



## ***Benefits Administration Committee Agenda***

### **REGULAR MEETING**

**TUESDAY, JULY 28, 2020**

**TIME: 9:00 A.M.**

### **MEETING LOCATION:**

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020) and due to the concerns over COVID-19, the LACERS Benefits Administration Committee's July 28, 2020, meeting will be conducted via telephone and/or videoconferencing.

#### **Important Message to the Public**

##### **Information to call-in to participate:**

**Dial:** (669) 900-6833 or (346) 248-7799

**Meeting ID#** 983 1963 0825

##### **Instructions for call-in participants:**

- 1- Dial in and enter Meeting ID
- 2- Automatically enter virtual "Waiting Room"
- 3- Automatically enter Meeting
- 4- During Public Comment, **press \*9** to raise hand
- 5- Staff will call out the last 3-digits of your phone number to make your comment

**Information to listen only:** Live Committee Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Chair: Michael R. Wilkinson

Committee Members: Sandra Lee  
Nilza R. Serrano

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counselor: City Attorney's Office  
Public Pensions General  
Counsel Division

#### **Notice to Paid Representatives**

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at [ethics.lacity.org/lobbying](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

#### **Request for services**

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, **five** or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at **(213) 855-9348** and/or email at [ani.ghoukassian@lacers.org](mailto:ani.ghoukassian@lacers.org).

#### **Disclaimer to participants**

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

**[CLICK HERE TO ACCESS BOARD REPORTS](#)**

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – ***THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT - PRESS \*9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD***

- II. [APPROVAL OF MINUTES FOR THE SPECIAL MEETING OF JUNE 9, 2020 AND POSSIBLE COMMITTEE ACTION](#)
- III. RE-INTRODUCTION OF STEPHANIE SMITH, WELLNESS PROGRAM MANAGER – VERBAL REPORT
- IV. [2021 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE COMMITTEE ACTION](#)
- V. [ANTHEM BLUE CROSS 2019 YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION](#)
- VI. [RECEIVE AND FILE – DELTA DENTAL DPPO 2019 YEAR-END ACCOUNTING](#)
- VII. [HEALTH AND WELFARE CONSULTANT CONTRACT EXTENSION AND POSSIBLE COMMITTEE ACTION](#)
- VIII. 2021 OPEN ENROLLMENT – VERBAL REPORT
- IX. OPERATIONAL UPDATE
- X. OTHER BUSINESS
- XI. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time, and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while public health concerns relating to the novel coronavirus continue.
- XII. ADJOURNMENT



## **Board of Administration Agenda**

### **SPECIAL MEETING**

**TUESDAY, JULY 28, 2020**

**TIME: 9:00 A.M.**

### **MEETING LOCATION:**

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020) and due to the concerns over COVID-19, the LACERS Special Board Meeting's July 28, 2020, meeting will be conducted via telephone and/or videoconferencing.

#### **Important Message to the Public**

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President: Cynthia M. Ruiz  
Vice President: Michael R. Wilkinson

Commissioners: Annie Chao  
Elizabeth Lee  
Sandra Lee  
Nilza R. Serrano  
Sung Won Sohn

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office  
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MINUTES OF THE SPECIAL MEETING  
**BOARD OF ADMINISTRATION**  
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020)  
and due to the concerns over COVID-19, the  
LACERS Benefits Administration Committee's  
June 9, 2020, meeting was conducted  
via telephone and/or videoconferencing

June 9, 2020

9:03 a.m.

**Agenda of: JULY 28, 2020**

**Item No: II**

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PRESENT via Zoom Meeting:	Chair:	Michael R. Wilkinson
	Committee Members:	Sandra Lee Nilza R. Serrano
	Commissioners:	(arrived 9:34 a.m.) Annie Chao (arrived 9:49 a.m.) Elizabeth Lee (arrived 9:50 a.m.) Cynthia M. Ruiz (arrived 10:01 a.m.) Sung Won Sohn
	Manager-Secretary:	Neil M. Guglielmo
	Legal Counselor:	Anya Freedman
PRESENT at LACERS offices:	Executive Assistant:	Ani Ghoukassian

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*The Items in the Minutes are numbered to correspond with the Agenda.*

Commissioners Chao, Elizabeth Lee, Ruiz, and Sohn were present, this is considered a Special Meeting of the Board of Administration. Any votes will be taken by Benefits Administration Committee members only.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA  
**PRESS \*9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD** – Chair Wilkinson asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response.

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF JANUARY 28, 2020 AND POSSIBLE COMMITTEE ACTION – Approval of the minutes was moved by Committee Member Serrano and adopted by the following vote: Ayes, Committee Members Sandra Lee, Serrano, and Chair Wilkinson –3; Nays, None.

### III

RECEIVE AND FILE - 2021 HEALTH PLAN CONTRACT RENEWAL UPDATE– Alex Rabrenovich, Chief Benefits Analyst with Health Benefits and Wellness Division and Bordan Darm with Keenan & Associates presented the update to the Committee for 30 minutes. This report was received by the Committee and filed.

### IV

RECEIVE AND FILE - HEALTH PLAN FINANCIAL AND HEALTH MANAGEMENT DASHBOARDS – Bordan Darm and Robin Rager with Keenan & Associates presented the dashboards to the Committee for 20 minutes and this report was received by the Committee and filed.

### V

VERBAL REPORT - INTRODUCTION OF STEPHANIE SMITH, WELLNESS PROGRAM MANAGER – Alex Rabrenovich, Chief Benefits Analyst with Health Benefits and Wellness Division introduced the new Wellness Program Manager for LACERS. Stephanie Smith briefly addressed the Committee.

### VI

OPERATIONAL UPDATE – Lita Payne, Executive Officer, deferred to a future Committee meeting.

### VII

OTHER BUSINESS –There was no other business.

### VIII

NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time, and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while public health concerns relating to the novel coronavirus continue.

### IX

ADJOURNMENT – There being no further business before the Committee, Chair Wilkinson adjourned the Meeting at 10:03 a.m.

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Michael R. Wilkinson  
Chair

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Neil M. Guglielmo  
Manager-Secretary



**LACERS**  
LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM



**REPORT TO BENEFITS ADMINISTRATION COMMITTEE**

**From: Neil M. Guglielmo, General Manager**

**MEETING: JULY 28, 2020**

**ITEM: IV**

*Neil M. Guglielmo*

**SUBJECT: 2021 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

**Recommendation**

That the Committee forward a recommendation to the Board to:

- (1) Approve the proposed 2021 premium rates for LACERS medical, dental, and vision plans, inclusive of transportation benefits in the Kaiser Senior Advantage and UnitedHealthcare Medicare Advantage HMO plans, as included in Attachment 1, and including any minor premium adjustments; and
- (2) Utilize funds from the 115 Trust premium reserves to add the Active&Fit benefit to the Kaiser Permanente HMO plan.

**Executive Summary**

Recommendations for the health plan contract renewals have resulted in overall 2021 health plan premium costs increasing by 0.51% and include the addition of transportation services to the Kaiser Permanente Senior Advantage and UnitedHealthcare Medicare Advantage HMO plans. The addition of a fitness program (Active&Fit) to the Kaiser Permanente HMO plan would bring equity among all LACERS plans and could be paid for through accumulated premium reserves.

**Discussion**

As part of an annual process, LACERS' Health and Welfare Consultant, Keenan and Associates (Keenan), released a Request for Renewal, requesting premium rate renewal data from LACERS' health plan carriers: Kaiser Permanente (Kaiser), Anthem Blue Cross (Anthem), UnitedHealthcare (UHC), Senior Care Action Network (SCAN), and Delta Dental (Delta). Data requested included proposed 2021 premium rates, documentation to support the proposed premium rates, performance guarantees, as well as financial commitments toward LACERS' wellness program.

In an effort to enhance our Member's wellbeing and safety, and provide greater independence, each carrier that did not already provide similar benefits were requested to provide the cost of adding the following benefits:

- Transportation: Some seniors may suffer from poor vision, mental capacity, and/or mobility issues, which limit their ability to drive, and some may lack access to transportation services or caregiving. These can become significant obstacles to seniors receiving care or obtaining essentials, such as groceries and prescriptions.
- Meal Delivery: Lack of mobility or mental capacity may limit the ability of certain Members to prepare meals and obtain necessary nutrients to remain healthy or heal from an injury or a medical treatment.
- Medical Alert System: Many seniors live alone, lack support, and/or have mobility issues that put them at risk of significant injury. A medical alert system assists Members when faced with a crisis by putting them in touch with emergency services by using a device on their person (pendant or “watch”).

These issues impact many seniors every day and can have significant impact on their wellbeing. As we have seen during the COVID-19 pandemic, these issues become exaggerated as vulnerable populations are recommended to stay home and have minimal, if any, contact with others.

Additionally, Kaiser was requested to provide the cost of adding a fitness program benefit to its HMO plan. Such a program is offered through all other LACERS plans, but was not available through the Kaiser HMO until now.

#### *2021 Medical Plan Renewal Summary without Benefit Enhancement*

Overall, the 2021 medical premiums are estimated to increase by \$60,949, or 0.05%, from \$127,179,212 to \$127,240,161. With the addition of the benefit enhancements, the 2021 medical premiums are estimated to increase by \$850,427, or 0.67%.

The cost increase for Kaiser HMO is minimal and the 2021 cost still remains under the established 2019 premium; and, the Kaiser Senior Advantage plan is experiencing a decrease in cost. It is recommended that these premiums remain the same in 2021 so that we can continue to accumulate premium reserves to assist in managing future costs.

#### *2021 Dental and Vision Plan Renewal Summary*

The Delta Dental PPO is self-funded by LACERS, as of this year. Based on a review of the premiums and claims, the dental plan is operating at an estimated surplus of approximately \$1.8 million and there is no need to change the premium for 2021. DeltaCare USA (HMO) premium costs will remain the same in 2021. Overall, the 2021 dental plan costs are estimated to remain at \$8.4 million.

Anthem Blue View vision plan is in the second year of a three-year rate guarantee and will not increase in 2021. The 2021 vision plan premium cost is estimated to remain at \$800,579.

## Conclusion

Negotiations conducted by Keenan brought an overall cost decrease of \$3.3 million, from \$130.5 million to \$127.2 million, resulting in an overall program cost increase of \$60,949, or 0.05%, for 2021. The addition of Active&Fit to the Kaiser HMO plan and transportation services to the Kaiser Senior Advantage and UnitedHealthcare Medicare Advantage plans increases the annual program cost by \$789,478, increasing the estimated overall cost by \$850,427, or 0.67%, from \$127.2 million to \$128 million. The estimated cost of each benefit is:

- Kaiser HMO, Active&Fit: \$196,955
- Kaiser Senior Advantage, Transportation Benefit: \$574,650
- UHC, Transportation Benefit: \$17,747

The Board has the authority to add benefits if the total premium cost of the Health and Welfare Program does not increase by more than 0.5%. The cost of adding these benefits is estimated to be 0.62% of the estimated total cost. Adding only the transportation benefits would cost \$592,397, an increase of 0.47%.

For the 2019 and 2020 plan years, the Kaiser HMO cost decreased, but the premium stayed the same to build a premium reserve, which could be used to assist in managing future health plan costs. There are sufficient funds in the reserve to cover the cost of the Active&Fit benefit, so it is recommended that the reserve funds be used to add the Active&Fit benefit to the Kaiser HMO plan.

Occasionally, premiums are subject to change slightly after Board approval due to discovered miscalculations. Staff recommends that the Board allow for any minor premium adjustments, with increases not to exceed \$5.00 per plan premium, to be included in the recommendation.

Staff and Keenan will be present to discuss the 2021 health plan renewal process and answer the Committee's questions.

## **Strategic Plan Impact Statement**

Conducting an annual renewal of our health plans allows staff to ensure that our plan premiums and benefits are competitive and appropriate, and support the Strategic Plan Goal to Improve the Value and Minimize Costs of Members' Health and Wellness Program.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst, Health Benefits and Wellness Division

NMG/LP:ar

Attachments: 1 – Keenan Report – 2021 Health Plan Renewal Final Report



**BAC Meeting: 07/28/20**  
**Item IV**  
**Attachment 1**

# Los Angeles City Employees' Retirement System

## 2021 Health Plan Renewal, Final Report

### July 28, 2020

**Respectfully Submitted by:**

Ju Anderson, Vice President | Bordan Darm, Senior Consultant

Erin Robinson, Service Consultant | Christine Hough, Actuary

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# Introduction

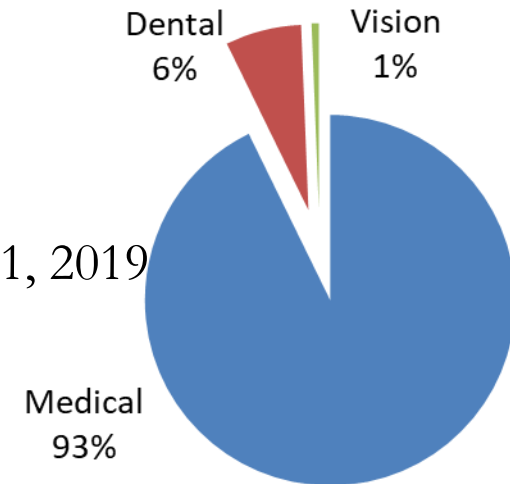
- This report presents Los Angeles City Employees' Retirement System's (LACERS) 2021 final health plan renewals
- Anthem Blue Cross (Anthem), Kaiser Permanente (Kaiser), UnitedHealthcare (UHC), and SCAN have provided medical plan renewals for 2021
- Delta Dental's DHMO will be in the second year of a three-year rate cap for 2021
- The Delta Dental PPO plan is self-funded as of January 1, 2019. The PPO administration fee remains unchanged for 2021.
- Anthem Blue View Vision will be in the second year of a three-year rate guarantee for 2021
- Data assumes the current carriers, plans, and enrollment in the report.





# Executive Summary

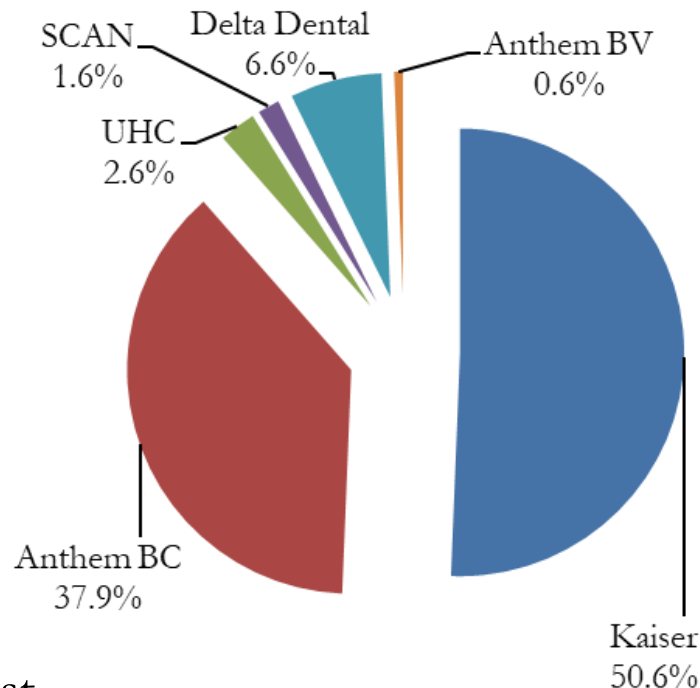
- The 2021 final renewal for the LACERS Health and Welfare Program is a minor increase in cost of \$60,949 or 0.05% from \$127,179,212 to \$127,240,161
- Of LACERS' total premium costs, medical is 93%; dental 6%; and vision 1%
- The 2021 LACERS final renewals premium adjustments are as follows:
  - Medical premiums: **\$60,949** or **0.05%**
  - Dental premiums: **\$0** or **0.0%**
  - Vision premiums: **\$0** or **0.0%**
- The Delta Dental PPO plan has been self-funded since January 1, 2019
  - IBNR reserve are calculated and funded \$521,600
  - No adjustment in dental PPO rates are needed for 2021



Coverage	Current Enrollment	2020 Premium	2021 Renewal - Final		
			Premium	\$ Change	% Change
Medical	24,231	\$117,950,814	\$118,011,763	\$60,949	0.05%
Dental	13,332	\$8,427,820	\$8,427,820	\$0	0.00%
Vision	6,385	\$800,579	\$800,579	\$0	0.00%
Grand Total		\$127,179,212	\$127,240,161	\$60,949	0.05%

# Executive Summary

- The 2021 LACERS final renewal cost change by carrier is as follows:
  - Anthem: **\$1,300,794** or **2.77%**
  - Kaiser: **-\$1,239,845** or **-1.89%**
  - UHC: **\$0** or **0.00%**
  - SCAN: **\$0** or **0.00%**
  - Delta Dental: **\$0** or **0.00%**
  - Anthem Blue View: **\$0** or **0.0%**
- Kaiser and Anthem comprise 88.5% of the total cost

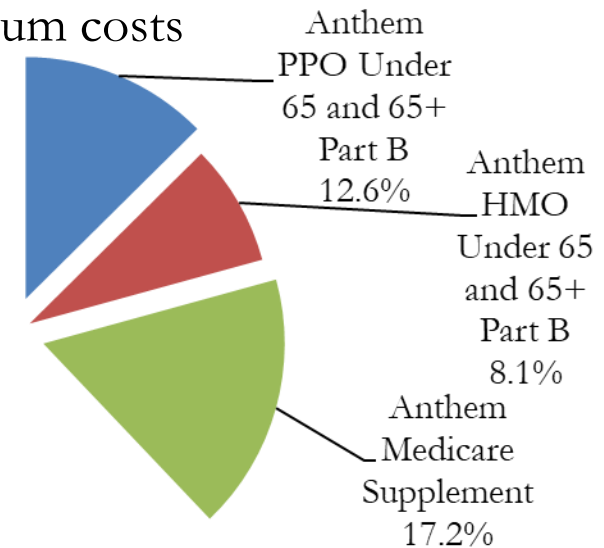


Carrier	Current Enrollment	2020 Premium	2021 Renewal - Final		
			Premium	\$ Change	% Change
Anthem	5,139	\$46,918,507	\$48,219,300	\$1,300,794	2.77%
Kaiser	17,420	\$65,681,506	\$64,441,661	(\$1,239,845)	-1.89%
UnitedHealthcare	1,027	\$3,339,871	\$3,339,871	\$0	0.00%
SCAN	645	\$2,010,929	\$2,010,929	\$0	0.00%
Delta Dental	13,332	\$8,427,820	\$8,427,820	\$0	0.00%
Anthem Blue View	6,385	\$800,579	\$800,579	\$0	0.00%
<b>GRAND TOTAL</b>		<b>\$127,179,212</b>	<b>\$127,240,161</b>	<b>\$60,949</b>	<b>0.05%</b>

- 1) Anthem and Delta Dental enrollments are retiree counts.
- 2) Kaiser, UnitedHealthcare and SCAN enrollments are member counts.

# Anthem Blue Cross Renewal

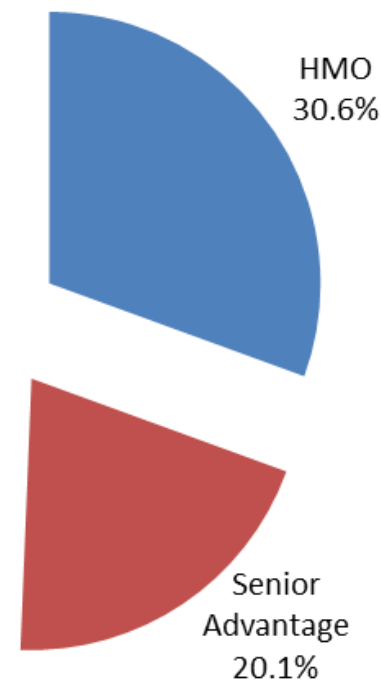
- Anthem Blue Cross comprises 37.9% of LACERS' premium costs
- Anthem requested the following rate adjustments:
  - PPO Under 65 / 65+ Part B: **\$444,069** or **2.85%**
  - HMO Under 65 / 65+ Part B: **\$292,942** or **2.91%**
  - Medicare Supplement: **\$563,783** or **2.65%**
  - An overall increase of **\$1,300,794** or **2.77%**
- Considerations for Anthem's renewal:
  - 2021 wellness program contribution of \$250,000
  - The final renewal includes Anthem concession of \$2,663,820, from an overall increase request of 8.45% to 2.77%



Anthem	Current Enrollment	2020 Premium	2021 Renewal - Final		
			Premium	\$ Change	% Change
PPO Under 65 and 65+ Part B	1,051	\$15,581,369	\$16,025,438	\$444,069	2.85%
HMO Under 65 and 65+ Part B	814	\$10,065,436	\$10,358,378	\$292,942	2.91%
Medicare Supplement	3,274	\$21,271,702	\$21,835,485	\$563,783	2.65%
<b>Total</b>	<b>5,139</b>	<b>\$46,918,507</b>	<b>\$48,219,300</b>	<b>\$1,300,794</b>	<b>2.77%</b>

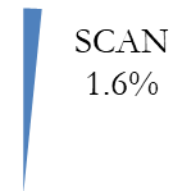
# Kaiser Permanente Renewal

- Kaiser comprises 50.6% of LACERS' premium costs
- Kaiser requested the following rate adjustments:
  - HMO Under 65: \$1,077,078 or 2.85% increase
  - Senior Advantage: -\$2,316,923 or -8.31% decrease
  - For an overall decrease of -\$1,239,845 or -1.89%
- Other considerations:
  - \$150,000 rate load for the wellness program
  - \$40,000 for Open Enrollment



Kaiser	Current Enrollment	2020 Premium	2021 Renewal - Final		
			Premium	\$ Change	% Change
HMO Under 65	4,108	\$37,805,143	\$38,882,221	\$1,077,078	2.85%
Senior Advantage	13,312	\$27,876,363	\$25,559,441	(\$2,316,923)	-8.31%
<b>Total</b>	<b>17,420</b>	<b>\$65,681,506</b>	<b>\$64,441,661</b>	<b>(\$1,239,845)</b>	<b>-1.89%</b>

# SCAN Renewal

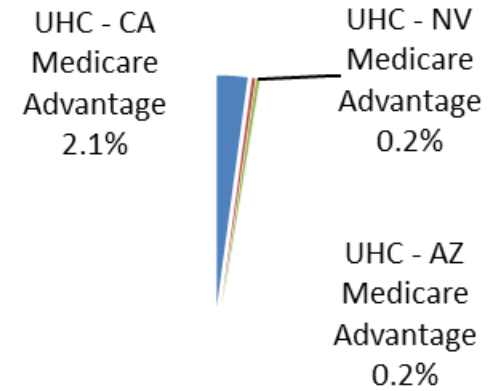


- SCAN Medicare Advantage HMO is available to retired members with Medicare Parts A and B
- SCAN comprises 1.6% of LACERS' premium costs
- SCAN requested the following rate adjustments:
  - Medicare Advantage: \$0 or 0.0%
- Other considerations:
  - Wellness program contribution of \$10,500

SCAN	Current Enrollment	2020 Premium	2021 Renewal - Final		
			Premium	\$ Change	% Change
Medicare Advantage	645	\$2,010,929	\$2,010,929	\$0	0.0%

# UnitedHealthcare Renewal

- UnitedHealthcare Medicare Advantage HMO is available to retired Members with Medicare Parts A and B
- UHC provides LACERS coverage in California, Arizona, and Nevada
- UHC comprises 2.6% of LACERS' premium costs
- UHC proposed a **\$0** or **0.0%** increase
- Other considerations:
  - Wellness program contribution of \$8,500
- The final renewal includes UHC's concession of \$100,160 of a requested 3.00% increase to a rate pass 0.00%



United Healthcare	Current	2020	2021 Renewal - Final		
			Premium	\$ Change	% Change
CA Medicare Advantage	845	\$2,728,877	\$2,728,877	\$0	0.0%
NV Medicare Advantage	110	\$317,183	\$317,183	\$0	0.0%
AZ Medicare Advantage	72	\$293,812	\$293,812	\$0	0.0%
<b>Total</b>	<b>1,027</b>	<b>\$3,339,871</b>	<b>\$3,339,871</b>	<b>\$0</b>	<b>0.0%</b>

# Delta Dental Renewal

Delta Dental PPO and DHMO is available to all retired members

Delta Dental  
PPO  
6.0%



Delta Dental  
DHMO  
0.6%

- Delta Dental comprises 6.6% of LACERS' premium costs
- LACERS started self-funding the Delta Dental PPO as of January 1, 2019
- The self-funded PPO requires no rate adjustment for 2021
- The Delta Dental DHMO requires no rate adjustment for 2021
- Other considerations:
  - Wellness program contribution of \$10,000
- The final renewal includes Delta Dental's concession on the DHMO from an increase of \$45,650, or a 6.00%, to a rate pass, 0.00%

Delta Dental	Current	2020	2021 Renewal - Final		
	Enrollment	Premium	Premium	\$ Change	% Change
PPO	10,137	\$7,666,984	\$7,666,984	\$0	0.0%
DHMO	3,195	\$760,835	\$760,835	\$0	0.0%
<b>Total</b>	<b>13,332</b>	<b>\$8,427,820</b>	<b>\$8,427,820</b>	<b>\$0</b>	<b>0.0%</b>

