

THE CITY OF SAN DIEGO  
Risk Management Annual Report  
Fiscal Year 2016



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## Executive Summary

The Risk Management Annual Report provides the City Council and management with an overview of the Risk Management Department's programs. The intent of this report is to provide City of San Diego (City) leadership with information regarding City exposures and losses for Fiscal Year (FY) 2016. The report contains summaries of workers' compensation, public liabilities, loss recovery, and insurance premiums by fiscal year, as well as relevant safety information.

The Risk Management Department is dedicated to effectively prevent, control, and minimize the City's financial risk while providing optimum services to City employees and the public through the centralized administration of employee benefits, loss control, and safety.

The Risk Management Administration Fund is an Internal Service Fund that provides **workers' compensation claims management, employee (flexible) benefits, employee savings plan administration, safety and environmental health oversight, public liability claims management, and loss recovery**. The FY 2016 Adopted Budget was \$10.6 million, an increase of \$292,949 from the prior year's budget of \$10.3 million. Funding is a component of the citywide fringe allocation. Each City department gets an expenditure allocation based on the number of full-time equivalent (FTE) positions in the department.

### Workers' Compensation Division

The number of new workers' compensation claims reported in FY 2016 was 1,516, a decrease of 66 claims from the prior year's claims reported of 1,582. The workers' compensation claim expenditures for FY 2016 was \$33.3 million. This is an increase of \$2.7 million, or 9 percent from FY 2015. This is primarily due to an increase of \$1.4 million, or 9 percent in medical cost and \$1.1 million, or 17 percent increase in permanent disability costs. In addition, Appendix B, Workers' Compensation – Three Year History (FY 2014 – FY 2016), provides workers' compensation opened claims and claim expenditures.

### Public Liability and Loss Recovery Division

The number of new public liability claims in FY 2016 was 2,092, an increase of 73 claims or 4 percent from the FY 2015 claims. The public liability claim costs for FY 2016 was \$85.6 million, an increase of \$38.8 million from FY 2015 claims expenditures of \$46.8 million. This increase is primarily due to a \$25.0 million payment for De La Fuente Business Park that was paid directly to the plaintiff from the insurer and a \$16.8 million payment for the Aglio settlement. In addition, Appendix A, Public Liability – Three Year History (FY 2014 – FY 2016), provides public liability opened claims and claim expenditures.

The Public Liability and Loss Recovery Division also administers the City's Loss Recovery Program which pursues claims against third parties that cause damage to City property or injury to City employees. The Division staff works closely with departments and quickly acts to set up a claim, determine costs, and identify possible insurers. The program invoiced \$4.4 million in FY 2016, an increase of \$2.6 million from FY 2015. This increase is primarily due to a court judgement of \$1.8 million. The total revenue received on outstanding invoices was \$1.9 million in FY 2016, an increase of 600,000. The General Fund portion of revenue received was \$535,000 in FY 2016.

### **Insurance**

The Risk Management Department oversees the insurance program for the City. The City currently participates in pooled purchasing with counties and public entities in California through the California State Association of Counties Excess Insurance Authority (CSAC-EIA). In FY 2016, total insurance premiums costs increased by 6 percent, from \$13.4 million in FY 2015 to \$14.2 million in FY 2016. The increase is primarily due to General Liability Insurance Program increasing by \$1.3 million, from \$7.0 million in FY 2015 to \$8.3 in FY 2016. The General Liability Program provides coverage for claims from third parties alleging damages due to negligence on the part of the City. Overall market conditions and unfavorable loss history are the primary factors for the increase.

### **Safety and Environmental Health Division**

The Safety and Environmental Health Division is responsible for the creation and oversight of citywide safety practices and policies. The centralized staff of this program assists and works with management in all City departments to prevent and reduce injuries and illnesses. In FY 2016, the Division trained 1,300 employees on safety related topics, conducted 840 ergonomics assessments to enhance workplace health, and processed 650 vehicle/industrial accident reports.

### **Employee Benefits Division**

The Employee Benefits Division manages citywide administration of the Flexible Benefits Plan, Retiree Medical Trust, Long-Term Disability, and Employee Savings Plans. In FY 2016, the Division worked with the City Attorney's Office and represented employee organizations to implement amendments to the Supplemental Pension Savings Plan (SPSP), SPSP-H (Hourly), and 401(a) Plan documents. These changes were either legally required or intended to benefit the participants in the Plans. In addition, the Division processed 14,000 flexible savings accounts (FSA) claims, provided benefits orientations to new, newly eligible, or rehired City employees, processed 190 new long-term disability claims, and managed employee savings plans with an asset value of \$1.1 billion as of June 30, 2016.

While the Risk Management Department provides guidance and policy direction citywide, City departments must take an active role in implementing strategies to enhance the risk awareness of the organization. The Department's goal is not only to promote public safety and a safe workplace environment but also to minimize public liability exposures and losses.

This report represents a summary of risk management activities for FY 2016. It includes historical data regarding the Risk Management Department's programs and activities to provide departments with information on workers' compensation and public liability claims in order to monitor these risk activities and implement business process improvements.

## Risk Management Department Mission Statement

Our mission is to effectively prevent, control, and minimize the City’s financial risk and provide optimum services to the City’s employees and the public through the centralized administration of employee benefits, loss control, and safety.

## Risk Management Department Vision Statement

To continue to improve the City’s risk management program through close collaboration with City departments in identifying, analyzing, and implementing risk prevention and safety programs that reduce or mitigate exposure for the City.

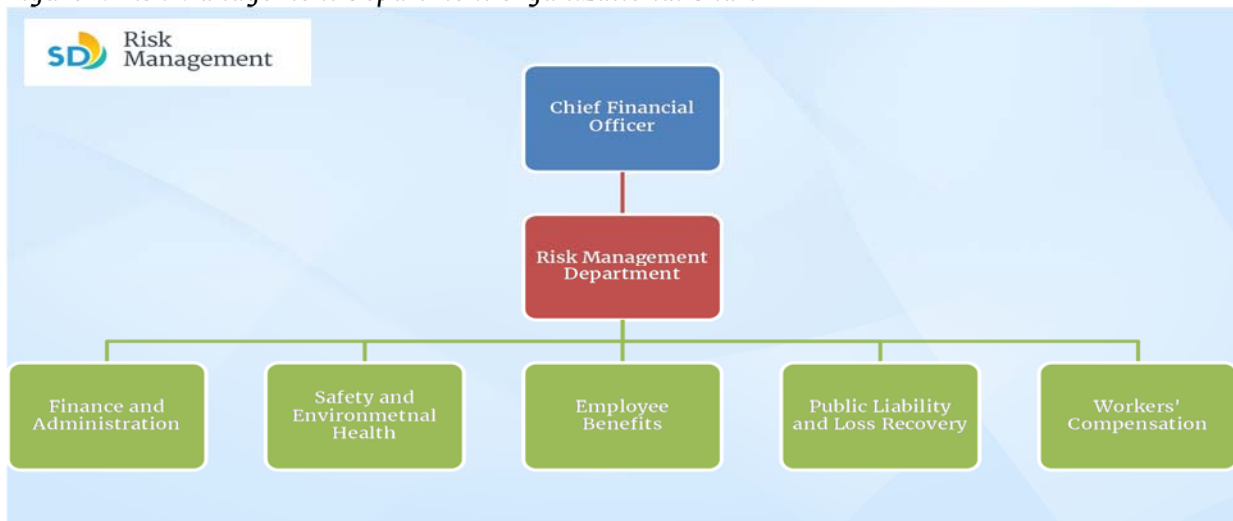
## Risk Management Department Overview

The Risk Management Department provides central risk management services to City residents, visitors, and employees to limit the risk exposure of the City’s network of departments and infrastructure. We are proud to be a part of the City of San Diego organization and are dedicated to advancing the practice of risk management through ongoing program development and education.

