CITY OF LOS ANGELES
JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

PROPOSED MINUTES
REGULAR MEETING AUGUST 6, 2015 – 9:00 A.M.
200 N. MAIN STREET, ROOM 1200

Present:
Committee Members:
Paul Bechely – Laborers’ Local 777
Wendy G. Macy – Personnel Department
Cheryl Parisi – AFSCME, Council 36
David Sanders – SEIU Local 721

Alternate Committee Members:
Maritta Aspen – Office of the City Administrative Officer (CAO)
Marleen Fonseca – Engineers & Architects Association
Norma Gutierrez – Fire Department
Douglas Marian – Building & Construction Trades Council
Ramon Rubalcava – SEIU Local 721

Personnel Department Staff:
Alex Basquez – Assistant General Manager
Alexandra Castillo – Senior Personnel Analyst II
Ana Chavez – Senior Personnel Analyst II
Samantha Hanzy – Senior Personnel Analyst I
Maria Koo – Senior Management Analyst I
Steven Montagna – Chief Personnel Analyst

Office of the City Attorney:
Curtis Kidder – Assistant City Attorney

Mercer Human Resource Consulting, Inc.
Clay Levister

Aon Consulting
Michael Muhesein

1. CALL TO ORDER

Cheryl Parisi called the meeting to order at 9:04 a.m.
2. PUBLIC COMMENTS

Kent Clarkson of the Department of the department of Public Works addressed the Committee regarding a request from one of his employees (Mr. Elton Howeton), regarding Flex benefits family coverage for his dependents. Mr. Clarkson explained that there had been an issue concerning the employee’s submittal of the required dependent verification and the dependents were dropped from coverage. Ms. Parisi asked staff to look into and resolve the matter as it appeared the proper documentation had currently been provided. Alex Basquez stated staff would work with Mr. Howerton to resolve the issue and report back to the JLMBC at the next meeting.

3. MINUTES

A motion was made by Paul Bechely and seconded by Douglas Marian to approve the JLMBC minutes of the June 18, 2015 Special Meeting; the Committee unanimously adopted this motion.

4. COMMITTEE REPORT 15-17: EMPLOYEE BENEFITS TRUST FUND REVIEW

Mr. Montagna stated the primary objective of this item was to improve the transparency and review process of the Trust Fund on an ongoing basis. He stated that one element was to make certain the City continues to report annually to the City Council as required under the Administrative Code. He stated the second element was to bring in an external evaluation to help with the ongoing review of the Trust Fund on an ongoing basis. He added that the volume of what goes into the Trust Fund each year is significant on an annual basis, because it is over $300 million dollars and includes premium payments, retroactive adjustments, and employee contributions. He pointed out that the record keeping for all of these aspects are done within the City system which is complicated, and has certain limitations regarding what reports can be obtained from it, therefore it would be valuable to get some external review. He then turned the presentation over to Alexandra Castillo.

Ms. Castillo began by providing background on the Trust Fund, noting that it acts as a temporary pass-through account to pay insurance carriers for coverage and the fund is also used to cover certain administrative costs approved by the JLMBC. She indicated the last review of the Trust Fund occurred in Fiscal Year 11/12 and this report covered Trust Fund activity for FY 2012-13 and FY 2013-14.

Ms. Castillo stated that as of June 2014, the balance of the Trust Fund was at $8.3 million dollars, net of all Trust Fund obligations and a reserve amount of $3.2 million. She stated reviews of the Trust Fund have been challenging because of the limitations of the City’s financial management system and the
increase in the number of transactions in the City’s payroll system and the Trust Fund, and that as a result staff believes it is prudent to secure an auditor for validating Trust Fund activities and recommendations for implementing best practices. She added that based on staff’s current analysis, the Trust Fund surplus would be reduced below the target reserve amount by FY 2018-2019 and the five-year projection indicates the balance will decline to $1.4 million by FY 2019-2020. She added that final one-time revenue sources are not expected to occur in the future, but administrative costs such as, consulting services and staffing costs would be ongoing. She pointed out staff would need to review long-term options for funding these costs.

