

REPORT  
FROM



THE PERSONNEL  
DEPARTMENT

TO: City Council	DATE September 30, 2021
REFERENCE: Los Angeles Administrative Code Division 5, Chapter 95	COUNCIL FILE

SUBJECT: **LAWell Program Employee Benefits Trust Fund Review Fiscal Year (FY) 2020-21**

**RECOMMENDATION:**

That the City Council note and file the LAWell Program Employee Benefits Trust Fund review for Fiscal Year (FY) 2020-21.

**SUMMARY:**

The Personnel Department administers the City's LAWell Civilian Benefits Program (LAWell Program) for active City civilian employees and their qualified dependents in conjunction with the City's Joint Labor Management Benefits Committee (JLMBC). The JLMBC is composed of five management and five labor representatives. The JLMBC was created in 1990 by action of the City Council and Mayor for the purpose of determining what plans were to be included in the Civilian Benefits Program, defining the structure of benefit plans, and recommending service providers to the General Manager Personnel Department.

The mission of the LAWell Program is to promote employee health and wellness with competitive benefits at a reasonable level relative to the City's financial capacity. Currently, the LAWell Program covers approximately 26,000 employees and 33,000 dependents.

On January 7, 1997, the City established an Employee Benefits Trust Fund (Trust Fund) under Los Angeles Administrative Code (LAAC) Division 5, Chapter 95 (Chapter 95). The purpose of the Trust Fund is for the receipt and retention of employer and employee contributions for the LAWell Program. The Trust Fund operates as a temporary pass-through account for the funding of premium payments to benefit service providers. Funding sources include General Fund and proprietary transfers for employer-paid costs, employee contributions for supplemental coverage, and interest earnings. Other one-time potential revenue sources that have occurred in the past or may occur in the future include refunds of premiums from participating insurance contracts or legal settlements. The Trust Fund also issues payments to benefit service providers, salary reimbursements for positions authorized for reimbursement by the JLMBC, contractual service payments, travel, and internal administrative expenses.

Chapter 95, Sec. 5.495 (g) provides that "The Chairperson of the Joint Labor-Management Benefits Committee shall report to the City Council and the Mayor regarding and identifying all receipts into, and all expenditures out of, the Fund, as well as the purposes for which the expenditures were made. Each report shall cover a fiscal year and shall be submitted within 90 days after the close of said fiscal year." This report provides a review of Trust Fund activity and expenditures for FY 2020-21.

## A. BENEFIT PLANS OVERVIEW

The LAwell Program contains an array of benefit plans with multiple contracted service providers. Collectively, these plans and providers create opportunities for employees to customize their benefit needs and support the health and well-being of themselves and their dependents. Current benefit plans, services, and service providers include the following:



The JLMBC has completed its FY 2020-21 review and reconciliation of the Trust Fund. **Attachment A** provides a summary description of the activity items as indicated in the following:

### Revenues

- *Employer Contributions* – General Fund transfers for payment of benefit program premiums.
- *Reimbursements from Other Funds* – Proprietary fund transfers for payment of benefit program premiums.
- *Employee Contributions* – Employee payments for required premium cost-sharing or optional supplemental coverage.

### Payments

- *Printing and Binding* – Printing costs for LAwell Program communication materials.
- *Cash-in-Lieu (CIL) Reimbursements* – Reimbursements to City departments for CIL payments made to employees who opt out of City health coverage.
- *Personnel Department Staffing* – Reimbursement of Personnel Department/Employee Benefits Division positions approved to be funded by the Trust Fund.
- *Refunds of Employee Contributions* – Refunds of over-contributions of premium payments to employees.
- *Carrier Payments* – Payments made to LAwell Program providers.
- *Wellness Program Expenditures* – All Wellness Program expenditures for staffing, licenses, promotional materials, and communications.
- *Travel* – Travel to the International Foundation of Employee Benefit Plans annual conference.
- *Contractual Services* – Payments for consulting services.
- *Office Expenses* – Incidental office and administrative expenses.

In addition, Attachment A further reflects certain revenue and payment items accrued but not yet recorded in FY 2020-21. Net of all recorded and accrued items, assets in the Trust Fund totaled **\$9,433,143** as of June 30, 2021.

