

ATTACHMENT 1

MEMORANDUM OF AGREEMENT
Regarding Insured Benefits
January 1, 2014 through December 31, 2016
For Represented Benefits-Eligible Employees
By And Between King County
And
The Joint Labor Management Insurance Committee

WHEREAS, certain designated representatives of the County and the Unions signatory to this Memorandum of Agreement (“Agreement”) have agreed to participate in negotiations as members of the Joint Labor Management Insurance Committee (“JLMIC”) for the purposes of negotiating the plan provisions and funding of the County’s fully insured and self-insured medical, dental, vision and life insurance programs (“insured benefits”); and

WHEREAS, the County and the Unions signatory hereto have agreed to a format for funding and negotiating plan provisions to meet the anticipated cost increases associated with providing insured benefits to represented, benefits-eligible employees; and

WHEREAS, it is the policy objective of King County that a sustainable compensation package is achieved by reducing the year over year growth rate of King County’s overall employee compensation budget to align with the County’s population adjusted inflation rate.¹ The overall employee compensation budget includes adopted expenditures for all wages, compensation, leave, retirement contributions, and benefits for active employees. This includes all amounts accounted for in account class 51000 in the County’s accounting and budget system of record; and

WHEREAS, the County provides compensation (wages, compensation premiums, cost of living adjustments, paid leave, and insured benefits) in a manner that is sustainable and enables it to recruit and retain quality employees; and

WHEREAS, the County and the Unions agree that for the term of this Agreement, insured benefit plans will include the Healthy Incentives Program and existing differentials in employee cost between Group Health and KingCare and the parties agree to explore options that incent members to choose healthcare that is more effective and produces better health outcomes.

NOW THEREFORE, having bargained in good faith, the JLMIC hereby agrees to the following:

1. **Scope of Agreement.** This Agreement shall apply to all represented King County employees, except employees represented by the Amalgamated Transit Union, Local 587, and the King County Police Officers’ Guild, and shall apply to any non-represented County employees identified by Council to be treated in the same way as the represented employees covered by this Agreement. All employees that this Agreement applies to shall be referred to as “JLMIC-Eligible Employees.”

¹ The County’s inflation rate is defined as Seattle CPI-W as projected by the Office of Economic and Financial Analysis. Population growth is the expected growth in aggregate population as forecasted by the County’s Demographer.

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- 2. Establishment of JLMIC Protected Fund Reserve.** There is hereby established a JLMIC Protected Fund Reserve ("PFR"). The PFR is established and maintained solely for the purpose of funding, providing and maintaining insured benefits, and providing a reserve fund to self-insure against unanticipated increases in the cost of those benefits, for JLMIC-Eligible Employees. It is expressly agreed that no funds from the PFR shall at any time be used for any other purpose, unless mutually agreed to by parties of this Agreement. It is further agreed that the County and organizations handling PFR funds have a responsibility to ensure that PFR funds are being used solely for the benefit of JLMIC-Eligible Employees.
- 3. Initial Employer Funding of the Protected Fund Reserve.** No later than April 15, 2013, the County will provide initial funding for the PFR. The initial funding shall be twenty-five million dollars (\$25,000,000), plus the JLMIC portion of any 2012 Employee Benefits fund year-end balance in excess of \$60,071,104 (the ending fund balance based on the County's August 2012 actuarial report estimate). The JLMIC portion is calculated by multiplying 66% of the fund balance in excess of \$60,071,104.
- 4. Employer Contributions to Covered Employees.**