Ms. Castillo stated that, additionally, there are $6.6 million in pending employee refunds within the Trust Fund’s total balance, and this is for over-contributions. She stated that there were administrative complexities due to the lack of staff sources for issuing these refunds. She stated that staff understands the importance of executing this refund process and will identify the options for addressing refunds and report back.

Norma Gutierrez asked whether the City would incur any interest payment liabilities with respect to refunds due to employees. Ms. Basquez replied that staff would check with the City Attorney’s office and also with Mercer Consulting on this question. David Sanders asked for clarification with respect to the one-time payments. Ms. Castillo replied that page two of the staff report identifies ongoing transactions, as well as the one-time transactions. Mr. Sanders then requested clarification with respect to the funding source. Mr. Montagna referred to page two of the staff report, which reflects the amounts. He explained that in the past the Trust Fund received excess premium amounts refunded from medical carriers with participating contracts, but those types of arrangements do not exist any longer. Ms. Basquez added they could potentially resume under new contracts following the upcoming health plan procurement, but that was an unknown at this point and could not relied on as a source of revenue. Mr. Levister of Mercer Consulting explained that historically the City has had participating contracts with several of the health plans, and that has been one of the sources of funding. He added that for example, the City had a relationship years ago with Metlife and when they demutualized, that was a source of revenue. He added that also, when Standard and Prudential demutualized, there were a payoff. He stated that further demutualization is not anticipated and as premium rates have been squeezed per the prior RFP process, the City has moved away from risk sharing arrangements.

Ms. Parisi asked for clarification on what steps staff will be taking and what type of reporting staff would be providing on this item. Mr. Montagna replied that staff would be looking at what options exist in the City for being able to utilize those resources, including the potential use of an outside auditor or use of auditing firms on contract with the City Controller.
A motion was then made by Paul Bechely seconded by Douglas Marian, to approve staff’s recommendation to (a) receive and file Employee Benefits Trust Fund reports for Fiscal Years 2012-13 and 2013-14; (b) request staff to research and report back on options for securing the resources of an external auditor in reviewing and validating Trust Fund activity and provide recommendations for implementing best practices in Trust Fund monitoring and accounting on a go-forward basis; and (c) requesting that staff report back with further details and recommendations as to the execution of refunds to Flex Plan members. The motion was unanimously adopted.

5. COMMITTEE REPORT 15-18: REQUEST TO APPROVE REIMBURSEMENTS FROM THE EMPLOYEE BENEFITS TRUST FUND

Maria Koo presented this report. She indicated that the report provides an analysis of costs associated with the three approved Trust Fund positions and requests reimbursement in the amount of $54,627.28 for the 2nd and 3rd quarter of FY 14-15, less adjustments for the 1st quarter of FY 14-15 and for FY 13-14. She further explained that the calculation for the reimbursement includes both direct salary costs, as well as indirect costs as calculated by using the City Controller’s Cost Allocation Plan rates, referred to as CAP rate for short.

Ms. Koo informed the JLMBC that the City Controller publishes CAP rates on a fiscal year basis and that the last fiscal year for which it had rates approved by the Federal government was FY 12-13, known as CAP 35. She stated CAP 36 for FY 13-14 and CAP 37 for FY 14-15 are currently pending approval by the Federal government and that once these are finalized, the transferred amounts listed may require adjustments in a future quarterly reconciliation. She reported that the Controller’s Office advised that changes to the rates would be unlikely. She stated the indirect cost CAP rate being applied for this reimbursement is 67.91% (CAP 37).

Ms. Koo reported that staff was advised by the Controller’s Office that the Benefits Division is grouped in support services; therefore the special CAP rate used to bill for labor in FY 13-14 and the 1st quarter of FY 14-15 is not the previously reported CAP amount of 122.19%. She added that as a result, staff reviewed and adjusted reimbursements for those time periods. She stated that the total reimbursement request less adjustments were listed in the report.