# Delta Dental Self-Funded Renewal

2021 will be the third year of self-funding the PPO dental plan. The 2021 underwriting shows no renewal increase required for 2021

- The underwriting for 2021 shows a rate decrease of -5.35%
- Keenan recommends a rate pass for 2021 and allow the Dental PPO plan to continue building its reserve

## 2021 Self-funded Dental PPO Plan Underwriting

			5/1/2019 - 4/30/2020
1	Paid Claims (5/1/2019 - 4/30/2020)		\$7,823,802
2	Stated Reserve as of 12/31/29		(521,600)
3	Projected Ending Reserve	8.0%	625,904
4	Incurred Claims		\$7,928,106
5	Covered Employees		146,317
6	Incurred Claims/EE/Month		\$54.18
7	Trend Factor	5.0%	1.0847
8	Expected Incurred Claims (1/1/2021 - 12/31/2021)		\$58.77
9	Administration	8.7%	5.10
10	Calculated Funding Level Without Margin		\$63.87
11	Current Average Funding Level		\$70.58
12	<b>Calculated Funding Action Without Margin = (10)/(11)</b>		<b>-9.51%</b>
13	Recommended Margin = Margin % x (8)	5.0%	\$2.94
14	Calculated Funding Level With Margin = (10)+(13)		\$66.81
15	Current Average Funding Level = (11)		\$70.58
16	<b>Calculated Funding Action With Margin = (14)/(15)</b>		<b>-5.35%</b>



# Anthem Blue View Vision Renewal

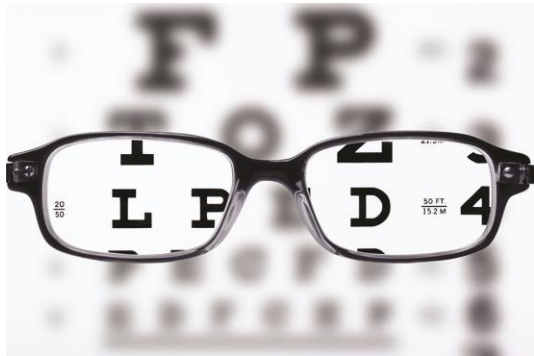
Anthem Blue View Vision is available to retired Members enrolled in Anthem, SCAN and UHC

- Anthem Blue View comprises 0.6% of LACERS premium costs
- Anthem Blue View will be in the second year of a three-year rate guarantee; 2021: **\$0** or **0.00%**

Other considerations:

–Wellness program contribution is combined with Anthem medical

Anthem  
Blue View  
0.6%



Anthem Blue View	Current Enrollment	2020 Premium	2021 Renewal - Final		
			Premium	\$ Change	% Change
Vision	6,385	\$800,579	\$800,579	\$0	0.0%

# 2021 Projected Renewal Action

2021 Renewal Summary	2021 Rate Action %		Retained by LACERS	2021 Rate Action \$		Retained by LACERS
	Carrier Rate	Member Rate		Carrier Rate	Member Rate	
<b>Anthem</b>						
U65 and 65+ Part B PPO - Refunding	2.85%	0.65%	0.00%	\$ 444,089	\$ 101,583	\$ -
Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	2.91%	2.91%	0.00%	\$ 292,942	\$ 292,942	\$ -
Retiree > 65 with both parts A & B of Medicare & Dependent < 65	2.65%	2.65%	0.00%	\$ 563,783	\$ 563,783	\$ -
<b>Kaiser</b>						
Kaiser HMO	2.85%	0.00%	2.04%	\$ 1,077,078	\$ -	\$ 771,982
Kaiser Senior Advantage	-8.31%	0.00%	12.33%	\$(2,316,923)	\$ -	\$ 3,438,463
<b>UHC - HMO MAPD with RX</b>						
California	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
Nevada	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
Arizona	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
<b>SCAN - Medicare HMO</b>						
SCAN HMO	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
<b>Delta Dental</b>						
PPO	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
DHMO	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
<b>Anthem Blue View</b>						
Vision	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
<b>Total</b>				<b>\$ 60,969</b>	<b>\$ 958,308</b>	<b>\$4,210,445</b>

- LACERS has maintained a strategy of holding member rates when carriers have requested rate decreases. This has enabled LACERS to build reserves to better serve retirees. Due to this strategy:
  - the 2021 Anthem PPO rate impact on retirees will only be a 0.65% (\$101,583) versus 2.85% carrier increase of \$444,089
  - The 2021 Kaiser HMO rate impact on retirees will be 0.0% versus the 2.85% carrier increase of \$1,077,078. Additionally, LACERS will be able to reserve 2.04% or \$771,982
  - The 2021 Kaiser Senior Advantage rate impact on retirees could be 0.0% with the carrier rate decreasing -8.21% (-\$2,316,923) giving LACERS the opportunity to reserve 12.33% of the carrier rate (\$3,438,463)
  - All other 2021 carrier and member rates are proposed as unchanged from 2020

# Benefit Enhancements

- Within the 2021 renewal, LACERS requested the following benefit enhancements:
  - Kaiser a Silver & Fit equivalent for the Kaiser HMO
    - Active & Fit can be added at a cost of subscriber \$4.23 per month, subscriber +1 dependent \$8.46, Subscriber +2+ dependents \$11.00
  - All medical carriers were asked to provide their capabilities to offer:
    - a Life Alert program - adding a Life Alert service/product for each covered retiree
    - adding a transportation benefit to assist retirees from getting to and from providers
    - a meals program to coordinate food/meal delivery services with vendors such as Meals on Wheels for homebound retirees
    - products/services to assist homebound retirees to receive the appropriate care and wellness checks
      - Only SCAN currently includes all four of these benefits in its current rates
      - Not available with LACERS' current Anthem plans
      - Kaiser (\$5.25 pmpm) and UHC (\$1.44pmpm) can offer a transportation benefit for the Medicare population
  - LACERS will work with our carrier partners to develop these benefits for the future

# 2021 Projections w/ Benefit Enhancements

2021 Renewal Summary with Benefit Enhancements	2021 Rate Action %		Retained by LACERS	2021 Rate Action \$		Retained by LACERS
	Carrier Rate	Member Rate		Carrier Rate	Member Rate	
<b>Anthem</b>						
U65 and 65+ Part B PPO - Refunding	2.85%	0.65%	0.00%	\$ 444,089	\$ 101,583	\$ -
Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	2.91%	2.91%	0.00%	\$ 292,942	\$ 292,942	\$ -
Retiree > 65 with both parts A & B of Medicare & Dependent < 65	2.65%	2.65%	0.00%	\$ 563,783	\$ 563,783	\$ -
<b>Kaiser with Active &amp; Fit and Transportation Benefit</b>						
Kaiser HMO	3.37%	0.00%	1.53%	\$ 1,273,902	\$ -	\$ 577,957
Kaiser Senior Advantage	-6.25%	0.00%	9.87%	\$(1,742,615)	\$ -	\$ 2,750,297
<b>UHC - HMO MAPD with RX with Transportation Benefit</b>						
California	0.54%	0.54%	0.00%	\$ 14,602	\$ 14,602	\$ -
Nevada	0.60%	0.60%	0.00%	\$ 1,901	\$ 1,901	\$ -
Arizona	0.42%	0.42%	0.00%	\$ 1,244	\$ 1,244	\$ -
<b>SCAN - Medicare HMO</b>						
SCAN HMO	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
<b>Delta Dental</b>						
PPO	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
DHMO	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
<b>Anthem Blue View</b>						
Vision	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
<b>Total</b>				<b>\$ 849,848</b>	<b>\$ 976,055</b>	<b>\$3,328,254</b>

- The revised 2021 Projections include the benefit enhancements for Kaiser and UHC:
  - Kaiser: Active & Fit and transportation benefit carrier rate increases HMO from 2.85% to 3.37%, and the Senior Advantage from -8.31% to -6.25%. The rates to members would remain unchanged
  - UHC: Transportation benefit +0.54% CA, +0.60% NV, and 0.42% AZ. Both carrier rates and member rates would increase
- The benefit enhancements represent a \$788,879 increase in carrier premium, but only a \$17,747 increase in member cost.

# Security Breach Performance Standard

- LACERS has requested that each carrier provide performance standards, measures, and guarantees in the event of a security breach exposing LACERS Members' personal health information (PHI).
- Anthem, SCAN, UHC, and Delta Dental have complied with this request. Kaiser has escalated this issue to its senior leadership. Kaiser to date has presented the following arguments on why they are unable to offer any performance guarantees:
  - Kaiser stated any proposed Performance Guarantees would not benefit LACERS members directly and would only monetarily benefit LACERS and not the members:
    - Keenan has argued that is not true. The Performance Guarantees are requested and placed as a preventive measure and comes from LACERS' fiduciary responsibility to ensure vendors have processes in place to prevent and ensure data breach safety measures, which do benefit the members by safe guarding their information
    - Keenan also proposed that if the direct monetary concern is in play, then LACERS would accept premium holidays that would directly benefit LACERS Kaiser members
      - Kaiser declined

# Security Breach Performance Standard

- Kaiser responded with the following proposal to include the following language in the Cover Agreement for 2021:
  - That the Parties recognize and agree that the Kaiser Foundation Health Plan is a Covered Entity under HIPAA and is directly subject to federal and state information privacy laws
  - Keenan made the argument it still does not meet LACERS needs as a fiduciary of a plan when Kaiser is the only health plan vendor under LACERS that refuses to offer data breach PGs and is only stating what is already a known and covered by state and federal laws, and simply viewed as not a solution when all of LACERS other vendors have offered PGs to address the concern.
- LACERS may want to market the health plans with one of the mandates to include that all proposing vendors be required that PGs are proposed around data breach requirements.

# Recommendations

- Accept the medical renewals as recommended with benefit enhancements to Kaiser and UHC
- Accept the final dental plan renewals as recommended
- Accept the vision plan rates. 2021 represents year two of a three-year rate guarantee



# Appendix



# Financial Summary

All Coverage	Current Enrollment	2020 Premium	2021 Renewal - Final		
			Premium	\$ Change	% Change
<b>Anthem</b>					
PPO Under 65 and 65+ Part B	1,051	\$15,581,369	\$16,025,438	\$444,069	2.85%
HMO Under 65 and 65+ Part B	814	\$10,065,436	\$10,358,378	\$292,942	2.91%
Medicare Supplement	3,274	\$21,271,702	\$21,835,485	\$563,783	2.65%
<b>Total</b>	<b>5,139</b>	<b>\$46,918,507</b>	<b>\$48,219,300</b>	<b>\$1,300,794</b>	<b>2.77%</b>
<b>Kaiser</b>					
HMO Under 65	4,108	\$37,805,143	\$38,882,221	\$1,077,078	2.85%
Senior Advantage	13,312	\$27,876,363	\$25,559,441	(\$2,316,923)	-8.31%
<b>Total</b>	<b>17,420</b>	<b>\$65,681,506</b>	<b>\$64,441,661</b>	<b>(\$1,239,845)</b>	<b>-1.89%</b>
<b>UnitedHealthcare</b>					
CA Medicare Advantage	845	\$2,728,877	\$2,728,877	\$0	0.00%
NV Medicare Advantage	110	\$317,183	\$317,183	\$0	0.00%
AZ Medicare Advantage	72	\$293,812	\$293,812	\$0	0.00%
<b>Total</b>	<b>1,027</b>	<b>\$3,339,871</b>	<b>\$3,339,871</b>	<b>\$0</b>	<b>0.00%</b>
<b>SCAN</b>					
Medicare Advantage	645	\$2,010,929	\$2,010,929	\$0	0.00%
<b>Total</b>	<b>645</b>	<b>\$2,010,929</b>	<b>\$2,010,929</b>	<b>\$0</b>	<b>0.00%</b>
<b>Medical Total</b>	<b>24,231</b>	<b>\$117,950,814</b>	<b>\$118,011,763</b>	<b>\$60,949</b>	<b>0.05%</b>
<b>DENTAL</b>					
Delta Dental PPO (self-funded)	10,137	\$7,666,984	\$7,666,984	\$0	0.00%
Delta Dental HMO	3,195	\$760,835	\$760,835	\$0	0.00%
<b>Dental Total</b>	<b>13,332</b>	<b>\$8,427,820</b>	<b>\$8,427,820</b>	<b>\$0</b>	<b>0.00%</b>
<b>VISION</b>					
Anthem Blue View	6,385	\$800,579	\$800,579	\$0	0.00%
<b>Vision Total</b>	<b>6,385</b>	<b>\$800,579</b>	<b>\$800,579</b>	<b>\$0</b>	<b>0.00%</b>
<b>GRAND TOTAL</b>		<b>\$127,179,212</b>	<b>\$127,240,161</b>	<b>\$60,949</b>	<b>0.05%</b>
1) Anthem (including Blue View vision) and Delta Dental enrollments are retiree counts.					
2) Kaiser, UnitedHealthcare and SCAN enrollments are member counts.					

# Financial Summary w Benefit Enhancement

All Coverage	Current	2020	2021 Renewal - Final		
	Enrollment	Premium	Premium	\$ Change	% Change
<b>Anthem</b>					
PPO Under 65 and 65+ Part B	1,051	\$15,581,369	\$16,025,438	\$444,069	2.85%
HMO Under 65 and 65+ Part B	814	\$10,065,436	\$10,358,378	\$292,942	2.91%
Medicare Supplement	3,274	\$21,271,702	\$21,835,485	\$563,783	2.65%
<b>Total</b>	<b>5,139</b>	<b>\$46,918,507</b>	<b>\$48,219,300</b>	<b>\$1,300,794</b>	<b>2.77%</b>
<b>Kaiser</b>					
HMO Under 65	4,108	\$37,805,143	\$39,079,176	\$1,274,033	3.37%
Senior Advantage	13,312	\$27,876,363	\$26,134,091	(\$1,742,273)	-6.25%
<b>Total</b>	<b>17,420</b>	<b>\$65,681,506</b>	<b>\$65,213,267</b>	<b>(\$468,239)</b>	<b>-0.71%</b>
<b>UnitedHealthcare</b>					
CA Medicare Advantage	845	\$2,728,877	\$2,743,613	\$14,736	0.54%
NV Medicare Advantage	110	\$317,183	\$319,086	\$1,903	0.60%
AZ Medicare Advantage	72	\$293,812	\$295,046	\$1,234	0.42%
<b>Total</b>	<b>1,027</b>	<b>\$3,339,871</b>	<b>\$3,357,744</b>	<b>\$17,873</b>	<b>0.54%</b>
<b>SCAN</b>					
Medicare Advantage	645	\$2,010,929	\$2,010,929	\$0	0.00%
<b>Total</b>	<b>645</b>	<b>\$2,010,929</b>	<b>\$2,010,929</b>	<b>\$0</b>	<b>0.00%</b>
<b>Medical Total</b>	<b>24,231</b>	<b>\$117,950,814</b>	<b>\$118,801,241</b>	<b>\$850,427</b>	<b>0.72%</b>
<b>DENTAL</b>					
Delta Dental PPO (self-funded)	10,137	\$7,666,984	\$7,666,984	\$0	0.00%
Delta Dental HMO	3,195	\$760,835	\$760,835	\$0	0.00%
<b>Dental Total</b>	<b>13,332</b>	<b>\$8,427,820</b>	<b>\$8,427,820</b>	<b>\$0</b>	<b>0.00%</b>
<b>VISION</b>					
Anthem Blue View	6,385	\$800,579	\$800,579	\$0	0.00%
<b>Vision Total</b>	<b>6,385</b>	<b>\$800,579</b>	<b>\$800,579</b>	<b>\$0</b>	<b>0.00%</b>
<b>GRAND TOTAL</b>		<b>\$127,179,212</b>	<b>\$128,029,639</b>	<b>\$850,427</b>	<b>0.67%</b>

# Anthem PPO Rates

Anthem		Carrier Rates			Member Rates			Amount Retained by LACERS	
U65 and 65+ Part B PPO - Refunding		2020	2021	% Change	2020	2021	% Change	2020	2021
<b>Retiree Only</b>									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,235.44	\$1,270.65	2.85%	\$1,262.42	\$1,270.65	0.65%	\$26.98	\$0.00
<b>Retiree and One Dependent</b>									
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$2,470.88	\$2,541.30	2.85%	\$2,524.84	\$2,541.30	0.65%	\$53.96	\$0.00
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,235.44	\$1,270.65	2.85%	\$1,262.42	\$1,270.65	0.65%	\$26.98	\$0.00
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,235.44	\$1,270.65	2.85%	\$1,262.42	\$1,270.65	0.65%	\$26.98	\$0.00
<b>Retiree and Family (Family = 2 or more dependents)</b>									
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$2,903.28	\$2,986.03	2.85%	\$2,966.69	\$2,986.03	0.65%	\$63.41	\$0.00
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,667.84	\$1,715.38	2.85%	\$1,704.27	\$1,715.38	0.65%	\$36.43	\$0.00
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$1,667.84	\$1,715.38	2.85%	\$1,704.27	\$1,715.38	0.65%	\$36.43	\$0.00
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$432.40	\$444.73	2.85%	\$441.85	\$444.73	0.65%	\$9.45	\$0.00

# Anthem HMO Rates

Anthem		Carrier Rates			Member Rates			Amount Retained by LACERS	
HMO - Refunding (Assumes Current Plan with Traditional HMO Network)		2020	2021	% Change	2020	2021	% Change	2020	2021
<b>Retiree Only</b>									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,030.45	\$1,060.44	2.91%	\$1,030.45	\$1,060.44	2.91%	\$0.00	\$0.00
<b>Retiree and One Dependent</b>									
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$2,060.90	\$2,120.88	2.91%	\$2,060.90	\$2,120.88	2.91%	\$0.00	\$0.00
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,030.45	\$1,060.44	2.91%	\$1,030.45	\$1,060.44	2.91%	\$0.00	\$0.00
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,030.45	\$1,060.44	2.91%	\$1,030.45	\$1,060.44	2.91%	\$0.00	\$0.00
<b>Retiree and Family (Family = 2 or more dependents)</b>									
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$2,679.17	\$2,757.14	2.91%	\$2,679.17	\$2,757.14	2.91%	\$0.00	\$0.00
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,648.72	\$1,696.70	2.91%	\$1,648.72	\$1,696.70	2.91%	\$0.00	\$0.00
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$1,648.72	\$1,696.70	2.91%	\$1,648.72	\$1,696.70	2.91%	\$0.00	\$0.00
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$618.27	\$636.26	2.91%	\$618.27	\$636.26	2.91%	\$0.00	\$0.00

# Anthem Rates

Anthem		Carrier Rates			Member Rates			Amount Retained by LACERS	
Anthem Medicare Supplement Plan - Refunding *		2020	2021	% Change	2020	2021	% Change	2020	2021
Retiree Only									
M	Retiree > 65 with both Parts A & B of Medicare	\$541.43	\$555.78	2.65%	\$541.43	\$555.78	2.65%	\$0.00	\$0.00
Retiree and One Dependent						\$0.00			
UM	Retiree < 65 & Dependent > 65 with both Parts A & B of Medicare	\$541.43	\$555.78	2.65%	\$541.43	\$555.78	2.65%	\$0.00	\$0.00
MU	Retiree > 65 with both Parts A & B of Medicare & Dependent < 65	\$541.43	\$555.78	2.65%	\$541.43	\$555.78	2.65%	\$0.00	\$0.00
MM	Retiree & Dependent both > 65 with both Parts A & B of Medicare	\$1,082.86	\$1,111.56	2.65%	\$1,082.86	\$1,111.56	2.65%	\$0.00	\$0.00
Retiree and Family (Family = 2 or more dependents)						\$0.00			
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$541.43	\$555.78	2.65%	\$541.43	\$555.78	2.65%	\$0.00	\$0.00
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$541.43	\$555.78	2.65%	\$541.43	\$555.78	2.65%	\$0.00	\$0.00
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,082.86	\$1,111.56	2.65%	\$1,082.86	\$1,111.56	2.65%	\$0.00	\$0.00
MMM	Retiree & Two Dependent both > 65 with both Parts A & B of Medicare	\$1,624.29	\$1,667.34	2.65%	\$1,624.29	\$1,667.34	2.65%	\$0.00	\$0.00

\* These rates include the Silver Sneakers program.

\*\* Acupuncture - Anthem will align the Acupuncture benefits for the plans with the Chiro benefit (co-pay and number of visits) w/out rate change.

\*\*\* Medicare prescription drug coverage – Both plans currently have the same maximum member copay in the catastrophic phase.□

# KAISER Rates

Kaiser		Carrier Rates			Member Rates			Amount Retained by LACERS	
HMO		2020	2021	% Change	2020	2021	% Change	2020	2021
Retiree Only									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$813.14	\$836.31	2.85%	\$853.39	\$853.39	0.00%	\$40.25	\$17.08
M	Retiree with Medicare	\$254.83	\$233.65	-8.31%	\$262.47	\$262.47	0.00%	\$7.64	\$28.82
Retiree and One Dependent									
UU	Retiree & Dependent both < 65	\$1,626.28	\$1,672.61	2.85%	\$1,706.78	\$1,706.78	0.00%	\$80.50	\$34.17
UM	Retiree < 65 & Dependent with both Parts A&B of Medicare	\$1,067.97	\$1,069.96	0.19%	\$1,115.86	\$1,115.86	0.00%	\$47.89	\$45.90
MU	Retiree > 65 with both Parts A&B of Medicare & Dependent < 65	\$1,067.97	\$1,069.96	0.19%	\$1,115.86	\$1,115.86	0.00%	\$47.89	\$45.90
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$509.66	\$467.30	-8.31%	\$524.94	\$524.94	0.00%	\$15.28	\$57.64
Retiree and Family (Family = 2 or more dependents)									
UUU	Retiree & Dependents all < 65	\$2,114.16	\$2,174.40	2.85%	\$2,218.82	\$2,218.82	0.00%	\$104.66	\$44.42
UMU	Retiree < 65 & One Dependent > 65 with both Parts A&B of Medicare, & Dependents without Medicare	\$1,555.85	\$1,571.75	1.02%	\$1,627.90	\$1,627.90	0.00%	\$72.05	\$56.15
MUU	Retiree > 65 with both Parts A&B of Medicare & Dependents without Medicare	\$1,555.85	\$1,571.75	1.02%	\$1,627.90	\$1,627.90	0.00%	\$72.05	\$56.15
MMU	Retiree & One Dependent > 65 with both Parts A&B of Medicare & at least One Dependent without Medicare	\$997.54	\$969.09	-2.85%	\$1,036.98	\$1,036.98	0.00%	\$39.44	\$67.89
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$763.68	\$700.95	-8.21%	\$786.81	\$786.81	0.00%	\$23.13	\$85.86

# KAISER Rates with Benefit Enhancements

Kaiser (with Active & Fit and Transportation Benefit)		Carrier Rates			Member Rates			Amount Retained by LACERS	
HMO		2020	2021	% Change	2020	2021	% Change	2020	2021
<b>Retiree Only</b>									
<b>U</b>	Retiree < 65 or > 65 with only Part B of Medicare	\$813.14	\$840.54	3.37%	\$853.39	\$853.39	0.00%	\$40.25	\$12.85
<b>M</b>	Retiree with Medicare	\$254.83	\$238.90	-6.25%	\$262.47	\$262.47	0.00%	\$7.64	\$23.57
<b>Retiree and One Dependent</b>									
<b>UU</b>	Retiree & Dependent both < 65	\$1,626.28	\$1,681.07	3.37%	\$1,706.78	\$1,706.78	0.00%	\$80.50	\$25.71
<b>UM</b>	Retiree < 65 & Dependent with both Parts A&B of Medicare	\$1,067.97	\$1,079.44	1.07%	\$1,115.86	\$1,115.86	0.00%	\$47.89	\$36.42
<b>MU</b>	Retiree > 65 with both Parts A&B of Medicare & Dependent < 65	\$1,067.97	\$1,079.44	1.07%	\$1,115.86	\$1,115.86	0.00%	\$47.89	\$36.42
<b>MM</b>	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$509.66	\$477.80	-6.25%	\$524.94	\$524.94	0.00%	\$15.28	\$47.14
<b>Retiree and Family (Family = 2 or more dependents)</b>									
<b>UUU</b>	Retiree & Dependents all < 65	\$2,114.16	\$2,185.40	3.37%	\$2,218.82	\$2,218.82	0.00%	\$104.66	\$33.42
<b>UMU</b>	Retiree < 65 & One Dependent > 65 with both Parts A&B of Medicare, & Dependents without Medicare	\$1,555.85	\$1,583.77	1.79%	\$1,627.90	\$1,627.90	0.00%	\$72.05	\$44.13
<b>MUU</b>	Retiree > 65 with both Parts A&B of Medicare & Dependents without Medicare	\$1,555.85	\$1,583.77	1.79%	\$1,627.90	\$1,627.90	0.00%	\$72.05	\$44.13
<b>MMU</b>	Retiree & One Dependent > 65 with both Parts A&B of Medicare & at least One Dependent without Medicare	\$997.54	\$982.13	-1.54%	\$1,036.98	\$1,036.98	0.00%	\$39.44	\$54.85
<b>MMM</b>	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$763.68	\$716.70	-6.15%	\$786.81	\$786.81	0.00%	\$23.13	\$70.11

