



Midpeninsula Regional
Open Space District

R-24-65
Meeting 24-14
May 22, 2024

AGENDA ITEM 5

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Employee Wellness Benefit

GENERAL MANAGER'S RECOMMENDATION *denk*

Approve an employee wellness benefit of \$250 per eligible employee per year administered by Navia.

SUMMARY

The General Manager recommends implementing a wellness benefit of \$250 per eligible employee per year administered by Navia, the current third-party administrator (TPA) for several reimbursable benefits such as flexible spending and commute reimbursement. This wellness benefit enhances Midpeninsula Regional Open Space District's (District) existing, comprehensive employee benefits package. If approved, staff will add \$52,624 to the proposed Fiscal Year 2024-25 (FY25) budget if needed, unless savings can be used to cover this expense.

DISCUSSION

In November 2019, Human Resources (HR) took recommendations from a research project led by the District's Leadership Academy and proposed a wellness program/benefit to the General Manager. However, before a wellness program could be finalized, the world was suddenly faced with the disruptive COVID pandemic, requiring the District to quickly shift to other larger and pressing priorities.

In late 2023, with the assistance of the District's benefit broker, Alliant, HR staff regained capacity to identify an alternative way for providing wellness benefits to eligible employees. A Lifestyle Spending Account (LSA) rose to the top as a strong and viable benefit option for the District – it is an employer-funded customizable spending account that employees can use to pay for various wellness activities and programs such as gym memberships, fitness trackers, and nutrition and weight loss programs. The employer defines eligibility rules, creates program parameters, and sets a budget. Employees then choose how to use their funds in a way that follows program policy and aligns with their unique interests and preferences. Reimbursed funds are a taxable benefit for employees and reported on their W-2.

A primary advantage of LSAs is their flexibility for both the employee and employer. Rather than invest in another wellness initiative that employees may or may not use, employers can help subsidize a variety of services, products, or experiences to fit the employees' diverse, growing, and shifting needs, while giving the employer insights and control over how funds are used. Additionally, this LSA creates minimal workload impact to HR staff, because it is a reimbursement

account fully administered by Navia, the District's current TPA for flexible spending accounts (FSA) and commute benefits.

While LSAs have been around for many years, interest in, and implementation of, LSAs has recently increased for employee attraction and retention. According to Mercer, (a human resources and financial services consulting firm), in a survey of more than 700 organizations conducted in March 2023, 13% of employers said they had an LSA in place or would offer one in 2024. That is up from 9% of respondents offering an LSA in a survey conducted in 2022. Some agencies have elected to continue their in-house wellness programs rather than switch to a reimbursable benefit. In a sampling of Navia's clients, the median annual amount offered for wellness benefits is \$600, ranging from \$50 to \$5,000 per year, with an average utilization rate of 46%. The following public agencies are known to offer LSAs:

- City of Los Altos – \$1,300 to \$2,600/year depending on employee group
- City of Hayward – \$600 to \$1,200/year depending on employee group

HR is proposing a LSA benefit of \$250 per eligible employee per year. At the end of the plan year, unused funds remain with the District. The benefit amount and list of eligible expenses can be adjusted year-to-year.

The District has an existing agreement with Navia for TPA services, which was entered into under the General Manager's contracting authority for a three-year term, ending in 2026. The incremental cost to the District for Navia to administer the LSA benefit is reasonable (i.e., less than \$10,000 assuming that every District employee avails themselves of the LSA). It would not be administratively or financially beneficial to seek TPA services from another provider.

HR would continue to coordinate additional no- or low- cost benefits such as flu shots, wellness related webinars, and other activities that promote employee wellness and engagement.

FISCAL IMPACT

If approved, staff would add \$52,624 to the proposed Fiscal Year 2024-25 (FY25) budget to cover the cost of the recommended action if needed, unless savings can be used to cover this expense. The cost estimate assumes full utilization by all 184 eligible employees.

Funding for LSAs	184 employees x \$250	\$46,000
Administration fees paid to Navia	184 employees x \$3.00 per month	\$6,624
	Total Annual Cost	\$52,624

PRIOR BOARD AND COMMITTEE REVIEW

None

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This item is not a project subject to the California Environmental Quality Act.

NEXT STEPS

If approved, HR staff will work the Navia to implement and launch the benefit effective July 1, 2024.

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