



Legislation Details (With Text)

**File #:** 20-377      **Version:** 1      **Name:**

**Type:** Consent Item      **Status:** Passed

**File created:** 7/28/2020      **In control:** City Council/Public Finance and Economic Development Authority/Parking Authority

**On agenda:** 8/17/2020      **Final action:** 8/17/2020

**Title:** SUBJECT: Approval of the 2021 Cafeteria Plan Renewal Regarding Employees' and Retirees' Health and Welfare Benefits Including Medical, Dental, Vision, Disability, Life and Flexible Spending

**REPORT IN BRIEF**

Considers approving the renewal of the 2021 Cafeteria Plan regarding employees' and retirees' health and welfare benefits.

**RECOMMENDATION**

City Council - Adopt a motion approving the employees' health and welfare benefits cafeteria plan renewal for calendar year 2021 and authorizing the City Manager to execute the necessary documents.

**Sponsors:** Support Services Department, Rosa Winzer

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
8/17/2020	1	City Council/Public Finance and Economic Development Authority/Parking Authority	approved	Pass

*Report Prepared by: Maggie Fuentes, Human Resource Technician II*

**SUBJECT:** Approval of the 2021 Cafeteria Plan Renewal Regarding Employees' and Retirees' Health and Welfare Benefits Including Medical, Dental, Vision, Disability, Life and Flexible Spending

**REPORT IN BRIEF**

Considers approving the renewal of the 2021 Cafeteria Plan regarding employees' and retirees' health and welfare benefits.

**RECOMMENDATION**

**City Council** - Adopt a motion approving the employees' health and welfare benefits cafeteria plan renewal for calendar year 2021 and authorizing the City Manager to execute the necessary documents.

**ALTERNATIVES**

1. Approve, as recommended by staff and Employee Benefits Committee; or,
2. Direct staff to develop other options; or,

3. Deny; or,
4. Take no action.

## **AUTHORITY**

Charter of the City of Merced, Article XI, Fiscal Administration. Memoranda of Understanding (MOU) with recognized labor bargaining units and Management Compensation Plan. "The plans shall be selected solely by the City following review of proposals by the Employee Benefits Committee, whose role is advisory to the City Council."

## **CITY COUNCIL PRIORITIES**

As provided for in the 2020-21 Adopted Budget.

## **DISCUSSION**

The City of Merced provides five (5) forms of core insurance coverage as benefits to City employees: medical, dental, vision, disability and life insurance. These are provided through an implemented IRS Section 125 Cafeteria Plan where employees can select from two (2) options in each coverage category. The insurance plans are selected solely by the City (City Council) upon review and recommendation of the proposal by the Employee Benefits Committee. The MOUs stated that the role of the Employee Benefits Committee is advisory to the City Council.

### History and Past Actions

The Employee Benefits Committee (Committee) met with Alliant Insurance Services (broker of record) on July 10, 2020 to review group benefits. The informational meeting was held to bring the Committee up to date with benefit plan offerings and to review premium renewal for medical coverage as well as review annual premium summary for all lines of benefit coverage for plan year 2021.

The Committee was encouraged to speak with their respective units and respond with a recommendation. Both staff and the Employee Benefits Committee are recommending no plan design changes and acceptance of annual premium renewal for all lines of coverage for plan year 2021.

### Description

#### **Major Medical Plan**

The major medical plan with Anthem has been provided through a self-funded pool with PRISM (formerly CSAC EIA Health) effective October 1, 2005. The program provides members an alternative to group health insurance plans using the concept of pooling to reduce insurance premiums through consolidating the fixed costs over a larger population of members. In 2006, the PRISM Health program began a new partnership with Self Insured Schools of California (SISC). This relationship and collaborative effort gives the PRISM Health program more stability and has provided an opportunity for lower rates and premium savings.

The major medical plan received a 5.6% rate increase for plan year 2021. Compared to the 2020 annual premium, the 2021 renewal for health insurance is expected to be a premium increase of \$485,112. The annual premium for health insurance will be \$9,159,546.