Central risk services provided by the Risk Management Department include **workers’ compensation claims management, flexible benefits, employee savings plan administration, safety and environmental health oversight, public liability claims management, and loss recovery** which are administered through the following five divisions as reflected in **Figure 1: Risk Management Department Organizational Chart**:

- **Finance and Administration**
- **Safety and Environmental Health**
- **Employee Benefits**
- **Public Liability and Loss Recovery**
- **Workers’ Compensation**

Figure 1: Risk Management Department Organizational Chart



## Risk Management Department Funding Sources

The Risk Management Department activities are funded by the following programs.

**Public Liability Fund:** supported solely by the General Fund to provide a funding source for the City’s General Fund liability claim expenditures. An annual operating and reserve transfer is budgeted in the Citywide Program Expenditures Department.

**Non-General Funds:** Water, Sewer, and other Non-General Funds provide funding for the City’s Non-General Fund liability claim expenditures. An annual operating budget is included in the Water and Sewer Funds. All other Non-General Funds reimburse the Public Liability Fund per the Appropriation Ordinance, Section E.4.

**Flexible Benefits:** an Internal Revenue Service (IRS) qualified cafeteria-style benefits program offered to all eligible employees. This program is a component of the citywide fringe allocation and represents the City’s portion of the benefit expense.

**Workers’ Compensation Fund:** established to ensure that employees who suffer work-related accidents or illnesses are provided with medical treatment and indemnity benefits as mandated by the State.

**Long-Term Disability Fund:** an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a non-work related injury or illness. This benefit is also available for eligible employees on pregnancy leave.

**Risk Management Administration Fund:** an Internal Service Fund to support the Risk Management Department personnel and non-personnel expenditures for the administration of the activities listed above.

The funding for each of these programs is reflected in **Figure 2: Risk Management Department Funding Sources**. The Workers’ Compensation, Long-Term Disability, and Risk Management Administration Funds are supported by all City funds with full-time equivalent (FTE) positions. A fringe allocation is budgeted in every City fund to support the annual operating expenditures and reserve contributions.

*Figure 2: Risk Management Department Funding Sources*

<b>Risk Management Department Funding Sources</b> <b>FY 2016</b> <i>(in millions)</i>		
<b>Funding Sources</b>	<b>Operating Amount</b>	<b>Reserve Balance</b>
Public Liability Fund	\$ 65.5	\$ 36.7
Flexible Benefits <sup>1</sup>	99.7	-
Workers' Compensation Fund	28.1	54.4
Long-Term Disability Fund	2.2	18.4
Risk Management Administration Fund	9.9	-
<b>Total</b>	<b>\$ 205.4</b>	<b>\$ 109.5</b>

<sup>1</sup>FY 2016 Adopted Budget for Flexible Benefits.

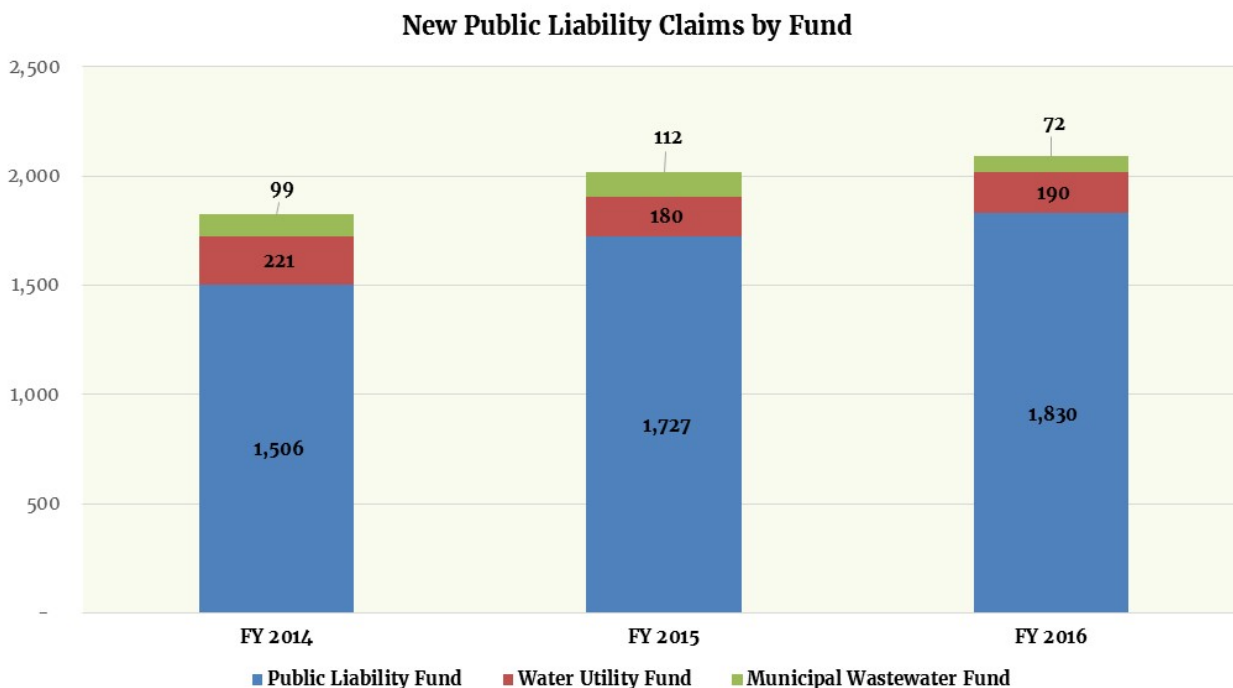


## Public Liability and Loss Recovery Division

The Public Liability and Loss Recovery Division administers a self-administered, self-insured, program for public liability (torts) risks, which is supplemented by excess liability insurance purchased through the California State Association of Counties Excess Insurance Authority (CSAC-EIA). The Division supports the investigation and settlement of all claims arising from the City's municipal operations; collaborates with the City Attorney's Office on litigated claims and lawsuits; services citizens and special event promoters to ensure the public's interests are protected with appropriate insurance; procures all risk and excess liability insurance; and investigates and recovers costs associated with damages to City assets or injury to City personnel caused by responsible third parties.

In FY2016, the number of new public liability claims was 2,092, an increase of 73 claims or 4 percent from the FY 2015 claims. **Figure 3:** Public Liability Claims by Fund displays the number of new claims for the past three fiscal years.

Figure 3: Public Liability Claims by Fund



The public liability claim costs for FY 2016 was \$85.6 million, an increase of \$38.8 million from FY 2015 claims expenditures of \$46.8 million. This increase is primarily due to a \$25.0 million payment for De La Fuente Business Park that was paid directly to the plaintiff from the insurer and a \$16.8 million settlement payment for Aglio. **Figure 4:** Public Liability Claim Costs by Loss Code displays the costs for public liability claims by loss code for the past three fiscal years.

Figure 4: Public Liability Claim Costs by Loss Code

<b>Public Liability Claim Costs By Loss Code</b> (in millions)			
<b>Loss Code</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Other (Liability) - De Anza	\$ -	\$ 17.5	\$ 14.1
City Vehicle Accident <sup>1</sup>	20.1	3.0	7.2
Other (Liability) - De La Fuente <sup>2</sup>	0.1	0.1	25.1
Other (Liability) - Aglio	-	-	16.8
Employment (Civil Rights) <sup>3</sup>	10.7	3.0	1.5
Other (Liability) - Grande North <sup>4</sup>	13.4	-	-
Other (Liability) - SD Bay	4.3	4.5	3.8
Assault/Batt (Physical Assault) <sup>5</sup>	1.7	7.3	1.1
Water Main Break	3.7	3.4	2.2
Trip & Fall	0.1	0.6	2.0
Storm Drains <sup>6</sup>	0.1	0.4	6.6
Other	5.3	7.0	5.2
<b>Total</b>	<b>\$ 59.5</b>	<b>\$ 46.8</b>	<b>\$ 85.6</b>

<sup>1</sup> FY 2014 includes \$18.6 million in expenditures for Acuna, Luke Ruben (claim number 5446) and FY 2016 includes \$5.9 million in expenditures for McCaffrey, Conceicao (claim number 8799).

