regarding the flexible benefits proposal, the threshold issue became the organizations' level of participation and input into the City's benefits program. Although a joint labor-management committee had been discussed as a side issue, the organizations delayed discussion on the contents and structure of the proposed benefits until the role of the committee was resolved. An agreement was finally reached to form a Joint Committee on Flexible Benefits. The employee organizations have agreed in concept to the five new benefits listed above, however the Committee will need to determine the actual content and structure of the individual plans (e.g. whether the long-term disability insurance should be paid at 50%, 60% or 70% of salary).

(Statement of Findings continued)

3. Joint Committee on Flexible Benefits

This Office, the Personnel Department and the organizations have agreed that all benefits-related proposals for civilian employees will be submitted to the Committee for review and discussion. The Committee will also be responsible for reviewing and making recommendations to the awarding authority (City Council and/or Civil Service Commission) on any benefits-related contracts. There will be five management representatives and five organization representatives on the Committee. Since interested organizations will be represented by the organization members of the Committee and management will be represented by this Office and the Personnel Department, the Committee will replace coalition bargaining for changes in existing benefits or proposals of new benefits. A copy of the special MOU is attached.

The next step is for the Committee to meet and determine the actual structure and content of the benefits. The Employee Benefits Office of the Personnel Department will then prepare Requests for Proposal (RFPs) for selecting the benefits providers. The Committee will review and approve the content of the RFPs before they are sent out and will review the proposals that are submitted in response.

In addition to the providers of the new benefits, the City will also be seeking a consultant to develop a communications program for the new benefits. This Office had previously proposed that TPF&C perform the communications phase of the project. However, given the changes in the nature of the project and the amount of time that has elapsed since the original recommendation, we believe that it would be prudent to release a new RFP.

4. Program Funding

Before the Committee proceeds to make a determination on benefit content, sends out RFPs and selects providers, this Office believes that the Council should be aware of the potential administrative costs to the City. Although employees will select and purchase any additional benefits at their own expense, administration of the program will require additional staff and equipment. The expanded variety of benefits that has been tentatively agreed upon by the employee organizations will be far more complicated to administer than the already complex health and dental plans that currently exist. Individualized counseling will be necessary because of the various options employees will have to choose from and the stringent rules governing some of the programs, i.e., the reimbursement accounts.

To properly administer the new programs, the Personnel Department has projected that it will require fourteen additional staff members, four professional and ten clerical, with requisite furniture and equipment, at a cost of $515,000. No additional staff or equipment will initially be needed if the City moves on to a full flex program.

In addition to personnel and equipment, the administrative costs will include communication of the new benefits to employees. Proper communication of any new benefit plans is essential in order to ensure that employees are aware of the plans, the costs and the potential benefits (e.g. tax savings) available to them. Proper communication is also crucial to a successful enrollment period. It has been proposed that the City contract with an expert in benefits communication once the providers have been selected. While the actual cost of such a contract will be unknown until it is sent out for competitive bid, it is estimated that the consulting services and communications materials will cost from $500,000 to $700,000.

Because administrative costs are subject to negotiation, it is still possible that employees could be required to pay an administrative fee to cover all or part of the associated costs. However, this will need to be discussed in the Joint Committee.

5. <u>Change in the Administrative Code</u>

Current provisions of the Administrative Code give the Personnel Department the authority to establish, maintain and administer the City's health and dental insurance programs. It is recommended that Sections 4.303 and 4.304 of the Code be amended to authorize the Personnel Department to administer any new benefit programs approved by the City Council, including the negotiation and execution of contracts for these programs.

Susan L. Harbach

Susan L. Harbach
Senior Administrative Analyst II

APPROVED:

Thomas [illegible]

Assistant City Administrative Officer

ES Kagi

CITY OF LOS ANGELES
CALIFORNIA

ELIAS MARTINEZ
City Clerk

J. Michael Carey
Executive Officer

When making inquiries relative to this matter refer to File No.

