

Personnel Compensation Trust Subfunds

Department Description

The Personnel Compensation Trust Funds are six subfunds of the General Fund administered by the Personnel Department and one subfund of the General Fund administered by the Department of Finance and Administrative Services. These six subfunds serve as a means to manage Citywide contractual obligations on behalf of employees and City departments. The administering department collects funds from other City departments, which are then paid out to various insurance companies, service providers, and individuals. The six subfunds are the Group Term Life Insurance Subfund, the Health Care Subfund, the Industrial Insurance Subfund, the Special Employment Subfund, the Unemployment Insurance Subfund, and the Transit Benefit Subfund,

- The Group Term Life Insurance Subfund contains the revenues and expenses related to the City's group term life insurance, long-term disability insurance, and accidental death and dismemberment insurance.
- The Health Care Subfund contains the revenues and expenses related to the City's medical, dental, and vision programs; Flexible Spending Account Program; Employee Assistance Program; and COBRA continuation coverage. The City is self-insured and re-insured for some of its medical plans, and carries insurance for the remainder of the medical plans and for all dental and vision plans.
- The Industrial Insurance Subfund captures the revenues and expenditures associated with the City's Workers' Compensation and Safety programs.
- The Special Employment Subfund contains the outside agency revenues and expenditures associated with the City's temporary, intern, and work study programs.
- The Unemployment Insurance Subfund contains the revenues and expenditures associated with the City's unemployment insurance costs.
- The Transit Benefit Subfund contains the revenues and expenditures associated with the City's transit subsidy program with King County Metro Transit.

Policy and Program Changes

Health care costs continue to rise in 2011. A choice of two medical plans are offered to City employees, Aetna and Group Health. The City anticipates that the health care premium expenses for Aetna medical plans will follow the average trend used by national health insurers, resulting in a 13% increase over 2010 of actual Aetna rates for the City in 2011. This includes slight modifications to Aetna plan coverage, and includes the City's costs for administration and stop loss insurance coverage, which provides protection to the City for claims that exceed \$200,000. Group Health premiums are expected to increase 5% over 2010, and dental and vision premiums are assumed to increase by 5% or less. The primary cost drivers include increased incidence of chronic disease such as diabetes, the development of costly new medical and emergency technologies and procedures, an aging City workforce, and high rates of inflation for pharmaceuticals.

Based on current projections, should health care cost continue to increase at 2011 projected levels, it is likely that both the City and its employees will assume a larger share of the total health care costs beginning in 2013. Consistent with the current bargaining agreement with the Coalition of City Unions (Coalition), reserves within the Health Care Fund for both the Coalition and the City are applied to the overall health care costs, and significantly mitigate cost increases for both the City and its employees through 2012. However, current projections show that these balances will not be sufficient to continue to mitigate these costs at a substantive level beginning in 2013.

Personnel Compensation Trust Subfunds

Contingent on successful union ratification, the Coalition of City Unions, through their commitment to participate in the Healthcare Committee (HC2) have agreed to continue to address increases in the cost of healthcare for the next three years by working together with the City to evaluate and make changes to healthcare plans where appropriate.

The City's Industrial Insurance expenses continue to grow based on increased claim experience and projected claim growth. Medical claims costs are anticipated to increase by 4% over 2010, and pension payout expenses are also expected to be higher in 2011. In 2011, \$750,000 in unreserved fund balance in the Industrial Insurance fund is used to partially subsidize the administrative costs charged to departments, including fees charged by the Washington State Department of Labor and Industries, insurance coverage, and the Personnel Department's administrative costs to manage the program, which are reduced in 2011. It is anticipated this level of subsidy will continue in 2012.

Unemployment costs also continue to rise as weak economic conditions are expected to continue in 2011. During 2006-2010, all City departments were given a "rate holiday" for unemployment costs, and actual charges were paid using accumulated fund balance in the Unemployment Subfund. Excess fund balances are no longer available to provide this subsidy for 2011 or 2012, and full cost recovery is resumed beginning in 2011. The anticipated total unemployment claims cost of approximately \$5.4 million in 2011 is higher than the City has experienced, including during the 2002-2003 recession. Unemployment costs are anticipated to peak in 2011, and return to more moderate levels in 2012.

The Group Term Life Insurance Subfund includes costs for the City's life insurance, long term disability insurance, and accidental death and dismemberment insurance. Rates for 2011 are the same as 2010, however enrollment is anticipated to be higher in 2011 for Group Term Life Insurance, thus resulting in a higher appropriation level for this portion of the Fund. In addition, the 2011 Adopted and 2012 Endorsed Budget reflects a change in the accounting treatment of revenues and expenditures within this Fund. In prior years, the expenses related to the employees' contribution to group term life insurance and long term disability insurance were treated as a revenue reduction when payments were made on the employees' behalf. However, in 2011, these costs are displayed separately as revenues and expenditures in this Fund, thereby increasing the overall appropriation levels but not affecting the activity of the Fund.