A motion was then made by Paul Bechely and seconded by Maritta Aspen to approve reimbursements from the Employee Benefits Trust Fund to the Personnel Department for salary expenditures in the amount of $54,627.28 for Second Quarter and Third Quarter of Fiscal Year 14-15 less adjustments for the prior Fiscal Year and the First Quarter of Fiscal Year 14-15; the Committee unanimously adopted this motion.
6. COMMITTEE REPORT 15-19: AD HOC WELLNESS SUBCOMMITTEE UPDATE

Steven Montagna provided an update regarding activities of the Wellness Subcommittee over the last few months. He reported the Subcommittee met on three occasions and another meeting was scheduled for next week. He stated that at the first meeting staff presented recommendations and concepts that can be done on a short-term and long-term basis and the Subcommittee expressed an interest in learning more about available resources Wellness efforts of the City’s health providers and other entities. He stated the Subcommittee then met with Kaiser and Blue Shield, the County of Riverside, and would next meet with Safeway Corporation. He stated that following this staff anticipates at least one additional meeting to examine the resource issue. He stated that a common theme from other plans and the City’s medical carriers was that in order to have a successful program there needs to be an organizational commitment to instituting and maintaining the program over time and investing the needed staffing resources. He indicated that staff did receive information from Blue Shield indicating that the $900,000 from the 2015 annual Wellness budget could be utilized in 2016.

A motion was then made by Paul Bechely, seconded by Douglas Marian, to receive and file the status report regarding the activities of the Wellness Subcommittee; the Committee unanimously adopted this motion.

7. COMMITTEE REPORT 15-20: INTERNATIONAL FOUNDATION OF EMPLOYEES BENEFIT PLANS (IFEBP)

Maria Koo reported on the annual International Foundation of Employee Benefit Plans (IFEBP) conference which will be held this year from November 8 to November 11, 2015. She stated the IFEBP is a nonprofit organization and premiere benefits training organization in the nation, and that its conference is for public sector employee benefit plan administrators, trustees, attorneys and others involved in management and administration of employee benefit programs. She stated that the IFEBP conference will offer an opportunity for staff to learn from subject matter experts as well as collaborate with peers who are facing the same challenges in dealing with industry regulations such implementing provisions of the Affordable Care Act. She indicated the estimated cost per person is $3,176 and the total cost for three attendees is $9,528, including two staff members and one JLMBC member. Ramon Rubalcava asked the JLMBC to consider David Sanders as the JLMBC member to attend the Conference.

Paul Bechely requested staff members attend a wellness conference class. Cheryl Parisi requested a report back from staff for the conference, especially with respect to wellness.
A motion was then made by Paul Bechely, seconded by Maritta Aspen, to approve funding for one JLMBC member and two Employee Benefits Division staff members to attend the 2015 IFEBP Conference November 8–November 11, 2015. The Committee unanimously adopted this motion.

8. COMMITTEE REPORT 15-21: AFFORDABLE CARE ACT SHARED RESPONSIBILITY AND TAX REPORTING UPDATE

Steven Montagna indicated that one of the topics of this report is the Affordable Care Act (ACA) tax reporting requirement. He explained that this is a mandate that employers are having to deal with across the country and information from the Federal government has been slow in coming. He indicated that the challenge is that employers are being asked to pull information from different payroll and recordkeeping resources in order to properly complete the reporting. He then turned the presentation over to Samantha Hanzy.

Ms. Hanzy proceeded with an update on the ACA. She stated that the ACA was signed into law in 2010, with provisions including coverage eligibility requirements and new employer tax reporting obligations. She stated that as part of its compliance efforts the City has worked with its Flex Benefits program third-party-administrator, Mercer TPA, to develop a payroll/benefits data analytics program called the “ESR Tracking Tool,” and that the purpose of the tool was to identify City employees who are not presently eligible for a City health subsidy but who qualify for health-care eligibility under the ACA, and to provide annual summary data required to meet new tax reporting requirements.

