



CITY COUNCIL AGENDA STATEMENT



December 10, 2019

File ID: 19-0560

TITLE

- A. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ADOPTING THE CITY OF CHULA VISTA CAFETERIA BENEFITS PLAN FOR 2020
- B. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AUTHORIZING THE RENEWAL OF A PROFESSIONAL SERVICES AGREEMENT WITH MARSH & MCLENNAN AGENCY, LLC. (PREVIOUSLY BARNEY & BARNEY, LLC.) TO PROVIDE BROKER SERVICES FOR CITY EMPLOYEES BENEFITS PROGRAM

RECOMMENDED ACTION

Council adopt the resolutions.

SUMMARY

The Internal Revenue Code requires that the Section 125 Cafeteria Benefits Plan offered by the City to its employees be in a written document and that the document be formally adopted by the City Council on or before the first day of the plan year. Adoption by resolution of the attached plan document fulfills the City's obligation for the 2020 plan year. Furthermore, the benefit plans offered by the City are a result of our broker, Marsh & McLennan Agency, LLC. (previously Barney & Barney, LLC.), marketing and negotiating with benefit providers, and partnering with the Human Resources Department to offer a range of benefit options to City employees while keeping the costs to the City and its benefited employees to a minimum.

Staff is requesting Council approval to: (A) adopt the 2020 Cafeteria Benefits Plan document and (B) authorize the renewal of the Consultant Services Agreement with the City's benefits broker Marsh & McLennan Agency, LLC.

ENVIRONMENTAL REVIEW

The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

IRC 125 Requirements:

In June 1998, the City established its first Section 125 Cafeteria Benefits Plan. In compliance with Internal Revenue Code §125(d) the City Council annually adopts a written plan document prior to the first day of the plan year. The first day of the City's plan year is January 1, 2020.

This Cafeteria Plan Document is a written plan that describes how the City offers eligible employees certain benefits on a pretax basis (such as health insurance) while having the option to choose among at least one taxable benefit (such as cash). Having an approved written plan is critical under cafeteria plan regulations. Without a written Plan or if the written Plan does not comply with applicable requirements regarding content and timing of adoption, the Plan is not a Section 125 Cafeteria Plan and employees' benefit elections will be taxable. The City timed its open enrollment period for 2019 to comply with these regulations and to meet provider cutoff deadlines for enrollment to ensure employees are covered without interruption. The City's Plan includes the following required information and incorporates all of the operating rules prescribed in Code §125 and the regulations thereunder.

- Description of available benefits
- Participation rules
- Benefit election procedures
- Manner of contributions
- Maximum amount of contributions
- The plan year
- The plan provisions for complying with flexible spending accounts (FSAs)

Specific health plans offered and their structure are not part of this Cafeteria Plan Document and instead defined in what is known as the Summary of Benefits and Coverage (SBC). Employees are provided the SBCs as part of open enrollment materials to assist them in making their benefits elections. The determination of the health plans available and their structure are based on an annual review after our broker, Marsh and McLennan Agency, LLC., extensively markets with benefit plan providers for coverage comparable to the prior year while keeping the increase in costs to the City and its benefited employees to a minimum. All employee groups are advised of the offers and the plan structures that will provide the least increase in premium costs.

Health Plan Broker Agreement:

Marsh & McLennan Agency, LLC. was last awarded a benefits broker services agreement in 2013. With the goal to continue to work with the best consultant at the best overall value to the City, a Request for Proposals (RFP) seeking proposals from qualified broker organizations to partner with the Human Resources Department in providing employee benefits broker and consulting services was conducted in the first quarter of 2019. Candidates participated in a selection process and evaluated on the following criteria: ability to perform the scope of work as a benefits broker; ability to negotiate a benefits program that meets the needs of the City; availability and accessibility of the broker and its staff; and method and scope of compensation. Marsh & McLennan Agency, LLC. demonstrated they are still the most qualified consultant. Accomplishments to be highlighted include negotiation of cost decreases on health insurance plans, obtaining contributions for an electronic benefits enrollment system, providing expert staff to assist in developing marketing and communication for the City's wellness program, and enhancing available health fair screenings. Furthermore, Marsh & McLennan Agency, LLC. has developed a strong partnership with the Human Resources Department and Health Insurance Committee. Renewal of the services agreement will ensure continuation of effective benefit marketing focused on key benefit areas, including but not limited to: strategic planning; Federal, State, and Affordable Care Act (ACA) compliance consulting; cost-saving

measures to incorporate into the annual benefits renewal process; open enrollment support; and provider network analysis of health insurance carrier networks. A copy of the proposed agreement is attached as Attachment 5.

DECISION-MAKER CONFLICT

Staff has determined that the action contemplated by this item is ministerial, secretarial, manual, or clerical in nature and, as such, does not require the City Council members to make or participate in making a governmental decision, pursuant to California Code of Regulations Title 2, section 18704(d)(1). Consequently, this item does not present a conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

Staff assumed a 10.5% increase in medical premiums in the 2019/20 budget based on preliminary information from the City's insurance brokers. While the City spent \$13.4 million in fiscal year 2018/19 on Cafeteria Plan benefits for all funds, as a result of the final health insurance premiums negotiated by the City's broker for the 2020 Benefits Plan Year, the City is expecting an overall savings of \$949,704 in fiscal year 2019/20.

There is no fiscal impact as a result of Council authoring the renewal of the services agreement with City's Benefits Broker Marsh & McLennan Agency since their compensation for all brokering and consulting services are provided through commission arrangements with the benefit insurance providers that are factored into all benefit premiums.

ONGOING FISCAL IMPACT

Flex Allotments are negotiated with the City's bargaining groups. Unrepresented employees and elected officials also receive Flex Allotments. With the exception of Public Safety bargaining groups, the City shares the cost of medical insurance premium increase on a 50/50 basis. The 50/50 cost sharing formula utilizes the average cost increase of family premiums of non-indemnity health plans. Then to determine the next plan year's Flex Allotment, 50% of the average increase is added to the current year's Flex Allotment amount. For Public Safety bargaining groups, the City assumes the full cost of the medical premium increases. As a result of having no overall average increase to medical premiums since the 2018 Benefits Plan Year, the 2020 flex Allotments will remain the same as 2019.

The table below illustrates the cafeteria flex allotments for the 2020 Plan Year. The impact to future budgets and the five-year financial forecast will depend on the outcome of negotiations with the City's bargaining groups and the changes in medical insurance premiums.

Group	Annual Amount	Monthly Amount	Twice Monthly Amount
CONFIDENTIAL	\$14,614.00	\$1,217.83	\$608.92
ACE	\$14,114.00	\$1,176.17	\$588.08
EXECUTIVE, CITY MGR, CITY CLK	\$17,390.00	\$1,449.17	\$724.58
MM and PROF (MMUC, MMCF, PRUC, PRCF)	\$14,990.00	\$1,249.17	\$624.58

SENIOR MGR	\$15,990.00	\$1,332.50	\$666.25
WCE	\$14,990.00	\$1,249.17	\$624.58
ELECTED OFFICIALS (MY, CL, CATY)	\$17,390.00	\$1,449.17	\$724.58

ATTACHMENTS

1. 2020 City of Chula Vista Cafeteria Benefits Plan Document
2. Exhibit A – Health Care & Dependent/Child Care Flexible Spending Accounts
3. Exhibit B – Hartford Voluntary Insurance Plan
4. Exhibit C – Employee Assistance Program (EAP)
5. Consultant Services Agreement Renewal Between the City of Chula Vista and Marsh & McLennan Agency, LLC.

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