 - A. 2013.** For the time period January 1, 2013 through December 31, 2013, as previously agreed, the County shall contribute the necessary funding to provide the current level of insured benefits, subject only to the provisions of the previously executed Memorandum of Agreement extending the 2010-2012 insured benefits through 2013.
 - B. 2014.** Commencing on January 1, 2014, the County shall contribute four (4) percent more than was contributed the prior year (i.e., \$1,355.00) per month on behalf of each JLMIC-Eligible Employee.
 - C. 2015.** Commencing on January 1, 2015, the County shall contribute four (4) percent more than was contributed the prior year (i.e., \$1,409.00) per month on behalf of each JLMIC-Eligible Employee.
 - D. 2016.** Commencing on January 1, 2016, the County shall contribute four (4) percent more than was contributed the prior year (i.e., \$1,465.00) per month on behalf of each JLMIC-Eligible employee, subject to the provisions in paragraph 7, below.
- 5. Insufficient Employer Contributions.** To the extent that the employer's contributions identified in paragraph 4 and other yearly non-flex rate revenue (interest earnings, participant benefit access fees, and other plan participant contributions such as COBRA payments), attributed proportionally to employees covered under the terms of this Agreement, is at any time inadequate to fully fund the cost of providing insured benefits for JLMIC-Eligible employees, the parties agree that the PFR will be used to fund the difference until such time as the PFR is exhausted.
- 6. Excess Employer Contributions.** To the extent that the employer contributions identified in paragraph 4, and other yearly non-flex rate revenue, attributed proportionally to employees covered under the terms of this Agreement, provides greater funding than is

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necessary to fully fund the cost of insured benefits for JLMIC-Eligible Employees, the parties agree that the excess shall be added to the PFR.

7. **Initial Health and Welfare Plan Provisions.** Insured benefits provisions for JLMIC-Eligible Employees during the term of this Agreement shall be identical to those benefit levels provided in 2013, including but not limited to the current out of pocket costs for KingCareSM and Group Health as described in Attachments A and B, unless otherwise modified by the parties or modified pursuant to the terms of this Agreement.
8. **Modification to Plan Provisions and Administration of Protected Fund Reserve.** The JLMIC is hereby empowered to negotiate and implement modifications to insured benefits for JLMIC-Eligible Employees during the term of this Agreement. The JLMIC will negotiate any changes to plan provisions and/or supplemental premium funding methodology to be effective on January 1 of the following calendar year.
9. **Scope and Purpose of the Annual Reconciliation Meeting.** The JLMIC will convene an "annual reconciliation meeting" no later than April 15th of each calendar year to review the insured benefits expenditures for the prior year, projected expenditures for the current and future year(s), plan provisions, and any other information or factors that the JLMIC deems relevant.
10. **Dispute Resolution.** If at any time during the term of this Agreement, the PFR is projected to fall below ten million dollars (\$10,000,000), the JLMIC must consider plan changes and may consider other funding options to be implemented by the following January 1. If the JLMIC is unable to reach agreement on such modifications by June 1 of any calendar year, the matter will be submitted to a Panel of three (3) subject matter experts for final and binding resolution, whose decision must be issued no later than August 15 of the same calendar year. The Panel shall be comprised of one expert selected by the County, one expert selected by the coalition of unions, and one expert selected jointly by the two selected partisan experts. The parties agree to cooperate to present relevant information to the Panel in sufficient time for the Panel to issue a decision by August 15. In 2014, for implementation January 1, 2015, the Panel shall be empowered to make plan design changes, but not employee premium share and/or employer contribution increases. In 2015, for implementation January 1, 2016, the Panel shall be empowered to make plan design changes and/or adding employee premium share and/or employer contribution increases. The costs of the Panel shall be shared equally by the parties.
11. **Subsequent Agreement.** The parties agree to commence negotiations for a successor JLMIC agreement (to be effective starting January 1, 2017) in January of 2016. If the parties are unable to reach agreement by June 1, 2016, on the terms of the successor agreement, the parties agree to use the Dispute Resolution procedure in paragraph 10 of this Agreement to resolve any outstanding issues including employer contribution rates, plan design changes, and any employee premium share. The Panel shall issue its decision by August 15, 2016.
12. **Total Agreement.** This Agreement constitutes the entire Agreement of the parties with respect to the matters covered herein, and no other agreement, statement or promise made by any party which is not included herein shall be binding or valid. This Agreement may be modified or amended only by a written agreement.

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13. Term. This Agreement shall be in effect, after approval of the King County Council, from January 1, 2014 through December 31, 2016.

APPROVED this 8 day of APRIL, 2013.