<sup>2</sup> FY 2016 includes \$25.0 million for De La Fuente Business Park (claim number LP9601300009) which was paid directly to the plaintiff from the insurer.

<sup>3</sup> FY 2014 includes \$8.8 million in expenditures for Lexin (claim number 3242), FY 2015 includes \$0.9 million in expenditures for Terry, Alison (claim number LX0604472462), and FY 2016 includes \$0.8 million in expenditures for Santos-Hunter, Benelia (claim number 8781).

<sup>4</sup> FY 2014 includes \$13.0 million for Grande North at Santa Fe Place Homeowners Association (claim number 868) which was paid directly to the plaintiff from the insurer.

<sup>5</sup> FY 2015 includes \$6.1 million in expenditures for Jane Doe (claim number 5115).

<sup>6</sup> FY 2016 includes \$5.0 million in expenditures for La Jolla Alta Master Council (claim number LP0405340724).

The Public Liability and Loss Recovery Division also administers the City's Loss Recovery Program which pursues claims against third parties that cause damage to City property or injury to City employees. The Division staff works closely with departments and quickly acts to set up a claim, determine costs, and identify possible insurers. The program invoiced \$4.4 million in FY 2016, an increase of \$2.5 million from FY 2015 as represented in **Figure 5: Loss Recovery Invoiced**. This increase is primarily due to a court judgement of \$1.8 million. The total revenue received on outstanding invoices in FY 2016 was \$1.9 million, an increase 600,000 from FY 2015. The General Fund portion of revenue was \$535,000 in FY 2016. **Figure 6:** displays the Loss Recovery Revenue received on outstanding invoices for the past three fiscal years.



Figure 5: Loss Recovery Invoiced

<b>Loss Recovery Invoiced</b>			
<i>(in millions)</i>			
	FY 2014	FY 2015	FY 2016
General Fund	\$ 0.8	\$ 0.9	\$ 0.7
Public Liability Fund	-	-	2.1
Water Utility Fund	0.3	0.3	0.4
Fleet Services Operating Fund	0.3	0.3	0.4
Workers' Compensation Fund	0.1	0.1	0.5
Other	0.2	0.3	0.3
<b>Total</b>	<b>\$ 1.7</b>	<b>\$ 1.9</b>	<b>\$ 4.4</b>

Figure 6: Loss Recovery Revenue Received on Outstanding Invoices

<b>Loss Recovery Revenue Received on Outstanding Invoices<sup>1</sup></b>			
<b>As of June 30, 2016</b>			
<i>(in millions)</i>			
	FY 2014	FY 2015	FY 2016

General Fund	\$ 0.6	\$ 0.7	\$ 0.5
Water Utility Fund	0.2	0.2	0.3
Fleet Services Operating Fund	0.3	0.2	0.4
Municipal Wastewater Fund	0.1	0.1	0.1
Workers' Compensation Fund	0.1	-	0.2
Other	0.2	0.1	0.4
<b>Total</b>	<b>\$ 1.5</b>	<b>\$ 1.3</b>	<b>\$ 1.9</b>

<sup>1</sup>Excluding invoices submitted to City Treasurer for collection of delinquent accounts.

## Accomplishments and Highlights

The Public Liability and Loss Recovery Division continues to work with other City departments by providing claims loss frequency and severity data as an indicator of potential business process improvements. Division staff also provides presentations on the liability claims process and loss recovery services to City departments to assist in identifying risk exposures.

The loss recovery claims management legacy system, which was no longer supported by the vendor, was incorporated into the public liability claims management system in order to create more efficient claims handling.

In addition, the Public Liability and Loss Recovery Division worked with the City's Actuary to review the City's self-insured retention (SIR) amount of the Public Liability Program. The analysis confirmed that the current SIR of \$3.0 million is an appropriate amount based on expected cost under various actuarial assumptions.

The Public Liability and Loss Recovery Division completed the following claims management services:

- ≈ 5,560 Transactions processed in the claims management system
- ≈ 2,000 New Public Liability claims
- ≈ 1,250 New Loss Recovery claims
- ≈ 300 Special events permit insurance review
- ≈ Upgrade of the Loss Recovery claims system

Participation in CSAC- EIA requires that members agree to undergo a claims audit every year. The FY 2016 audit results reflect: adherence to insurer reporting guidelines, adherence to best practices in claims handling, diligent application of immunities, overall best practices in reserving, active and engaged supervision, regular and consistent updates to excess carriers, and a well-established and open relationship with the City Attorney's Office.

### **Future Year Outlook**

The Public Liability and Loss Recovery Division is excited to be developing a pilot program to explore mobile technology for field investigations. Utilizing tablets with direct connectivity to our claims management systems will expedite the processing of claims by allowing the direct intake of incident data, including claimant information, investigator notes, as well as photographs and video. On the horizon are enhancements to the current claims database system. Additional resources will be devoted in the upcoming year to enhance data reports, business procedures, internal controls, and system customization to more efficiently expedite the administration of claims.

The Public Liability and Loss Recovery Division will continue to pursue its work in loss reduction by educating City departments on how to review claim data in order to identify high risk areas. The goal is to meet with City departments that are currently experiencing an increase in their liability occurrences so they can develop risk mitigation plans to reduce risk exposure.

The Public Liability and Loss Recovery Division will collaborate with the Performance and Analytics Department to develop a claims data-mapping program. The program will depict geographic areas related to increased claims activity and identify areas of concern tied to specific locations or increased loss experience for certain operations. In addition, this approach could serve as an early warning system for City departments by detecting patterns in claim filings.

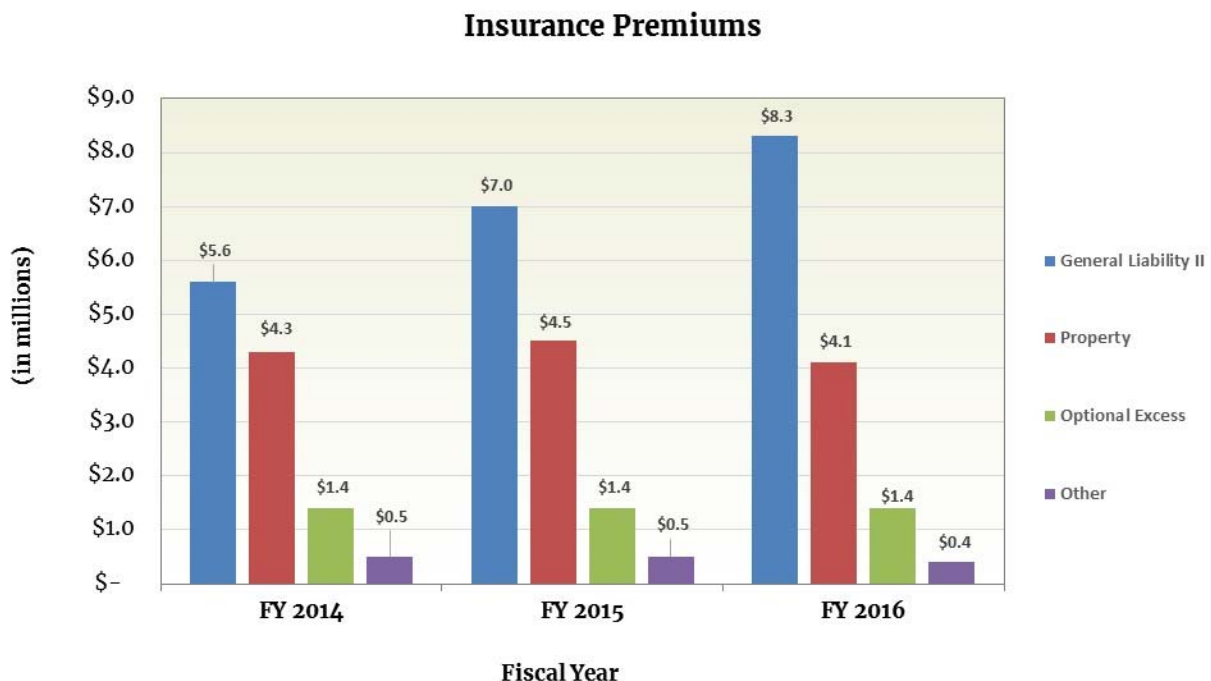
In addition, the Public Liability and Loss Recovery Division released a Request for Information (RFI) for insurance placement and self-insured retention in FY 2017. The goal is to solicit outside brokers to evaluate the City's current insurance placement and obtain feedback regarding insurance carrier to determine if the City's current insurance placement is still competitive with the overall insurance industry market.

