

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 6c
Date of Meeting November 19, 2013

DATE: November 13, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Gary Schmitt, Labor Relations Manager
SUBJECT: First reading of Resolution No. 3687, Association of Washington Cities Employee Benefit Trust Health Care Program Interlocal Agreement

ACTION REQUESTED

Request first reading of Resolution No. 3687: A resolution of the Port Commission of the Port of Seattle adopting the Association of Washington Cities (AWC) Employee Benefit Trust Health Care Program Interlocal Agreement.

SYNOPSIS

Members of the International Association of Fire Fighters (IAFF) Local 1257, including 69 active and approximately 34 retired fire fighters from the Port of Seattle Fire Department, have for many years had health insurance coverage through the Association of Washington Cities Employee Benefit Trust.

The current collective bargaining agreement between the Port and IAFF Local 1257 provides medical insurance coverage for employees, their spouse/partner and eligible dependents on the Association of Washington Cities HealthFirst Plan and dental insurance coverage on the AWC Plan F. The request for first reading of a resolution adopting the AWC Employee Benefit Trust Health Care Program Interlocal Agreement is prompted by the Trust voting in July 2013 to move from a fully insured benefit program to a self-insured model, effective January 1, 2014.

Without adoption of the Interlocal Agreement, the fire fighters bargaining unit will not be able to participate in 2014 in the AWC's self-insured plans. To conduct business as a self-insured program, the AWC is now required to comply with RCW 48.62 and WAC 200-110, and the AWC has given the Port a deadline of no later than the end of the year to execute an Interlocal Agreement. This deadline arises out of WAC 200-110-030, which requires every local government entity participating in a joint self-insurance health and welfare benefit program to adopt such program by resolution.

A resolution adopting the Interlocal Agreement will keep costs of health insurance benefits from rising in 2014, allow seamless coverage for IAFF Local 1257 members during 2014, and avoid

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premature elimination of AWC plans as an option for consideration during negotiations on a collective bargaining agreement to succeed the one that will expire on December 31, 2013.

BACKGROUND

On July 25, 2013, the Association of Washington Cities (“AWC”) Employee Benefit Trust Board of Trustees voted to move from a fully insured benefit program to a self-insured model, effective January 1, 2014. The Trust was formed in 1970 by the Association of Washington Cities to offer affordable coverage for its cities and towns with participants in Law Enforcement Officers and Fire Fighters Pension Plan 1 (LEOFF 1). The Trust serves 275 participating entities across the state and insures approximately 36,000 employees and family members. The Trust currently offers medical, dental, vision, employee assistance programs, life insurance, long-term disability insurance and long-term care insurance.

Self-insurance allows the Trust to eliminate several taxes mandatory for fully insured plans including a 2% state tax and a 2%– 3% new 2014 federal insurer tax. These changes reduce the plan cost and therefore reduce cost growth for the Port in the near term. Because of this change, the contributions required of participants are not changed from 2013 to 2014.

According to the AWC Employee Benefit Trust Manager, Port of Seattle Fire Department employees represented by IAFF Local 1257 have participated in the AWC’s medical plans since the mid-1980s when the AWC’s Board of Trustees adopted them as members in accordance with non-city entity participation criteria that existed at that time. Article 24 of the current collective bargaining agreement (CBA) between the Port of Seattle and IAFF Local 1257 addresses insurance for LEOFF I and LEOFF II employees and their dependents. Section 24.1 provides medical insurance coverage for employees, their spouse/partner and eligible dependents on the Association of Washington Cities HealthFirst Plan. Section 24.2 provides dental insurance coverage on the AWC Plan F.

Because the AWC is moving to a self-insured benefit program, if the Port wishes to have IAFF Local 1257 represented employees remain on the AWC’s medical and dental plans, the AWC is requiring that the Port Commission adopt, by resolution, an Interlocal Agreement authorizing the Port to participate in the AWC’s self-insurance program.