# UHC Rates

UHC		Carrier Rates		Member Rates			Amount Retained by LACERS	
HMO MAPD with RX - (Assumes Current Plan)		2021	% Change	2020	2021	% Change	2020	2021
<b>California</b>								
<b>M</b>	Retiree with Medicare	\$269.12	0.00%	\$269.12	\$269.12	0.00%	\$0.00	\$0.00
<b>MM</b>	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$538.24	0.00%	\$538.24	\$538.24	0.00%	\$0.00	\$0.00
<b>MMM</b>	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$807.36	0.00%	\$807.36	\$807.36	0.00%	\$0.00	\$0.00
<b>Nevada</b>								
<b>M</b>	Retiree with Medicare	\$240.29	0.00%	\$240.29	\$240.29	0.00%	\$0.00	\$0.00
<b>MM</b>	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$480.58	0.00%	\$480.58	\$480.58	0.00%	\$0.00	\$0.00
<b>MMM</b>	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$720.87	0.00%	\$720.87	\$720.87	0.00%	\$0.00	\$0.00
<b>Arizona</b>								
<b>M</b>	Retiree with Medicare	\$340.06	0.00%	\$340.06	\$340.06	0.00%	\$0.00	\$0.00
<b>MM</b>	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$680.12	0.00%	\$680.12	\$680.12	0.00%	\$0.00	\$0.00
<b>MMM</b>	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$1,020.18	0.00%	\$1,020.18	\$1,020.18	0.00%	\$0.00	\$0.00



# UHC Rates with Benefit Enhancements

UHC		Carrier Rates			Member Rates			Amount Retained by LACERS	
HMO MAPD with RX - (Assumes Current Plan)		2020	2021	% Change	2020	2021	% Change	2020	2021
<b>California</b>									
<b>M</b>	Retiree with Medicare	\$269.12	\$270.56	0.54%	\$269.12	\$270.56	0.54%	\$0.00	\$0.00
<b>MM</b>	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$538.24	\$541.12	0.54%	\$538.24	\$541.12	0.54%	\$0.00	\$0.00
<b>MMM</b>	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$807.36	\$816.00	1.07%	\$807.36	\$816.00	1.07%	\$0.00	\$0.00
<b>Nevada</b>									
<b>M</b>	Retiree with Medicare	\$240.29	\$241.73	0.60%	\$240.29	\$241.73	0.60%	\$0.00	\$0.00
<b>MM</b>	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$480.58	\$483.46	0.60%	\$480.58	\$483.46	0.60%	\$0.00	\$0.00
<b>MMM</b>	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$720.87	\$729.51	1.20%	\$720.87	\$729.51	1.20%	\$0.00	\$0.00
<b>Arizona</b>									
<b>M</b>	Retiree with Medicare	\$340.06	\$341.50	0.42%	\$340.06	\$341.50	0.42%	\$0.00	\$0.00
<b>MM</b>	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$680.12	\$683.00	0.42%	\$680.12	\$683.00	0.42%	\$0.00	\$0.00
<b>MMM</b>	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$1,020.18	\$1,028.82	0.85%	\$1,020.18	\$1,028.82	0.85%	\$0.00	\$0.00

# SCAN Rates

SCAN		Carrier Rates			Member Rates			Amount Retained by LACERS	
HMO		2020	2021	% Change	2020	2021	% Change	2020	2021
<b>M</b>	Retiree with Medicare	\$259.81	\$259.81	0.00%	\$259.81	\$259.81	0.00%	\$0.00	\$0.00
<b>MM</b>	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$519.62	\$519.62	0.00%	\$519.62	\$519.62	0.00%	\$0.00	\$0.00
<b>MMM</b>	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$779.43	\$779.43	0.00%	\$779.43	\$779.43	0.00%	\$0.00	\$0.00

# Delta Dental Rates

Delta Dental		Carrier Rates			Member Rates			Amount Retained by LACERS	
Dental		2020	2021	% Change	2020	2021	% Change	2020	2021
<b>Dental PPO</b>		Self-Funded Fee and Equivalent Rate							
	Dental ASO Fee PEPM	\$5.10	\$5.10	0.00%					
<b>M</b>	Retiree	\$51.16	\$51.16	0.00%	\$51.16	\$51.16	0.00%	\$0.00	\$0.00
<b>MM</b>	Retiree & Dependent	\$101.45	\$101.45	0.00%	\$101.45	\$101.45	0.00%	\$0.00	\$0.00
<b>MMM</b>	Retiree & Two Dependents	\$146.56	\$146.56	0.00%	\$146.56	\$146.56	0.00%	\$0.00	\$0.00
<b>DHMO</b>		Fully-Insured Rates							
<b>M</b>	Retiree	\$14.38	\$14.38	0.00%	\$14.38	\$14.38	0.00%	\$0.00	\$0.00
<b>MM</b>	Retiree & Dependent	\$26.85	\$26.85	0.00%	\$26.85	\$26.85	0.00%	\$0.00	\$0.00
<b>MMM</b>	Retiree & Two Dependents	\$31.04	\$31.04	0.00%	\$31.04	\$31.04	0.00%	\$0.00	\$0.00
* Delta Dental PPO rates represent Premium Equivalent Rates, the self-funded ASO fee is \$5.10 per retiree per month for 3 years.									

# Anthem Blue View Vision Rates

Anthem Blue View Vision		Carrier Rates			Member Rates			Amount Retained by LACERS	
Vision		2020	2021	% Change	2020	2021	% Change	2020	2021
<b>3 Year rate Guarantee through 2022</b>									
<b>M</b>	Retiree	\$9.14	\$9.14	0.00%	\$9.14	\$9.14	0.00%	\$0.00	\$0.00
<b>MM</b>	Retiree & Dependent	\$13.25	\$13.25	0.00%	\$13.25	\$13.25	0.00%	\$0.00	\$0.00
<b>MMM</b>	Retiree & Two Dependents	\$23.67	\$23.67	0.00%	\$23.67	\$23.67	0.00%	\$0.00	\$0.00

# Delta Dental – PPO Plan Experience

Date	Number of Claims	Paid Amount	Administration	Total Expenses	Total Primary Enrollees	Premium	Surplus / (Deficit)	Expense Loss Ratio
Jan-19	2,385	\$545,725	\$60,231	\$605,956	11,822	\$835,516	\$229,559	72.52%
Feb-19	3,360	\$737,068	\$60,399	\$797,467	11,836	\$835,668	\$38,201	95.43%
Mar-19	3,240	\$700,291	\$60,542	\$760,833	11,880	\$838,960	\$78,127	90.69%
Apr-19	3,126	\$642,973	\$60,965	\$703,938	11,968	\$845,985	\$142,047	83.21%
May-19	3,750	\$781,973	\$61,210	\$843,184	11,995	\$847,141	\$3,958	99.53%
Jun-19	3,114	\$610,363	\$61,373	\$671,736	12,033	\$849,845	\$178,108	79.04%
Jul-19	2,933	\$568,691	\$61,542	\$630,233	12,072	\$852,544	\$222,311	73.92%
Aug-19	3,965	\$737,173	\$61,725	\$798,898	12,096	\$853,571	\$54,673	93.59%
Sep-19	3,064	\$597,225	\$61,863	\$659,088	12,140	\$857,003	\$197,914	76.91%
Oct-19	4,117	\$731,619	\$62,087	\$793,707	12,163	\$858,044	\$64,337	92.50%
Nov-19	3,061	\$572,951	\$62,031	\$634,982	12,174	\$858,014	\$223,032	74.01%
Dec-19	3,013	\$537,709	\$62,103	\$599,811	12,174	\$857,833	\$258,022	69.92%
Jan-20	4,133	\$905,378	\$62,878	\$968,256	12,323	\$870,147	-\$98,109	111.27%
Feb-20	3,837	\$870,292	\$62,623	\$932,915	12,366	\$873,353	-\$59,562	106.82%
Mar-20	3,166	\$689,302	\$63,857	\$753,159	12,425	\$877,809	\$124,650	85.80%
Apr-20	910	\$221,127	\$63,439	\$284,566	12,356	\$872,415	\$587,849	32.62%
<b>12 Month Total</b>	<b>39,063</b>	<b>\$7,823,802</b>	<b>\$746,732</b>	<b>\$8,570,534</b>	<b>146,317</b>	<b>\$10,327,718</b>	<b>\$1,757,184</b>	<b>82.99%</b>

# Acknowledgement

Keenan & Associates would like to thank Ms. Lita Payne, Mr. Alex Rabrenovich, and the LACERS Health Benefits Administration staff for providing the necessary data and engaging in this renewal process. Their cooperation and guidance have been extremely valuable.

## Questions and Answers

**REPORT TO BENEFITS ADMINISTRATION COMMITTEE****From: Neil M. Guglielmo, General Manager****MEETING: JULY 28, 2020****ITEM: V****SUBJECT: ANTHEM BLUE CROSS 2019 YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION**ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐**Recommendation**

That the Committee approve forwarding the Anthem Blue Cross 2019 Year-End Accounting to the Board for its approval.

**Executive Summary**

This is an annual reporting of the accounting of LACERS' Anthem Blue Cross plans, indicating whether there is a surplus or deficit when considering the total premium payments, claims costs, and administrative expenses during a plan year, as well as the balances of the required Claims Stabilization Fund and optional Premium Stabilization Reserve. For 2019, the Claims Stabilization Fund balance was required to retain a balance of \$1,452,172. Because the Board approved the transfer of the Premium Stabilization Reserve funds back to LACERS, this account's balance is now zero.

**Discussion**

LACERS has an experience-rated refunding contract with Anthem for its HMO, PPO, and Medicare Supplement plans. This contract requires a year-end accounting after each plan year. Anthem plan premiums are based on projected costs for the coming plan year. At the end of each plan year, a year-end accounting is conducted which compares Anthem's actual annual costs with the annual premium amount paid by LACERS and its Members.

As part of its contract, LACERS has a Claims Stabilization Fund (CSF) which is required to contain a certain level of funding as determined by Anthem at the beginning of each plan year. The purpose of the CSF is to fund any deficits that may be found in the year-end accounting. The CSF is held in an interest-earning account (based on the 12-month LIBOR Index) and had a required balance of \$1,452,172 for 2019, which required a transfer of \$13,367 from the Premium Stabilization Reserve.

Previously, LACERS held an optional Premium Stabilization Reserve (PSR) account with Anthem to hold surpluses gained from years when annual premium payments exceeded annual claims costs and administrative expenses. This account provided additional security in the event that annual expenses

exceeded premiums beyond the amount in the CSF. Based on the funding level of this account, monies have been used to provide premium defrayals and rate buy-downs. On September 10, 2019, the Board approved the transfer of PSR funds to LACERS' 401(h) account (subsidy dollars) and 115 Trust (Member deduction dollars). The transfers were performed in December 2019 and January 2020, respectively.

Keenan and Associates (Keenan), LACERS' Health and Welfare Consultant, reviewed Anthem's year-end accounting for 2019 (attached). All year-end accounting takes place after the end of the plan year, December 31, 2019. Highlights of Keenan's findings include:

PSR Beginning Balance	\$11,956,924
PSR Interest	\$271,038
Rate Buy-Down for 2020	(\$753,953)
 PSR Ending Balance	 \$11,474,009
 PSR Funds Transferred to LACERS	
401(h) Account	\$10,154,498
115 Trust	<u>\$1,319,511</u>
 PSR Available Balance	 \$0

#### *Strategic Plan Impact Statement*

The participating contract with Anthem Blue Cross and the Year-End Accounting process allows premium surpluses to be used toward future premium costs, supporting Strategic Plan Goal 3: Maximize Value and Minimize Costs of our Health and Welfare Program.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst, Health Benefits and Wellness Division

NMG/LP/AR:ar

Attachments: 1) 2019 Anthem Year-End Accounting, prepared by Keenan and Associates  
2) September 10, 2019 Board Report





**BAC Meeting: 07/28/20**  
**Item V**  
**Attachment 1**

# Los Angeles City Employees' Retirement System 2019 Anthem Year-End Accounting July 28, 2020

**Respectfully Submitted by:**

Ju Anderson, Vice President | Bordan Darm, Senior Consultant  
Erin Robinson, Senior Service Representative | Christine Hough, Consultant and Actuary

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# Executive Summary

- 2019 produced a Year-End Accounting (YEA) surplus of \$2,366,139
- Anthem's Claims Stabilization Fund (CSF) is funded at \$1,452,172 as of December 31, 2019
- The Premium Stabilization Reserve (PSR) and 2019 Year-End Accounting have been transferred to LACERS from Anthem in two payments:
  - \$1,319,511 made to LACERS' 115 Trust Account
  - \$10,154,498 made to LACERS' Benefit Payment Account/401(h) account
  - The December 31, 2019 ending balance of Anthem's PSR is \$0
- No premium defrayals occurred during 2019
- LACERS did have three rate buydowns which were paid from the PSR funds:
  - Anthem HMO - \$79,132
  - Anthem PPO - \$649,027
  - Anthem Blue View Vision - \$25,794

# 2019 Anthem Accounting Summary

- The Year-End Accounting (YEA) provides LACERS with the difference between total costs incurred for the policy period and the respective premium remitted. The balance is expressed as a surplus or deficit position
- The Claims Stabilization Fund (CSF) is set and held by Anthem, and funded by LACERS. It is to fund any deficit of a given policy period
- The purpose of the Premium Stabilization Reserve (PSR) fund is to build up reserves from the surpluses of each policy period after meeting the funding requirement in the CSF, and to provide additional security should a period's deficit be greater than the CSF
- LACERS is not required to hold surpluses in the PSR, but is responsible for any deficits incurred
- For 2019 the PSR year-end balance and 2019 Year-End Accounting have been transferred to LACERS, leaving only the CSF funded at \$1,452,172 with Anthem

Policy Year	2014	2015	2016	2017	2018	2019
<b>YEA</b>	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949	\$1,114,664	\$2,366,139
<b>Surplus/(Deficit)</b>	surplus	surplus	surplus	surplus	surplus	surplus
<b>% of Premium</b>	8.60%	7.60%	2.10%	8.20%	2.00%	4.23%
<b>CSF</b>	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114	\$1,405,423	\$1,452,172
<b>\$ Adjustment</b>	(\$159,636)	\$0	\$0	\$121,714	\$154,309	\$46,749
<b>% Adjustment</b>	-12.40%	0.00%	0.00%	10.80%	12.30%	3.22%
<b>PSR w/YEA</b>	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,956,924	\$0
<b>\$ Adjustment</b>	\$4,039,788	\$3,581,941	\$1,285,160	(\$3,336,794)	(\$4,497,714)	(\$11,956,924)

# 2019 Claims Stabilization Fund (CSF)

- The following table illustrates the Claims Stabilization Fund (CSF) accounting for the past six policy years:

CSF Accounting	2014	2015	2016	2017	2018	2019
1/1 CSF Balance	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114	\$1,405,423
Interest Earned	\$7,228	\$8,960	\$15,496	\$20,209	\$34,507	\$33,382
Interest Yield	0.56%	0.79%	1.37%	1.79%	2.76%	2.38%
Net CSF Balance	\$1,296,264	\$1,138,360	\$1,144,896	\$1,149,609	\$1,285,621	\$1,438,805
YEA Fund Transfer	\$0	\$0	\$0	\$0	\$0	\$0
PSR Fund Transfer	(\$166,864)	(\$8,960)	(\$15,496)	\$101,505	\$119,802	\$13,367
Required CSF	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114	\$1,405,423	\$1,452,172

- Interest Yield is based on 12-month LIBOR Index
- Effective 1/1/20, Anthem required that the CSF be increased 3.33% or \$46,749 to \$1,452,172.

# 2019 Premium Stabilization Reserve (PSR)

The following table provides a history of the Premium Stabilization Reserve (PSR) accounting

- Interest Yield is based on 12-month LIBOR Index
- 2019 did not have any premium defrayals, however rate buydowns occurred on the Anthem HMO (\$79,132) Anthem PPO (\$649,027), and the Anthem Blue View Vision plan (\$25,794)

PSR Accounting	2014	2015	2016	2017	2018	2019
PSR 1/1 Balance	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,956,924
Transfer YEA to PSR	\$3,812,565	\$3,455,525	\$1,017,392	\$4,039,444	\$994,862	\$0
PSR 1/1 Balance w/ YEA	\$14,577,306	\$18,260,054	\$19,403,862	\$23,711,074	\$17,329,698	\$11,956,924
Interest Earned	\$60,359	\$117,456	\$252,272	\$351,994	\$450,527	\$271,038
Interest Yield	0.56%	0.79%	1.37%	1.79%	2.60%	2.27%
Transfer PSR to CSF	\$166,864	\$8,960	\$15,496	\$0	\$0	\$0
Premium Defrayal				(\$7,728,232)	(\$5,823,301)	\$0
Buydown of HMO						(\$79,132)
Buydown of PPO						(\$649,027)
Buydown of Vision						(\$25,794)
Transfer - LACERS' 115 Trust						(\$1,319,511)
Transfer to LACERS' Benefit Payment Account						(\$10,154,498)
PSR 12/31 Balance	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,956,924	\$0



# 2019 Minimum PSR

- LACERS has established a minimum PSR threshold of 3 times 5% (15%) of annual Anthem experience-rated premium
- The following table illustrates the minimum Premium Stabilization Reserve (PSR) based on LACERS' policy
- Since LACERS' now holds its own PSR, LACERS may want to ensure the same policy continues

Minimum PSR	2014	2015	2016	2017	2018	2019
<b>Anthem Annual Premium</b>	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751	\$55,132,694	\$55,457,836
<b>Minimum PSR Factor</b>	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
<b>Minimum PSR Required</b>	\$6,621,851	\$6,992,630	\$7,158,835	\$7,713,263	\$8,269,904	\$8,318,675
<b>PSR Ending Balance</b>	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,837,122	\$0
<b>PSR Difference</b>	\$8,182,678	\$11,393,840	\$12,512,795	\$8,621,573	\$3,567,218	(\$8,318,675)

# 2019 Anthem Accounting Summary By Plan

## LOS ANGELES CITY EMPLOYEES RETIREMENT SYSTEM

Annual Accounting

Case No. C22357

January 1, 2019 through December 31, 2019

	HMO	PPO	Medicare Supplement	Medicare D	Total
Income Reported	\$12,114,386	\$16,346,799	\$10,158,657	\$16,837,994	\$55,457,836
CMS Revenue (Medicare D)	\$0	\$0	\$0	\$469,399	\$469,399
Total Income Received	\$12,114,386	\$16,346,799	\$10,158,657	\$17,307,393	\$55,927,235
Paid Claims	\$7,095,874	\$14,367,818	\$8,260,353	\$21,126,654	\$50,850,699
+ Ending Reserve	\$683,634	\$1,406,181	\$1,004,145	\$772,294	\$3,866,254
- Beginning Reserve	(\$625,235)	(\$1,291,417)	(\$917,061)	(\$733,695)	(\$3,567,408)
+ Large Claim Charge	\$599,049	\$768,775	\$0	\$0	\$1,367,824
- Large Claim Credit	(\$551,978)	(\$595,784)	\$0	\$0	(\$1,147,762)
Incurred Claims	\$7,201,344	\$14,655,573	\$8,347,437	\$21,165,253	\$51,369,607
Retention	\$470,576	\$648,028	\$1,446,450	\$450,388	\$3,015,442
HMC Programs	\$12,687	\$16,044	\$49,787	\$0	\$78,518
Silver Sneakers Program	\$90,825	\$96,056	\$293,408	\$0	\$480,289
Premium Tax	\$0	\$0	\$0	\$147,466	\$147,466
ACA Insurer Fee	\$0	\$0	\$0	\$0	\$0
Capitation Expenses	\$4,700,347	\$0	\$0	\$0	\$4,700,347
Consortium Fees	\$0	\$4,233	\$0	\$0	\$4,233
Part D True-Up for Coverage Gap Discount_2018	\$0	\$0	\$0	\$4,759	\$4,759
Part D Adjust-Reopened CMS Final Settlement_20	\$0	\$0	\$0	\$47	\$47
Part D Credit for CMS Final Settlement_2018	\$0	\$0	\$0	(\$3,338,547)	(\$3,338,547)
Part D Est. Credit for Coverage Gap Discount - 201	\$0	\$0	\$0	(\$2,901,065)	(\$2,901,065)
Total Expense	\$12,475,779	\$15,419,934	\$10,137,082	\$15,528,301	\$53,561,096
Expense Ratio	102.98%	94.33%	99.79%	89.72%	95.77%
Accumulated Surplus/(Deficit) at December 31, 201	(\$361,393)	\$926,865	\$21,575	\$1,779,092	\$2,366,139
Amount Allocated to Claims Stabilization Fund	\$2,042	(\$5,236)	(\$122)	(\$10,051)	(\$13,367)
Amount Transferred from Premium Stabilization Reser	\$0	\$0	\$0	\$0	\$0
Ending Surplus	(\$359,351)	\$921,629	\$21,453	\$1,769,041	\$2,352,772



# 2019 Anthem Accounting Summary - Accounting History

	2014	2015	2016	2017	2018	2019
<b>Annual Amount</b>						
Total Income	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751	\$55,132,694	\$55,927,235
Total Expenses	\$40,333,111	\$43,162,008	\$46,708,176	\$47,280,802	\$54,018,030	\$53,561,096
Surplus / (Deficit)	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949	\$1,114,664	\$2,366,139
Expense Ratio	91.40%	92.60%	97.87%	91.95%	97.98%	95.77%
Contracts	4,453	4,413	4,795	4,734	4,930	4,920
<b>Per Retiree Per Month Amount</b>						
Total Income	\$1,081.03	\$826.14	\$880.31	\$829.43	\$931.93	\$947.34
Total Expenses	\$993.98	\$754.79	\$815.05	\$811.75	\$913.08	\$907.26
Surplus / (Deficit)	\$87.05	\$71.35	\$65.25	\$17.68	\$18.84	\$40.08

# Conclusions

- LACERS' 2019 Year-Ending PSR Balance is \$0
- 2019 PSR funds were not used for a premium defrayal
- 2019 PSR Funds were used to buydown the Anthem HMO, PPO, and Vision rates.
- Anthem maintains a CSF balance of \$1,452,172
- Two transfers from Anthem to LACERS occurred. The first for \$1,319,511, and the second for \$10,154,498

January 1, 2020 Beginning Position	
PSR Balance	\$0
2019 Premium Adjustment	\$0
Rate Buydown - HMO	(\$79,132)
Rate Buydown - PPO	(\$649,027)
Rate Buydown - Vision	(\$25,794)
Transfer to LACERS 115 Trust	(\$1,319,511)
Transfer to LACERS Benefit Payment Account	(\$10,154,498)
CSF Balance	\$1,452,172
Minimum PSR Balance	\$0
Projected Balance above Minimum PSR Balance:	\$0

# Acknowledgement

Keenan & Associates would like to thank Ms. Lita Payne, Mr. Alex Rabrenovich, and the LACERS Health Benefits Administration staff for providing the necessary data and engaging in this renewal process. Their cooperation and guidance have been extremely valuable.

## Questions and Answers

## REPORT TO BOARD OF ADMINISTRATION

**From: Benefits Administration Committee**

Michael R. Wilkinson, Chair

Sandra Lee

Nilza R. Serrano

**MEETING: SEPTEMBER 10, 2019**

**ITEM: VI-B**

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**SUBJECT: ANTHEM BLUE CROSS 2018 YEAR-END ACCOUNTING AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

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### **Recommendation**

That the Board approve transferring the Anthem Blue Cross Premium Stabilization Reserve funds to LACERS' Section 115 Trust and 401(h) accounts.

### **Executive Summary**

The Anthem Blue Cross year-end accounting shows a Premium Stabilization Reserve (PSR) balance of \$11.9 million. These funds are made up of accumulated surplus premium dollars paid to Anthem Blue Cross. The Committee recommends transferring this balance to LACERS' Section 115 Trust and 401(h) accounts, so that these funds may be invested along with LACERS' pension funds.

### **Discussion**

At the Committee's meeting on August 27, 2019, staff and Keenan and Associates (Keenan), LACERS' health and welfare consultant, presented the Anthem Blue Cross 2018 year-end accounting. The Committee is forwarding the recommendation to transfer funds from the Premium Stabilization Reserve to LACERS' Section 115 Trust and 401(h) accounts.

### **Strategic Plan Impact Statement**

The participating contract with Anthem Blue Cross and the Year-End Accounting process allows premium surpluses to be used toward future premium and subsidy costs, supporting Strategic Plan Goal 3: Improve Value and Minimize Costs of Members' Health and Wellness Benefits.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst, Health Benefits Administration and Communications Division

NMG/LP/AR:ar

Attachments: 1) August 27, 2019 Benefits Administration Committee Report  
2) Proposed Resolution



# LACERS

LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM

BOARD Meeting: 09/10/2019

Item: VI - B

Attachment: 1



## REPORT TO BENEFITS ADMINISTRATION COMMITTEE

From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 27, 2019

ITEM: III

SUBJECT: **ANTHEM BLUE CROSS 2018 YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

### Recommendation

That the Committee recommend to the Board transferring the Premium Stabilization Reserve funds to LACERS' Section 115 Trust and 401(h) accounts.