## Insurance

As a member of CSAC-EIA since 1995, the City has been able to purchase comprehensive property and excess liability insurance at favorable market rates, as well as other specialty lines of coverage including airport liability, property coverage for aircraft, pollution liability, crime bond/employee dishonesty and cyber liability. This membership facilitates the joint purchase of Property/Earthquake and Excess Liability insurance coverage with the combined purchasing power of 55 counties and 261 non-county public entities. In addition, the City's membership in CSAC-EIA enables it to access additional risk management services at a reduced or no cost.

Funding for the insurance premiums is budgeted through the annual budget process in the General, Public Liability, and Enterprise Funds. The insurance premiums may vary from year to year due to changing property values, special requirements, liability limits, modification to City assets, risk exposure, and overall market conditions. Total insurance premiums costs increased by 6 percent or \$800,000, from \$13.4 million in FY 2015 to \$14.2 million in FY 2016. The increase is primarily due to the General Liability 2 Insurance Program increasing by \$1.3 million, from \$7.0 million in FY 2015 to \$8.3 in FY 2016. The General Liability 2 Program provides coverage for claims from third parties alleging damages due to negligence on the part of the City. Overall market conditions and unfavorable loss history are the primary factor for the increase. **Figure 7: Insurance Premiums** displays the cost breakdown by the various type of insurance purchased for the past three fiscal years.

Figure 7: Insurance Premiums



Public Liability claims are funded by multiple funding sources which include the General Fund, Enterprise Funds, and insurance proceeds. Insurance proceeds for the past three fiscal years are displayed in **Figure 6: Public Liability Insurance Proceeds**.

Figure 8: Public Liability Insurance Proceeds

<b>Public Liability Insurance Proceeds</b>				
<i>(in millions)</i>				
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	
De La Fuente Business Park <sup>1</sup>	\$ -	\$ -	\$	30.0
Acuna, Luke Ruben	16.1	-		-
San Diego Bay Insurance Grande North at Santa Fe Place	-	15.5		-
Homeowners Association <sup>2</sup>	13.8	0.4		-
Jane Doe	-	5.2		0.1
La Jolla Alta Master Council	-	-		5.0
Burke, Michael	3.8	-		-
De Anza Cove Homeowners Assn Inc	-	-		3.4
McCaffrey, Conceicao	-	-		3.0
Burke, Michael S.	2.8	-		-
Other	0.2	0.1		0.6
<b>Total</b>	<b>\$ 36.7</b>	<b>\$ 21.2</b>	<b>\$</b>	<b>42.1</b>

<sup>1</sup> FY 2016 includes \$25.0 million which was paid directly to the claimant from the insurer.

<sup>2</sup> FY 2014 includes \$13.0 million which was paid directly to the claimant from the insurer.

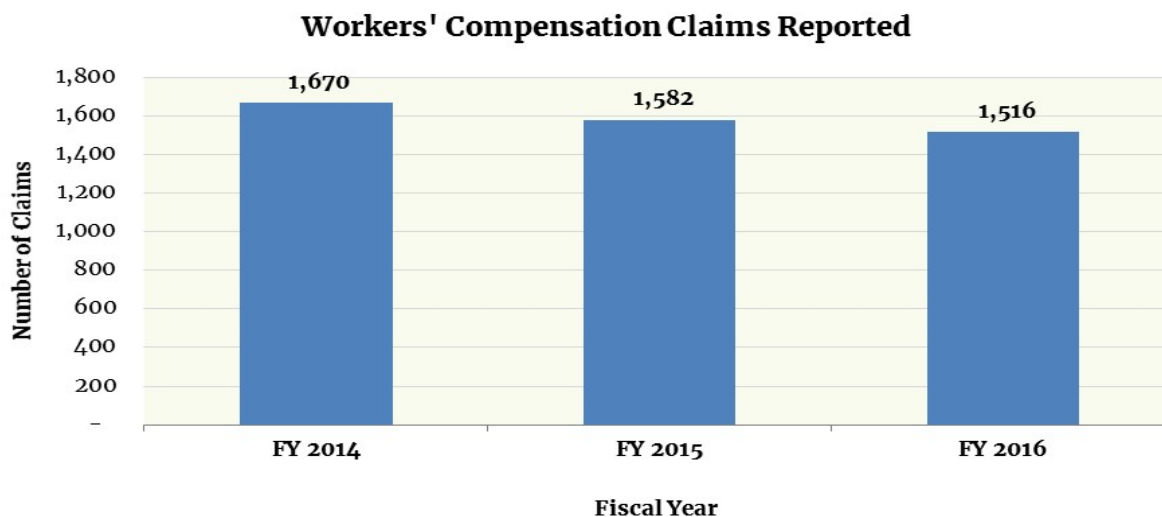
## Workers' Compensation Division

The City is committed to provide a safe working environment for all its employees. If an employee is injured, the workers' compensation claim is processed by the Risk Management Department in accordance with the laws of the State for self-insured and self-administered agencies. Staff provides information and assistance to injured employees and all City departments. Staff investigates, determines, and delivers appropriate benefits, including all medical and salary continuation benefits (indemnity), death benefits to surviving dependents, and coordination of return to work programs in compliance with State and Federal mandates.

The Workers' Compensation Division oversees the City's State approved Medical Provider Network (MPN) contract. The California Labor Code and California Code of Regulations allow for insurers and employers to create a MPN consisting of a variety of physicians where injured workers can be directed for treatment of industrial injuries. These contractual agreements result in cost containment for the City while allowing the City's injured employees to access qualified healthcare providers in the San Diego region who are highly experienced in workers' compensation. In addition, the Division also administers the City's contract for managed care services which provide medical bill review, pharmacy, nurse case management, utilization review, and injury call-in center services.

The number of new workers' compensation claims reported in FY 2016 was 1,516, a decrease of 66 claims from the prior year's claims reported of 1,582. **Figure 9: Workers' Compensation Claims Reported** illustrates the number of new workers' compensation claims reported for the past three fiscal years. The number of claims have remained fairly consistent over the past three years.

*Figure 9: Workers' Compensation Claims Reported*



The workers' compensation claim expenditures for FY 2016 was \$33.3 million. This is an increase of \$2.7 million, or 9 percent from FY 2015. This increase is primarily attributed to an increase of \$1.4 million, or 9 percent in medical cost and \$1.1 million, or 17 percent increase in permanent disability costs. The medical payments increase reflect both an inflationary effect and injured employees diagnosis and treatment requiring increased hospital stays. The

disability portion is primarily due to a change to legislation that no longer required employers to “advance” disability payments to injured employees upon knowledge of the disability. As cases now settle, lump sums of accrued amounts are being paid. Additionally, permanent disability rates increased resulting in an increase in the total amount of disability paid out. **Figure 10:** Workers’ Compensation Claim Expenditures by category illustrates the workers’ compensation claims expenditures for the past three fiscal years.