By: Dow Condit
King County Executive

For Professional and Technical Employees, Local 17:
Whitney Abrams
Whitney Abrams, Union Representative 2/19/13
Date

For Public Safety Employees Union:
Dustin Frederick
Dustin Frederick, Business Manager 2/22/13
Date

For General Teamsters Union, Local #174:
Michael Gonzales
Michael Gonzales, Business Agent 2/27/13
Date

For Service Employees International Union, Local 925:
Ida Kovacic
Ida Kovacic, Organizer/Representative 2/27/13
Date

For Washington State Council of County and City Employees,
Council 2:
Diana Prenguber
Diana Prenguber, Staff Representative 2-27-13
Date

For Office & Professional Employees International Union, Local 8:
Amanda Saylor
Amanda Saylor, Union Representative 2-27-13
Date

For International Brotherhood of Teamsters Local 117:
Tracey A. Thompson
Tracey A. Thompson, Secretary-Treasurer 2-27-13
Date

For King County Corrections Guild:
Randy Weaver
Randy Weaver, Vice President 2-27-13
Date

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Attachment A
Joint Labor Management Insurance Committee Health Benefits
2014 through 2016

KingCareSM expenses for JLMIC-Eligible Employees — Attachment A

This table shows the 2013 annual deductibles, coinsurance and prescription drug coverage for KingCareSM, administered by Regence Blue Shield, which are the same as 2012.

KingCareSM	Gold	Silver	Bronze
Annual deductible	\$300 per individual \$900 per family	\$600 per individual \$1,800 per family	\$800 per individual \$2,400 per family
Coinsurance paid by Regence	85% network 65% out-of-network	75% network 55% out-of-network	75% network 55% out-of-network
Prescription drugs (30-day supply)	\$7 generic \$30 preferred brand \$60 non-preferred brand	\$7 generic \$30 preferred brand \$60 non-preferred brand	\$7 generic \$30 preferred brand \$60 non-preferred brand
Prescription drugs (90-day supply by mail)	\$14 generic \$60 preferred brand \$120 non-preferred brand	\$14 generic \$60 preferred brand \$120 non-preferred brand	\$14 generic \$60 preferred brand \$120 non-preferred brand
Annual out-of-pocket maximum after annual deductible	<i>Network</i> \$800 per individual \$1,600 per family <i>Out-of-network</i> \$1,600 per individual \$3,200 per family	<i>Network</i> \$1,000 per individual \$2,000 per family <i>Out-of-network</i> \$1,800 per individual \$3,600 per family	<i>Network</i> \$1,200 per individual \$2,400 per family <i>Out-of-network</i> \$2,000 per individual \$4,000 per family
Lifetime maximum	No limit	No limit	No limit

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Attachment B
Joint Labor Management Insurance Committee Health Benefits
2014 through 2016

Group Health expenses for JLMIC-Eligible Employees — Attachment B

This table shows the 2013 annual deductibles, coinsurance and prescription drug coverage for SmartCare Connect, powered by Group Health, which are the same as 2012.

SmartCare Connect	Gold	Silver	Bronze
Annual deductible	None	None	None
Coinsurance	None	None	None
Copay	\$20	\$35	\$50
Prescription drugs (30-day supply)	\$10 generic \$20 preferred brand \$30 non-preferred brand	\$10 generic \$20 preferred brand \$30 non-preferred brand	\$10 generic \$20 preferred brand \$30 non-preferred brand
Prescription drugs (90-day supply by mail)	\$20 generic \$40 preferred brand \$60 non-preferred brand	\$20 generic \$40 preferred brand \$60 non-preferred brand	\$20 generic \$40 preferred brand \$60 non-preferred brand
Annual out-of-pocket maximum	<i>Network</i> \$1,000 per individual \$2,000 per family <i>Out-of-network</i> Limited coverage	<i>Network</i> \$2,000 per individual \$4,000 per family <i>Out-of-network</i> Limited coverage	<i>Network</i> \$3,000 per individual \$6,000 per family <i>Out-of-network</i> Limited coverage
Lifetime maximum	No limit	No limit	No limit