### Executive Summary

This is an annual reporting of the excess premium funds that exist in our Premium Stabilization Reserve with Anthem Blue Cross. The Board approved transferring these funds to LACERS' Section 115 Trust account last year, but only some of the funds may be moved to this account. The balance must be transferred to LACERS' other account, the 401(h).

### Discussion

LACERS has an experience-rated refunding contract with Anthem for its HMO, PPO, and Medicare Supplement plans. This contract requires a year-end accounting after each plan year. Anthem plan premiums are based on projected costs for the coming plan year. At the end of each plan year, a year-end accounting is conducted which compares Anthem's actual annual costs with the annual premium amount paid by LACERS and its Members.

As part of its contract, LACERS has a Claims Stabilization Fund (CSF) which is required to contain a certain level of funding as determined by Anthem at the beginning of each plan year. The purpose of the CSF is to fund any deficits that may be found in the year-end accounting. In addition, LACERS has a Premium Stabilization Reserve (PSR), into which LACERS may transfer year-end surpluses after the CSF funding requirement is met. The PSR, which is not required by Anthem, also may be used to fund any deficits beyond the CSF, but only with LACERS' permission. Both the CSF and PSR are held in interest-earning accounts (2.758% and 2.599% respectively in 2018).

Our PSR account holds surpluses gained from years when annual premium payments exceeded annual claims costs and administrative expenses. On July 24, 2018, the Board approved the transfer of PSR funds to the 115 Trust pending the establishment of that Trust. The Section 115 Trust has since been established, but we can only transfer that portion of the PSR funds that represents Member

payroll deductions to the 115 Trust. The balance, which was paid through Member medical subsidy funds, will be redirected back to LACERS' 401(h) account, as required by tax law.

Keenan and Associates (Keenan), LACERS' Health and Welfare Consultant, reviewed Anthem's year-end accounting for 2018 (attached). All year-end accounting takes place at the end of the plan year, December 31, 2018. Highlights of Keenan's findings include:

PSR Beginning Balance	\$16,334,836
2018 Premium Surplus	\$1,114,664
PSR Interest	\$450,527
Premium Defrayals	(\$4,516,758)
Rate Adjustment for 2019	(\$1,306,543)
Transfer of Excess Funds to CSF	<u>(\$119,802)</u>
 PSR Ending Balance	 \$11,956,924
 Required Minimum Balance	 <u>\$8,269,904</u>
 Available Balance	 \$3,687,020

#### *Strategic Plan Impact Statement*

The participating contract with Anthem Blue Cross and the Year-End Accounting process allows premium surpluses to be used toward future premium costs, supporting Strategic Plan Goal 3: Maximize Value and Minimize Costs of our Health and Welfare Program.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst, Health Benefits Administration and Communications Division

NMG/LP/AR:ar

Attachments: 1) July 24, 2018 Board Report  
2) 2018 Anthem Year-End Accounting, prepared by Keenan and Associates



## ***Report to Board of Administration***

From: Benefits Administration Committee  
Michael R. Wilkinson, Chairperson  
Cynthia M. Ruiz  
Nilza R. Serrano

Agenda of: **JULY 24, 2018**

ITEM: **XI-A**

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**SUBJECT: ANTHEM BLUE CROSS 2017 YEAR-END ACCOUNTING AND POSSIBLE BOARD ACTION**

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### Recommendation

That the Board approve utilizing Premium Stabilization Reserve funds to decrease the Anthem Blue Cross (Anthem) HMO and Medicare Supplement 2019 premiums and transfer the remaining Premium Stabilization Reserve funds to a Section 115 trust account, once established.

### Discussion

At the Committee's meeting of July 19, 2018, the Committee approved forwarding staff's recommendation to the Board. The Committee report is attached.

### *Strategic Plan Impact Statement*

The participating contract with Anthem Blue Cross and the Year-End Accounting process allows premium surpluses to be used toward future premium costs, supporting Strategic Plan Goal 3: Maximize Value and Minimize Costs of our Health and Welfare Program.

This report was prepared by Alex Rabrenovich, Chief Benefits Analyst, of the Health Benefits Administration and Communications Division.

MRW:AR:ar

Attachment: A) July 19, 2018 BAC Report





**LACERS**  
LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM



## ***Report to Benefits Administration Committee***

Agenda of: **JULY 19, 2018**

*Neil M. Guglielmo*  
From: Neil Guglielmo, General Manager

ITEM: IV

**SUBJECT: ANTHEM BLUE CROSS 2017 YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION**

### Recommendation

That the Committee recommend to the Board utilizing Premium Stabilization Reserve funds to decrease the Anthem Blue Cross (Anthem) HMO and Medicare Supplement 2019 premiums and transfer the remaining Premium Stabilization Reserve funds to a Section 115 trust account, once established.

### Discussion

LACERS has an experience-rated refunding contract with Anthem for its HMO, PPO, and Medicare Supplement plans. This contract requires a year-end accounting after each plan year. Anthem plan premiums are based on projected costs for the coming plan year. At the end of each plan year, a year-end accounting is conducted which compares Anthem's actual annual costs with the annual premium amount paid by LACERS and its Members.

As part of its contract, LACERS has a Claims Stabilization Fund (CSF) which is required to contain a certain level of funding as determined by Anthem at the beginning of each plan year. The purpose of the CSF is to fund any deficits that may be found in the year-end accounting. In addition, LACERS has a Premium Stabilization Reserve (PSR), into which LACERS may transfer year-end surpluses after the CSF funding requirement is met. The PSR, which is not required by Anthem, also may be used to fund any deficits beyond the CSF, but only with LACERS' permission. Both the CSF and PSR are held in interest-earning accounts (1.789% in 2017).

Our PSR account holds surpluses gained from years when annual premium payments exceeded annual claims costs and administrative expenses. On January 12, 2010, the Board approved a Premium Stabilization Reserve Funding Policy (attached) for the disposition of excess funds which requires the PSR to have a minimum balance of 15% of Anthem's projected annual premium cost for the following year. Based on this policy, the PSR is required to have a balance of approximately \$8.2 million in 2019.

Keenan and Associates (Keenan), LACERS' health and welfare consultant, reviewed Anthem's year-end accounting for 2017 (attached). All year-end accounting takes place at the end of the plan year, December 31, 2017. Highlights of Keenan's findings include:

PSR Beginning Balance	\$19,671,630
2017 Premium Surplus	4,039,444
PSR Interest	351,994
Premium Defrayals*	(7,728,232)
Transfer of Excess CSF funds**	<u>0</u>
PSR Ending Balance	\$16,334,836
August 2018 Premium Defrayal	<u>4,529,968</u>
PSR Ending Balance	\$11,804,868
Required Minimum Balance	<u>(7,713,263)</u>
Available Balance	\$ 4,091,605

\*The premium defrayals administered in May 2016 and September 2017 were accounted for during the 2017 year-end accounting.

\*\*The 2016 CSF balance was \$1,129,400. Anthem required a balance of \$1,251,114 for 2017, so a transfer of \$101,505 was made from the PSR to the CSF.

Based on these findings and the LACERS PSR Funding Policy, the PSR will have sufficient funds beyond the required minimum to apply toward the premium cost for Members. Instead of administering a premium defrayal, staff recommends using the Available Balance to reduce the 2019 HMO and Medicare Supplement plans' premium amounts. Further, staff and Keenan are reviewing the possibility of obtaining a trust account to hold premium reserves. Once established, staff recommends transferring the remaining PSR funds to this trust account to be administered by LACERS.

#### *Strategic Plan Impact Statement*

The participating contract with Anthem Blue Cross and the Year-End Accounting process allows premium surpluses to be used toward future premium costs, supporting Strategic Plan Goal 3: Maximize Value and Minimize Costs of our Health and Welfare Program.

This report was prepared by Alex Rabrenovich, Chief Benefits Analyst, of the Health Benefits Administration and Communications Division.

NG:AR:ar

Attachments: A) LACERS PSR Funding Policy Resolution  
B) 2017 Anthem Year-End Accounting, prepared by Keenan and Associates

LACERS' PREMIUM STABILIZATION RESERVE FUNDING POLICY

Commissioner Rogers moved approval of the following Resolution:

RESOLUTION 100126-E

WHEREAS, the Los Angeles City Employees' Retirement System (LACERS) administers a health and welfare program, which includes health insurance for retired employees and their eligible dependents;

WHEREAS, LACERS may enter into an experience-rated refunding contract with its health insurance carriers which requires year-end accounting after the close of a plan year to reconcile any differences between the amount of premiums paid to the carrier and the amount of claims and expenses associated with providing health coverage;

WHEREAS, these types of contracts contain an interest-earning Claims Stabilization Fund (CSF), which is required to maintain a certain balance, as directed by the carrier, to fund any deficits that may be found in the year-end accounting;

WHEREAS, these types of contracts may also include an interest-earning Premium Stabilization Reserve (PSR), into which year-end accounting surpluses beyond the CSF funding requirement are transferred and funds may be used to fund the CSF when year-end accounting deficits are greater than the CSF balance;

WHEREAS, LACERS may withdraw funds from the PSR for alternative uses;

WHEREAS, a minimum PSR balance should always be maintained and recalculated annually to offset possible year-end deficits;

WHEREAS, actuarially, there is a 90% probability that a deficit will be less than 5% of projected premiums for the following plan year;

NOW, THEREFORE, BE IT RESOLVED that the Board of Administration hereby adopts a Premium Stabilization Reserve (PSR) funding policy where the PSR is maintained at a minimum of three times 5% of the health plan's projected annual premium cost for the following plan year and that the Board review alternatives for the disposition of excess PSR funds annually.

which motion was seconded by Commissioner Bardwell, and adopted by the following vote: Ayes, Commissioners Bardwell, Greenwood, Penichet, Rogers, Spiker, Uranga, and President Conroy – 7; Nays, None.

I hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the Board of Administration, Los Angeles City Employees' Retirement System, at its Regular Meeting held on January 26, 2010.

  
Sally Choi  
Secretary



## ATTACHMENT B

# Los Angeles City Employees' Retirement System 2017 Anthem Year-End Accounting July 19, 2018

BAC Meeting: 08/27/19  
Item: III  
Attachment 2

### Respectfully Submitted by:

Steve Gedestad, Municipality Practice Leader | Bordan Darm, Consultant  
Erin Robinson, Senior Service Representative | Christine Hough, Consultant and Actuary



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  - Premium Stabilization Reserve (PSR)
  - Minimum Premium Stabilization Reserve
  - Premium Defrayal
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  - Accounting History
- Conclusions Page 11
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# Executive Summary

- The 2017 Year-End Accounting (YEA) produced a \$4,140,949 surplus.
- The Claims Stabilization Fund (CSF) is funded at \$1,251,114 for December 31, 2017.
  - Anthem is not requesting any adjustment to the CSF (\$1,251,114) for January 1, 2018.
- The Premium Stabilization Reserve (PSR) minimum balance set by LACERS' PSR funding policy is \$7,713,263 for 2017.
- The December 31, 2017 PSR ending balance is \$16,334,836.
  - The defrayal from the 2016 YEA will be administered in August 2018 and is estimated to be \$4,529,968. This would bring the PSR down to \$11,804,868 (\$4,091,605 above the minimum PSR).
- Based on 2017 YEA results, LACERS may want to consider applying funds to reduce the 2019 HMO and Medicare Supplement premiums, and a fund transfer to LACERS' proposed 115 Trust.

# 2017 Anthem Accounting Summary

- The Year-End Accounting (YEA) provides LACERS with the difference between total costs incurred for the policy period and the respective premium remitted. The balance is expressed as a surplus or deficit position.
- The Claims Stabilization Fund (CSF) is set and held by Anthem, and funded by LACERS. It is to fund any deficit of a given policy period.
- The purpose of the Premium Stabilization Reserve (PSR) fund is to build up reserves from the surpluses of each policy period after meeting the funding requirement in the CSF, and to provide additional security should a period's deficit be greater than the CSF.
- LACERS is not required to hold surpluses in the PSR. Any funds from the PSR fund may not be utilized by Anthem without authorization from LACERS.

Policy Year	2013	2014	2015	2016	2017
<b>YEA</b>	\$2,005,972	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949
<b>Surplus/(Deficit)</b>	surplus	surplus	surplus	surplus	surplus
<b>% of Premium</b>	8.1%	8.6%	7.6%	2.1%	8.2%
<b>CSF</b>	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114
<b>\$ Adjustment</b>		-\$159,636	\$0	\$0	+\$121,714
<b>% Adjustment</b>		-12.4%	0.0%	0.0%	+10.8%
<b>PSR w/YEA</b>	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
<b>\$ Adjustment</b>		+\$4,039,788	+\$3,581,941	+\$1,285,160	-\$3,336,794

# 2017 Anthem Accounting Summary – Claims Stabilization Fund (CSF)

- The following table illustrates the Claims Stabilization Fund (CSF) accounting for the past four policy years:

CSF Accounting	2013	2014	2015	2016	2017
<b>1/1 CSF Balance</b>	\$695,983	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400
<b>Interest Earned</b>	\$4,754	\$7,228	\$8,960	\$15,496	\$20,209
<b>Interest Yield</b>	0.683%	0.561%	0.793%	1.372%	1.789%
<b>Net CSF Balance</b>	\$700,737	\$1,296,264	\$1,138,360	\$1,144,896	\$1,149,609
<b>YEA Fund Transfer</b>	\$588,299	\$0	\$0	\$0	\$0
<b>PSR Fund Transfer</b>	\$0	(\$166,864)	(\$8,960)	(\$15,496)	\$101,505
<b>Required CSF</b>	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114

- Interest Yield is based on 12-month LIBOR Index
- Effective 1/1/17, Anthem required that the CSF be increased 10.8% or \$121,714 to \$1,251,114.



# 2017 Anthem Accounting Summary – Premium Stabilization Reserve (PSR)

The following table illustrates the Premium Stabilization Reserve (PSR) accounting for the past five years:

PSR Accounting	2013	2014	2015	2016	2017
<b>PSR 1/1 Balance</b>	\$9,283,659	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630
<b>Transfer YEA to PSR</b>	\$2,005,972	\$3,812,565	\$3,455,525	\$1,017,392	\$4,039,444
<b>PSR 1/1 Balance w/ YEA</b>	\$11,289,631	\$14,577,306	\$18,260,054	\$19,403,862	\$23,711,074
<b>Interest Earned</b>	\$63,409	\$60,359	\$117,456	\$252,272	\$351,994
<b>Interest Yield</b>	0.683%	0.561%	0.793%	1.372%	1.789%
<b>Transfer CSF to PSR</b>	(\$588,299)	\$166,864	\$8,960	\$15,496	\$0
<b>Premium Defrayal</b>					-\$7,728,232
<b>PSR 12/31 Balance</b>	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836

- Interest Yield is based on 12-month LIBOR Index
- For 2014, Medicare Supplement was added as a participating, refunding arrangement, replacing the Medicare Advantage LPPO
- Two Premium Defrayals are accounted for in 2017. 1) -3,717,788 taken in May, 2016, earned in 2014, accounted for in 2017 (not 2016), and 2) \$4,010,444 taken in September, 2017, earned in 2015, and accounted for in 2017.

# 2017 Anthem Accounting Summary – Minimum Premium Stabilization Reserve

- LACERS has established a minimum PSR threshold of 3 times 5% (15%) of annual Anthem experience-rated premium.
- The following table illustrates the minimum Premium Stabilization Reserve (PSR) accounting for the past four policy years:

PSR Accounting	2013	2014	2015	2016	2017
<b>Anthem Annual Premium</b>	\$24,911,212	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751
<b>Minimum PSR Factor</b>	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Minimum PSR Required</b>	\$3,736,682	\$6,621,851	\$6,992,630	\$7,158,835	\$7,713,263
<b>PSR Ending Balance</b>	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
<b>PSR Difference</b>	\$7,028,059	\$8,182,678	\$11,393,840	\$12,512,795	\$8,621,573

# 2017 Anthem Accounting Summary – Premium Defrayal

- When the PSR amount becomes substantially higher than the minimum PSR standard, LACERS can offer a premium defrayal to reduce the PSR.
- LACERS has elected premium defrayals based on YEA results for 2013, 2014, 2015, and 2016.
- The premium defrayals have been realized in 2015, 2016, and 2017, with the another one scheduled for 2018.
- The following table illustrates the PSR accounting for the past policy years:

Premium Defrayal (PD)	2013	2014	2015	2016	2017
PSR Balance	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
PD Declared	Yes	Yes	Yes	Yes	TBD
PD Taken	May 2015	May 2016	Sep. 2017	Aug. 2018	
PD Amount	\$3,708,149	\$3,717,788	\$4,010,444	\$4,529,968	

# 2017 Anthem Accounting Summary By Plan

	HMO	PPO	MEDICARE SUPPLEMENT	MEDICARE PART D	TOTAL
2017 INCOME					
Paid Premium	\$13,165,553	\$14,833,106	\$8,588,796	\$14,082,481	\$50,669,936
CMS Revenue (Medicare Part D)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$751,815</u>	<u>\$751,815</u>
TOTAL INCOME	\$13,165,553	\$14,833,106	\$8,588,796	\$14,834,296	\$51,421,751
2017 EXPENSES					
Total Incurred Claims <sup>1</sup>	\$6,045,840	\$12,944,701	\$6,861,281	\$17,087,282	\$42,939,104
Retention	\$473,528	\$619,426	\$1,314,876	\$953,326	\$3,361,156
Silver Sneakers Program in 2017	\$0	\$0	\$267,773	\$0	\$267,773
Capitation	\$4,400,003	\$0	\$0	\$0	\$4,400,003
ACA Insurer & ACA Reinsurance Fee	\$0	\$0	\$0	\$0	\$0
Consortium Fees	\$0	\$5,013	\$0	\$0	\$5,013
HMC Programs	\$14,723	\$17,689	\$52,230	\$0	\$84,642
CMS Credit (Medicare D)	\$0	\$0	\$0	(\$2,028,149)	(\$2,028,149)
Part D Credit - Gap Discount/Prior Settlement	\$0	\$0	\$0	(\$2,029,789)	(\$2,029,789)
Premium Taxes	<u>\$0</u>	<u>\$127,231</u>	<u>\$0</u>	<u>\$153,818</u>	<u>\$281,049</u>
TOTAL EXPENSES	\$10,934,094	\$13,714,060	\$8,496,160	\$14,136,488	\$47,280,802
2017 SURPLUS/(DEFICIT)	<u><u>\$2,231,459</u></u>	<u><u>\$1,119,046</u></u>	<u><u>\$92,636</u></u>	<u><u>\$697,808</u></u>	<u><u>\$4,140,949</u></u>
SURPLUS AMOUNT TRANSFERRED TO CLAIMS STABILIZATION FUND	(\$101,505)	\$0	\$0	\$0	(\$101,505)
SURPLUS AMOUNT TRANSFERRED TO PREMIUM STABILIZATION RESERVE	(\$2,129,954)	(\$1,119,046)	(\$92,636)	(\$697,808)	(\$4,039,444)

<sup>1</sup>Total Incurred Claims include reserve changes, large claims charge, and credit.

# 2017 Anthem Accounting Summary - Accounting History

	2013	2014	2015	2016	2017
<b>Annual Amount</b>					
Total Income	\$24,911,212	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751
Total Expenses	\$22,905,240	\$40,333,111	\$43,162,008	\$46,708,176	\$47,280,802
Surplus / (Deficit)	\$2,005,972	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949
Expense Ratio	91.9%	91.4%	92.6%	97.87%	91.95%
Contracts	1,920	4,453	4,413	4,795	4,734
<b>Per Retiree Per Month Amount</b>					
Total Income	\$1,081.03	\$826.14	\$880.31	\$829.43	\$905.20
Total Expenses	\$993.98	\$754.79	\$815.05	\$811.75	\$832.31
Surplus / (Deficit)	\$87.05	\$71.35	\$65.25	\$17.68	\$72.90

# Conclusions

- For the 2017 Year-End Accounting, LACERS may want to consider a fund transfer to LACERS' proposed 115 Trust.
- Without consideration for the 2017 Year-End Accounting, and strictly based on the 2017 PSR Ending Balance, the following analysis is provided:

## Impact of Defrayal taken in 2018 (earned in 2016) on 2017 PSR Ending Balance

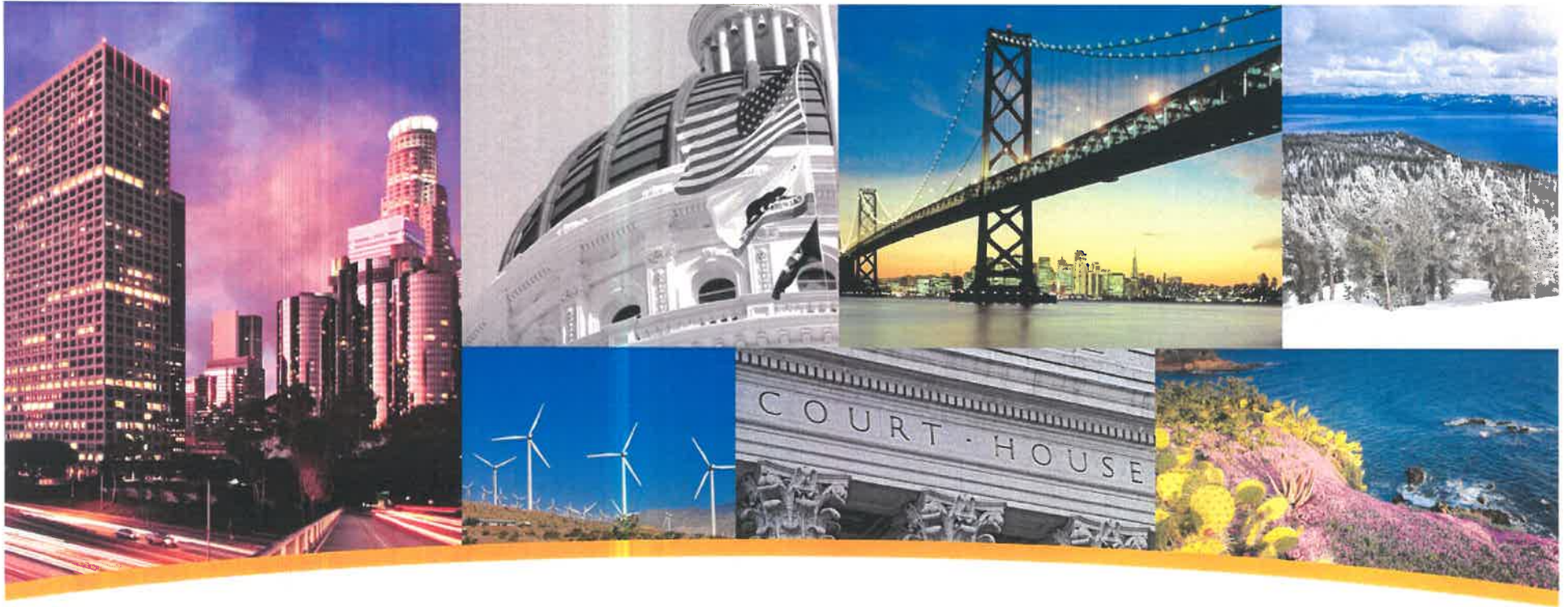
2017 PSR Ending Balance	\$16,334,836
Premium Defrayal earned in 2016 YEA, taken in 2018	\$4,529,968
2017 PSR Adjusted Ending Balance	\$11,804,868
Minimum PSR Balance	\$7,713,263
Projected Balance above Minimum PSR Balance:	\$4,091,605

# Acknowledgement

Keenan & Associates would like to thank Ms. Lita Payne, Mr. Alex Rabrenovich, and the LACERS Health Benefits Administration staff for providing the necessary data and engaging in this renewal process. Their cooperation and guidance have been extremely valuable.

## Questions and Answers





# Los Angeles City Employees' Retirement System 2018 Anthem Year-End Accounting August 27, 2019

Respectfully Submitted by:

Ju Anderson, Senior Advisor | Bordan Darm, Senior Consultant  
Erin Robinson, Senior Service Representative | Christine Hough, Consultant and Actuary



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# Executive Summary

- 2018 produced a Year-End Accounting (YEA) surplus of \$1,114,664.
- The Claims Stabilization Fund (CSF) is funded at \$1,405,423 as of December 31, 2018.
- The Premium Stabilization Reserve (PSR) minimum balance set by LACERS' PSR funding policy is \$8,269,904 for 2018.
- The December 31, 2018 PSR ending balance is \$11,956,924.
  - The defrayal from the 2016 YEA of \$4,516,758 was administered in August 2018.
  - Anthem has set aside \$1,306,543 to offset rate adjustments for 2019.
- Based on 2018 YEA results, LACERS may want to consider applying funds to LACERS' 115 Trust.