96-1150

RICHARD J. RIORDAN
MAYOR

Office of
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

Pat Healy
Chief Legislative Assistant

July 23, 1996

City Attorney (w/file)
Chief Legislative Analyst
Controller: Room 220
Accounting Division, F & A
Disbursement Division

Personnel Department
cc: Joint Labor-Mgmt Benefits Comte
City Administrative Officer

RE: CIVILIAN MODIFIED FLEXIBLE BENEFITS PROGRAM

At the meeting of the Council held July 17, 1996, the following action was taken:

Attached report adopted	
Attached motion ( ) adopted	
Attached resolution adopted	
Ordinance adopted	
Motion adopted to approve attached report	
Motion adopted to approve attached communication	X
To the Mayor for concurrence	
To the Mayor FORTHWITH	
Mayor concurred	
Appointment confirmed	
Findings adopted	
Negative Declaration adopted	
Categorically exempt	
Generally exempt	

Elias Martinez

City Clerk
jv

steno\961150

COMMUNICATION

TO: LOS ANGELES CITY COUNCIL File No. 96-1150

FROM: COUNCIL MEMBER JACKIE GOLDBERG, CHAIR
PERSONNEL COMMITTEE

	Yes	No
Public Comments	___	XX

COMMUNICATION FROM CHAIRPERSON, PERSONNEL COMMITTEE relative to the Civilian Modified Flexible Benefits program.

Recommendations for Council action:

1. APPROVE the City's Joint Labor-Management Benefits Committee (JL-MBC) proposal for a Civilian Modified Flexible Benefits Program (excluding the Department of Water and Power) and the creation of an Internal Revenue Code 501(c)9 Employee Benefits Trust Fund.

2. REQUEST the City Attorney to prepare and present an ordinance to provide for the Employee Benefits Trust Fund.

Fiscal Impact Statement: When compared to the City's existing employee benefits, the proposed program is projected to be cost-neutral.

Summary:

On June 26, 1996, the Chair of your Personnel Committee considered a Joint Labor-Management Benefits Committee (JL-MBC)report relative to the Civilian Modified Flexible Benefits program, excluding the Department of Water and Power.

The JL-MBC reported that its proposal would offer improved benefits for City employees and make more efficient use of employee benefit dollars; while remaining cost neutral for the City. The basic features remain the same, with the exception of the 50% sick leave which is phased out. The proposed program offers $20/month in flexible credits for employees to spend on other benefits; $100/month to employees who would like to buy out of the City's health plan and use their spouse's health plan instead; an option for a maintenance dental program, which would credit the employee with $5/month; a disability plan at 50% of salary for up to 24 months, with an option to buy increased coverage; a basic life insurance plan with options to buy increased coverage; optional accidental death and dismemberment insurance (AD&D); and optional long term care insurance. The disability life insurance will be provided to everyone at the basic level, and the AD&D and long term care will be entirely employee paid, but with flexible credits if the employee chooses.

The proposed Flex program would be implemented in two phases: Phase One would be the creation of an Internal Revenue Code 501(c)9 Employees Benefits Trust Fund, and in January 1997, the implementation of a cash-in-lieu option, in which employees who have health coverage available through another group plan and forego city coverage, would receive a monthly $100 cash compensation. The savings generated from the cash-in-lieu provision would be used to provide the improved and expanded benefits implemented in Phase Two, beginning January 1998.

The Chair of your Personnel Committee concurred with the recommendations of the JL-MBC and now forwards the matter to Council for its consideration.

Respectfully submitted,

Jackie Goldberg

Council Member Jackie Goldberg, Chair
Personnel Committee

MOTION ADOPTED TO APPROVE COMMITTEE REPORT RECOMMENDATION
ADOPTED
JUL 17 1996
LOS ANGELES CITY COUNCIL

CAL
7/8/96
reports\#961150

REPORT FROM

JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

Honorable Members of the Personnel Committee	DATE: 5/30/96
REFERENCE:	COUNCIL FILE:

SUBJECT:

CIVILIAN MODIFIED FLEXIBLE BENEFITS PROGRAM

RECOMMENDATION

Recommend to Council approval of the City's Joint Labor-Management Benefits Committee (JL-MBC) proposal for a Civilian Modified Flexible Benefits Program (excluding the Department of Water and Power) and the creation of an Internal Revenue Code 501(c)9 Employee Benefits Trust Fund.

Instruct the City Attorney to prepare and present an ordinance to provide for the Employee Benefits Trust Fund.

FISCAL IMPACT

When compared to the City's existing employee benefits, the proposed program is projected to be cost-neutral.