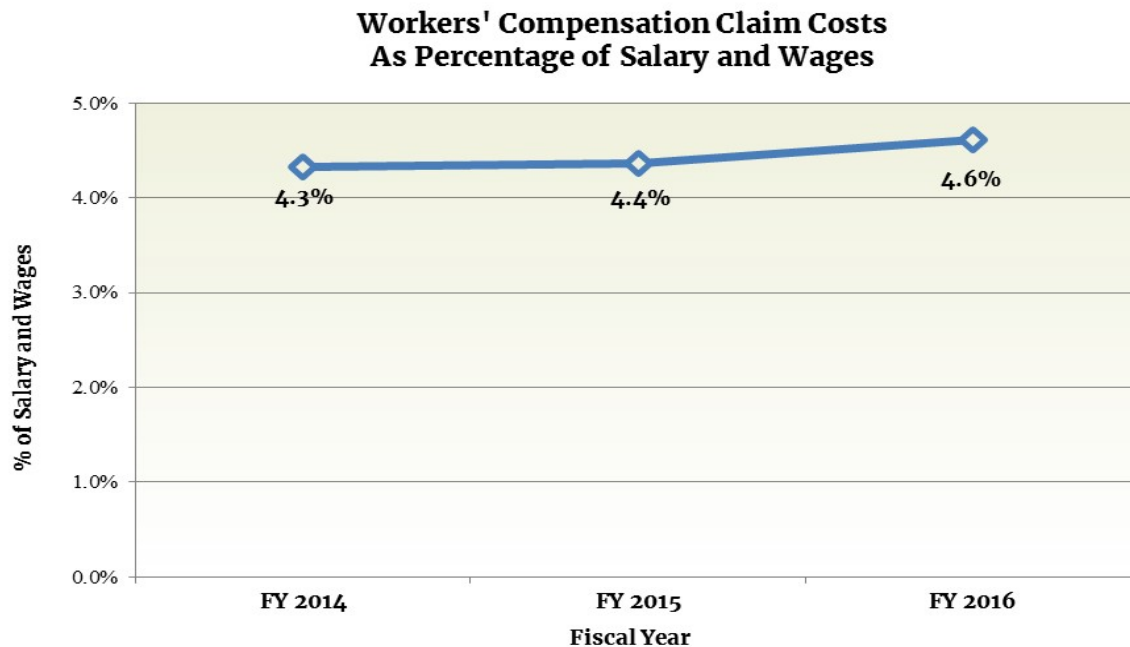
Figure 10: Workers’ Compensation Claim Expenditures

**Workers' Compensation Claim Expenditures  
By Category**  
(in millions)

<b>Category</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Medical	\$ 15.4	\$ 16.2	\$ 17.6
Permanent Disability	5.7	6.5	7.6
Salary Continuance (Industrial Leave)	6.0	5.7	5.7
Expense	1.3	1.4	1.3
Temporary Disability	0.8	0.8	1.1
<b>Total</b>	<b>\$ 29.1</b>	<b>\$ 30.6</b>	<b>\$ 33.3</b>

The City incurred on average 4 percent of the total payroll in workers’ compensation direct costs for the past three fiscal years as illustrated in **Figure 11:** Workers’ Compensation Claim Costs As Percentage of Salary and Wages.

Figure 11: Workers’ Compensation Claim Costs As Percentage of Salary and Wages





## **Accomplishments and Highlights**

In FY 2016, the Workers' Compensation Division provided trainings to various stakeholders in the City in order to provide education and awareness of the City's workers' compensation process. Trainings were provided to the Fire-Rescue Department, Human Resource Department, Lifeguards and Teamsters 911, Local 145 Board, Police Officers Association Board, Library Department New Employee Orientation, City Clerk Department Supervisors and Management Team, and Local 127 Board. These educational sessions will ensure all City employees and their labor groups are aware of the following: workers' compensation benefits that are available for employees; the policies and process on handling claims filed by injured employees, how decisions are made regarding claims and benefits; and what State mandates must be complied within the workers' compensation process. We have received positive feedback regarding all of these sessions and plan on reaching out to additional departments in FY 2017.

In addition to the Workers' Compensation Division completed the following claims management services to City employees:

- ≈ 124,500 Transactions processed in the claims management system
- ≈ 3,700 Active claims managed
- ≈ 1,500 New claims

The Workers' Compensation Division works with the Safety and Environmental Health Division to produce the Workers' Compensation and Safety Performance Report. This report identifies claim injury types with the most frequency in order to assist departments in preventing and reducing injuries and illnesses in the workplace.

## **Future Year Outlook**

The Workers' Compensation Division will be working to establish procedures and policies to create a paperless workflow to reduce operating costs and to minimize its environmental impact. This new format will make the communication of information faster and easier.

The Workers' Compensation Division will also be releasing a Request for Proposal (RFP) for the managed care contract. This contract includes bill review services, medical utilization review, nurse case management, injury call-in center, and a pharmacy network. These services are crucial to ensuring the appropriate medical care is being timely prescribed and approved for injured City employees and fees for those services are being paid at the allowable State fee schedule. In addition, these services ensure the City is compliant and timely with the workers' compensation State mandated medical cost and claim reporting.

## **Safety and Environmental Health Division**

The Safety and Environmental Health Division is responsible for the creation and oversight of citywide safety practices and policies. The centralized staff of this program assists and works with management in all City departments to prevent and reduce injuries and illnesses. The Division provides oversight for the following City departments that have in-house safety staff; Environmental Services, Fire-Rescue, Park and Recreation, Public Utilities, Public Works, Fleet Services, and Transportation and Storm Water departments. For all other City departments, the Division provides a centralized safety function. The Division coordinates and conducts safety trainings, inspects work places, investigates and monitors employee injuries and accident reports, responds to Cal/OSHA inquires and complaints, and works with City departments to develop safety and environmental health procedures.

To achieve the goal of a safe and healthy work environment, the City has developed an Injury and Illness Prevention Program (IIPP), as mandated by the California Occupational Safety and Health Administration (Cal/OSHA). The day-to-day operations of the citywide IIPP are administered by the Safety and Environmental Health Division. The City's IIPP is intended to provide guidance on complying with the safe work practices and principles identified in the California Code of Regulations, Title 8, and Section 3203, thereby minimizing employee exposure to safety and health risks at all City worksites.

In accordance with the IIPP, the Risk Management Department publishes the Workers' Compensation and Safety Performance Report to support the communication and record keeping elements by providing the above-mentioned City departments with the year-to-date number of workers' compensation claims and the workers' compensation and industrial leave costs associated with the claims. The information is summarized to allow departments the ability to quickly identify potential areas of concerns due to a high number of a particular type of injury or high claim costs. In addition, the report includes information reported to Cal/OSHA based on California Record Keeping Standards. Lastly, departments are requested to review the information provided in this report and put into place measures that prevent and reduce injuries and illnesses in the workplace. With departments' cooperation, the City can make successful strides towards meeting the ultimate goal of an injury-free workplace.

While the Safety and Environmental Health Division provides guidance citywide, City departments must take an active role in implementing strategies to enhance the safety culture of the organization, not only as it relates to a safe and healthful workplace, but also as it relates to public safety and public liability losses. City departments are also responsible for coordinating the implementation of the IIPP and other safety and health programs with assistance from the Division.

### **Accomplishments and Highlights**

The Safety and Environmental Health Division is committed to the prevention of injuries and health and wellbeing of our employees. During FY 2016, the Division finalized the implementation of the Globally Harmonized System (GHS) to classify and label chemicals in accordance with Occupational Safety and Health Administration (OSHA) Hazard Communication Standards. The basic goal of hazard communication is to ensure that employers, employees and the public are provided with adequate, practical, reliable, and comprehensible information on the hazards of chemicals, so that they can take preventive and protective measure for their health and safety.

The deadline for the City to comply with the new GHS labels, Safety Data Sheets (SDS), and additional training of employees for newly identified physical or health hazards was June 1, 2016. The Safety and Environmental Health Division worked closely with the affected departments to ensure compliance with GHS regulations. Frequent inspections took place at various locations by the Division staff.

In addition to the GHS implementation, the Safety and Environmental Health Division completed the following to prevent injury and illness in the workplace:

- ≈ 3,200 Department of Motor Vehicles records flagged for review
- ≈ 1,300 City employees trained on safety related topics
- ≈ 1,250 Safety consultations
- ≈ 840 Ergonomic assessments to enhance workplace health
- ≈ 650 Vehicle/Industrial Accident Reports Processed
- ≈ 450 Chair fittings to ascertain the appropriate chair model
- ≈ 50 Bee calls to provide information to the public regarding bee safety

The Safety and Environmental Health Division continues to be responsive to immediate health and safety hazards for its employees while moving into a proactive approach of prevention.