# 2018 Anthem Accounting Summary

- The Year-End Accounting (YEA) provides LACERS with the difference between total costs incurred for the policy period and the respective premium remitted. The balance is expressed as a surplus or deficit position.
- The Claims Stabilization Fund (CSF) is set and held by Anthem, and funded by LACERS. It is to fund any deficit of a given policy period.
- The purpose of the Premium Stabilization Reserve (PSR) fund is to build up reserves from the surpluses of each policy period after meeting the funding requirement in the CSF, and to provide additional security should a period's deficit be greater than the CSF.
- LACERS is not required to hold surpluses in the PSR. Any funds from the PSR fund may not be utilized by Anthem without authorization from LACERS.

Policy Year	2014	2015	2016	2017	2018
<b>YEA</b>	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949	\$1,114,664
<b>Surplus/(Deficit)</b>	surplus	surplus	surplus	surplus	surplus
<b>% of Premium</b>	8.6%	7.6%	2.1%	8.2%	2.0%
<b>CSF</b>	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114	\$1,405,423
<b>\$ Adjustment</b>	-\$159,636	\$0	\$0	+\$121,714	+\$154,309
<b>% Adjustment</b>	-12.4%	0.0%	0.0%	+10.8%	+12.3%
<b>PSR w/YEA</b>	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,837,122
<b>\$ Adjustment</b>	+\$4,039,788	+\$3,581,941	+\$1,285,160	-\$3,336,794	-\$4,497,714

# 2018 Anthem Accounting Summary – Claims Stabilization Fund (CSF)

- The following table illustrates the Claims Stabilization Fund (CSF) accounting for the past five policy years:

CSF Accounting	2014	2015	2016	2017	2018
<b>1/1 CSF Balance</b>	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114
<b>Interest Earned</b>	\$7,228	\$8,960	\$15,496	\$20,209	\$34,507
<b>Interest Yield</b>	0.561%	0.793%	1.372%	1.789%	2.758%
<b>Net CSF Balance</b>	\$1,296,264	\$1,138,360	\$1,144,896	\$1,149,609	\$1,285,621
<b>YEA Fund Transfer</b>	\$0	\$0	\$0	\$0	\$0
<b>PSR Fund Transfer</b>	(\$166,864)	(\$8,960)	(\$15,496)	\$101,505	\$119,802
<b>Required CSF</b>	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114	\$1,405,423

- Interest Yield is based on 12-month LIBOR Index
- Effective 1/1/19, Anthem required that the CSF be increased 12.3% or \$154,309 to \$1,405,423.

# 2018 Anthem Accounting Summary – Premium Stabilization Reserve (PSR)

The following table illustrates the Premium Stabilization Reserve (PSR) accounting for the past five years:

PSR Accounting	2014	2015	2016	2017	2018
<b>PSR 1/1 Balance</b>	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
<b>Transfer YEA to PSR</b>	\$3,812,565	\$3,455,525	\$1,017,392	\$4,039,444	\$1,114,664
<b>PSR 1/1 Balance w/ YEA</b>	\$14,577,306	\$18,260,054	\$19,403,862	\$23,711,074	\$17,449,500
<b>Interest Earned</b>	\$60,359	\$117,456	\$252,272	\$351,994	\$450,527
<b>Interest Yield</b>	0.561%	0.793%	1.372%	1.789%	2.599%
<b>Transfer PSR to CSF</b>	\$166,864	\$8,960	\$15,496	\$0	-\$119,802
<b>Premium Defrayal</b>				-\$7,728,232	-\$4,516,758 -\$1,306,543
<b>PSR 12/31 Balance</b>	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,956,924

- Interest Yield is based on 12-month LIBOR Index
- 2017 - Two Premium Defrayals are accounted for. 1) -3,717,788 taken in May, 2016, earned in 2014, accounted for in 2017 (not 2016), and 2) \$4,010,444 taken in September, 2017, earned in 2015, and accounted for in 2017.
- 2018 - One premium defrayal (\$4,516,758) was taken in August, 2018, earned in 2016, and accounted for in 2018. Additionally, \$1,306,543 was taken for rate adjustments for 2019.



# 2018 Anthem Accounting Summary – Minimum Premium Stabilization Reserve

- LACERS has established a minimum PSR threshold of 3 times 5% (15%) of annual Anthem experience-rated premium.
- The following table illustrates the minimum Premium Stabilization Reserve (PSR) accounting for the past five policy years:

PSR Accounting	2014	2015	2016	2017	2018
<b>Anthem Annual Premium</b>	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751	\$55,132,694
<b>Minimum PSR Factor</b>	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Minimum PSR Required</b>	\$6,621,851	\$6,992,630	\$7,158,835	\$7,713,263	\$8,269,904
<b>PSR Ending Balance</b>	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,956,924
<b>PSR Difference</b>	\$8,182,678	\$11,393,840	\$12,512,795	\$8,621,573	\$3,687,020

# 2018 Anthem Accounting Summary – Premium Defrayal

- When the PSR amount becomes higher than the minimum PSR standard, LACERS can offer a premium defrayal or rate adjustment to reduce the PSR.
- LACERS has elected premium defrayals based on YEA results for 2013, 2014, 2015, 2016 and 2017.
- For 2018, LACERS elected to offer rate adjustments to certain coverage requiring increases.
- The following table illustrates the PSR accounting for the past policy years:

Premium Defrayal (PD)	2014	2015	2016	2017	2018
<b>PSR Balance</b>	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,956,924
<b>PD Declared</b>	Yes	Yes	Yes	Yes	Yes, Rate Adj.
<b>PD Taken</b>	May 2015	May 2016	Sep. 2017	Aug. 2018	2019
<b>PD Amount</b>	\$3,708,149	\$3,717,788	\$4,010,444	\$4,529,968	\$1,306,543

# 2018 Anthem Accounting Summary By Plan

## LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Annual Accounting

Case No. C22357

January 1, 2018 through December 31, 2018

	HMO	PPO	Medicare Supplement	Medicare D	Total
Income Received	\$15,252,406	\$16,824,948	\$9,934,629	\$15,394,204	\$57,406,187
2018 Premium Adj based on cancellations	(\$2,519,134)	(\$244,177)	(\$159,431)		(\$2,922,742)
CMS Revenue (Medicare D)	\$0	\$0	\$0	\$649,249	\$649,249
Total Income Received	\$12,733,272	\$16,580,771	\$9,775,198	\$16,043,453	\$55,132,694
Paid Claims	\$7,378,536	\$14,589,984	\$7,587,669	\$20,090,305	\$49,646,494
+ Ending Reserve	\$625,235	\$1,291,417	\$917,061	\$733,695	\$3,567,408
- Beginning Reserve	(\$525,108)	(\$1,174,704)	(\$821,769)	(\$618,864)	(\$3,140,445)
+ Large Claim Charge	\$719,117	\$719,273	\$0	\$0	\$1,438,390
- Large Claim Credit	(\$1,112,654)	(\$1,774,728)	\$0	\$0	(\$2,887,382)
Incurred Claims	\$7,085,126	\$13,651,242	\$7,682,961	\$20,205,136	\$48,624,465
Retention	\$502,841	\$639,930	\$1,373,316	\$1,026,784	\$3,542,871
HMC Programs	\$15,637	\$18,279	\$54,552	\$0	\$88,468
Silver Sneakers Program	\$0	\$0	\$277,546	\$0	\$277,546
Premium Tax	\$0	(\$127,231)	\$217,944	\$175,705	\$266,418
ACA Insurer Fee	\$342,291	\$397,975	\$0	\$459,674	\$1,199,940
Capitation Expenses	\$4,709,031	\$0	\$0	\$0	\$4,709,031
Consortium Fees	\$0	\$6,200	\$0	\$0	\$6,200
Part D Adjust-Reopened CMS Final Settlement_2012	\$0	\$0	\$0	(\$125)	(\$125)
Part D Credit for CMS Final Settlement_2017	\$0	\$0	\$0	(\$2,419,714)	(\$2,419,714)
Part D True-Up for Coverage Gap Discount_2017	\$0	\$0	\$0	(\$609)	(\$609)
Part D Est. Credit for Coverage Gap Discount_2018	\$0	\$0	\$0	(\$2,276,461)	(\$2,276,461)
Total Expense	\$12,654,926	\$14,586,395	\$9,606,319	\$17,170,390	\$54,018,030
Expense Ratio	99.38%	87.97%	98.27%	107.02%	97.98%
Accumulated Surplus/(Deficit) at December 31, 2018	\$78,346	\$1,994,376	\$168,879	(\$1,126,937)	\$1,114,664
Amount Designated to Claims Stabilization Fund	(\$119,802)	\$0	\$0	\$0	(\$119,802)
Amount Designated to Premium Stabilization Reserve	\$41,456	(\$1,994,376)	(\$168,879)	\$1,126,937	(\$994,862)
Ending Balance	\$0	\$0	\$0	\$0	\$0



# 2018 Anthem Accounting Summary - Accounting History

	2014	2015	2016	2017	2018
<b>Annual Amount</b>					
Total Income	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751	\$55,132,694
Total Expenses	\$40,333,111	\$43,162,008	\$46,708,176	\$47,280,802	\$54,018,030
Surplus / (Deficit)	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949	\$1,114,664
Expense Ratio	91.4%	92.6%	97.87%	91.95%	97.98%
Contracts	4,453	4,413	4,795	4,734	4,930
<b>Per Retiree Per Month Amount</b>					
Total Income	\$1,081.03	\$826.14	\$880.31	\$829.43	\$931.93
Total Expenses	\$993.98	\$754.79	\$815.05	\$811.75	\$913.08
Surplus / (Deficit)	\$87.05	\$71.35	\$65.25	\$17.68	\$18.84

# Conclusions

- LACERS established a 115 trust for 2019.
- For the 2018 Year-End Accounting, LACERS may want to consider a fund transfer to LACERS' 115 Trust.
- The following chart illustrates the ending position for 2018 and beginning position for 2019:

## January 1, 2019 Beginning Position

PSR Balance	\$11,956,924
Premium Adjustment for 2019 taken from 2018 YEA	\$1,306,543
CSF Balance	\$1,405,423
Minimum PSR Balance	\$8,269,904
Projected Balance above Minimum PSR Balance:	\$3,687,020

# Acknowledgement

Keenan & Associates would like to thank Ms. Lita Payne, Mr. Alex Rabrenovich, and the LACERS Health Benefits Administration staff for providing the necessary data and engaging in this renewal process. Their cooperation and guidance have been extremely valuable.

## Questions and Answers

Anthem Blue Cross 2018 Year-End Accounting and Transfer of  
Premium Stabilization Reserve Funds

PROPOSED RESOLUTION

WHEREAS, LACERS has participating contracts with Anthem Blue Cross (Anthem), which means that at the end of each plan year, an accounting is performed to determine total premium funds versus total claims costs and administrative expenses;

WHEREAS, if the year-end accounting results in a deficit of premium funds, LACERS must pay Anthem the shortfall; if the accounting results in a surplus, those funds may be returned to LACERS;

WHEREAS, LACERS maintains a Premium Stabilization Reserve (PSR) account with Anthem and premium surpluses are placed in this account to be used at a later time, usually to fund a premium defrayal for Anthem Members;

WHEREAS, the 2018 accounting showed that the PSR had an accumulated balance of \$11,956,924;

WHEREAS, the PSR funds are not required to be retained with Anthem and at the September 10, 2019 Board of Administration meeting, the Board approved a recommendation to return the PSR funds to LACERS' Section 115 Trust account;

WHEREAS, tax law requires that only the portion of the PSR funds that is estimated to have been paid out of pocket by Members can be transferred to the Section 115 Trust account, and the portion that is estimated to have been paid by LACERS as medical plan subsidy dollars must be returned to LACERS' 401(h) account, the account from which these monies originated;

WHEREAS, on August 27, 2019, the Benefits Administration Committee approved forwarding a recommendation to transfer the entire balance of the PSR to LACERS' Section 115 Trust and 401(h) accounts;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the transfer of Anthem PSR funds to LACERS' Section 115 Trust and 401(h) accounts, apportioned in amounts to be determined by staff.

August 27, 2019

**REPORT TO BENEFITS ADMINISTRATION COMMITTEE**

**From: Neil M. Guglielmo, General Manager**

**MEETING: JULY 28, 2020**

**ITEM: VI**

*Neil M. Guglielmo*

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**SUBJECT: RECEIVE AND FILE – DELTA DENTAL DPPO 2019 YEAR-END ACCOUNTING**

ACTION: ☐ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☒

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**Recommendation**

That the Committee receive and file this report.

**Executive Summary**

Keenan performed a 2019 year-end accounting of LACERS' Delta Dental PPO plan, which resulted in a net position of \$1.2 million.

**Discussion**

LACERS switched from a fully-insured arrangement to a self-funded arrangement with the Delta Dental PPO plan, effective January 1, 2019. With the fully-insured arrangement, LACERS paid Delta Dental premiums to cover the cost of claims for dental services and administrative costs. Any deficits or surpluses at the end of the plan year belonged to Delta. The dental PPO plan has a history of ending with a surplus. By switching to a self-funded arrangement, LACERS pays itself the dental plan premiums on behalf of its Members. LACERS is responsible for paying all related dental claims costs and the administration of the claims is performed by Delta for a fee. Any deficit at the end of the plan year is LACERS' responsibility, but any surplus remains with LACERS. Based on the financial status of the plan, LACERS can adjust the premium cost and plan design.

Keenan's accounting shows that at the end of 2019, LACERS Delta Dental PPO plan was operating with a net position of \$1.2 million.

**Strategic Plan Impact Statement**

Performing a year-end accounting ensures that LACERS is aware of the financial status of its self-funded dental plan and that appropriate actions can be taken to maintain a positive balance into the future. This aligns with strategic plan goal 3: Maximize Value and Minimize Costs of our Health and Welfare Program.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst, Health Benefits and Wellness Division

NMG/AR:ar

Attachments: 1. 2019 Delta Dental Year End Accounting – Keenan report  
2. Estimate of Incurred But Not Reported Claims





**BAC Meeting: 07/28/20**  
**Item VI**  
**Attachment 1**

# Los Angeles City Employees' Retirement System 2019 Delta Dental Year-End Accounting July 28, 2020

**Respectfully Submitted by:**

Ju Anderson, Vice President		Bordan Darm, Senior Consultant
Erin Robinson, Service Consultant		Christine Hough, Consultant and Actuary

# Executive Summary

- Effective January 1, 2019, LACERS began self-funding the Delta Dental PPO coverage. This means:
  - Dental administration and claims payments remains with Delta Dental
  - The risk of premiums adequately funding claims cost and plan administration transfers from Delta Dental to LACERS
  - Impact to members – Delta Dental benefit summaries and certificates will say “administered by Delta Dental” instead of “insured by Delta Dental”
  - Impact to LACERS – surplus and deficit positions are now LACERS’, not Delta Dental’s
- For the first year (2019), Total Premium of \$10,189,173 exceeded Total Cost of \$8,499,833 for a 2019 \$1,689,340 surplus
- Since the dental PPO plan is now self-funded, LACERS must track and fund the Incurred But Not Reported (IBNR) reserve
  - Keenan had the December 31, 2019 IBNR reserve actuarially certified. Keenan recommends an IBNR reserve be set aside at \$521,600
  - LACERS’ net position after deducting the \$521,600 IBNR reserve requirement from the \$1,689,340 2019 surplus position, results in a \$1,167,740 net position



# Executive Summary

- The COVID-19 impact on LACERS dental plan has been substantial for April and May, 2020.
- Given the risk of COVID-19 on retiree populations and limits to access to dental providers, LACERS Members were not able to receive dental services resulting in:
  - the loss ratio dropping to 28.4%, and
  - a 2020 surplus of \$1,223,467 through May, 2020
  - In recognition of the impact of COVID-19 on dental plans, Delta Dental will be calculating a 25% credit in August and September 2020 of the ASC administration fee and applying it to the January 2021 invoice
- The total position of LACERS for 2019 and 2020 (through May) is:
  - \$2,391,206 surplus position
  - \$521,600 fully funded IBNR reserve

# 2019 Year-End Summary

Date	Total Primary Enrollees	Total Premium	Number of Claims	Paid Claim Amount	Delta Dental Administration	Total Expenses	Loss Ratio	Surplus / Deficit
Jan-19	11,822	\$ 835,437	2,385	\$ 545,725	\$ 60,231	\$ 605,956	72.5%	\$ 229,481
Feb-19	11,836	\$ 835,590	3,360	\$ 737,068	\$ 60,399	\$ 797,467	95.4%	\$ 38,123
Mar-19	11,880	\$ 838,882	3,240	\$ 700,291	\$ 60,542	\$ 760,833	90.7%	\$ 78,049
Apr-19	11,968	\$ 845,906	3,126	\$ 642,973	\$ 60,965	\$ 703,938	83.2%	\$ 141,968
May-19	11,995	\$ 847,062	3,750	\$ 781,973	\$ 61,210	\$ 843,184	99.5%	\$ 3,878
Jun-19	12,033	\$ 849,765	3,114	\$ 610,363	\$ 61,373	\$ 671,736	79.0%	\$ 178,029
Jul-19	12,072	\$ 852,464	2,933	\$ 568,691	\$ 61,542	\$ 630,233	73.9%	\$ 222,232
Aug-19	12,096	\$ 853,491	3,965	\$ 737,173	\$ 61,725	\$ 798,898	93.6%	\$ 54,593
Sep-19	12,140	\$ 856,923	3,064	\$ 597,225	\$ 61,863	\$ 659,088	76.9%	\$ 197,834
Oct-19	12,163	\$ 857,964	4,117	\$ 731,619	\$ 62,087	\$ 793,707	92.5%	\$ 64,257
Nov-19	12,174	\$ 857,934	3,061	\$ 572,951	\$ 62,031	\$ 634,982	74.0%	\$ 222,952
Dec-19	12,174	\$ 857,753	3,013	\$ 537,709	\$ 62,103	\$ 599,811	69.9%	\$ 257,942
<b>Total</b>	<b>144,353</b>	<b>\$ 10,189,172</b>	<b>39,128</b>	<b>\$ 7,763,760</b>	<b>\$ 736,073</b>	<b>\$ 8,499,833</b>	<b>83.4%</b>	<b>\$ 1,689,340</b>
<b>Avg. PRPM</b>	<b>12,029</b>	<b>\$ 70.59</b>	<b>0.27</b>	<b>\$ 53.78</b>	<b>\$ 5.10</b>	<b>\$ 58.88</b>	<b>83.4%</b>	<b>\$ 11.70</b>
January 1, 2019 IBNR Reserve requirement								\$ -
December 31, 2019 IBNR Reserve requirement								\$ 521,600
December 31, 2019 Year Ending Surplus								\$ 1,167,740

# May 2020 Summary

Date	Total Primary Enrollees	Total Premium	Number of Claims	Paid Claim Amount	Delta Dental Administration	Total Expenses	Loss Ratio	Surplus / Deficit
Jan-20	12,323	\$ 870,066	4,133	\$ 905,378	\$ 62,878	\$ 968,256	111.3%	\$ (98,191)
Feb-20	12,368	\$ 873,373	3,837	\$ 870,292	\$ 62,623	\$ 932,915	106.8%	\$ (59,541)
Mar-20	12,434	\$ 878,484	3,166	\$ 689,302	\$ 63,857	\$ 753,159	85.7%	\$ 125,325
Apr-20	12,430	\$ 878,440	910	\$ 221,127	\$ 63,439	\$ 284,566	32.4%	\$ 593,874
May-20	12,395	\$ 875,458	680	\$ 149,923	\$ 63,536	\$ 213,458	24.4%	\$ 662,000
Jun-20								
Jul-20								
Aug-20								
Sep-20								
Oct-20								
Nov-20								
Dec-20								
<b>Total</b>	<b>61,950</b>	<b>\$ 4,375,821</b>	<b>12,726</b>	<b>\$ 2,836,021</b>	<b>\$ 316,333</b>	<b>\$ 3,152,354</b>	<b>72.0%</b>	<b>\$ 1,223,467</b>
<b>Avg. PRPM</b>	<b>5,163</b>	<b>\$ 70.63</b>	<b>0.21</b>	<b>\$ 45.78</b>	<b>\$ 5.11</b>	<b>\$ 50.89</b>	<b>72.1%</b>	<b>\$ 19.75</b>
January 1, 2020 IBNR Reserve requirement								\$ 521,600
Ending Balance								\$ 521,600
2020 Current Position								\$ 1,223,467
2019 Ending Position								\$ 1,167,740
<b>Total Surplus/(Deficit) Position</b>								<b>\$ 2,391,206</b>

# Acknowledgement

Keenan & Associates would like to thank Ms. Lita Payne, Mr. Alex Rabrenovich, and the LACERS Health Benefits Administration staff for providing the necessary data and engaging in this renewal process. Their cooperation and guidance have been extremely valuable.

## Questions and Answers



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July 13, 2020

**BAC Meeting: 07/28/20**  
**Item VI**  
**Attachment 2**

Mr. Alex Rabrenovich  
Manager  
Health Benefits Administration and Communications Division  
Los Angeles City Employees' Retirement System (LACERS)  
202 W. 1st St. Suite 500  
Los Angeles, CA 90012

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)  
INCURRED BUT NOT REPORTED (IBNR) DENTAL RESERVES  
AS OF DECEMBER 31, 2019**

Dear Alex:

We have estimated the "Incurred But Not Reported" (IBNR) claims reserves for the self-funded dental plan for LACERS as of December 31, 2019.

**CLAIM EXPERIENCE – JANUARY 1, 2019 TO DECEMBER 31, 2019**

We analyzed the experience in the past 12 months to determine the actual lag between the incurred and payment dates of the claims.

Coverage	Paid Claims	Average Monthly Employees	Per Employee Per Month (PEPM)
Dental	\$7,763,760	12,024	\$53.81

**KEENAN'S IBNR ACTUARIAL RESERVE METHODOLOGY**

In Keenan's IBNR actuarial reserve calculation, the estimated outstanding claims at the end of the period (ending IBNR) is calculated based on the Bornheutter-Ferguson actuarial method. Under this method, the IBNR is determined based on completion factors and expected incurred claims. The completion factors are derived from actual claim lag data which takes into account the claim payment pattern. When the groups are small, the completion factors are blended with the industry norm completion factors. The IBNR claim reserve is estimated as the sum, for all prior months, of the expected incurred claim for the month multiplied by the proportion of claims expected to still be outstanding based on the completion factors.

Based on our analysis, we estimated the following unpaid claim liabilities as of December 31, 2019:

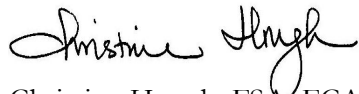
Coverage	Number of Employees in December 2019	IBNR Reserves as of 12/31/2019
Dental	12,135	\$521,600

### **CERTIFICATION**

The costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The IBNR reserve calculation reported herein is consistent with our understanding of the Bornheutter-Ferguson actuarial method. The actuarial assumptions are reasonable and represent our best estimate of the anticipated experience under the plan.

The undersigned credentialed actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Sincerely,



Christine Hough, FSA, FCA, MAAA  
Vice President & Actuary

**REPORT TO BENEFITS ADMINISTRATION COMMITTEE**

**From: Neil M. Guglielmo, General Manager**

**MEETING: JULY 28, 2020**

**ITEM: VII**

*Neil M. Guglielmo*

**SUBJECT: HEALTH AND WELFARE CONSULTANT CONTRACT EXTENSION AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

**Recommendation**

That the Committee forward to the Board a recommendation to extend the health and welfare consultant contract with Keenan and Associates until June 30, 2022; and authorize the General Manager to negotiate and execute the amendment.

**Executive Summary**

The three-year contract with Keenan and Associates expires on February 28, 2021. Due to prolonged significant increases in workload related to the Los Angeles World Airports (LAWA) Separation Incentive Program (SIP) and the potential further increases from the City's SIP, staff is requesting an extension of the Keenan contract so that the consultant Request for Proposal can be administered at a later date when workload returns to normal.

**Discussion**

Keenan and Associates has been LACERS' health and welfare consultant since February 29, 2012, providing services regarding health plan contract renewals and the administration of LACERS health plans. The current three-year contract expires on February 28, 2021.

Staff is requesting to extend the contract for one year and four months, until June 30, 2022, due to a projected significant increase in workload related to the LAWA and City Separation Incentive Programs. The LAWA SIP is retiring over 300 active Members by October 2020. The City SIP's goal is to retire at least 1,300 LACERS active Members during this fiscal year, with a request to complete the retirements, and thus health plan enrollments, as early as possible. Currently, LACERS processes an average of approximately 75 health plan enrollments per month. However, based on LACERS' current plan to process the SIP retirements, monthly health plan enrollments will begin to increase to over 200 by September 2021 and over 300 by January 2022, possibly lasting until Spring or the end of the fiscal year. Although additional resources are being obtained to support the SIP efforts, staff will need to place most of their attention on counseling and processing City SIP-related health plan enrollments. Therefore, to help ease the burden on staff during this extremely busy period, it is requested that the

Committee forward a recommendation to the Board to allow an extension of the Keenan contract until June 30 2022, which also will align the contract with our fiscal year and simplify budgeting.