City Council Provisos

There are no Council provisos.

Personnel Compensation Trust Subfunds

	Summit	2009	2010	2011	2012
Appropriations	Code	Actual	Adopted	Adopted	Endorsed
Group Term Life Budget Control Level	NA000	900,350	936,608	3,493,000	3,562,860
Health Care Budget Control Level	NM000	135,211,988	149,160,068	154,807,010	169,626,341
Industrial Insurance Budget Control Level	NR500	17,101,455	18,538,510	19,128,820	19,764,843
Special Employment Budget Control Level	NT000	254,519	310,000	315,580	321,576
Transit Benefit Budget Control Level	TRANSITB 1	0	4,446,000	5,041,000	5,392,000
Unemployment Insurance Budget Control Level	NS000	2,491,124	4,027,563	5,406,059	2,103,218
Department Total		155,959,436	177,418,749	188,191,469	200,770,838
		2009	2010	2011	2012
Resources		Actual	Adopted	Adopted	Endorsed
Other		155,959,436	177,418,749	188,191,469	200,770,838
Department Total		155,959,436	177,418,749	188,191,469	200,770,838

Personnel Compensation Trust Subfunds

Group Term Life Budget Control Level

Purpose Statement

The purpose of the Group Term Life Budget Control Level is to provide appropriation authority for the City's group term life insurance, long-term disability insurance, and accidental death and dismemberment insurance.

Summary

Group Term Life insurance costs are not increasing in 2011. Group Term Life Insurance enrollment is anticipated to be higher in 2011 than in 2010, thus resulting in a higher appropriation level of approximately \$162,000. In addition, the 2011 Adopted and 2012 Endorsed Budget reflects a change in the accounting treatment of revenues and expenditures within this Fund. In prior years, the expenses related to the employees' contribution to group term life insurance and long term disability insurance was offset as a revenue reduction when payments are made on the employees' behalf. However, in 2011, these costs are displayed separately as revenues and expenditures in this Fund, thereby increasing the overall appropriation levels.

	2009	2010	2011	2012
Expenditures	Actual	Adopted	Adopted	Endorsed
Group Term Life Program	900,350	936,608	3,493,000	3,562,860

Personnel Compensation Trust Subfunds

Health Care Budget Control Level

Purpose Statement

The purpose of the Health Care Budget Control Level is to provide for the City's medical, dental, and vision insurance programs; the Flexible Spending Account; the Employee Assistance Program; and COBRA continuation coverage costs. The City is self-insured and re-insured for some medical plans, and carries insurance for other medical plans and for all dental and vision plans.

Summary

Increase budget by approximately \$5.65 million from the 2010 Adopted Budget. The 2011 Adopted and 2012 Endorsed Budget reflects increases in the actual renewal costs for plans which the City carries insurance (such as Group Health), and for projected renewal costs recommended by the City's consultant for health plans for which the City is self-insured (such as Aetna). The Adopted Budget also reflects a change in the accounting treatment of stop loss reimbursements. Prior to 2011, stop loss reimbursements to the City were recognized as revenues to the Fund and offsetting appropriation authority was provided in order to recognize the City's initial expenditures for claim payments over \$200,000. However, beginning in 2011, stop loss reimbursements to the City are treated as a reduction to claims expenses, and therefore reduce the overall appropriation authority needed in the Fund in 2011. In addition, the Adopted Budget reflects an increase in 2011 in the premium cost for stop loss insurance of 7%. This additional cost is included in the City's self insured health care rates.

The State of Washington requires the City to maintain a reserve in this subfund to cover costs of the self-insured plans that have incurred but not yet paid. Some of the City's labor agreements also specify how reserves in this subfund are created and used. The City intends to maintain a reserve in this subfund due to the volatility of health care costs.

	2009	2010	2011	2012
Expenditures	Actual	Adopted	Adopted	Endorsed
Health Care Program	135,211,988	149,160,068	154,807,010	169,626,341

Personnel Compensation Trust Subfunds

Industrial Insurance Budget Control Level

Purpose Statement

The purpose of the Industrial Insurance Budget Control Level is to provide for medical, wage replacement, pension and disability claims related to occupational injuries and illnesses, occupational medical monitoring, workplace safety programs, and related expenses. Since 1972, the City of Seattle has been a self-insured employer as authorized under state law. The Industrial Insurance Subfund receives payments from City departments to pay for these costs and related administrative expenses.

Summary

Increase budget by approximately \$590,000 to reflect slightly higher worker's compensation claims costs and anticipated pension payout expenses.

The State of Washington requires the City to maintain a reserve in this subfund to cover unexpected costs in an amount equal to 25% of total medical claims and pension costs.

Expenditures	2009 Actual	2010 Adopted	2011 Adopted	2012 Endorsed
Industrial Insurance Program	17,101,455	18,538,510	19,128,820	19,764,843

Personnel Compensation Trust Subfunds

Special Employment Budget Control Level

Purpose Statement

The purpose of the Special Employment Budget Control Level is to capture the expenditures associated with outside agency use of the City's temporary, intern, and work study programs. Outside agencies reimburse the City for costs. Expenses related to employees hired by City departments through the Special Employment Program are charged directly to the departments.

