



COMMUNITY DEVELOPMENT COMMISSION

County of Los Angeles

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Gloria Molina
Yvonne Brathwaite Burke
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Don Knabe
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Commissioners

Carlos Jackson
Executive Director

October 5, 2004

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**APPROVE EMPLOYEE MEDICAL, LIFE, AND DISABILITY PLAN CHANGES
(ALL DISTRICTS) (3 Vote)**

**IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE
HOUSING AUTHORITY:**

1. Approve and authorize the Executive Director of the Housing Authority to fund, with the Community Development Commission, the difference between Commission employee contributions and the actual cost of group insurance programs, for the 2005 calendar year, with Kaiser Health Plan (Kaiser), Blue Shield Health Maintenance Organization (HMO) and Blue Shield Point-of-Service (POS), at an estimated cost of \$573,000, using funds included in the approved Fiscal Year 2004-2005 budgets of the Housing Authority and Commission and funds to be approved through the Fiscal Year 2005-2006 budget process.
2. Authorize the Executive Director to replace the employee life and disability plans, currently provided by ING, with comparable plans provided by MetLife, at an estimated cost of \$264,000 for the 2005 calendar year; authorize the Executive Director to pay \$22,000 as the first month's

premium to MetLife; and authorize the Executive Director to use for these purposes funds included in the approved Fiscal Year 2004-2005 budgets of the Housing Authority and Commission, and funds to be approved through the Fiscal Year 2005-2006 budget process.

3. Authorize the Executive Director to execute contracts and contract amendments with the above firms for the purposes described herein, to be effective January 1, 2005, following review by County Counsel.
4. Approve and authorize the Executive Director to increase the Commission's contribution under the Optional Benefit Plan from \$524 to a maximum of \$556 per month, and under the Flexible Benefit Plan from \$770 to a maximum of \$810 per month for employees to purchase medical, dental, vision and life insurance benefits, at an estimated cost of \$92,064 for the 2005 calendar year, effective January 1, 2005; and authorize the Executive Director to use for this purpose funds included in the approved Fiscal Year 2004-2005 budgets of the Housing Authority and Commission and funds to be approved through the Fiscal Year 2005-2006 budget process.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Approve and authorize the Executive Director of the Community Development Commission to fund, with the Housing Authority, the difference between Commission employee contributions and the actual cost of group insurance programs, for the 2005 calendar year, with Kaiser Health Plan (Kaiser), Blue Shield Health Maintenance Organization (HMO) and Blue Shield Point-of-Service (POS), at an estimated cost of \$573,000, using funds included in the approved Fiscal Year 2004-2005 budgets of the Commission and Housing Authority and funds to be approved through the Fiscal Year 2005-2006 budget process.
2. Authorize the Executive Director to replace the employee life and disability plans, currently provided by ING, with comparable plans provided by MetLife, at an estimated cost of \$264,000 for the 2005 calendar year; authorize the Executive Director to pay \$22,000 as the first month's premium to MetLife; and authorize the Executive Director to use for these purposes funds included in the approved Fiscal Year 2004-2005 budgets of the Housing Authority and Commission, and funds to be approved through the Fiscal Year 2005-2006 budget process.

3. Authorize the Executive Director to execute contracts and contract amendments with the above firms for the purposes described herein, to be effective January 1, 2005, following review by County Counsel.
4. Approve and authorize the Executive Director to increase the Commission's contribution under the Optional Benefit Plan from \$524 to a maximum of \$556 per month, and under the Flexible Benefit Plan from \$770 to a maximum of \$810 per month for employees to purchase medical, dental, vision and life insurance benefits, at an estimated cost of \$92,064 for the 2005 calendar year, effective January 1, 2005; and authorize the Executive Director to use for this purpose funds included in the approved Fiscal Year 2004-2005 budgets of the Housing Authority and Commission and funds to be approved through the Fiscal Year 2005-2006 budget process.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of the recommended action is to provide Commission employees, during the 2005 calendar year, affordable medical insurance coverage that is comparable with the plans offered to County employees. The current plans end on December 31, 2004.