While the current CBA between the Port and IAFF Local 1257 expires December 31, 2013, if the Port Commission does not adopt, by resolution, the Interlocal Agreement to create a joint self-insured health and welfare benefit program, the Firefighters bargaining unit will not be able to participate in the AWC’s self-insured plans effective 2014. To conduct business as a self-insured program, the AWC is now required to comply with RCW 48.62 and WAC 200-110. AWC has given the Port a deadline of no later than the end of the year to execute the Interlocal Agreement. This deadline arises out of WAC 200-110-030 which requires every local government entity participating in a joint self-insurance health and welfare benefit program to adopt such program by resolution.

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A resolution adopting the Interlocal Agreement will allow coverage under the AWC's self-insured plans which, according to the AWC Employee Benefit Trust, means a zero (0) percent increase for 2014 for those covered by the Trust's Regence/Asuris medical, Group Health Medical, WDS Dental and VSP Vision plans. Continued participation in AWC plans will avoid the need to rapidly transition the Firefighters bargaining unit to the Port's self-insured plans or immediately decide on alternative plans while allowing the Port and IAFF Local 1257 to consider alternate insurance plans. Section 24.6 of the current CBA gives the Port the unilateral right to select the carrier unless it is mutually agreed otherwise but it also states that the Port will discuss and consider in good faith any alternate insurance plans the union may submit to the Port.

With regard to the Port's right to terminate participation in the AWC's plans, the AWC Employee Benefit Trust Manager indicated by email dated October 10, 2013, that the termination provision in the Interlocal Agreement would prevail. Section 13.4 of the Interlocal Agreement states that a participating employer may only withdraw its participation at the end of the calendar year with written notice at least 31 days in advance of December 31. Adoption of the resolution commits the Port of Seattle to participation in AWC plans until the end of 2014. The AWC Employee Benefit Trust Manager clarified that the Port will not be subject to some of the requirements that apply to other participants because it is being given grandfathered status; as long as the Port executes and returns the Interlocal Agreement before the end of the year and remits premiums on a timely basis it will be considered a member in good standing. The AWC also indicated that the Port of Seattle's HIPAA Privacy and Security Policy is acceptable to the Trust.

Negotiations over wages, benefits and terms of employment will occur in late 2013 and early 2014. It is unknown if the Port will maintain participation in AWC's plans for years to come, but a resolution adopting the Interlocal Agreement will preserve the ability to participate in AWC's plans as an option.

PROJECT JUSTIFICATION AND DETAILS

This requested resolution provides the mechanism for continued participation in the AWC Employee Benefit Trust Plan for 2014. Participation in this plan provides an industry standard, continuity for plan participants, and zero cost increase to the Port.

This request provides the necessary flexibility and time to address the Port's strategic goals related to health and welfare for represented employees. Additionally the Port and IAFF Local 1257 have begun negotiations for a collective bargaining agreement that would succeed the one that will expire on December 31, 2013.

FINANCIAL IMPLICATIONS

The total cost of providing benefits remains unchanged from 2013 to 2014. In 2014, with 69 employees, the annual cost of health and welfare benefits would be approximately

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\$1,400,000. The total includes coverage for medical, dental, vision, and life coverage, and is net of employee share.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do nothing. This alternative would mean that the Port will not be able to participate in the AWC’s self-insured plans and the Firefighters bargaining unit/IAFF Local 1257 members will not have seamless medical insurance coverage during contract negotiations. Unless the Commission adopts, by resolution, the AWC Employee Benefit Trust Health Care Program Interlocal Agreement, the AWC plans may be prematurely eliminated as an option available for IAFF and the Port to consider during collective bargaining agreement negotiations in the event that choice of carrier becomes part of the mix of terms negotiated. This is not the recommended alternative.

Alternative 2) – Proceed with first reading of the resolution to adopt the Association of Washington Cities (“AWC”) Employee Benefit Trust Health Care Program Interlocal Agreement (the “Interlocal Agreement”). This alternative provides seamless coverage for IAFF Local 1257 members during 2014 and avoids premature elimination of AWC plans as an option for IAFF and the Port to consider during collective bargaining agreement negotiations. This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- Port of Seattle Resolution No. 3687
- Association of Washington Cities Employee Benefit Trust Health Care Program Interlocal Agreement

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None.