Ms. Hanzy reported the ESR Tool is now fully operational and providing data for the City’s various workforce populations. She stated that the ESR Tracking Tool is a data analytics system exchanging information between the City’s payroll system and Mercer’s Flex Benefits recordkeeping system designed to track hours, make full-time eligibility determinations, predict future enrollment volume, conduct trend analysis, and provide alert for potential compliance risk and penalties. She stated the ESR tool provides both monthly and annual reports which detail the trending measurement period results as well as finding ACA full-time determinations to identify who qualifies for coverage based on measurement and stability period analysis. She added that the ESR tool also provides annual summary data that can be manipulated in order to complete tax reporting, but the data is not in the format required to produce the forms themselves.

Ms. Hanzy then continued with an overview of the New Federal Government Tax Reporting Requirements created by the ACA. She stated there are two forms required under the ACA. She began with Forms 1094-C and 1095-C, and indicated that these forms became mandatory for the 2015 tax year and that employers must send their employees 1095-C forms by the end of January each year. She pointed out that information must also be sent to the IRS by the end of February if paper filed, or by the end of March if the forms are filed electronically.
She stated that the IRS requires the information to enforce the employer and individual mandates of the ACA and that staff is now preparing to assist the City in preparing its tax reporting obligations in 2016 for the 2015 tax year. She stated that Form 1095-C provides information about the coverage offered to the employee, the lowest cost premium plan for employee only coverage available to that employee, and the months of the year in which the coverage was available. She added that Form 1094-C acts as summary employer reporting cover sheet and is sent only to the IRS.

Ms. Hanzy continued by reporting on Minimal Essential Coverage, IRS Forms 1094-B and 1095-B. She stated that health insurers and employers sponsoring self-insured group health plans must report on the minimum essential coverage they provide for all covered individuals starting in 2015. She added that the health insurance plans offered through the Flex Program (Kaiser HMO and Blue Shield plans) are fully insured and will be providing Minimum Essential Coverage (Forms 1094-B and 1095-B) to their respective members.

Ms. Hanzy stated that the annual summary report generated from Mercer’s ESR Tracking Tool is closely aligned with the IRS reporting requirements, but is not in the format required to produce the forms themselves. She explained that for each month of the reporting year, the annual summary report will provide a determination of whether the employee was considered full-time under the ACA, if they were offered coverage and whether the least cost medical plan they were offered was affordable. She pointed out that although the data is aggregated in a format which can be manipulated in order to complete tax reporting, Mercer does not have the tax reporting infrastructure to translate the data in order to prepare the tax forms themselves. She stated that Mercer has an existing business partnership with a firm called Taxware for tax-reporting services to help meet its clients’ reporting requirements, but that Taxware is not a subcontractor of Mercer, and their services cannot be reached through the City’s existing Mercer contract.

Ms. Hanzy concluded by stating that due to the complexity of the tax reporting requirements, the complexity of the data residing within the ESR Tracking Tool, and the need for a compatible and accurate exchange of information between the ESR Tracking Tool and tax reporting entity, the Personnel Department is proceeding to engage the services of Taxware to fulfill the City’s 1094-C/1095-C tax reporting needs under a one-year sole-source contract. She stated that Mercer and Taxware have spent considerable time and resources in developing and testing a mapping and translation infrastructure, which mitigates the risk for mapping and translation errors. Ms. Hanzy stated that leveraging the Mercer-Taxware exchange will result in a comprehensive ACA reporting service combining regulatory, technology, reporting and remediation skills required to be compliant. She reported that the annual cost of using Taxware for these services is expected to be approximately $100,000 or less.
Ms. Gutierrez asked for confirmation that the B series Forms will be mailed to employees directly from healthcare providers and Ms. Hanzy confirmed this. Ms. Gutierrez then asked how the C series Forms will be distributed to employees and Ms. Hanzy stated that the final details are still being worked out, but the plan is to mail the C series Forms to employees and eventually make them available to employees electronically as well. Ms. Basquez added that employees will also be provided informational communications as well, because it is anticipated employees will have questions. She added that staff is coordinating this for all the City’s sworn and DWP health plans even though Employee Benefits Division does not administer them, because the Federal government views the City as one employer.

