

**Fire Districts Association of California**  
**Employment Benefits Authority**



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## **Enabling Authority and Purpose**

The Fire Districts Association of California formed a Joint Powers Authority under California Government Code Section 6500 et. seq. on July 12, 2005 with the execution of the joint powers authority agreement by the first two fire protection districts. The joint powers authority agreement (Appendix A) has been executed to form the Fire Districts Association of California Employment Benefits Authority (FDAC EBA).

The purpose of the FDAC EBA is to provide comprehensive employee benefits as determined by the board of directors at competitive rates. The initial motivation to form the JPA was due to healthcare rates increasing over 20% in a single year after several years of double digit increases.

Small public agencies do not have the ability to cover retirees under group medical plans through the major health care insurance carriers. Continuing coverage for retirees is an important priority and value to the JPA. Many agencies have been covered under the Cal PERS health program, which provides coverage to retirees. The joint powers authority approach expands the numbers of covered employees (need at least 100), which benefits the entire group through the ability to cover retirees, provide flexible benefits and to be cost competitive.

## **Mission Statement**

The mission of the FDAC Employment Benefits Authority is to provide comprehensive employee benefits that are cost competitive for products of exceptional quality for employees, retirees and government bodies of fire agencies.

## **Vision**

The vision of the FDAC Employment Benefits Authority is to:

- Promote health and wellness for firefighters and their families through life-long support, caring and education on healthy lifestyles.
- Provide a high level of customer service at all levels.
- Provide comprehensive employee benefits for members of fire agencies, retirees and their families.
- Be a partner with the Fire Districts Association of California and allied entities.
- Offer solutions to fire agencies regarding the high cost of health care.
- Be a highly flexible and responsive organization that is able to respond to market changes with poise, integrity and agility.
- Provide for complete fiscal transparency and sound fiscal practices.

- Fully synchronize employee benefits to avoid duplication, particularly related to workers' compensation and health benefits.

**Values**

The FDAC Employment Benefits Authority values:

- The health and wellbeing of our members, both active and retired
- Excellent service to members and districts
- High quality products
- Professional excellence and integrity in its consultants
- Cross section representation on the Board of Directors
- A clean audit
- Fiscal transparency and accountability
- Competitive pricing
- The relationship with the Fire Districts Association of California and allied entities
- Organizational flexibility, agility and ability to customize
- Pooled approach to cooperatively provide excellent products

**Services Provided**

The Board of Directors determines the services to be available to the membership. The EBA provides:

• Employee Health Insurance	• Wellness/Health Training
• Life Insurance	• Risk Management
• Dental Insurance	• Claims Management
• Vision Insurance	

The services are contracted to the EBA through a brokerage firm.

The EBA provides fully insured products.

## **Membership**

Membership is limited to public agencies in California that provide fire protection. A district, city or county must become part of the joint powers authority to participate in the program and must be a member of FDAC.

## **Finance**

The EBA is financed through member premium payments. A third party administrator is contracted to receive and distribute funds pursuant to vendor contracts.

## **Fiscal Philosophy**

The EBA is a public agency responsible for taxpayer funds. As such, the fiduciary responsibility is of utmost importance:

- Fiscal policies will be maintained and adhered to
- The EBA will procure the highest quality products for the membership at the best possible rates
- The EBA expenditures will not exceed operating revenues
- A clean audit is expected
- Fiscal accountability and transparency to the membership and the public is a high priority
- Competitive pricing and bids
- Reserves for rate stabilization is a priority
- Reserve to poise for the opportunity to do group purchasing and/or self funding

## **Fund Distribution**

The third party administrator bills the districts for premiums. The districts pay the monthly premium. As soon as enough funds are accumulated from district payments, the carriers are sent funds for the premium amounts. The remainder of the funds is sent to the FDAC EBA administration office, and is distributed as follows:

- Broker
- Third Party Administrator
- Administrator
- Operating fund
- Remainder: Reserve margin fund

The payments will be made monthly and the account will be zeroed out.

### **Reserves**

An approach to reserves has been established for rate stabilization. The methodology is to charge a premium that has an amount built in for a reserve (over broker fees and administration) the following year. This rolling reserve philosophy is intended to provide rate stability from year to year. The methodology for funding rate stabilization is the utilization of a dividend for returning agencies. Dividends will be used to offset an agency's premium utilizing a prorated share of reserve funds.

A portion of the reserve amount (\$120,000) is placed in a "float" account to allow for cash flow of district payments. This assures that carriers are paid on time and that there is a buffer for district payments.

### **Operating Budget**

An operating budget will be submitted to the Board annually by the administrator for adoption. The budget process outlined in the California Health and Safety Code for fire protection districts will be used for adopting the annual budget. The chart of accounts will be consistent with FDAC EBA accounting practices.

### **Board of Directors**

Members of the Board of Directors are appointed by the FDAC Board of Directors as identified in the FDAC EBA Bylaws. The Board will have operating policies to conduct business. The Board will be subject to the Ralph M. Brown Act.

### **Contracts for Service**

#### **Insurance Brokerage**

Insurance brokerage agreement is currently with Lawson Hawks Insurance Incorporated. The term of the contract is through June 30, 2009.

#### **Third Party Administrator**

The third party administrator is Benefit Risk Management Services (BRMS) in Rancho Cordova. The term runs through June 30, 2009

#### **Administrator**

The EBA is currently administered under contract with Smith Moore and Associates, Inc. The term of the contract is through June 30, 2009.

#### **Legal Services**

Legal services will be selected by the Board of Directors and administrator based on the needs of the organization. An annual line item amount will be put into the budget for legal services. Formal agreements will have legal review prior to execution by the Board.

#### **Auditing Accounting**

There are two distinct and separate audits that will be conducted:

1. Audit of the FDAC EBA operating funds pursuant to GASB standards.
2. Audit of the TPA.

A request for proposals will be utilized to select the accounting firm to conduct the annual audit of the FDAC EBA operating fund.

The administrator will work with the Third Party Administrator (TPA) to assure that SAS 70 audits are conducted. At the discretion of the Administrator and approval of the Board of Directors, an additional scope of work may be contracted during the normal SAS 70 audit of the TPA's books.

At the Board's sole discretion, spot checks and extra audits may be requested at any time, including review of accounting reports and records.

The Audit Committee of the Board is the entire Board of Directors of the FDAC EBA.

## **Policies**

The Board of Directors will ensure that a policy manual will be maintained and include policies related to (at a minimum):

- Finance
- Board officer selection
- Contracts
- Equal opportunity
- Rating
- Underwriting guidelines

## **Reports**

The Board of Directors will receive the following reports at regular Board meetings:

- Actual expenses to date versus budgeted amount
- List of checks issued since the last approval
- Financial balance sheet
- Report on district payments/overage and underage
- List of member districts and programs they are participating in

## **Appendices**

**Joint Powers Authority Agreement**

**Bylaws**

**Policies**