



Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2952

MTA BOARD MEETING
August 15, 2002

SUBJECT: NON-CONTRACT GROUP INSURANCE PLAN

ACTION: RENEW GROUP INSURANCE PLAN POLICIES

RECOMMENDATION

- A. Authorize the Chief Executive Officer to renew policies for the Non-contract Group Insurance Plan, including medical, dental, life, accidental death and dismemberment and long-term disability coverages for a one-year period beginning January 1, 2003. The new monthly premium amounts are shown on Attachment 1.
- B. Establish a straight 90/10, employer/employee, cost-sharing ratio for each plan choice.

RATIONALE

A flexible and comprehensive benefits package is necessary to attract, motivate, and retain qualified employees. To that end, the MTA, including PTSC, seeks to offer benefit plans that are both cost effective for the MTA and its employees and competitive with other local public agencies.

Generally, each element of the plan contains provisions for the insurers to update premiums annually based on their MTA loss experience and current market conditions.

ALTERNATIVES CONSIDERED

The options considered included decreasing plan benefit levels and/or increasing employees' contribution requirements. Decreasing plan benefit levels and increasing the employees' share are not recommended since the cost savings to the MTA would be minor while the reduced benefits and/or increased employee share would have a negative impact on the MTA's efforts to provide an attractive benefits program to recruit and retain high-quality employees. In spite of the increased costs, the average cost per covered employee in this plan is comparable to those of the MTA's unions.

FINANCIAL IMPACT

Funding for Non-contract Group Insurance Plan is included in the FY 2003 budget in cost center #0621, under projects 100001 and 100003 and on the MTA balance sheet for accrued retiree medical liabilities. The FY 2003 budget anticipated the significant increases in medical and dental premiums. Life insurance, long-term disability and accidental death and dismemberment premiums are essentially unchanged. Based on the current employee participation by plan, FY 2003 costs are expected to be within the adopted budget.

AFSCME employees are included in the non-contract plan and are assumed to continue under the same cost sharing arrangement as non-contract employees. AFSCME employee contributions may be affected in final negotiations.

BACKGROUND

The Non-contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Employees may choose the plan coverages that they desire. Employees may also opt to waive one or more coverages and receive a taxable cash benefit.

The employee contribution rate will change to 10% of the actual premium for each plan selected. Previously, the employees' share was 10% of the aggregate costs for medical/vision/mental health and dental services. Staff set plan-by-plan contribution amounts to encourage participation in the lower cost plans.

The CY 2002 average monthly MTA cost per Non-contract and AFSCME employee is \$459. For CY 2003, average monthly cost is estimated at \$560. Therefore, the FY 2003 average cost is \$509 per employee.

As of July 2002, MTA provides monthly Health and Welfare contributions of \$441 for UTU, \$533 for ATU, and \$507 for TCU represented employees. All of the current labor agreements contain provisions for additional MTA contributions to assist in maintaining established trust fund reserve levels. The ATU contract expires on September 30, 2002. The Union's leadership has indicated that they will seek substantial increases in monthly contributions to the Trust.

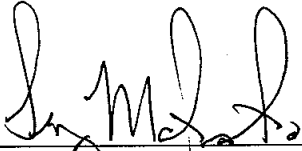
Mercer Human Resources Consulting, MTA's insurance broker, is responsible for marketing the group insurance contracts with qualified insurance carriers and negotiating annual renewal premium proposals. Based on those negotiations under staff oversight, the original premium quote increases were reduced by approximately 1%.

Mercer and staff concur that renewal recommendations are competitive within the current market.