Ms. Parisi asked about the $100,000 fee and is it just for the members of this plan or is it a Citywide fee and Ms. Basquez pointed out that with respect to the $100,000 fee, money was set aside in the General Fund for compliance with the ACA, so it is not coming out of the Trust Fund. Ms. Parisi asked if the other plans would be charged and Ms. Basquez stated that this is something that is being looked into and staff will need to work with the CAO’s office to determine how this can be executed.

A motion was then made by Douglas Marian, seconded by Marlene Fonseca, to approve the staff report on the Affordable Care Act Update and recommended expenditure. The Committee unanimously adopted this motion.

9. COMMITTEE REPORT 15-22: STAFF REPORT

Ms. Hanzy presented this report. She began by reporting that the Controller’s Office is conducting a review of medical plans offered to active City employees, and that the objective was to compare the health benefit plans offered to civilian employees, DWP employees, and sworn plans. Ms. Hanzy explained the review would compare the total monthly costs by health plan and coverage options; payments to health care providers and administrators; and specific details on plan design and health care coverage offered by the provider and plan. Ms. Parisi asked for clarification with respect to whether the Controller's office would be auditing the Trust Fund. Ms. Basquez stated they would only be comparing the premium cost of the plans.

Ms. Hanzy continued with a Project Update of the Employee Benefits Consulting and Communications Services RFP. She reported that staff released the 2015 Request for Proposal (RFP) for Employee Benefits Consulting and Communications Services on July 1, 2015, that a pre-proposal conference took place on July 20, 2015 with approximately four vendors and five subcontractors in attendance, and that RFP responses were due September 2, 2015.
Ms. Hanzy reported on the Mercer Benefits Central (MBC) Portal Upgrade, stating that it involved working with Mercer TPA to convert the current online benefits system to a new portal on July 27, 2015. She then turned the presentation over to Maria Koo and Ana Chavez to provide details of the soft launch and plans for communicating the new MBC Portal Upgrade to employee. Alex Basquez commended staff on all the work they did to successfully launch the MBC Portal Upgrade. Ms. Chavez explained that the launch of the MBC is being referred to as a soft launch because staff had not yet notified employees of the change and would do so by next week. Ms. Chavez added that during open enrollment, there will be a webinar instructing employees on how to use the new website, and that during the soft launch, employees will be instructed to establish an account so they are all set for making changes to their benefits during open enrollment. Maria Koo provided a demonstration on the new myflexla.com website, reviewing how to access the site, user registration and welcome video, profile preferences and personalization, dashboard, the benefits summary and reminder alerts, and tools and resources.

Ms. Parisi asked if there was a link with information regarding Los Angeles City Employee Retirement System (LACERS) and Deferred Compensation benefits. Mr. Levister stated this can be looked into as there may be a feature that can be added to the website for this information.

Wendy Macy asked Mr. Montagna to provide a brief update to the JLMBC regarding the recent meeting with the Personnel & Animal Welfare (PAW) Committee. Mr. Montagna stated that staff reported to Council to adopt the 2016 Flex Benefits Program as they do for each plan year, and that report was heard by the PAW Committee. He stated that at the meeting there was some discussion related to an employee who addressed the Committee regarding concerns about service received from Blue Shield. He indicated that PAW Committee discussed the employee’s concerns and asked staff to look into the matter. He stated that at the next JLMBC meeting staff would be presenting a report that will be representing the launch of the RFP search process for the medical and dental carriers and that as part of the development of that process staff would have recommendations regarding ways to survey members and get feedback from them to aid in the development of the RFPs. Ms. Parisi asked if the Blue Shield member’s issue has been addressed and Mr. Montagna confirmed that staff had contacted this member and was working with her to address her concerns.

A motion was made by Maritta Aspen, seconded by Douglas Marian, to receive and file the staff report. The Committee unanimously adopted this motion.

10. NEXT MEETING DATE

September 3, 2015 at 9:00 a.m.
11. ADJOURNMENT

The meeting adjourned at 10:26 a.m.

Minutes prepared by staff member Helen Georgeson