Summary

There are no substantive changes from the 2010 Adopted Budget to the 2011 Adopted Budget.

	2009	2010	2011	2012
Expenditures	Actual	Adopted	Adopted	Endorsed
Special Employment Program	254,519	310,000	315,580	321,576

Personnel Compensation Trust Subfunds

Transit Benefit Budget Control Level

Purpose Statement

The purpose of the Transit Benefit Budget Control Level is to provide appropriation authority for the transit benefits offered to City employees. The Transit Benefit Subfund receives payments from Finance General and fee supported departments to pay for reduced cost King County Metro and Washington State Ferry transit passes and related administrative expenses.

Summary

Increase budget by \$600,000 to reflect inflationary changes in transit costs from King County Metro and Washington State Ferries.

	2009	2010	2011	2012
Expenditures	Actual	Adopted	Adopted	Endorsed
Transit Benefit Program	0	4,446,000	5,041,000	5,392,000

Personnel Compensation Trust Subfunds

Unemployment Insurance Budget Control Level

Purpose Statement

The purpose of the Unemployment Insurance Budget Control Level is to provide the budget authority for the City to pay unemployment compensation expenses. The City is a self-insured employer with respect to unemployment insurance. The Unemployment Insurance Subfund contains the revenues and expenditures associated with the City's unemployment benefit costs for employees.

Summary

Increase budget by \$1.38 million to reflect substantive growth in claims activity as seen in 2010. With weak economic conditions expected to continue in 2011, unemployment costs are projected to increase by approximately 34% over 2010 levels.

	2009	2010	2011	2012
Expenditures	Actual	Adopted	Adopted	Endorsed
Unemployment Insurance Program	2,491,124	4,027,563	5,406,059	2,103,218

Personnel Compensation Trust Subfunds

Group Term Life Insurance Subfund

	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
Beginning Fund Balance	413,569	488,259	428,774	436,774	446,774
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenue	915,555	995,028	788,000	3,503,000	3,572,860
Less: Actual and Budgeted Expenditures	900,350	936,608	780,000	3,493,000	3,562,860
Ending Fund Balance	428,774	546,679	436,774	446,774	456,774

Personnel Compensation Trust Subfunds

Health Care Subfund

	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
Beginning Fund Balance	40,219,503	36,743,271	37,294,798	28,929,798	21,371,849
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenue	132,287,283	143,551,709	140,826,152	147,249,061	165,571,396
Less: Actual and Budgeted Expenditures	135,211,988	149,160,068	149,191,152	154,807,010	169,626,341
Ending Fund Balance	37,294,798	31,134,912	28,929,798	21,371,849	17,316,904
Reserve - Health Care Purposes	23,730,798	16,490,912	15,365,798	7,807,849	3,752,904
Reserve - State Law	13,564,000	14,644,000	13,564,000	13,564,000	13,564,000
Total Reserves	37,294,798	31,134,912	28,929,798	21,371,849	17,316,904
Ending Unreserved Fund Balance	0	0	0	0	0

Personnel Compensation Trust Subfunds

Industrial Insurance Subfund

	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
Beginning Fund Balance	6,681,486	5,742,821	6,970,889	5,905,553	5,155,553
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenue	17,390,858	17,258,510	17,053,115	18,378,820	19,014,843
Less: Actual and Budgeted Expenditures	17,101,455	18,538,510	18,118,451	19,128,820	19,764,843
Ending Fund Balance	6,970,889	4,462,821	5,905,553	5,155,553	4,405,553

Personnel Compensation Trust Subfunds

Special Employment Program Subfund

	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
Beginning Fund Balance	88,624	94,870	87,234	87,234	87,234
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenue	253,129	310,000	252,662	315,580	321,576
Less: Actual and Budgeted Expenditures	254,519	310,000	252,662	315,580	321,576
Ending Fund Balance	87,234	94,870	87,234	87,234	87,234

Personnel Compensation Trust Subfunds

Transit Benefit Subfund

	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
Beginning Fund Balance	0	0	0	0	0
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenue	0	4,446,000	4,888,000	5,041,000	5,392,000
Less: Actual and Budgeted Expenditures	0	4,446,000	4,888,000	5,041,000	5,392,000
Ending Fund Balance	0	0	0	0	0

Personnel Compensation Trust Subfunds

Unemployment Insurance Subfund

	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
Beginning Fund Balance	4,397,941	1,841,234	1,906,817	3,583	3,583
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenue	0	1,686,329	2,111,329	5,406,059	2,103,218
Less: Actual and Budgeted Expenditures	2,491,124	4,027,563	4,014,563	5,406,059	2,103,218
Ending Fund Balance	1,906,817	(500,000)	3,583	3,583	3,583