### **Future Year Outlook**

The Safety and Environmental Health Division will be updating the State of California required IIPP to ensure continued compliance. Activities also include revision of the Supervisor Accident/Injury Investigation form and working with departments to customize the IIPP to their department's instructions. Updates to the vehicle accident data collection process, driver accident forms, driving administrative regulations, and Driver Operator Manual are being finalized. Once implemented, the Division will train City drivers on safe and effective driving techniques.

In collaboration with Personnel, Information Technology, and Human Resources Department the new and transfer employee checklist will be revised and implemented Citywide. This new onboarding tool will ensure those individuals who are hired or transferred, have received all the required training, especially as it relates to employee safety while performing City business.

Medical groups including the American Red Cross and American Heart Association updated the guidelines to First Aid and Automated External Defibrillator (AED). The Safety and Environmental Health Division will be working with all departments on updating first aid kits and providing updates on AED. The Division manages the new contract for First Aid, CPR and AED training for City employees and for the first time is using the services of the San Diego Fire-Rescue Department. This next year will be our opportunity to set the structure and systems in place for the training of City employees by City employees.

The Safety and Environmental Health Division is creating a comprehensive workplace ergonomic program that encompasses both the office setting and fieldwork. Included in this program are the processes from employee ergonomic assessment through the recommendation and follow-up evaluation. Once this program is ready for implementation, it will become a part of the City's plan to reduce workplace injuries and illnesses through health and wellness efforts.

The Safety and Environmental Health Division is developing a program to explore mobile technology of safety inspections and ergonomic assessments. Utilizing tablets to capture investigative and assessment data in the field will reduce the redundancy of re-entry of the same information in the office prior to completing reports and correspondence with the client.

The Safety and Environmental Health Division will also be working with those 26 City departments without in-house safety staff to conduct a safety assessment of individual department needs in order to enhance programs in place focusing on prevention of injuries and health and wellbeing of our employees.

## Employee Benefits Division

The Employee Benefits Division manages citywide administration of the Flexible Benefits Plan, Retiree Medical Trust, Long-Term Disability, and Employee Savings Plans.

The Employee Benefits Division oversees the Flexible Benefits Plan for the City. This includes providing benefits orientations to new, newly eligible, or rehired City employees. The Division also publishes the Flexible Benefits Open Enrollment Information and Costs Booklet annually to provide all City employees with information and costs for open enrollment. Throughout the fiscal year, staff processes requests for changes to employee benefits when there is a qualifying event (e.g. marriage, divorce, birth or adoption of a child, gain or loss of coverage, job class change or court order, etc.). In addition, staff administers the Dental/Medical/Vision (DMV) and Dependent/Child Care (DCC) contributions and processes all claims. Lastly, the Division processes all Consolidated Omnibus Budget Reconciliation Act (COBRA) required notifications and benefits. During FY 2016, the Division met all of the reporting requirements for the Affordable Care Act (ACA).

The Employee Benefits Division administers the Long-Term Disability Plan which was established in 1981 for the purpose of providing income to eligible employees while unable to work as a result of non-industrial injury, illness, or pregnancy. The Long-Term Disability Plan is a self-insured and self-administered plan.

In addition, the Employee Benefits Division oversees the Employee Savings Plans which allow employees to enhance retirement income by participating in tax-deferred plans such as Supplemental Pension Savings Plan (SPSP), 2009(a) Plan, 401(k) Plan, Deferred Compensation 457(b) Plan and Retiree Medical Trust Plan. These plans had a combined trust assets value of over \$1.1 billion at the end of FY 2016. **Figure 12:** Employee Saving Plans provides a summary of each tax-deferred plan including the number of employee participants and asset value of each plan. The Plan documents for the 401(k), SPSP, 401(a), and SPSP-H were all updated, approved by Council, and submitted to the IRS.

Figure 12: Employee Saving Plans

<b>Employee Saving Plans</b>		
<b>As of June 30, 2016</b>		
<b>Savings Plan</b>	<b>Number of Participants</b>	<b>Asset Value<sup>2</sup></b>
SPSP	6,312	\$ 595.9
401(k)	8,599	323.9
457(b)	3,018	142.5
SPSP-H	6,894	52.4
Retiree Medical Option C <sup>1</sup>	173	14.2
401(a)	676	3.9
Retiree Medical Trust Plan	2,413	3.0
<b>Total</b>		<b>\$ 1,135.8</b>

<sup>1</sup>The Retiree Medical Option C participants listed are employees that are inactive or active whose account has been funded. These participants consist of employees that are unclassified/unrepresented and deferred vested.

<sup>2</sup>Asset values are displayed in millions.

## **Accomplishments and Highlights**

The Employee Benefits Division worked with the City Attorney's Office and represented employee organizations to implement amendments to the Supplemental Pension Savings Plan (SPSP), SPSP-H (Hourly), and 401(a) Plan documents. The changes were made to make the Plans more intelligible and user friendly for employees and City staff. All changes of substance were either legally required or intended to benefit the participants in the Plans. For example, SPSP-H participants, changed from 100% of their mandatory contributions being post-tax to pre-tax and SPSP participants 3% mandatory contributions also changed from post-tax to pre-tax.

In FY 2016, the Employee Benefits Division completed the following to serve City employees:

- ≈ 14,000 Flexible savings accounts (FSA) claims processed
- ≈ 9,700 Employees receiving flexible benefits
- ≈ 1,000 New hires and re-hires who were enrolled in their flexible benefits and mandatory savings plans
- ≈ 190 new long-term disability claims
- ≈ 20 No Standard Hour employees met the qualifications and were offered medical coverage under the ACA

The City is continuing to monitor the ACA changes and provide clarification of changes to identify the impact of the ACA to the City and its employees. The FSA program was revised, per IRS required changes, to incorporate a grace period whereby participating employees can submit claims incurred during the two and half month grace period to be paid from remaining FY 2016 monies.

## **Future Year Outlook**

In the upcoming year, the Employee Benefits Division will continue improving tracking methods to assist in compliance with the ACA reporting requirements. The Division is beginning to update and revise procedures and individual workflow processes.

The Division is working on a wellness grant in conjunction with the County of San Diego and University of California San Diego (UCSD). The Employee Benefits Division will be developing department-specific City of San Diego Live Well at Work action plans for at least six specific City departments. The plans will cover healthy eating, physical activity, and encourage a culture of health.

The Employee Benefits Division is negotiating a Long-Term Death and Disability benefit plan for employees hired on or after July 20, 2012 with the recognized employee organizations. This plan is anticipated to provide disability benefits for employees not eligible for membership in San Diego City Employees' Retirement System (SDCERS) due to Proposition B.



## Risk Management Reserves

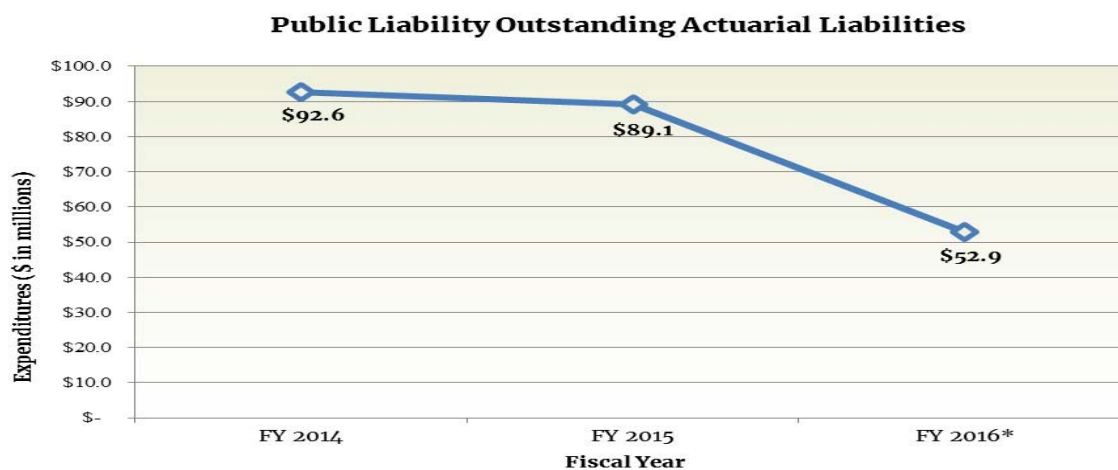
The Public Liability, Workers' Compensation, and Long-Term Disability Funds provide funding sources for certain claims made against the City. The Public Liability Fund is funded by the General Fund to support claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property damage, inverse condemnation, false arrest, and errors and omissions. The Workers' Compensation Fund is a citywide fund that covers medical and disability costs for industrial injury claims, while the Long-Term Disability Fund provides non-industrially disabled City employees with income and flexible benefits coverage. For purposes of this policy, cash on hand is used to identify the projected reserve balance.