The cost of the extension for the additional year, Year 4, would be \$803,000, which is the same cost as Year 3 of the contract. The additional four months beyond Year 4 has been prorated to a cost of \$267,667, bringing the total cost of the contract amendment to \$1,070,667.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst

NMG/AR:ar

Attachments: 1. Keenan executed contract, effective March 1, 2018  
2. Draft Contract Amendment



**CONTRACT 4177**

for

Health and Welfare Consulting Services

between

*Keenan & Associates*

and

The Board of Administration  
Los Angeles City Employees' Retirement System  
Los Angeles, California

Effective March 1, 2018  
Through February 28, 2021



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**CONTRACT 4177 BETWEEN  
THE BOARD OF ADMINISTRATION OF THE  
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
AND KEENAN & ASSOCIATES  
FOR HEALTH AND WELFARE CONSULTING SERVICES**

BY THIS CONTRACT, made and entered into between the LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM, a department of the City of Los Angeles, a municipal corporation (hereinafter referred to as "LACERS" or sometimes "CITY") and KEENAN & ASSOCIATES (hereinafter referred to as "CONTRACTOR"), the parties hereto have agreed as follows:

**I. TERM OF CONTRACT**

This Contract shall be effective for the three-year period commencing on March 1, 2018, and continuing through February 28, 2021, unless terminated earlier in accordance with the termination provisions of the Contract.

**II. SCOPE OF SERVICES**

**CONSULTATION AND ADVISORY SERVICES**

1. The Contractor will provide, as requested, advice to LACERS, conduct briefings, and perform consultative duties related to LACERS health plans.
2. The Contractor will provide day-to-day consultation on matters including, but not limited to, plan interpretation and problem resolution, and attend any meetings necessary to facilitate and assist in the management of LACERS' health and welfare plans and programs.
3. The Contractor will attend meetings with LACERS and each of its plan carriers at least twice a year to discuss utilization, opportunities to reduce premium costs, and new programs.
4. The Contractor will attend the Benefits Administration Committee (BAC) and the Board of Administration meetings where decisions regarding the health and welfare program will be considered and as requested.
5. The Contractor will educate the LACERS Board and staff, as requested, on health benefits issues, legislation, strategic planning, new health plan products or models, and best practices which will maintain the integrity of the Board's benefits objectives and philosophy.
6. The Contractor will prepare, as needed, comparison reports of other retirement systems' benefit plans and programs to determine competitiveness

of rates, coverage levels, or benefits programs, as requested by BAC, the Board or LACERS staff.

7. The Contractor will provide, as needed, demographic and other data to equalize the risks represented by age, sex, and health status among competing health plans.
8. The Contractor will provide, as needed, actuarial and related services to assist LACERS in all phases of program planning, including but not limited to analysis of past plan performance, cost/benefit of plan design changes, effects of specific legislative proposals, etc.
9. The Contractor will review existing LACERS health plan designs and premium rates and propose necessary modifications to meet LACERS' objectives.
10. The Contractor will evaluate new companies, programs, and/or benefits and provide to LACERS an analysis of potential impacts on service, costs, and administration for LACERS.
11. The Contractor will identify and provide administrative assistance to gain participation in cost-savings programs available through federal and/or state governments or other agencies.
12. The Contractor will perform an annual end-of-year accounting of all participating/refunding contracts and provide appropriate recommendations relevant to the findings.

#### HEALTH PLAN BID AND RENEWAL PROCESS

13. As directed by LACERS, the Contractor will develop, prepare, and release Requests for Renewal (RFR) or Requests for Proposal (RFP) to obtain cost and potential plan design changes from health carriers and consider new products and plan designs to improve cost efficiency.
14. The Contractor will handle related communications and evaluate proposals submitted in response to an RFP or RFR.
15. The Contractor will negotiate plan design changes, rate calculations, and premium rates with health plan carriers.
16. The Contractor will report on preliminary renewal findings, bases of negotiations regarding rate development, and recommend options to reduce costs beyond negotiated results.

17. The Contractor will provide periodic BAC and Board reports and other requested documents related to the annual health plan renewal at least ten working days prior to meeting date(s).
18. The Contractor will model program costs based upon claims data from health plan carriers.
19. The Contractor will assist with the development, negotiation, and implementation of performance standards and guarantees with LACERS' health plan carriers and monitor their performance.
20. The Contractor will assist in the design, implementation, and administration of any new health plans.
21. The Contractor will review all related health plan contract documents and related Committee and Board reports to ensure that they accurately reflect the rates, benefits, and conditions as approved by the LACERS Board, and will assist LACERS in the processing of its contracts in a timely manner.

## STRATEGIC PLANNING

22. The Contractor will assist staff in continuing LACERS' long-term strategic approach to optimize benefits, mitigate rising health care cost trends, and develop a mechanism to monitor and measure the progress of the plan on a semi-annual basis.
23. The Contractor will work with the health plan carriers to establish and meet performance goals to positively affect the utilization rates of health plan services, prescription drugs, disease management programs, and wellness programs.
24. The Contractor will attend meetings with LACERS and each of its plan carriers at least twice a year to discuss and assist in the implementation of LACERS' strategic goals.
25. The Contractor will survey the health plan industry for novel plan design options with the goal of reducing future health program cost increases and report them to LACERS prior to the plan renewal or bid processes.
26. The Contractor will assist LACERS in the administration of their strategic plan data initiative, which involves:
  - Reviewing health plan data and working with health plans to develop and provide drill-down reports to better understand utilization
  - Preparing semi-annual utilization data in summary report and/or dashboard format

- Identifying cost drivers within each plan and collaborating with the health plans and LACERS to develop strategies to mitigate the impact of these cost drivers, which may involve value-based benefit plan design changes, consideration of new programs or plan offerings, or changes to the existing health benefits program, and communications efforts
  - Monitoring and reporting on the progress of strategies and their effect on cost drivers
27. The Contractor will assist LACERS staff in developing strategies to increase Member participation in disease management programs available through the retired Member, and possibly, active Member health plans.
  28. The Contractor will evaluate LACERS' current health and welfare program to ensure that it is aligned with its strategic plan goals and develop recommendations to improve it.
  29. The Contractor will evaluate options available to LACERS in relation to health care legislation or requirements and develop strategies to further manage costs and reduce the impact of cost increases.
  30. The Contractor will secure regular funding of LACERS' wellness program from its health plan carriers.
  31. The Contractor will provide a wellness program manager position, paid for by carrier wellness funds, to collaborate with LACERS staff in developing and implementing LACERS' wellness program.

#### PROGRAM EVALUATION & DEVELOPMENT

32. The Contractor will coordinate with LACERS health plans to deliver aggregate utilization reports, both for individual plans and for use in comparing plans.
33. The Contractor will verify, as needed, that LACERS' medical plan carriers are in compliance with regulations imposed by participation in Medicare Part D.
34. The Contractor will conduct, as needed, up to two health plan audits per year to evaluate the administration of benefits, to ensure contract compliance, timeliness and accurate payment of claims, and other criteria as determined appropriate by LACERS.

#### LEGISLATION AND REGULATORY ANALYSIS

35. The Contractor will provide regular and timely communication of changes and proposed changes in federal and state statutes and regulations that may impact LACERS' health plans and its overall health and welfare program, and



upon request, prepare reports on how such changes would impact LACERS or its Members.

36. The Contractor will recommend procedures and/or policies that LACERS should implement to comply with federal and state statutes and regulations and conduct staff training, as necessary, on current issues.

#### COMMUNICATIONS

37. The Contractor will provide the services of a graphics designer, printer, and fulfillment house for Open Enrollment publications. Publications include, but are not limited to, Open Enrollment packet envelopes, Health Benefits Guides, Open Enrollment Health Bulletins, and Health Member Statements (for examples, see publications at [www.lacers.org](http://www.lacers.org)). Approximately 19,000 copies are printed and mailed to approximately 18,800 Retired Members and beneficiaries. The balance is kept in reserve for use throughout the plan year.

#### SPECIAL PROJECTS (MISCELLANEOUS)

38. The Contractor will be responsible for, but is not limited to, working with LACERS staff on special projects consistent with meeting its strategic goals, such as developing seminars, explaining new insurance industry products and legislative programs (e.g., Early Retiree Reinsurance Program), and using innovative educational tools that could result in overall program savings.

### III. KEY PERSONNEL

Steve Gedestad, Municipality Practice Leader, will be the key person responsible for the performance of services under this Contract. Any changes in key personnel may be made only upon prior written notice from the CONTRACTOR and approval from LACERS General Manager or designee.

### IV. COMPENSATION

LACERS will compensate CONTRACTOR for professional services rendered based on an hourly rate, not to exceed the total costs indicated as follows.

Scope of Services		Year 1	Year 2	Year 3
A	Consultation & Advisory Services	\$107,000	\$107,000	\$107,000
B	Health Plan Bid and Renewal Process	\$98,000*	\$98,000*	\$98,000*
C	Strategic Planning Only	\$108,000	\$108,000	\$108,000
D	Program Evaluation & Development	\$97,000	\$97,000	\$97,000
E	Legislative and Regulatory Analysis	\$43,000	\$43,000	\$43,000
F	Communications	\$61,000	\$61,000	\$61,000
G	Special Projects	\$102,000	\$102,000	\$102,000
H	As-needed Graphic Design	\$21,000	\$21,000	\$21,000

<b>I</b>	<b>Dashboard Creation and Maintenance</b>	\$56,000	\$56,000	\$56,000
<b>J</b>	<b>Wellness Consulting</b>	\$85,000	\$85,000	\$85,000
<b>K</b>	<b>Data Initiative</b>	\$25,000	\$25,000	\$25,000
	<b>Total</b>	\$803,000	\$803,000	\$803,000

Job Classification	Billable Rate	Scope of Services							Total Hours
		A	B	C	D	E	F	G	
<b>Steve Gedestad</b> <i>Municipality Practice Leader</i>	\$425	80	60	60	20				220
<b>Bordan Darm</b> <i>Account Executive</i>	\$350	220	70	90	100	10	20		510
<b>Erin Robinson</b> <i>Service Consultant</i>	\$265	425	50	100	40	50	100	50	815
<b>Jovita Juanillo</b> <i>Senior VP, Underwriting &amp; Actuarial Services</i>	\$400		200		5				205
<b>Christine Hough</b> <i>VP/Actuary</i>	\$400	100	20		40				160
<b>Robin Rager</b> <i>Director of Health Management</i>	\$300	50		50	50			150	300
<b>Ralph Gowen</b> <i>Vice President, Client Technology</i>	\$250								0
<b>Charlotte Doecker</b> <i>VP Marketing Communications</i>	\$225								0
<b>Amy B. Donovan</b> <i>VP Legislative and Regulatory Affairs</i>	\$275					50			50
<b>Jerry Healy</b> <i>Chief Employee Benefits Counsel</i>	\$275								0
<b>Betty Sassano</b> <i>General Counsel</i>	\$275								0
<b>Regina Horton</b> <i>In-house Counsel</i>	\$275					50			50
<b>Matthew Szenderski</b> <i>Health Management Specialist</i>	\$200	40		20	20			40	120
<b>Leanna Lilly</b> <i>Health Management Specialist</i>	\$200	40		20	25			35	120
<b>Dolly Dacumos</b> <i>Manager, Benefits Underwriting</i>	\$150		40	20	10		10	50	130
<b>Jeremy Ball</b> <i>Data Analyst</i>	\$175								0
<b>Robin Kerr</b> <i>Art Director</i>	\$175						125	120	245
<b>Alex Artiga</b> <i>Marketing Coordinator</i>	\$150								0



Job Classification	Billable Rate	Scope of Services							Total Hours
		A	B	C	D	E	F	G	
<b>Amanda Karr</b> Senior Technical Writer	\$175								0
<b>Brandon Woods</b> Graphic Designer	\$175								0
<b>Christine Trejo</b> Jr. Graphic Designer	\$160								0
<b>Martha Juarez</b> Marketing Assistant	\$150								0
<b>ChrisAnn Galeotti</b> Service/Marketing Coordinator	\$150								0
<b>Total Hours</b>									<b>2,925</b>

\* If CONTRACTOR is requested by LACERS to conduct a Request for Proposal (RFP) for medical, dental, and/or vision plans, the fee will be \$50,000 for each RFP in addition to the fees specified in the Scope of Services fee schedule.

The CONTRACTOR will pay for up to two claim audits over the three-year contract period.

The Special Projects area will cover the pass-through of the Wellness Coordinator and as-needed graphic design.

## V. INVOICES

For services under Section II, CONTRACTOR shall submit monthly invoices in arrears. Invoices must detail the services performed.

LACERS shall within thirty (30) days of receipt and following approval of each payment request, remit to CONTRACTOR the amount to the address specified in the NOTICES section herein. If LACERS disapproves all or any part of any payment request, CONTRACTOR shall be notified immediately, but no later than ten (10) days after receipt of the invoice and provided with reasons thereof. CONTRACTOR shall have the opportunity to provide additional information in support of any such disapproved request or to submit a modified request.

All billing must be in U.S. dollars.

## VI. NOTICES

All invoices, notices, reports, or other communication shall be written and hand-delivered or mailed by first class, postage prepaid, and addressed to the respective party at the addresses below, or at any other address LACERS or CONTRACTOR provides in writing:

To LACERS at:  
Los Angeles City Employees' Retirement System  
202 W. First St., Suite 500  
Los Angeles, CA 90012-4401  
Attention: Neil Guglielmo,  
General Manager  
Telephone: (213) 473-7280  
Facsimile: (213) 473-7189

To CONTRACTOR at:  
Keenan & Associates  
2355 Crenshaw Blvd., Suite 200  
Torrance, CA 90501  
Attention: Steve Gedestad,  
Municipality Practice Leader  
Telephone: (800) 338-5247 ext. 5160  
Facsimile: (949) 369-0324

## **VII. Nondiscrimination, Equal Employment Practices and Affirmative Action Program (Non-Construction and Construction)**

Contractors are advised that any contract awarded pursuant to this procurement process shall be subject to the applicable provisions of Los Angeles Administrative Code Section 10.8.2., Non-discrimination Clause.

All contracts (both construction and non-construction) for which the consideration is \$1,000 or more shall comply with the provisions of Los Angeles Administrative Code Sections 10.8.3., Equal Employment Practices Provisions. By affixing its signature on a contract that is subject to the Equal Employment Practices Provisions, the Contractor shall agree to adhere to the provisions in the Equal Employment Practices Provisions for the duration of the contract.

All contracts (both construction and non-construction) for which the consideration is \$25,000 or more shall comply with the provisions of Los Angeles Administrative Code Sections 10.8.4., Affirmative Action Program Provisions. By affixing its signature on a contract that is subject to the Affirmative Action Program Provisions, the Contractor shall agree to adhere to the provisions in the Affirmative Action Program Provisions for the duration of the contract.

Furthermore, contractors shall include similar provisions in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations. The contract with the subcontractor that contends similar language shall be made available to the Office of Contract Compliance upon request.

Contractors seeking additional information regarding the requirements of the City's Non-Discrimination Clause, Equal Employment Practices and Affirmative Action Program may visit the Bureau of Contract Administration's web site at <http://bca.lacity.org>.

## **VIII. INCORPORATION OF DOCUMENTS**

This Contract, appendices, and exhibits represent the entire integrated Contract of the parties and supersedes all prior written or oral representations, discussions, and contracts. The following documents are incorporated and made a part hereof by reference. In the event of any inconsistency between any of the provisions of the body of

this Contract and its attachment, the order of precedence shall be (1) the provisions in the body of this Contract, (2) Appendix A, (3) Appendix B, and (4) Appendix C.

Appendix A Standard Provisions for City Contracts (Rev. 10/17)

This Contract is subject to all the provisions of the Standard Provisions for City Contracts with exemptions applicable for provisions: PSC-28 – Living Wage Ordinance, PSC-31 – Contractor Responsibility Ordinance, PSC-32 – Business Inclusion Program, PSC-33 – Slavery Disclosure Ordinance, PSC-34 – First Source Hiring Ordinance, PSC-36 – Iran Contracting Act, and PSC-41 – Compliance with California Public Resource Code 5164.

Appendix B LACERS Confidentiality and Non-Disclosure Policy

Appendix C CONTRACTOR Proposal Dated December 27, 2017

Exhibits - Required Compliance Documents as part of the Contract:

- Exhibit 1: Proof of Insurance
- Exhibit 2: Copy of Los Angeles Business Tax Registration Certificate
- Exhibit 3: Completed IRS W-9 Form
- Exhibit 4: Completed Vendor Request Form – ACH

## **IX. RATIFICATION**

Due to the immediate need for CONTRACTOR's services, the CONTRACTOR may provide services prior to the execution of this Agreement. To the extent that said services were performed in accordance with the terms and conditions of this Agreement, those services are hereby ratified.

## X. FINAL EXECUTION AND SIGNATORIES OF CONTRACT

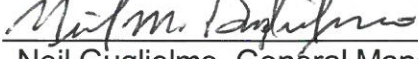
Final execution of this Contract shall be the date the final signatory of the Contract is made, subject to warranty by the individuals whose signature appears below that he/she has full authority to execute this Contract on behalf of the party on whose behalf he has affixed his signature to this Contract; and subject to satisfactory completion of compliance documents delineated in the Contract.

KEENAN & ASSOCIATES

By:   
Steve Gedestad, Municipality Practice Leader

Date: March 19, 2018

BOARD OF ADMINISTRATION,  
LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM

By:   
Neil Guglielmo, General Manager

Date: 4/17/18

Approved as to form:

MICHAEL N. FEUER, City Attorney

By:   
Sr. Assistant/Deputy City Attorney

Date: 4.13.18

## APPENDIX A

### STANDARD PROVISIONS FOR CITY CONTRACTS



## STANDARD PROVISIONS FOR CITY CONTRACTS

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## STANDARD PROVISIONS FOR CITY CONTRACTS

### **PSC-1.** Construction of Provisions and Titles Herein

All titles, subtitles, or headings in this Contract have been inserted for convenience, and shall not be deemed to affect the meaning or construction of any of the terms or provisions of this Contract. The language of this Contract shall be construed according to its fair meaning and not strictly for or against **CITY** or **CONTRACTOR**. The word "**CONTRACTOR**" includes the party or parties identified in this Contract. The singular shall include the plural and if there is more than one **CONTRACTOR**, unless expressly stated otherwise, their obligations and liabilities shall be joint and several. Use of the feminine, masculine, or neuter genders shall be deemed to include the genders not used.

### **PSC-2.** Applicable Law, Interpretation and Enforcement

Each party's performance shall comply with all applicable laws of the United States of America, the State of California, and **CITY**, including but not limited to, laws regarding health and safety, labor and employment, wage and hours and licensing. This Contract shall be enforced and interpreted under the laws of the State of California without regard to conflict of law principles. **CONTRACTOR** shall comply with new, amended, or revised laws, regulations, or procedures that apply to the performance of this Contract with no additional compensation paid to **CONTRACTOR**.

In any action arising out of this Contract, **CONTRACTOR** consents to personal jurisdiction, and agrees to bring all such actions, exclusively in state or federal courts located in Los Angeles County, California.

If any part, term or provision of this Contract is held void, illegal, unenforceable, or in conflict with any federal, state or local law or regulation, the validity of the remaining parts, terms or provisions of this Contract shall not be affected.

### **PSC-3.** Time of Effectiveness

Unless otherwise provided, this Contract shall take effect when all of the following events have occurred:

- A. This Contract has been signed on behalf of **CONTRACTOR** by the person or persons authorized to bind **CONTRACTOR**;
- B. This Contract has been approved by the City Council or by the board, officer or employee authorized to give such approval;
- C. The Office of the City Attorney has indicated in writing its approval of this Contract as to form; and
- D. This Contract has been signed on behalf of **CITY** by the person designated by the City Council, or by the board, officer or employee authorized to enter into this Contract.



**PSC-4. Integrated Contract**

This Contract sets forth all of the rights and duties of the parties with respect to the subject matter of this Contract, and replaces any and all previous Contracts or understandings, whether written or oral, relating thereto. This Contract may be amended only as provided for in the provisions of PSC-5 hereof.

**PSC-5. Amendment**

All amendments to this Contract shall be in writing and signed and approved pursuant to the provisions of PSC-3.

**PSC-6. Excusable Delays**

Neither party shall be liable for its delay or failure to perform any obligation under and in accordance with this Contract, if the delay or failure arises out of fires, floods, earthquakes, epidemics, quarantine restrictions, other natural occurrences, strikes, lockouts (other than a lockout by the party or any of the party's Subcontractors), freight embargoes, terrorist acts, insurrections or other civil disturbances, or other similar events to those described above, but in each case the delay or failure to perform must be beyond the control and without any fault or negligence of the party delayed or failing to perform (these events are referred to in this provision as "Force Majeure Events").

Notwithstanding the foregoing, a delay or failure to perform by a Subcontractor of **CONTRACTOR** shall not constitute a Force Majeure Event, unless the delay or failure arises out of causes beyond the control of both **CONTRACTOR** and Subcontractor, and without any fault or negligence of either of them. In such case, **CONTRACTOR** shall not be liable for the delay or failure to perform, unless the goods or services to be furnished by the Subcontractor were obtainable from other sources in sufficient time to permit **CONTRACTOR** to perform timely. As used in this Contract, the term "Subcontractor" means a subcontractor at any tier.

In the event **CONTRACTOR'S** delay or failure to perform arises out of a Force Majeure Event, **CONTRACTOR** agrees to use commercially reasonable best efforts to obtain the goods or services from other sources, and to otherwise mitigate the damages and reduce the delay caused by the Force Majeure Event.

**PSC-7. Waiver**

A waiver of a default of any part, term or provision of this Contract shall not be construed as a waiver of any succeeding default or as a waiver of the part, term or provision itself. A party's performance after the other party's default shall not be construed as a waiver of that default.

**PSC-8. Suspension**

At **CITY'S** sole discretion, **CITY** may suspend any or all services provided under this Contract by providing **CONTRACTOR** with written notice of suspension. Upon receipt of the notice of suspension, **CONTRACTOR** shall immediately cease the services suspended and shall not incur any additional obligations, costs or expenses to **CITY** until **CITY** gives written notice to recommence the services.

**PSC-9. Termination**

**A. Termination for Convenience**

**CITY** may terminate this Contract for **CITY'S** convenience at any time by providing **CONTRACTOR** thirty days written notice. Upon receipt of the notice of termination, **CONTRACTOR** shall immediately take action not to incur any additional obligations, costs or expenses, except as may be necessary to terminate its activities. **CITY** shall pay **CONTRACTOR** its reasonable and allowable costs through the effective date of termination and those reasonable and necessary costs incurred by **CONTRACTOR** to effect the termination. Thereafter, **CONTRACTOR** shall have no further claims against **CITY** under this Contract. All finished and unfinished documents and materials procured for or produced under this Contract, including all intellectual property rights **CITY** is entitled to, shall become **CITY** property upon the date of the termination. **CONTRACTOR** agrees to execute any documents necessary for **CITY** to perfect, memorialize, or record **CITY'S** ownership of rights provided herein.

**B. Termination for Breach of Contract**

1. Except as provided in PSC-6, if **CONTRACTOR** fails to perform any of the provisions of this Contract or so fails to make progress as to endanger timely performance of this Contract, **CITY** may give **CONTRACTOR** written notice of the default. **CITY'S** default notice will indicate whether the default may be cured and the time period to cure the default to the sole satisfaction of **CITY**. Additionally, **CITY'S** default notice may offer **CONTRACTOR** an opportunity to provide **CITY** with a plan to cure the default, which shall be submitted to **CITY** within the time period allowed by **CITY**. At **CITY'S** sole discretion, **CITY** may accept or reject **CONTRACTOR'S** plan. If the default cannot be cured or if **CONTRACTOR** fails to cure within the period allowed by **CITY**, then **CITY** may terminate this Contract due to **CONTRACTOR'S** breach of this Contract.
2. If the default under this Contract is due to **CONTRACTOR'S** failure to maintain the insurance required under this Contract, **CONTRACTOR** shall immediately: (1) suspend performance of any services under this Contract for which insurance was required; and (2) notify its employees and Subcontractors of the loss of insurance coverage and Contractor's obligation to suspend performance of

services. **CONTRACTOR** shall not recommence performance until **CONTRACTOR** is fully insured and in compliance with **CITY'S** requirements.

3. If a federal or state proceeding for relief of debtors is undertaken by or against **CONTRACTOR**, or if **CONTRACTOR** makes an assignment for the benefit of creditors, then **CITY** may immediately terminate this Contract.
4. If **CONTRACTOR** engages in any dishonest conduct related to the performance or administration of this Contract or violates **CITY'S** laws, regulations or policies relating to lobbying, then **CITY** may immediately terminate this Contract.
5. Acts of Moral Turpitude
  - a. **CONTRACTOR** shall immediately notify **CITY** if **CONTRACTOR** or any Key Person, as defined below, is charged with, indicted for, convicted of, pleads nolo contendere to, or forfeits bail or fails to appear in court for a hearing related to, any act which constitutes an offense involving moral turpitude under federal, state, or local laws ("Act of Moral Turpitude").
  - b. If **CONTRACTOR** or a Key Person is convicted of, pleads nolo contendere to, or forfeits bail or fails to appear in court for a hearing related to, an Act of Moral Turpitude, **CITY** may immediately terminate this Contract.
  - c. If **CONTRACTOR** or a Key Person is charged with or indicted for an Act of Moral Turpitude, **CITY** may terminate this Contract after providing **CONTRACTOR** an opportunity to present evidence of **CONTRACTOR'S** ability to perform under the terms of this Contract.
  - d. Acts of Moral Turpitude include, but are not limited to: violent felonies as defined by Penal Code Section 667.5, crimes involving weapons, crimes resulting in serious bodily injury or death, serious felonies as defined by Penal Code Section 1192.7, and those crimes referenced in the Penal Code and articulated in California Public Resources Code Section 5164(a)(2); in addition to and including acts of murder, rape, sexual assault, robbery, kidnapping, human trafficking, pimping, voluntary manslaughter, aggravated assault, assault on a peace officer, mayhem, fraud, domestic abuse, elderly abuse, and child abuse, regardless of whether such acts are punishable by felony or misdemeanor conviction.