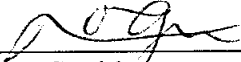
ATTACHMENTS

1. Monthly Premium Rates
2. Monthly Employee Contributions

Prepared by: Jan Olsen, Supervisor, Pension and Benefits Department
Edward J. Myatt, Sr. Analyst, Pension and Benefits Department



Terry Matsumoto
Executive Officer, Finance and Treasurer



Roger Snoble
Chief Executive Officer

ATTACHMENT 1

MONTHLY PREMIUM RATES

PROVIDER		CY 2002	CY 2003	PCT INC	# EMP 1/01/02
<i>Blue Cross (PPO)</i>	Single	\$273.91	\$341.57	24.7%	214
	Couple	\$551.31	\$687.48	24.7%	259
	Family	\$739.63	\$922.32	24.7%	254
<i>Blue Cross (HMO)</i>	Single	\$197.76	\$246.41	24.6%	96
	Couple	\$415.30	\$517.46	24.6%	102
	Family	\$593.26	\$739.20	24.6%	178
<i>Kaiser (HMO)</i>	Single	\$200.18	\$232.87	16.3%	162
	Couple	\$400.36	\$465.74	16.3%	213
	Family	\$566.51	\$659.05	16.3%	323
<i>Vision Service Plan</i>	Single	\$9.02	\$9.79	8.5%	310
	Couple	\$13.04	\$14.15	8.5%	361
	Family	\$23.37	\$25.36	8.5%	432
<i>ValueOptions</i>	EE/Fam	\$13.39	\$13.79	3.0%	727
<i>Delta Dental (PPO)</i>	Single	\$38.93	\$44.45	14.2%	315
	Couple	\$67.67	\$77.27	14.2%	413
	Family	\$101.69	\$116.12	14.2%	483
<i>Dental Health Services (DHMO)</i>	Single	\$14.80	\$15.69	6.0%	105
	Couple	\$27.40	\$29.04	6.0%	97
	Family	\$41.25	\$43.73	6.0%	162
<i>Deltacare (DHMO)</i>	Single	\$16.57	\$17.52	5.7%	52
	Couple	\$30.08	\$31.81	5.7%	71
	Family	\$44.52	\$47.04	5.7%	124

Waive Medical \$105.00 month (139 employees)

Waive Dental \$ 15.00 month (116 employees)

ATTACHMENT 2

MONTHLY EMPLOYEE CONTRIBUTIONS

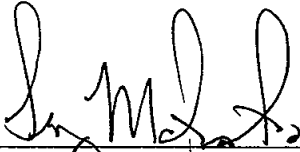
<u>PROVIDER</u>		<u>CURRENT</u>	<u>PROPOSED</u>	<u>INCREASE</u>
<i>Blue Cross (PPO)</i> Includes Vision Service Plan and Value Options	Single	\$19.00	\$37.00	+\$18.00
	Two Party	59.00	72.00	+13.00
	Family	82.00	96.00	+14.00
<i>Blue Cross (HMO)</i> Includes Vision Service Plan	Single	-0-	26.00	+26.00
	Two Party	35.00	53.00	+18.00
	Family	62.00	76.00	+14.00
<i>Kaiser (HMO)</i>	Single	-0-	23.00	+23.00
	Two Party	32.00	47.00	+15.00
	Family	57.00	66.00	+9.00
<i>Delta Dental (PPO)</i>	Single	7.00	4.00	-3.00
	Two Party	15.00	8.00	-7.00
	Family	20.00	12.00	-8.00
<i>Dental Health Services (DHMO)</i>	Single	-0-	2.00	+2.00
	Two Party	4.00	3.00	-1.00
	Family	9.00	4.00	-5.00
<i>Deltacare (DHMO)</i>	Single	2.00	2.00	-0-
	Two Party	6.00	3.00	-3.00
	Family	10.00	5.00	-5.00

This attachment reflects the employees contributing 10% of actual medical and dental costs. In addition, employees may buy additional life insurance and improved LTD benefits at their own expense.

ATTACHMENTS

1. Monthly Premium Rates
2. Monthly Employee Contributions

Prepared by: Jan Olsen, Supervisor, Pension and Benefits Department
Edward J. Myatt, Sr. Analyst, Pension and Benefits Department



Terry Matsumoto
Executive Officer, Finance and Treasurer



Roger Snoble
Chief Executive Officer