### Public Liability Reserve Status

The Public Liability Reserve Fund is funded by the General Fund to support claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property damage, inverse condemnation, false arrest, and errors and omissions. This Fund is included in the Reserve Policy (Council Policy 100-20) to ensure financial stability. Per the policy, the City will maintain reserves equal to 50 percent of the value of outstanding public liability claims by FY 2019. This reserve level recognizes that not all claims will be due and payable at one point in time and that not all claims will be awarded, yet there may be more than one large claim that could require an immediate payment. A smoothing methodology using the annual actuarial liability valuations for the three most recent fiscal years is used to determine the value of outstanding public liability claims for purposes of calculating the reserve level.

**Figure 13:** Public Liability Outstanding Actuarial Liabilities displays the public liability outstanding actuarial liabilities for the past three fiscal years.

Figure 13: Public Liability Outstanding Actuarial Liabilities



\*Liability for claims in excess of Self-Insured Retention decreased from \$45.7 million to \$4.9 million due to settlement and closure of previously opened claims.

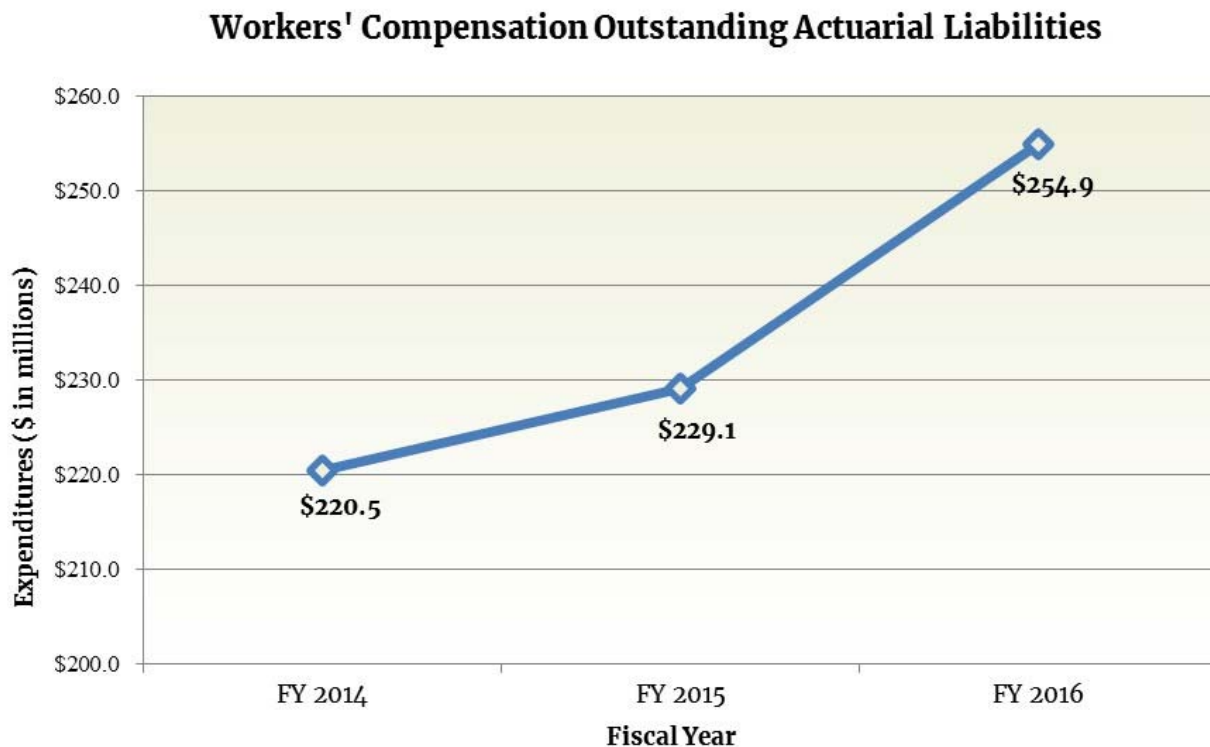
## Workers' Compensation Reserve Status

The Workers' Compensation Fund is a citywide fund that covers medical and other costs for industrial injury claims. This Fund is included in the Reserve Policy (Council Policy 100-20) to ensure financial stability. Per the policy, the City will maintain reserves equal to 25 percent of the value of the outstanding claims. A smoothing methodology using the annual actuarial liability valuations for the three most recent fiscal years is used to determine the value of outstanding claims for purposes of calculating the reserve level. The Fund met the reserve goal in FY 2014 and has maintained the reserve goal of 25 percent.

Financial Management Department is scheduled to present a modification to the City's Reserve Policy to Budget and Government Efficiency Committee on February 2, 2017. One of the requested action is to reduce the Workers' Compensation Reserve policy goal from 25% of the most recent three year average of annual actuarial liability valuations to 12%, which is equivalent to approximately one year of operating expenses for the workers compensation program. The purposed of the revision is to right size the Workers' Compensation Reserve since the current level of Workers' Compensation reserve funding is larger than necessary to support claims payment experience.

**Figure 15:** Workers' Compensation Outstanding Actuarial Liabilities displays the workers' compensation outstanding actuarial liabilities for the past three fiscal years.

*Figure 15: Workers' Compensation Outstanding Actuarial Liabilities*



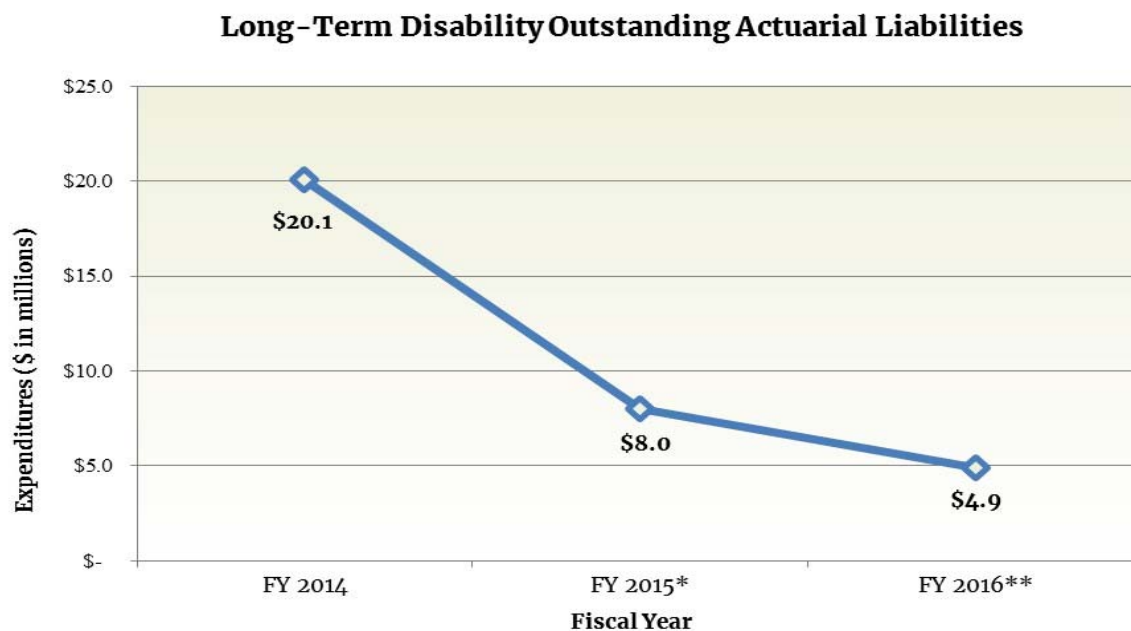
## Long-Term Disability Reserve Status

The Long-Term Disability Fund provides partial salary replacement to eligible City employees who are unable to work due to non-work related injury or illness and pregnancy leave. This Fund is included in the Reserve Policy (Council Policy 100-20) to ensure financial stability. Per the policy and anticipating fully insuring this program, the outstanding liability was fully funded as an alternative to the current practice of self-insurance. A smoothing methodology using the annual actuarial liability valuations for the three most recent fiscal years is used to determine the value of outstanding claims for purposes of calculating the reserve level. The Fund met the reserve goal of 100 percent in FY 2016, ahead of Reserve Policy scheduled goal.