FINDINGS

Background

The JL-MBC was created in 1990 with two primary challenges: to bring spiraling City health care costs under control, and to design a flexible benefits program. The JL-MBC has made great strides to reduce rates and has successfully implemented a number of changes to the City's Civilian Health Plans, which, by June 1996, will have saved the City $47 million over the previous health plan design. The Committee, with assistance of its consultant, A. Foster Higgins, was also able to negotiate a reduction in the reserves being held by one of the City's health plans for fiscal years 1994-95 and 1995-96, which resulted in a return of premium to the City of 15.5 million dollars. The Committee's work will produce a further 12.1 million dollar reduction in actual health plan subsidy expenditures for fiscal years 1995-96 and 1996-97.

The JL-MBC has now met its other primary objective and developed a proposal for a Modified Flexible Benefits Program for civilian employees (excluding the Department of Water and Power) which will offer improved benefits for City employees and make more efficient use of employee benefit dollars. This Civilian Modified Flexible Benefits Program ("Flex"), developed with the JL-MBC's consultant, represents a major step forward in offering a competitive, modern employee benefits program for the City's civilian labor force while remaining cost neutral for the City.

Raymond C Alle

ATTACHMENT F

City of Los Angeles
Benchmarking - Benefits Coverage Start Date
As of April 2023

Public Entities	New Hire - Benefits Start Date
City of Los Angeles	Benefits are effective the day you enroll. You can enroll during the week you receive your 1st paycheck as long as you meet LAwell eligibility requirements. New employees (or "New Hires") receive an offer to enroll into benefits AFTER satisfying LAwell eligibility requirements by being compensated a minimum of 40 hours in their first pay period (if full time) or 20 hours in their first pay period (if part time).
City	
Alameda	You may enroll in the benefits program on the first day of the month following your date of hire.
Anaheim	The first day of the month following one month of eligibility.
Long Beach	Elective: 1st of the month following date of hire Standard: 1st of the month following 30 days of employment
Oakland	Your coverage will start on the first of the month following the date your enrollment paperwork is received (provided you submit your enrollment forms within 60 days of the enrollment period).
Pasadena	You have 60 days from your date of hire to enroll in benefits. Once you have submitted complete enrollment forms and provided supporting documentation for your dependents, coverage will take effect on the first calendar day of the following month.
San Diego	You may elect benefits to begin the month following your date of hire/promotion or delay it an additional month
San Francisco	You have 30 days from your work start date to enroll in health benefits. If you enroll within the 30-day deadline, coverage will begin on the first day of the coverage period following your work start date.
San Jose	Coverage for new or promoting employees will be effective the first of the month following the employee's enrollment date.
Torrance	Benefits are effective on the first of the month following your date of hire.
County	
Kern	Health benefits coverage will go into effect the first day of the biweekly pay period following one month of continuous service, beginning on the day the employee physically reports to duty in the benefits-eligible position.
Orange	Employees are eligible for benefits effective the date of hire. Coverage will not begin until after all required enrollment documentation has been received and processed.
Riverside	You are eligible to commence coverage beginning the first of the month immediately following your date of hire, or you may elect within your initial eligibility period to delay commencement of coverage to a later date, but no later than the first of the month immediately following the end of your 60-day initial eligibility period.
San Bernardino	Employee has 7 days to enroll.
San Diego	Health, life, vision and dental insurance benefits are generally effective the 1st day of the month following submission of necessary forms.
San Francisco	You have 30 days from your work start date to enroll in health benefits. If you enroll within the 30-day deadline, coverage will begin on the first day of the coverage period following your work start date.
Santa Clara	As an eligible employee, you have 30 days from your date of hire to enroll yourself and your eligible members in benefits.
Ventura	From the date you become eligible for the Flexible Benefits Program, you have 31 calendar days to submit your Enrollment & Change Form which includes your date of hire. Generally, coverage begins on the first day of the pay period after the pay period that the first premium deduction is taken from your paycheck.

NOTE: Based on information found on each City's or County's website or open enrollment guide, where available, for a full-time new hire's effective date for medical coverage.

Number of Entities	Summary
10	First of the month following date of hire
5	Based on payroll dates or coverage period
3	Other / No information on effective date
18	