

REPORT
FROM



THE PERSONNEL
DEPARTMENT

TO: City Council	DATE September 22, 2023
REFERENCE: Los Angeles Administrative Code Division 5, Chapter 95	COUNCIL FILE

SUBJECT: **LAWell Program Employee Benefits Trust Fund Review Fiscal Year (FY) 2022-23**

RECOMMENDATION:

That the City Council note and file the LAWell Program Employee Benefits Trust Fund review for Fiscal Year (FY) 2022-23.

SUMMARY:

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

The mission of the LAWell Program is to promote employee health and wellness with competitive benefits at a reasonable level relative to the City's financial capacity. Currently, the LAWell Program covers approximately 25,000 employees and 33,000 dependents.

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

Chapter 95, Sec. 5.495 (g) provides that "The Chairperson of the Joint Labor-Management Benefits Committee shall report to the City Council and the Mayor regarding and identifying all receipts into, and all expenditures out of, the Fund, as well as the purposes for which the expenditures were made. Each report shall cover a fiscal year and shall be submitted within 90 days after the close of said fiscal year." This report provides a review of Trust Fund activity and expenditures for FY 2022-23.

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 completed its FY 2022-23 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 2022-23. Net of all recorded and accrued items, assets in the Trust Fund totaled **\$3,879,815** as of June 30, 2023.

Attachment B provides a three-year historical review of Trust Fund debits, credits, and balances from the period 2022-2023 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 \$4.2 million. However, it should be noted that the full \$2.8 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 2022-23 Trust Fund receipts and expenditures and purposes for which expenditures were made.

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David Sanders

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DAVID SANDERS, CHAIRPERSON

Dana Brown

DANA BROWN, VICE-CHAIRPERSON

JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

City of Los Angeles
Employee Benefits Trust Fund
Review of Trust Activity
June 30, 2023

FY 2023 Activity per FMS

July 1, 2022 Opening Balance per FMS \$ **22,578,585**

Revenues

Employer Contributions	306,755,883	
Reimbursement from Other Funds	64,547,473	
Employee Contributions	34,106,820	
Interest Income	584,143	
		405,994,319

Payments

Personnel Department Staffing		625,823
CIL Reimbursements to Departments		1,073,134
Refunds of Employee Contributions		19,789
Contractual Services		692,471
Carrier Payments		399,485,821
Printing and Binding		261,749
Office Expenses		18,110
Wellness Program Expenditures		1,294,329
Wellness Program Salaries		416,945
Providers Adjustment to Employees		-
		403,888,170

June 30, 2023 Closing Balance per FMS \$ **24,684,735**

Post June 30, 2023 Activity

Revenues

Reimbursement from Other Funds (Received from 07/01/23 to 08/31/23)	3,229,164	
Reimbursements Pending from Other Funds (FY2023)	2,609,405	
		5,838,568

Payments

Carrier Payments (June 2023)	15,969,623	
Personnel Department Staffing (Apr 2023 to June 2023)	246,545	
Contractual Services	102,250	
		16,318,418

Outstanding Liabilities and Reserve Requirement

Liabilities

Employee Refunds	425,000	
Wellness Program_All Years (Estimate)	6,110,010	
Wellness Interest Income_All Years (Estimate)	506,393	
		7,041,404
Reserve Requirement (12.5% of June 2023 carrier payments)	4,271,203	
		4,271,203

June 30, 2023 Available Balance, net of Liabilities & Reserved Capital \$ **2,892,279**

ATTACHMENT B

**Trust Fund for Civilian LAWell Benefits Program
Validation of Net Assets - Adjusted Trial Balance Groupings**

June 30, 2021 to June 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021
DEBITS			
Cash and pooled investments - FMS	24,684,734	22,555,225	19,970,218
Payroll and employee receivables	-	-	-
Proprietary funds receivable	2,554,903	7,368,848	11,226,938
Assets	27,239,637	29,924,073	31,197,156
CREDITS			
Insurance premiums payable to carriers	15,969,623	15,244,840	15,634,185
Accrued staffing costs	246,545	213,062	179,222
Accrued contractual services	102,250	302,284	88,675
Accrued refundable to employees	425,000	575,000	600,000
Wellness Program	6,616,404	6,043,552	5,261,931
Liabilities	23,359,822	22,378,738	21,764,013
Net Assets Restricted for Trust Purposes	3,879,815	7,545,335	9,433,143