FISCAL IMPACT/FINANCING:

The Commission and Housing Authority's medical insurance subsidy cost is estimated to be \$573,000 for January 1, 2005 through December 31, 2005.

Changing the life and disability insurance provider from ING to MetLife will provide a savings of approximately \$84,563 in 2005. MetLife requires a deposit of \$22,000 to establish an account and prepare open enrollment materials. This amount is equivalent to one-month's premium and will be applied toward the premium of January 2005. The estimated total annual cost for this coverage is \$264,000.

The first year cost to increase the Commission's contribution under the Optional Benefit Plan and the Flexible Benefit Plan is estimated to be \$92,064.

The current Fiscal Year 2004-2005 budgets of the Commission and Housing Authority will support the proposed cost for the medical, life and disability plans, and the increase to the Optional and Flexible Benefit Plans for the period January through June 2005. The Fiscal Year 2005-2006 budgets of the Commission and Housing Authority, to be presented to your Board during the annual budget process, will include funding for the remaining cost.

The Board of Commissioners of the Housing Authority must approve the plan changes, because Housing Authority funds will be used to pay a portion of the benefits for Commission personnel performing Housing Authority functions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Commission currently offers its employees medical plan options through Kaiser, Blue Shield HMO, and Blue Shield POS programs. The same medical plan types and carriers will be retained in 2005.

Each employee's monthly medical plan contribution will increase by approximately nine percent on January 1, 2005, which will contribute to the funding of these plans. The Monthly Employee Contribution for 2005 Medical Coverage is attached.

The Commission currently provides a \$5,000 life insurance plan and a 60-percent-of-pay disability plan to each employee through ING. However, the cost of providing this coverage escalated during the last two years. As a result, the Commission compared ING's coverage to similar plans offered by three other insurance companies, Assurant, Jefferson Pilot and MetLife. MetLife was selected to replace ING because of its good financial standing and because it provides the best coverage at a competitive rate. The change from ING to MetLife will provide a savings to the Commission and Housing Authority of approximately \$84,563 in 2005. Furthermore, MetLife will provide a fixed premium rate for three years on the life insurance plan and two years on the disability plan.

The Commission provides employees with benefit choices under the Optional Benefit Plan and the Flexible Benefit Plan. Both plans allow employees to purchase medical, dental, vision, and life insurance coverage by utilizing the Commission's contribution to the plans. The minimum monthly contribution under both plans was last adjusted on October 8, 2002. Participants in the Flexible Benefit Plan currently receive a Commission contribution expressed as a percentage of salary, but not less than a minimum contribution of \$770 per month. Given that employee costs for health insurance will be increasing in 2005, the Commission will increase the monthly Flexible Benefit Plan contribution from \$770 to \$790 per month and increase the monthly Optional Benefit Plan contribution from \$524 to \$540 per month, beginning January 1, 2005. The current budget can only support an increase to the Flexible Benefit Plan and the Optional Benefit Plan of \$20 and \$16 per month, respectively, which represents an estimated additional cost of \$92,064 for 2005.

The monthly contribution will be adjusted in future years, as permitted by the budget, not to exceed \$810 per month under the Flexible Benefit Plan and \$556 per month under the Optional Benefit Plan. These changes are comparable to increases approved by the County for its MegaFlex and Flexible Benefit plans.

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At its meeting of September 22, 2004, the Housing Commission recommended approval of these actions.

IMPACT ON CURRENT PROGRAM:

The recommended action is consistent with the principle of promoting the well being of Commission employees and their families by continuing to offer comprehensive employee benefits.

Respectfully submitted,

CARLOS JACKSON
Executive Director

Attachment: 1

Attachment A

Monthly Employee Contribution for 2005 Medical Coverage*

Kaiser HMO

Employee Only	\$213.60
Employee + One	\$399.60
Family	\$495.50

Blue Shield HMO

Employee Only	\$197.10
Employee + One	\$397.20
Family	\$533.80

Blue Shield Point-of-Service (POS)

Employee Only	\$319.40
Employee + One	\$659.80
Family	\$900.30

*Monthly employee contribution is the employee cost after the subsidy is applied to the actual plan cost.