### **Retiree Group Medicare Advantage Plan**

Effective January 1, 2016, the City moved Medicare eligible retirees to a group Medicare Advantage Plan sponsored by United HealthCare (UHC). Working closely with our broker of record (Alliant Insurance Service), the City found an alternative Medicare retiree medical and prescription benefit platform that delivers premium cost savings to both the City and the retiree while providing essentially the same benefits as provided to full-time employees. United HealthCare® has a group Medicare Advantage PPO plan underwritten by United Healthcare Insurance Company that delivers all the benefits of Original Medicare Parts A, B and D as well as additional benefits and features.

The major medical plan received a 5.9% rate decrease for plan year 2021. Compared to the 2020 annual premium, the 2021 renewal for the retiree group Medicare Advantage Plan is expected to be a premium decrease of \$65,762.04. The annual premium for Medicare retiree health insurance will be \$1,048,311.

### **Flexible Spending Account (FSA)**

The City's Flexible Spending Account (FSA) has been offered to employees as of January 1, 2009. The third-party administrator for the benefit is Benefit Coordinators Corporation (BCC). The FSA is a benefit that allows individuals to contribute pre-tax dollars from their paycheck to a spending account that can be used for eligible expenses as outlined in Section 125 of the Internal Revenue Service (IRS) regulations. Although the IRS maximum contribution is \$2,750 for out-of-pocket medical expenses and \$5,000 for dependent care expenses, the City's maximum contribution is \$2,500 for out-of-pocket medical expenses and \$5,000 for dependent care expenses.

An enhancement to the benefit was added at the start of plan year 2015 with debit cards issued by the FSA administrator. The debit cards allows participating individuals to pay for eligible FSA expenses at the point of service; therefore, avoiding the submission of claim form(s) or waiting for reimbursement. FSA debit cards may be used at any eligible location wherever MasterCard is accepted.

The FSA debit cards are good for a three (3)-year period. Participants are encouraged to retain their card after exhausting all available funds for reuse next program year after re-enrolling during the open enrollment period. FSA debit cards are valid for future plan years until the expiration date printed on the front of the card is reached. There is no additional cost to the City, or employees, for the benefit enhancement.

### **Dental Plan**

The dental plan with Delta Dental of California is provided through a self-funded dental program with PRISM (formerly CSAC EIA) effective January 1, 2011. The program covers approximately 126 public agencies with more than an approximate total of 35,000 employees. The current core dental plan provides for benefits at 100% up to a maximum per patient amount of \$1,000 per plan year. The dental plan received a 3.5% rate decrease for plan year 2021. The rate decrease is based on a review of the City of Merced's group dental experience and projected changes in dental trend. There is not an expected plan design change for plan year 2021. The annual premium for dental insurance will be \$618,016.

### **Vision Plan**

The vision benefit is provided through Vision Service Plan (VSP) effective July 1, 1998 and is a fully insured plan. The vision plan renewal has a two-year rate guarantee through December 31, 2021. Therefore, there is no change in premium due to the rate guarantee. There is not an expected plan

design change for plan year 2021. The annual premium for vision insurance will be \$87,684.

### **Disability Plan**

The group disability plan is provided by VOYA through PRISM effective March 1, 2011. The disability insurance plan renewal has a three-year rate guarantee through December 31, 2023. The disability plan received a 3.4% rate decrease for plan year 2021. The disability plan rate is based on the overall annual salary rate for employees. There is not an expected plan design change for plan year 2021. The annual premium for group disability insurance is \$74,821.

### **Life Insurance**

The group life insurance plan is provided by VOYA through PRISM effective March 1, 2011. The life insurance plan renewal has a three-year rate guarantee through December 31, 2023. The life insurance plan received a 2.7% rate decrease for plan year 2021. The life insurance plan rate is based on the overall annual salary rate for employees. There is not an expected plan design change for plan year 2021. The annual premium for group life insurance is \$28,505.

### **IMPACT ON CITY RESOURCES**

Funding is available within the adopted FY 2020/21 Budget. No appropriation of funds is needed.