- e. For the purposes of this provision, a Key Person is a principal, officer, or employee assigned to this Contract, or owner (directly or indirectly, through one or more intermediaries) of ten percent or more of the voting power or equity interests of **CONTRACTOR**.
- 6. In the event **CITY** terminates this Contract as provided in this section, **CITY** may procure, upon such terms and in the manner as **CITY** may deem appropriate, services similar in scope and level of effort to those so terminated, and **CONTRACTOR** shall be liable to **CITY** for all of its costs and damages, including, but not limited to, any excess costs for such services.
- 7. If, after notice of termination of this Contract under the provisions of this section, it is determined for any reason that **CONTRACTOR** was not in default under the provisions of this section, or that the default was excusable under the terms of this Contract, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to PSC-9(A) Termination for Convenience.
- 8. The rights and remedies of **CITY** provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.
- C. In the event that this Contract is terminated, **CONTRACTOR** shall immediately notify all employees and Subcontractors, and shall notify in writing all other parties contracted with under the terms of this Contract within five working days of the termination.

**PSC-10. Independent Contractor**

**CONTRACTOR** is an independent contractor and not an agent or employee of **CITY**. **CONTRACTOR** shall not represent or otherwise hold out itself or any of its directors, officers, partners, employees, or agents to be an agent or employee of **CITY**.

**PSC-11. Contractor's Personnel**

Unless otherwise approved by **CITY**, **CONTRACTOR** shall use its own employees to perform the services described in this Contract. **CITY** has the right to review and approve any personnel who are assigned to work under this Contract. **CONTRACTOR** shall remove personnel from performing work under this Contract if requested to do so by **CITY**.

**CONTRACTOR** shall not use Subcontractors to assist in performance of this Contract without the prior written approval of **CITY**. If **CITY** permits the use of Subcontractors, **CONTRACTOR** shall remain responsible for performing all aspects of this Contract and paying all Subcontractors. **CITY** has the right to approve **CONTRACTOR'S** Subcontractors, and **CITY** reserves the right to request replacement of any

Subcontractor. **CITY** does not have any obligation to pay **CONTRACTOR'S** Subcontractors, and nothing herein creates any privity of contract between **CITY** and any Subcontractor.

**PSC-12. Assignment and Delegation**

**CONTRACTOR** may not, unless it has first obtained the written permission of **CITY**:

- A. Assign or otherwise alienate any of its rights under this Contract, including the right to payment; or
- B. Delegate, subcontract, or otherwise transfer any of its duties under this Contract.

**PSC-13. Permits**

**CONTRACTOR** and its directors, officers, partners, agents, employees, and Subcontractors, shall obtain and maintain all licenses, permits, certifications and other documents necessary for **CONTRACTOR'S** performance of this Contract. **CONTRACTOR** shall immediately notify **CITY** of any suspension, termination, lapses, non-renewals, or restrictions of licenses, permits, certificates, or other documents that relate to **CONTRACTOR'S** performance of this Contract.

**PSC-14. Claims for Labor and Materials**

**CONTRACTOR** shall promptly pay when due all amounts owed for labor and materials furnished in the performance of this Contract so as to prevent any lien or other claim under any provision of law from arising against any **CITY** property (including reports, documents, and other tangible or intangible matter produced by **CONTRACTOR** hereunder), and shall pay all amounts due under the Unemployment Insurance Act or any other applicable law with respect to labor used to perform under this Contract.

**PSC-15. Current Los Angeles City Business Tax Registration Certificate Required**

For the duration of this Contract, **CONTRACTOR** shall maintain valid Business Tax Registration Certificate(s) as required by **CITY'S** Business Tax Ordinance, Section 21.00 *et seq.* of the Los Angeles Municipal Code ("LAMC"), and shall not allow the Certificate to lapse or be revoked or suspended.

**PSC-16. Retention of Records, Audit and Reports**

**CONTRACTOR** shall maintain all records, including records of financial transactions, pertaining to the performance of this Contract, in their original form or as otherwise approved by **CITY**. These records shall be retained for a period of no less than three years from the later of the following: (1) final payment made by **CITY**, (2) the expiration of this Contract or (3) termination of this Contract. The records will be subject to examination and audit by authorized **CITY** personnel or **CITY'S** representatives at any time. **CONTRACTOR** shall provide any reports requested by **CITY** regarding



performance of this Contract. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, **CONTRACTOR** may, upon **CITY'S** written approval, submit the required information to **CITY** in an electronic format, e.g. USB flash drive, at the expiration or termination of this Contract.

#### **PSC-17. Bonds**

All bonds required by **CITY** shall be filed with the Office of the City Administrative Officer, Risk Management for its review and acceptance in accordance with Los Angeles Administrative Code ("LAAC") Sections 11.47 *et seq.*, as amended from time to time.

#### **PSC-18. Indemnification**

Except for the active negligence or willful misconduct of **CITY**, or any of its boards, officers, agents, employees, assigns and successors in interest, **CONTRACTOR** shall defend, indemnify and hold harmless **CITY** and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by **CITY**, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including **CONTRACTOR'S** employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of an act, error, or omission by **CONTRACTOR**, Subcontractors, or their boards, officers, agents, employees, assigns, and successors in interest. The rights and remedies of **CITY** provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract. This provision will survive expiration or termination of this Contract.

#### **PSC-19. Intellectual Property Indemnification**

**CONTRACTOR**, at its own expense, shall defend, indemnify, and hold harmless the **CITY**, and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by **CITY**, including but not limited to, costs of experts and consultants), damages or liability of any nature arising out of the infringement, actual or alleged, direct or contributory, of any intellectual property rights, including, without limitation, patent, copyright, trademark, trade secret, right of publicity, and proprietary information: (1) on or in any design, medium, matter, article, process, method, application, equipment, device, instrumentation, software, hardware, or firmware used by **CONTRACTOR**, or its Subcontractors, in performing the work under this Contract; or (2) as a result of **CITY'S** actual or intended use of any Work Product (as defined in PSC-21) furnished by **CONTRACTOR**, or its Subcontractors, under this Contract. The rights and remedies of **CITY** provided in this section shall not be exclusive

and are in addition to any other rights and remedies provided by law or under this Contract. This provision will survive expiration or termination of this Contract.

**PSC-20. Intellectual Property Warranty**

**CONTRACTOR** represents and warrants that its performance of all obligations under this Contract does not infringe in any way, directly or contributorily, upon any third party's intellectual property rights, including, without limitation, patent, copyright, trademark, trade secret, right of publicity and proprietary information.

**PSC-21. Ownership and License**

Unless otherwise provided for herein, all finished and unfinished works, tangible or not, created under this Contract including, without limitation, documents, materials, data, reports, manuals, specifications, artwork, drawings, sketches, blueprints, studies, memoranda, computation sheets, computer programs and databases, schematics, photographs, video and audiovisual recordings, sound recordings, marks, logos, graphic designs, notes, websites, domain names, inventions, processes, formulas, matters and combinations thereof, and all forms of intellectual property originated and prepared by **CONTRACTOR** or its Subcontractors under this Contract (each a "Work Product"; collectively "Work Products") shall be and remain the exclusive property of **CITY** for its use in any manner **CITY** deems appropriate. **CONTRACTOR** hereby assigns to **CITY** all goodwill, copyright, trademark, patent, trade secret and all other intellectual property rights worldwide in any Work Products originated and prepared under this Contract. **CONTRACTOR** further agrees to execute any documents necessary for **CITY** to perfect, memorialize, or record **CITY'S** ownership of rights provided herein.

**CONTRACTOR** agrees that a monetary remedy for breach of this Contract may be inadequate, impracticable, or difficult to prove and that a breach may cause **CITY** irreparable harm. **CITY** may therefore enforce this requirement by seeking injunctive relief and specific performance, without any necessity of showing actual damage or irreparable harm. Seeking injunctive relief or specific performance does not preclude **CITY** from seeking or obtaining any other relief to which **CITY** may be entitled.

For all Work Products delivered to **CITY** that are not originated or prepared by **CONTRACTOR** or its Subcontractors under this Contract, **CONTRACTOR** shall secure a grant, at no cost to **CITY**, for a non-exclusive perpetual license to use such Work Products for any **CITY** purposes.

**CONTRACTOR** shall not provide or disclose any Work Product to any third party without prior written consent of **CITY**.

Any subcontract entered into by **CONTRACTOR** relating to this Contract shall include this provision to contractually bind its Subcontractors performing work under this Contract such that **CITY'S** ownership and license rights of all Work Products are preserved and protected as intended herein.

## **PSC-22. Data Protection**

- A. **CONTRACTOR** shall protect, using the most secure means and technology that is commercially available, **CITY**-provided data or consumer-provided data acquired in the course and scope of this Contract, including but not limited to customer lists and customer credit card or consumer data, (collectively, the "City Data"). **CONTRACTOR** shall notify **CITY** in writing as soon as reasonably feasible, and in any event within twenty-four hours, of **CONTRACTOR'S** discovery or reasonable belief of any unauthorized access of City Data (a "Data Breach"), or of any incident affecting, or potentially affecting City Data related to cyber security (a "Security Incident"), including, but not limited to, denial of service attack, and system outage, instability or degradation due to computer malware or virus. **CONTRACTOR** shall begin remediation immediately. **CONTRACTOR** shall provide daily updates, or more frequently if required by **CITY**, regarding findings and actions performed by **CONTRACTOR** until the Data Breach or Security Incident has been effectively resolved to **CITY'S** satisfaction. **CONTRACTOR** shall conduct an investigation of the Data Breach or Security Incident and shall share the report of the investigation with **CITY**. At **CITY'S** sole discretion, **CITY** and its authorized agents shall have the right to lead or participate in the investigation. **CONTRACTOR** shall cooperate fully with **CITY**, its agents and law enforcement.
- B. If **CITY** is subject to liability for any Data Breach or Security Incident, then **CONTRACTOR** shall fully indemnify and hold harmless **CITY** and defend against any resulting actions.

## **PSC-23. Insurance**

During the term of this Contract and without limiting **CONTRACTOR'S** obligation to indemnify, hold harmless and defend **CITY**, **CONTRACTOR** shall provide and maintain at its own expense a program of insurance having the coverages and limits not less than the required amounts and types as determined by the Office of the City Administrative Officer of Los Angeles, Risk Management (template Form General 146 in Exhibit 1 hereto). The insurance must: (1) conform to **CITY'S** requirements; (2) comply with the Insurance Contractual Requirements (Form General 133 in Exhibit 1 hereto); and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management. **CONTRACTOR** shall comply with all Insurance Contractual Requirements shown on Exhibit 1 hereto. Exhibit 1 is hereby incorporated by reference and made a part of this Contract.

## **PSC-24. Best Terms**

Throughout the term of this Contract, **CONTRACTOR**, shall offer **CITY** the best terms, prices, and discounts that are offered to any of **CONTRACTOR'S** customers for similar goods and services provided under this Contract.



**PSC-25. Warranty and Responsibility of Contractor**

**CONTRACTOR** warrants that the work performed hereunder shall be completed in a manner consistent with professional standards practiced among those firms within **CONTRACTOR'S** profession, doing the same or similar work under the same or similar circumstances.

**PSC-26. Mandatory Provisions Pertaining to Non-Discrimination in Employment**

Unless otherwise exempt, this Contract is subject to the applicable non-discrimination, equal benefits, equal employment practices, and affirmative action program provisions in LAAC Section 10.8 et seq., as amended from time to time.

- A. **CONTRACTOR** shall comply with the applicable non-discrimination and affirmative action provisions of the laws of the United States of America, the State of California, and **CITY**. In performing this Contract, **CONTRACTOR** shall not discriminate in any of its hiring or employment practices against any employee or applicant for employment because of such person's race, color, religion, national origin, ancestry, sex, sexual orientation, gender, gender identity, age, disability, domestic partner status, marital status or medical condition.
- B. The requirements of Section 10.8.2.1 of the LAAC, the Equal Benefits Ordinance, and the provisions of Section 10.8.2.1(f) are incorporated and made a part of this Contract by reference.
- C. The provisions of Section 10.8.3 of the LAAC are incorporated and made a part of this Contract by reference and will be known as the "Equal Employment Practices" provisions of this Contract.
- D. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Contract by reference and will be known as the "Affirmative Action Program" provisions of this Contract.

Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-27. Child Support Assignment Orders**

**CONTRACTOR** shall comply with the Child Support Assignment Orders Ordinance, Section 10.10 of the LAAC, as amended from time to time. Pursuant to Section 10.10(b) of the LAAC, **CONTRACTOR** shall fully comply with all applicable State and Federal employment reporting requirements. Failure of **CONTRACTOR** to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment or Notices of Assignment, or the failure of any principal owner(s) of **CONTRACTOR** to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by the **CONTRACTOR** under this Contract. Failure of **CONTRACTOR** or principal owner to cure

the default within 90 days of the notice of default will subject this Contract to termination for breach. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-28. Living Wage Ordinance**

**CONTRACTOR** shall comply with the Living Wage Ordinance, LAAC Section 10.37 *et seq.*, as amended from time to time. **CONTRACTOR** further agrees that it shall comply with federal law proscribing retaliation for union organizing. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-29. Service Contractor Worker Retention Ordinance**

**CONTRACTOR** shall comply with the Service Contractor Worker Retention Ordinance, LAAC Section 10.36 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-30. Access and Accommodations**

**CONTRACTOR** represents and certifies that:

- A. **CONTRACTOR** shall comply with the Americans with Disabilities Act, as amended, 42 U.S.C. Section 12101 *et seq.*, the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701 *et seq.*, the Fair Housing Act, and its implementing regulations and any subsequent amendments, and California Government Code Section 11135;
- B. **CONTRACTOR** shall not discriminate on the basis of disability or on the basis of a person's relationship to, or association with, a person who has a disability;
- C. **CONTRACTOR** shall provide reasonable accommodation upon request to ensure equal access to **CITY**-funded programs, services and activities;
- D. Construction will be performed in accordance with the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40; and
- E. The buildings and facilities used to provide services under this Contract are in compliance with the federal and state standards for accessibility as set forth in the 2010 ADA Standards, California Title 24, Chapter 11, or other applicable federal and state law.

**CONTRACTOR** understands that **CITY** is relying upon these certifications and representations as a condition to funding this Contract. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-31. Contractor Responsibility Ordinance**

**CONTRACTOR** shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 *et seq.*, as amended from time to time.

**PSC-32. Business Inclusion Program**

Unless otherwise exempted prior to bid submission, **CONTRACTOR** shall comply with all aspects of the Business Inclusion Program as described in the Request for Proposal/Qualification process, throughout the duration of this Contract. **CONTRACTOR** shall utilize the Business Assistance Virtual Network ("BAVN") at <https://www.labavn.org/>, to perform and document outreach to Minority, Women, and Other Business Enterprises. **CONTRACTOR** shall perform subcontractor outreach activities through BAVN. **CONTRACTOR** shall not change any of its designated Subcontractors or pledged specific items of work to be performed by these Subcontractors, nor shall **CONTRACTOR** reduce their level of effort, without prior written approval of **CITY**.

**PSC-33. Slavery Disclosure Ordinance**

**CONTRACTOR** shall comply with the Slavery Disclosure Ordinance, LAAC Section 10.41 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-34. First Source Hiring Ordinance**

**CONTRACTOR** shall comply with the First Source Hiring Ordinance, LAAC Section 10.44 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-35. Local Business Preference Ordinance**

**CONTRACTOR** shall comply with the Local Business Preference Ordinance, LAAC Section 10.47 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-36. Iran Contracting Act**

In accordance with California Public Contract Code Sections 2200-2208, all contractors entering into, or renewing contracts with **CITY** for goods and services estimated at \$1,000,000 or more are required to complete, sign, and submit the "Iran Contracting Act of 2010 Compliance Affidavit."

**PSC-37. Restrictions on Campaign Contributions and Fundraising in City Elections**

Unless otherwise exempt, if this Contract is valued at \$100,000 or more and requires approval by an elected **CITY** office, **CONTRACTOR**, **CONTRACTOR'S** principals, and **CONTRACTOR'S** Subcontractors expected to receive at least \$100,000 for performance under the Contract, and the principals of those Subcontractors (the "Restricted Persons")

shall comply with Charter Section 470(c)(12) and LAMC Section 49.7.35. Failure to comply entitles **CITY** to terminate this Contract and to pursue all available legal remedies. Charter Section 470(c)(12) and LAMC Section 49.7.35 limit the ability of the Restricted Persons to make campaign contributions to and engage in fundraising for certain elected **CITY** officials or candidates for elected **CITY** office for twelve months after this Contract is signed. Additionally, a **CONTRACTOR** subject to Charter Section 470(c)(12) is required to comply with disclosure requirements by submitting a completed and signed Ethics Commission Form 55 and to amend the information in that form as specified by law. Any **CONTRACTOR** subject to Charter Section 470(c)(12) shall include the following notice in any contract with any Subcontractor expected to receive at least \$100,000 for performance under this Contract:

“Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections

You are a subcontractor on City of Los Angeles Contract # \_\_\_\_\_. Pursuant to the City of Los Angeles Charter Section 470(c)(12) and related ordinances, you and your principals are prohibited from making campaign contributions to and fundraising for certain elected City of Los Angeles (“**CITY**”) officials and candidates for elected **CITY** office for twelve months after the **CITY** contract is signed. You are required to provide the names and contact information of your principals to the **CONTRACTOR** and to amend that information within ten business days if it changes during the twelve month time period. Failure to comply may result in termination of this Contract and any other available legal remedies. Information about the restrictions may be found online at [ethics.lacity.org](http://ethics.lacity.org) or by calling the Los Angeles City Ethics Commission at (213) 978-1960.”

**PSC-38. Contractors’ Use of Criminal History for Consideration of Employment Applications**

**CONTRACTOR** shall comply with the City Contractors’ Use of Criminal History for Consideration of Employment Applications Ordinance, LAAC Section 10.48 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-39. Limitation of City’s Obligation to Make Payment to Contractor**

Notwithstanding any other provision of this Contract, including any exhibits or attachments incorporated therein, and in order for **CITY** to comply with its governing legal requirements, **CITY** shall have no obligation to make any payments to **CONTRACTOR** unless **CITY** shall have first made an appropriation of funds equal to or in excess of its obligation to make any payments as provided in this Contract. **CONTRACTOR** agrees that any services provided by **CONTRACTOR**, purchases made by **CONTRACTOR** or expenses incurred by **CONTRACTOR** in excess of the appropriation(s) shall be free and without charge to **CITY** and **CITY** shall have no obligation to pay for the services, purchases or expenses. **CONTRACTOR** shall have no obligation to provide any services,



provide any equipment or incur any expenses in excess of the appropriated amount(s) until **CITY** appropriates additional funds for this Contract.

**PSC-40. Compliance with Identity Theft Laws and Payment Card Data Security Standards**

**CONTRACTOR** shall comply with all identity theft laws including without limitation, laws related to: (1) payment devices; (2) credit and debit card fraud; and (3) the Fair and Accurate Credit Transactions Act ("FACTA"), including its requirement relating to the content of transaction receipts provided to Customers. **CONTRACTOR** also shall comply with all requirements related to maintaining compliance with Payment Card Industry Data Security Standards ("PCI DSS"). During the performance of any service to install, program or update payment devices equipped to conduct credit or debit card transactions, including PCI DSS services, **CONTRACTOR** shall verify proper truncation of receipts in compliance with FACTA.

**PSC-41. Compliance with California Public Resources Code Section 5164**

California Public Resources Code Section 5164 prohibits a public agency from hiring a person for employment or as a volunteer to perform services at any park, playground, or community center used for recreational purposes in a position that has supervisory or disciplinary authority over any minor, if the person has been convicted of certain crimes as referenced in the Penal Code, and articulated in California Public Resources Code Section 5164(a)(2).

If applicable, **CONTRACTOR** shall comply with California Public Resources Code Section 5164, and shall additionally adhere to all rules and regulations that have been adopted or that may be adopted by **CITY**. **CONTRACTOR** is required to have all employees, volunteers and Subcontractors (including all employees and volunteers of any Subcontractor) of **CONTRACTOR** working on premises to pass a fingerprint and background check through the California Department of Justice at **CONTRACTOR'S** sole expense, indicating that such individuals have never been convicted of certain crimes as referenced in the Penal Code and articulated in California Public Resources Code Section 5164(a)(2), if the individual will have supervisory or disciplinary authority over any minor.

**PSC-42. Possessory Interests Tax**

Rights granted to **CONTRACTOR** by **CITY** may create a possessory interest. **CONTRACTOR** agrees that any possessory interest created may be subject to California Revenue and Taxation Code Section 107.6 and a property tax may be levied on that possessory interest. If applicable, **CONTRACTOR** shall pay the property tax. **CONTRACTOR** acknowledges that the notice required under California Revenue and Taxation Code Section 107.6 has been provided.

**PSC-43. Confidentiality**

All documents, information and materials provided to **CONTRACTOR** by **CITY** or developed by **CONTRACTOR** pursuant to this Contract (collectively "Confidential Information") are confidential. **CONTRACTOR** shall not provide or disclose any Confidential Information or their contents or any information therein, either orally or in writing, to any person or entity, except as authorized by **CITY** or as required by law. **CONTRACTOR** shall immediately notify **CITY** of any attempt by a third party to obtain access to any Confidential Information. This provision will survive expiration or termination of this Contract.

## **EXHIBIT 1**

### **INSTRUCTIONS AND INFORMATION ON COMPLYING WITH CITY INSURANCE REQUIREMENTS**

(Share this information with your insurance agent or broker)

1. **Agreement/Reference** All evidence of insurance should identify the nature of your business with the **CITY**. Clearly show any assigned number of a bid, contract, lease, permit, etc. or give the project name and the job site or street address to ensure that your submission will be properly credited. Provide the **types of coverage and minimum dollar amounts** specified on the Required Insurance and Minimum Limits sheet (Form Gen. 146) as determined in writing by the CAO-RM.

2. **When to submit** Normally, no work may begin until a **CITY** insurance certificate approval number ("CA number") has been obtained, so insurance documents should be submitted as early as practicable. For **As-needed Contracts**, insurance need not be submitted until a specific job has been awarded. **Design Professionals** coverage for new construction work may be submitted simultaneously with final plans and drawings, but before construction commences.

Submitting your documents. **Track4LA®** is the **CITY'S** online insurance compliance system and is designed to make the experience of submitting and retrieving insurance information quick and easy. The system is designed to be used by insurance brokers and agents as they submit client insurance certificates directly to the **CITY**. It uses the standard insurance industry form known as the **ACORD 25 Certificate of Liability Insurance** in electronic format. **Track4LA®** advantages include standardized, universally accepted forms, paperless approval transactions (24 hours, 7 days per week), and security checks and balances. The easiest and quickest way to obtain approval of your insurance is to have your insurance broker or agent access **Track4LA®** at <http://track4la.lacity.org> and follow the instructions to register and submit the appropriate proof of insurance on your behalf.

Insurance industry certificates other than the ACORD 25 may be accepted, however ***submissions other than through Track4LA® will significantly delay the insurance approval process as documents will have to be manually processed.*** **CONTRACTOR must provide CITY** a thirty day notice of cancellation (ten days for non-payment of premium) AND an Additional Insured Endorsement naming the **CITY** an additional insured completed by your insurance company or its designee. If the policy includes an automatic or blanket additional insured endorsement, the Certificate must state the **CITY** is an automatic or blanket additional insured. An endorsement naming the **CITY** an Additional Named Insured and Loss Payee as Its Interests May Appear is required on property policies. All evidence of insurance must be authorized by a person with authority to bind coverage, whether that is the authorized agent/broker or insurance underwriter. Completed **Insurance Industry Certificates other than ACORD 25 Certificates** are sent electronically to [CAO.insurance.bonds@lacity.org](mailto:CAO.insurance.bonds@lacity.org).

Additional Insured Endorsements DO NOT apply to the following:

- Indication of compliance with statute, such as Workers' Compensation Law.
- Professional Liability insurance.

Verification of approved insurance and bonds may be obtained by checking **Track4LA®**, the **CITY'S** online insurance compliance system, at <http://track4la.lacity.org>.

4. **Renewal** When an existing policy is renewed, have your insurance broker or agent submit a new Acord 25 Certificate or edit the existing Acord 25 Certificate through **Track4LA®** at <http://track4la.lacity.org>.