**Attachment B** provides a three-year historical review of Trust Fund debits, credits, and balances from the period 2020-2021 and also provides reporting on a Generally Accepted Accounting Principles accrual basis (whereby revenues and expenses are reported in the period earned and incurred, respectively). The reporting format in Attachment B aligns with the format recommended by an independent auditor which conducted a Trust Fund review in 2016, the results of which were presented to the JLMBC in January 2017.

During its Trust Fund review, the independent auditor also observed that the Trust Fund's cash flow was sound relative to incoming transfers and its capacity to make timely payments to benefit service providers. The Trust Fund has a reserve target of 12.5% of monthly benefit service provider premium payments, which presently equates to approximately \$4.0 million. However, it should be noted that the full \$5.4 million net balance in

the Trust Fund is also used to provide sufficient working capital to manage the cash flow needs necessary for making timely benefit carrier payments.

### C. CONCLUSION

The Trust Fund provides an important vehicle for the City to fund and process payments for the LAwell Program. The JLMBC recommends that the City Council note and file this report regarding and identifying all FY 2020-21 Trust Fund receipts and expenditures and purposes for which expenditures were made.



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DAVID SANDERS, CHAIRPERSON  
JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE



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WENDY G. MACY, VICE-CHAIRPERSON

**City of Los Angeles  
Employee Benefits Trust Fund  
Review of Trust Activity  
June 30, 2021**

<b>FY 2021 Activity per FMS</b>
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<b>July 1, 2020 Opening Balance per FMS</b>	<b>\$</b>	<b>28,562,755</b>
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**Revenues**

Employer Contributions	308,608,891	
Reimbursement from Other Funds	54,522,219	
Employee Contributions	39,500,667	
Interest Income	550,997	
		<b>403,182,774</b>

**Payments**

Personnel Department Staffing	(497,758)	
CIL Reimbursements to Departments	(1,262,955)	
Refunds of Employee Contributions	(15,947)	
Contractual Services	(585,818)	
Carrier Payments	(407,415,431)	
Printing and Binding	(31,925)	
Office Expenses	(3,274)	
Wellness Program Expenditures	(1,509,194)	
Wellness Program Salaries	(323,005)	
Providers Adjustment to Employees	(130,004)	
		<b>(411,775,311)</b>

<b>June 30, 2021 Closing Balance per FMS</b>	<b>\$</b>	<b>19,970,218</b>
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<b>Post June 30, 2021 Activity</b>
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**Revenues**

Reimbursement from Other Funds (Received from 07/01/21 to 08/31/21)	11,226,938	
		<b>11,226,938</b>

**Payments**

Carrier Payments (June 2021)	(15,634,185)	
Personnel Department Staffing (Apr 2021 to June 2021)	(179,222)	
Contractual Services	(88,675)	
		<b>(15,902,082)</b>

<b>Outstanding Liabilities and Reserve Requirement</b>		
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***Liabilities***

Employee Refunds	(600,000)	
Wellness Program_All Years (Estimate)	(4,946,401)	
Wellness Interest Income_All Years (Estimate)	(315,530)	<b>(5,861,931)</b>
Reserve Requirement (12.5% of June 2021 carrier payments)	(4,029,273)	<b>(4,029,273)</b>
<b>June 30, 2021 Available Balance, net of Liabilities &amp; Reserved Capital</b>		<b>\$ 5,403,870</b>

**Attachment B**

**Trust Fund for Civilian LAWell Benefits Program  
Validation of Net Assets - Adjusted Trial Balance Groupings  
June 30, 2019 to June 30, 2021**

	June 30, 2021	June 30, 2020	June 30, 2019
<b>DEBITS</b>			
Cash and pooled investments - FMS	19,970,218	28,864,831	38,870,881
Payroll and employee receivables	-	-	-
Proprietary funds receivable	11,226,938	3,316,986	610,505
<b>Assets</b>	<b>31,197,156</b>	<b>32,181,817</b>	<b>39,481,387</b>
<b>CREDITS</b>			
Insurance premiums payable to carriers	15,634,185	17,203,152	16,642,060
Accrued staffing costs	179,222	128,146	78,716
Accrued contractual services	88,675	66,666	33,333
Accrued refundable to employees	600,000	700,000	700,000
Wellness Program	5,261,931	5,941,306	5,497,759
<b>Liabilities</b>	<b>21,764,013</b>	<b>24,039,270</b>	<b>22,951,869</b>
<b>Net Assets Restricted for Trust Purposes</b>	<b>9,433,143</b>	<b>8,142,547</b>	<b>16,529,518</b>