5. **Alternative Programs/Self-Insurance** Risk financing mechanisms such as Risk Retention Groups, Risk Purchasing Groups, off-shore carriers, captive insurance programs and self-insurance programs are subject to separate approval after the **CITY** has reviewed the relevant audited financial statements. To initiate a review of your program, you should complete the Applicant's Declaration of Self Insurance form (<http://cao.lacity.org/risk/InsuranceForms.htm>) to the CAO-RM for consideration.



6. **General Liability** insurance covering your operations (and products, where applicable) is required whenever the **CITY** is at risk of third-party claims which may arise out of your work or your presence or special event on City premises. **Sexual Misconduct** coverage is a required coverage when the work performed involves minors. **Fire Legal Liability** is required for persons occupying a portion of **CITY** premises. Information on two **CITY** insurance programs, the SPARTA program, an optional source of low-cost insurance which meets the most minimum requirements, and the Special Events Liability Insurance Program, which provides liability coverage for short-term special events on **CITY** premises or streets, is available at ([www.2sparta.com](http://www.2sparta.com)), or by calling (800) 420-0555.

7. **Automobile Liability** insurance is required only when vehicles are used in performing the work of your Contract or when they are driven off-road on **CITY** premises; it is not required for simple commuting unless **CITY** is paying mileage. However, compliance with California law requiring auto liability insurance is a contractual requirement.

8. **Errors and Omissions** coverage will be specified on a project-by-project basis if you are working as a licensed or other professional. The length of the claims discovery period required will vary with the circumstances of the individual job.

9. **Workers' Compensation and Employer's Liability** insurance are not required for single-person contractors. However, under state law these coverages (or a copy of the state's Consent To Self Insure) must be provided if you have any employees at any time during the period of this contract. Contractors with no employees must complete a Request for Waiver of Workers' Compensation Insurance Requirement (<http://cao.lacity.org/risk/InsuranceForms.htm>). A Waiver of Subrogation on the coverage is required only for jobs where your employees are working on **CITY** premises under hazardous conditions, e.g., uneven terrain, scaffolding, caustic chemicals, toxic materials, power tools, etc. The Waiver of Subrogation waives the insurer's right to recover (from the **CITY**) any workers' compensation paid to an injured employee of the contractor.

10. **Property** insurance is required for persons having exclusive use of premises or equipment owned or controlled by the **CITY**. **Builder's Risk/Course of Construction** is required during construction projects and should include building materials in transit and stored at the project site.

11. **Surety** coverage may be required to guarantee performance of work and payment to vendors and suppliers. A **Crime Policy** may be required to handle **CITY** funds or securities, and under certain other conditions. **Specialty coverages** may be needed for certain operations. For assistance in obtaining the **CITY** required bid, performance and payment surety bonds, please see the City of Los Angeles Bond Assistance Program website address at <http://cao.lacity.org/risk/BondAssistanceProgram.pdf> or call (213) 258-3000 for more information.

12. **Cyber Liability & Privacy** coverage may be required to cover technology services or products for both liability and property losses that may result when a **CITY** contractor engages in various electronic activities, such as selling on the Internet or collecting data within its internal electronic network. **CONTRACTOR'S** policies shall cover liability for a data breach in which the **CITY** employees' and/or **CITY** customers' confidential or personal information, such as but not limited to, Social Security or credit card information are exposed or stolen by a hacker or other criminal who has gained access to the **CITY'S** or **CONTRACTOR'S** electronic network. The policies shall cover a variety of expenses associated with data breaches, including: notification costs, credit monitoring, costs to defend claims by state regulators, fines and penalties, and loss resulting from identity theft. The policies are required to cover liability arising from website media content, as well as property exposures from: (a) business interruption, (b) data loss/destruction, (c) computer fraud, (d) funds transfer loss, and (e) cyber extortion.



## Required Insurance and Minimum Limits

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Agreement/Reference: \_\_\_\_\_

Evidence of coverages checked below, with the specified minimum limits, must be submitted and approved prior to occupancy/start of operations. Amounts shown are Combined Single Limits ("CSLs"). For Automobile Liability, split limits may be substituted for a CSL if the total per occurrence equals or exceeds the CSL amount.

### Limits

---

**Workers' Compensation (WC) and Employer's Liability (EL)**

WC    *Statutory*

EL    \_\_\_\_\_

☐ Waiver of Subrogation in favor of City☐ Longshore & Harbor Workers☐ Jones Act

---

**General Liability**
☐ Products/Completed Operations☐ Sexual Misconduct☐ Fire Legal Liability☐ \_\_\_\_\_

---

**Automobile Liability** (for any and all vehicles used for this contract, other than commuting to/from work)

---

**Professional Liability** (Errors and Omissions)

Discovery Period \_\_\_\_\_

---

**Property Insurance** (to cover replacement cost of building - as determined by insurance company)
☐ All Risk Coverage☐ Boiler and Machinery☐ Flood☐ Builder's Risk☐ Earthquake☐ \_\_\_\_\_

---

**Pollution Liability**
☐ \_\_\_\_\_

---

**Surety Bonds - Performance and Payment (Labor and Materials) Bonds**


---

**Crime Insurance**

Other: \_\_\_\_\_

## APPENDIX B

### LACERS REQUIREMENTS

- Marketing Cessation Policy
- Confidentiality and Non-Disclosure of Member Information Policy

## Section 2.0 CONTRACT ADMINISTRATION

**2.1 MARKETING CESSATION POLICY***Adopted: April 24, 2007; Revised June 10, 2014***Purpose**

The purpose of this policy is to ensure a transparent and fair contracting process which provides equal information and opportunity to all parties interested in contracting with LACERS. The policy helps prevent, and avoid the appearance of, undue influence on the Board or any of its Members in the award of investment related and other service contracts by placing restrictions on communications between parties seeking contracts and those involved in contract award and the contract process.

**Parties Affected**

Any firm or representative seeking a contract or contract extension/renewal with LACERS is a "Restricted Source" as defined by the City's Governmental Ethics Ordinance, and is subject to this policy.

Any Board Member, Staff member, City Attorney, LACERS consultant, or anyone working on LACERS' behalf which has any privileged information about the potential contract is subject to this policy.

**Notification**

All firms responding to a Request for Proposal are notified of the Department's Marketing Cessation Policy through the Request for Proposal solicitation. All firms whose contracts are approaching expiration are additionally notified of the Marketing Cessation Policy through their contract provisions.

**Restricted Period**

Restrictions apply from the time the Request for Proposal is released until a contract is executed.

**Restrictions:****Communication Restrictions**

All firms that are potential candidates for the award of a contract, or extension of an existing contract, are prohibited from engaging in any direct or indirect marketing of their services except through the process set forth in the Request for Proposal. This includes a prohibition on conversations about the contract or the process to award it, but does not exclude conversations with restricted sources about generic topics at group social events, educational seminars, conferences, or charitable events.

Communications with firms who currently have contracts with LACERS are acceptable when they are related to the performance of the existing contract.

**Gift Restrictions**

In addition to all other applicable gift restrictions, Board Members and Staff will accept no entertainment or gifts of any kind from any Restricted Source, or intermediary, during the restricted period. An incumbent firm is also restricted from providing any type of gift or entertainment to Board Members or Staff during the three months prior to renewal of the existing contract or during the restricted period, whichever is longer.

Section 2.0 CONTRACT ADMINISTRATION

**Proposer Disclosure**

All Proposers shall provide the following disclosures with their RFP response. All recommendations to the Board to award a contract shall include a copy of such disclosures:

1. All respondents are required to submit a statement listing all contacts with Board Members, Staff, and Consultants during the restricted period.
2. All respondents shall provide information regarding any personal or business relationship between their personnel and any Member of the Board, Staff of LACERS, or Consultants who are designated as Form 700 filers in the Department's Conflict of Interest Code.
3. All respondents shall disclose any payments for marketing or placement services to any person, firm, or entity to assist in seeking the LACERS contracting opportunity.

**Penalties**

Any failures to disclose, or false disclosures, are a violation of this policy shall result in automatic disqualification of the firm involved.

This policy shall be reviewed by the Board every three years or earlier if necessitated by a change in local, State, or Federal statutes.

**CONFIDENTIALITY & NON-DISCLOSURE OF MEMBER INFORMATION**

CONTRACTOR agrees that all information disclosed by LACERS regarding its members and beneficiaries shall remain confidential and private. This information may include, but is not limited to, their names, dates of birth, home addresses, names of their spouses and spouses' dates of birth, names of their children and dates of birth of their children, names of beneficiaries, medical histories, wage assignments, divorce and marriage documents, and social security identifications.

CONTRACTOR hereby agrees not to disclose this information to third parties and shall exercise reasonable and current best practices to ensure the security of such information. State Law Requirements - Protection For Personal Information State law (See Civil Code Sections 1798.29, 1798.81.5 and 1798.82, as amended) requires a person or entity that owns or licenses computerized data that includes personal information, of a California resident, to disclose any breach of the data base security system and to implement and maintain procedures and practices to protect personal information from unauthorized access, destruction, use, modification, or disclosure and, shall require by contract, that non-affiliated third party recipients of such personal information, implement and maintain security procedures and practices to protect the personal information. Accordingly, CONTRACTOR agrees to implement and maintain such security procedures and practices, in conformance with Civil Code Sections 1798.29, 1798.81.5 and 1798.82, with respect to any personal identification information received under this agreement, as well as to notify the City of any breach in security.

CONTRACTOR shall not share, disclose, or in any way transfer the personal identification information without the written approval of the LACERS.

CONTRACTOR shall make no personal, business, or proprietary use of any private and confidentially-disclosed information regarding LACERS members, nor allow any third parties to make personal, business, or proprietary use of any of the disclosed information.

CONTRACTOR shall be responsible for any and all liabilities, including but not limited to those stated below in this paragraph, that result from any violation of Civil Code Sections 1798.29, 1798.81.5 and/or 1798.82 that Contractor, its employees, agents, or subcontractors may cause pursuant to the activities performed under this contract. Accordingly, CONTRACTOR agrees to indemnify and hold harmless the City of Los Angeles, its respective agencies, LACERS, LACERS board, all of their commissioners, officers, employees, and authorized agents, and, at the option of the City of Los Angeles, to provide a defense, reasonably acceptable to the LACERS, against any and all suits and causes of action, claims, charges, damages, demands, judgments, civil fines and penalties, or losses of any kind or nature whatsoever caused or brought by any person, including any aggrieved party, as defined in Civil Code Sections 1798.29 and 1798.82, arising out of CONTRACTOR'S breach of any of its duties and obligations under Civil Code Sections 1798.29, 1798.81.5 and/or 1798.82. The indemnification herein includes all awards, damages, interest, costs and attorneys' fees, if any. Such defense will be consistent with City Charter, Sections 271, 272 and 273.

At the termination of user services between CONTRACTOR and LACERS, CONTRACTOR hereby agrees to return all private and personal information it has received from LACERS regarding members and beneficiaries, and shall make no further use of any of the disclosed private or personal information provided by LACERS.

The laws concerning disclosure of private information on LACERS' members and their families made during this agreement shall mean the privacy laws of the State of California.

## Exhibit 1

Proof of Required Insurance  
Meeting Limits Established on  
“Form Gen 146”





# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
11/03/2017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> AXIS INSURANCE SERVICES, LLC 795 FRANKLIN AVENUE  FRANKLIN LAKES NJ 07417	<b>CONTACT NAME:</b> Heather Verdui <b>PHONE (A/C, No, Ext):</b> 2018479175 <b>FAX (A/C, No):</b> <b>E-MAIL ADDRESS:</b> hverdui@axisins.com <b>INSURER(S) AFFORDING COVERAGE</b> <b>INSURER A:</b> Allied World Insurance Company <b>INSURER B:</b> <b>INSURER C:</b> <b>INSURER D:</b> <b>INSURER E:</b> <b>INSURER F:</b>
<b>INSURED</b> Keenan & Associates C/O AssuredPartners, Inc. 200 Colonial Center Parkway Lake Mary FL 32746	<b>NAIC #</b> 22730

**COVERAGES** **CERTIFICATE NUMBER:** 0550 EO16/17 **REVISION NUMBER:**  
THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR	<input type="checkbox"/>	<input type="checkbox"/>				EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ OTHER \$
	GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER						
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS ONLY	<input type="checkbox"/>	<input type="checkbox"/>				COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ OTHER \$
	UMBRELLA LIAB <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$	<input type="checkbox"/>	<input type="checkbox"/>				EACH OCCURRENCE \$ AGGREGATE \$ OTHER \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	<input type="checkbox"/>	<input type="checkbox"/>				PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Errors & Omissions Claims Made - Retro Date 3.31.17	N	N	0307-7977	10/01/2017	10/01/2018	Limit per Claim \$15,000,000 Aggregate Limit \$15,000,000 Retention per Claim \$250,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Professional Services: Insurance Agent/Broker for others.

Certificate Holder Name: Los Angeles City Employees""  
Retirement System (LACERS)

## CERTIFICATE HOLDER

City of Los Angeles and all of its Agencies, Boards and Departments  
200 North Main Street  
City Hall East, Suite 1240  
Los Angeles CA 90012

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE  
Heather Verdui

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# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

9/29/2017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> AssuredPartners Northeast, LLC 123 Main Street 14th Floor White Plains NY 10601	<b>CONTACT NAME:</b> Jeanne Vezina <b>PHONE (A/C, No, Ext):</b> (914) 761-9000 <b>FAX (A/C, No):</b> (914) 761-3749 <b>E-MAIL ADDRESS:</b> JVezina@skcg.com														
<b>INSURED</b> Keenan & Associates C/O AssuredPartners, Inc. 200 Colonial Center Parkway Lake Mary FL 32746	<table border="1"><thead><tr><th>INSURER(S) AFFORDING COVERAGE</th><th>NAIC #</th></tr></thead><tbody><tr><td>INSURER A: Charter Oak Fire</td><td>25615</td></tr><tr><td>INSURER B: Travelers Indemnity Co.</td><td>25658</td></tr><tr><td>INSURER C: Travelers Prop Casualty Co. of Am.</td><td>25674</td></tr><tr><td>INSURER D: Federal Insurance Co.</td><td>20281</td></tr><tr><td>INSURER E:</td><td></td></tr><tr><td>INSURER F:</td><td></td></tr></tbody></table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: Charter Oak Fire	25615	INSURER B: Travelers Indemnity Co.	25658	INSURER C: Travelers Prop Casualty Co. of Am.	25674	INSURER D: Federal Insurance Co.	20281	INSURER E:		INSURER F:	
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INSURER D: Federal Insurance Co.	20281														
INSURER E:															
INSURER F:															

**COVERAGES**

CERTIFICATE NUMBER: CL1792895998

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	X		6301C226998	10/1/2017	10/1/2018	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000
B	<b>AUTOMOBILE LIABILITY</b> <input checked="" type="checkbox"/> ANY AUTO ALL OWNED AUTOS HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS NON-OWNED AUTOS			BA330D8750	10/1/2017	10/1/2018	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
C	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$			CUP9J434350	10/1/2017	10/1/2018	EACH OCCURRENCE \$ 25,000,000 AGGREGATE \$ 25,000,000
C	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A	UB3G481072-17	10/1/2017	10/1/2018	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
D	Employee Theft			8225-9951	10/1/2017	10/1/2018	\$10,000,000 Limit \$100,000 Ded.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

RE: MOSS - 0004

Los Angeles City Employees' Retirement Systems (LACERS) is named as an Additional Insured with respects to Liability and per endorsement #CG D4 11 04 08 (Copy Attached).

**CERTIFICATE HOLDER****CANCELLATION**

Los Angeles City Employees'  
Retirement System (LACERS)  
360 East Second Street 2nd Fl  
Los Angeles, CA 90012

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

© 1988-2014 ACORD CORPORATION. All rights reserved.

ACORD 25 (2014/01)

The ACORD name and logo are registered marks of ACORD

INS025 (201401)

## Exhibit 2

Completed  
Los Angeles Business Tax Form and  
Copy of Certificate



# CITY OF LOS ANGELES

OFFICE OF FINANCE

P.O. BOX 53200

LOS ANGELES CA 90053-0200

To Reginald

05 100-005029 1203 1

KEENAN & ASSOCIATES, INC  
SULEMAN MOLOO  
2355 CRENSHAW BLVD STE 200  
TORRANCE CA 90501-3329


2355 CRENSHAW BOULEVARD #200  
TORRANCE, CA 90501-3329

THIS CERTIFICATE MUST BE POSTED AT PLACE OF BUSINESS

CITY OF LOS ANGELES TAX REGISTRATION CERTIFICATE				
THIS CERTIFICATE IS GOOD UNTIL SUSPENDED OR CANCELLED				
BUSINESS TAX				
ACCOUNT NO.	FUND/CLASS	DESCRIPTION	ISSUED: 3/6/2012	STATUS
0002601703-0001-9	L049	Professions/Occupations	03/01/2012	Active

1  
00000  
TO

KEENAN & ASSOCIATES, INC  
SULEMAN MOLOO  
2355 CRENSHAW BOULEVARD #200  
TORRANCE, CA 90501-3329  
2355 CRENSHAW BOULEVARD #200  
TORRANCE, CA 90501-3329



ISSUED BY:  
*Antoinette D. Christensen*  
DIRECTOR OF FINANCE

NOTIFY THE OFFICE OF FINANCE IN WRITING OF ANY CHANGE IN OWNERSHIP OR ADDRESS

P.O. BOX 53200, LOS ANGELES CA 90053-0200

## Exhibit 3

Completed IRS W-9 Form

## Request for Taxpayer Identification Number and Certification

Give Form to the  
requester. Do not  
send to the IRS.

Print or type  
See Specific Instructions on page 2.

Name (as shown on your income tax return) <b>Keenan &amp; Associates</b>	
Business name/disregarded entity name, if different from above	
Check appropriate box for federal tax classification (required): <input type="checkbox"/> Individual/sole proprietor <input checked="" type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ <input type="checkbox"/> Other (see instructions) ▶ _____	
<input checked="" type="checkbox"/> Exempt payee	
Address (number, street, and apt. or suite no.) <b>P.O. Box 4328</b>	Requester's name and address (optional)
City, state, and ZIP code <b>Torrance, CA 90501</b>	
List account number(s) here (optional)	

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number										
			-				-			
Employer identification number										
9	5	-	2	7	9	8	6	2	6	

### Part II Certification

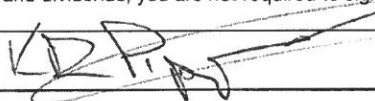
Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
- I am a U.S. citizen or other U.S. person (defined below).

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.

Sign  
Here

Signature of  
U.S. person ▶



Date ▶ 3/1/2018

### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

#### Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

**Note.** If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

**AMENDMENT NO. 1  
TO  
CONTRACT 4177**

**BAC Meeting: 07/28/20  
Item VII  
Attachment 2**

Whereas the parties have an existing Contract 4177, effective March 1, 2018 pursuant to which KEENAN & ASSOCIATES (hereinafter referred to as "CONTRACTOR") has agreed to provide health and welfare consulting services to the LOS ANGELES CITY EMPLOYEE RETIREMENT SYSTEM (hereinafter referred to as "LACERS" or sometimes "CITY"), and the parties now desire that the Contractor continue to provide health and welfare consulting services for an additional sixteen (16) months from March 1, 2021 to June 30, 2022 pursuant to the terms of this Amendment No. 1 ("Amendment") effective March 1, 2020;

Therefore, Contract 4177 is hereby amended as follows:

1. Section I. Term of Contract is hereby amended to add the following to the end of the current paragraph:

This Contract is hereby extended for an additional sixteen (16) months from March 1, 2021 through June 30, 2022 ("Extension"), unless terminated earlier in accordance with the termination provisions of the Contract.

2. Section III. Key Personnel is hereby amended to read:

**III. KEY PERSONNEL**

Laurie LoFranco, Municipality Practice Leader, will be the key person responsible for the performance of services under this Contract. Any changes in key personnel may be made only upon prior written notice from the CONTRACTOR and approval from LACERS General Manager or designee.

3. Section IV. Compensation is hereby amended to read:

LACERS will compensation CONTRACTOR for professional services rendered based on an hourly rate, not to exceed the total costs indicated as follows:

<b><u>SCOPE OF SERVICES</u></b>		<b><u>YEAR 3</u></b> <b><u>(3/1/20-</u></b> <b><u>2/29/21)</u></b> <b><u>No changes</u></b>	<b><u>Year 4</u></b> <b><u>(3/1/21-</u></b> <b><u>2/28/22)</u></b> <b><u>Extension</u></b>	<b><u>4 MONTHS</u></b> <b><u>(3/1/22-6/30/22)</u></b> <b><u>Extension</u></b>
A	Consultation & Advisory Services	\$107,000	\$107,000	\$ 35,667
B	Health Plan Bid and Renewal Process	\$98,000*	\$98,000*	\$ 32,667
C	Strategic Planning Only	\$108,000	\$108,000	\$ 36,000
D	Program Evaluation & Development	\$97,000	\$97,000	\$ 32,333
E	Legislative and Regulatory Analysis	\$43,000	\$43,000	\$ 14,333
F	Communications	\$61,000	\$61,000	\$ 20,333
G	Special Projects	\$102,000	\$102,000	\$ 34,000
H	As-needed Graphic Design	\$21,000	\$21,000	\$ 7,000
I	Dashboard Creation and Maintenance	\$56,000	\$56,000	\$ 18,667
J	Wellness Consulting	\$85,000	\$85,000	\$ 28,333
K	Data Initiative	\$25,000	\$25,000	\$ 8,333
		<b>\$ 803,000</b>	<b>\$ 803,000</b>	<b>\$ 267,667</b>



The following Billable Rates, Scope of Services, and Total Hours shall be for the Agreement year from March 1, 2020 through February 29, 2021.

The Total Hours shall reset for the Agreement year from March 1, 2021 through February 29, 2022, where the Billable Rates and Scope of Services shall remain the same unless otherwise amended.

The prorated amount of twenty-five percent (25%) of the Total Hours shall apply for the remainder of the Agreement from March 1, 2022 through June 30, 2022, where the Billable amounts and the Scope of Services shall remain the same unless otherwise amended.

<u>Job Classification</u>	<u>Billable Rate</u>	<u>Scope of Services</u>											<u>Total Hours</u>
		<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>J</u>	<u>K</u>	
<b>Laurie LoFranco</b>	\$425												0
<b>Ju Anderson</b> Vice President	\$375	50	30	60	20								160
<b>Bordan Darm</b> Account Executive	\$350	180	60	80	80	10	20				30		460
<b>Erin Robinson</b> Service Consultant	\$265	325	50	50	40	50	50	50					615
<b>Jovita Juanillo</b> Senior VP, Underwriting & Actuarial Services	\$400		100		5								105
<b>Christine Hough</b> VP/Actuary	\$400	100	20		40					65		60	285
<b>Robin Rager</b> VP of Health Management	\$300	70		60	60			60		50	80		380
<b>Ralph Gowen</b> VP, Client Technology	\$250												0
<b>Charlotte Doecker</b> VP Marketing Communications	\$225												0
<b>Amy B. Donovan</b> VP Legislative and Regulatory Affairs	\$275					50							50
<b>Jerry Healy</b> Chief Employee Benefits Counsel	\$275					50							50
<b>Betty Sassano</b> General Counsel	\$275												0
<b>Cara Obradovitz</b> Health Management Specialist	\$200	60		30	35			65					190
<b>Dolly Dacumos</b> Manager, Benefits Underwriting	\$150		40	20	10		10	50					130
<b>Robin Kerr</b> Art Director	\$175						125	120	120				365

<b>Alex Artiga</b> <i>Digital Marketing Specialist</i>	\$150												0
<b>Total Hours</b>													2,790

\*If CONTRACTOR is requested by LACERS to conduct a Request for Proposal (RFP) for medical, dental, and/or vision plans, the fee will be fifty thousand dollars (\$50,000) for each RFP in addition to the fees specified in the Scope of Services fee schedule.

The CONTRACTOR will pay for up to two (2) claim audits over the twenty-eight (28) month contract period referenced from March 1, 2020 through June 30, 2022.

4. All the remaining terms and conditions of Contract 4177 remain unchanged and in full force and effect, and shall govern the conduct of the parties during the remainder of this Agreement.
5. The effective date of this Amendment No. 1 is March 1, 2020.

*(Signature Page to Follow)*

## FINAL EXECUTION AND SIGNATORIES OF CONTRACT AMENDMENT

Final execution of this contract amendment shall be the date the final signatory of the contract is made, subject to warranty by the individuals whose signature appears below that he/she has full authority to execute this Contract on behalf of the party on whose behalf he has affixed his signature to this Contract; and subject to satisfactory completion of compliance documents delineated in the contract.

KEENAN & ASSOCIATES

BOARD OF ADMINISTRATION, LOS  
ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM

By: \_\_\_\_\_  
David Seres, Chief Financial Officer

By: \_\_\_\_\_  
Neil M. Guglielmo, General Manager

Date: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Ju Anderson, Vice President

Date: \_\_\_\_\_

Approved as to form and legality:

MICHAEL N. FEUER, City Attorney

By: \_\_\_\_\_  
Assistant/Deputy City Attorney

Date: \_\_\_\_\_