In addition, the Long-Term Disability Reserve is funded beyond the goal level of 100 percent of a three-year average of outstanding claims' liability. It is intended that a portion of the excess funding will be used to establish a new death and disability benefits program for employees hired after Proposition B became effective in 2012, subject to negotiations with the employee organizations.

**Figure 17:** Long-Term Disability Outstanding Actuarial Liabilities displays the long-term disability outstanding actuarial liabilities for the past three fiscal years.

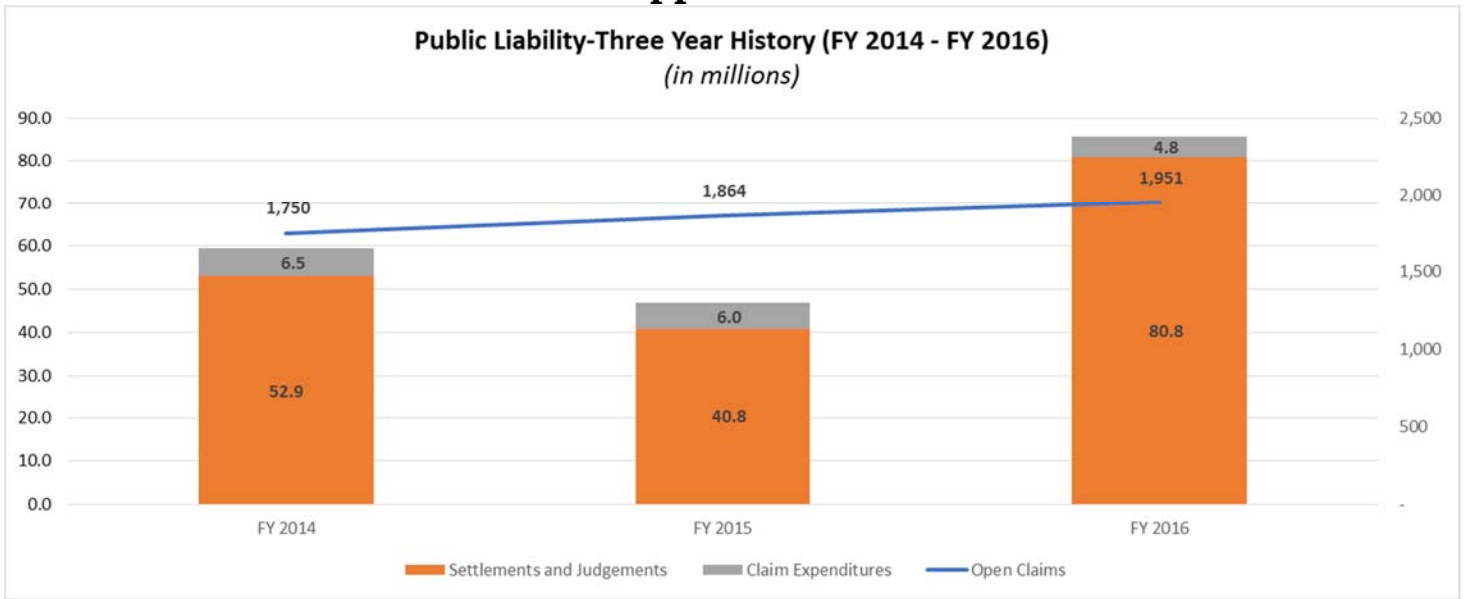
Figure 17: Long-Term Disability Outstanding Actuarial Liabilities



\* Change in number of disable participants sharply decreased and change in actuarial assumptions for disabled participants identified as pregnancy.

\*\*Change is actuarial assumption to use benefit end date reported rather than plan schedule to better reflect duration of benefit.

## Appendix A



**Citywide**—FY 2016 claim payments increased \$38.9 million (83%) from the previous year. Settlements and judgments increased \$40.0 million (98%) and claim expenditures decreased \$1.1 million (19%) from FY 2015. FY 2016 claims opened increased 87 (5%) from claims opened in FY 2015.

**Development Services Department**—FY 2016 claim payments increased \$38.7 million (215%) from the previous year. Settlements and judgments increased \$38.0 million (216%) and claim expenditures increased \$0.7 million (175%) from FY 2015. FY 2016 includes \$25.0 million for De La Fuente Business Park which was paid directly to the plaintiff from the insurer. FY 2016 claims opened decreased 48 (13%) from claims opened in FY 2015.

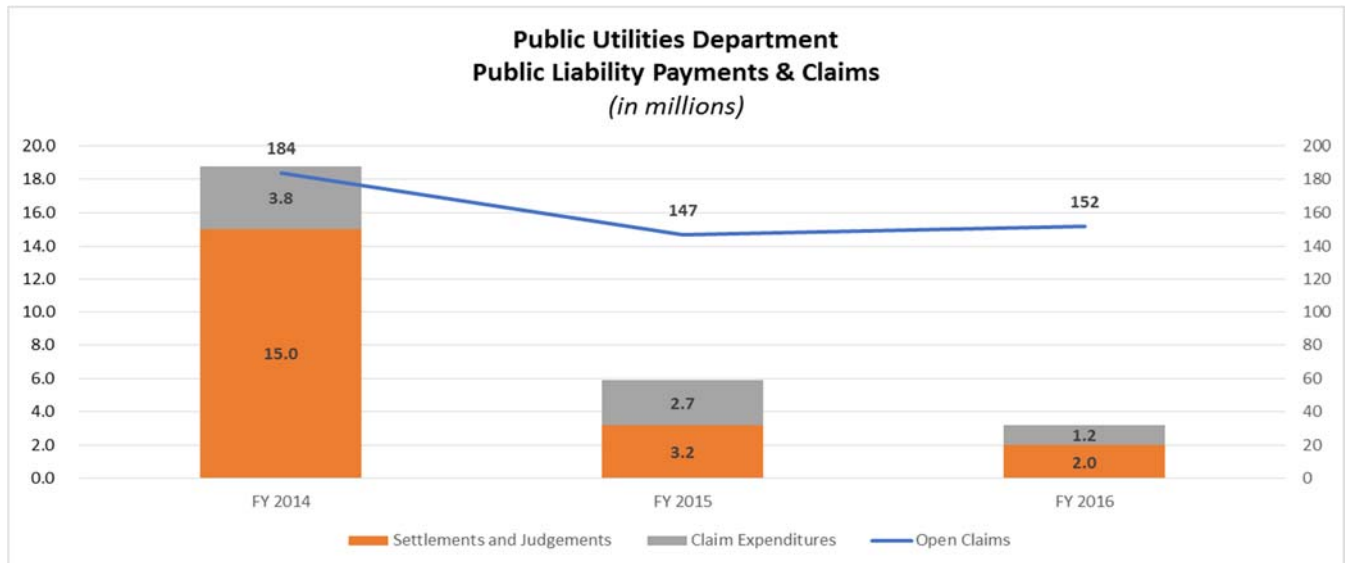
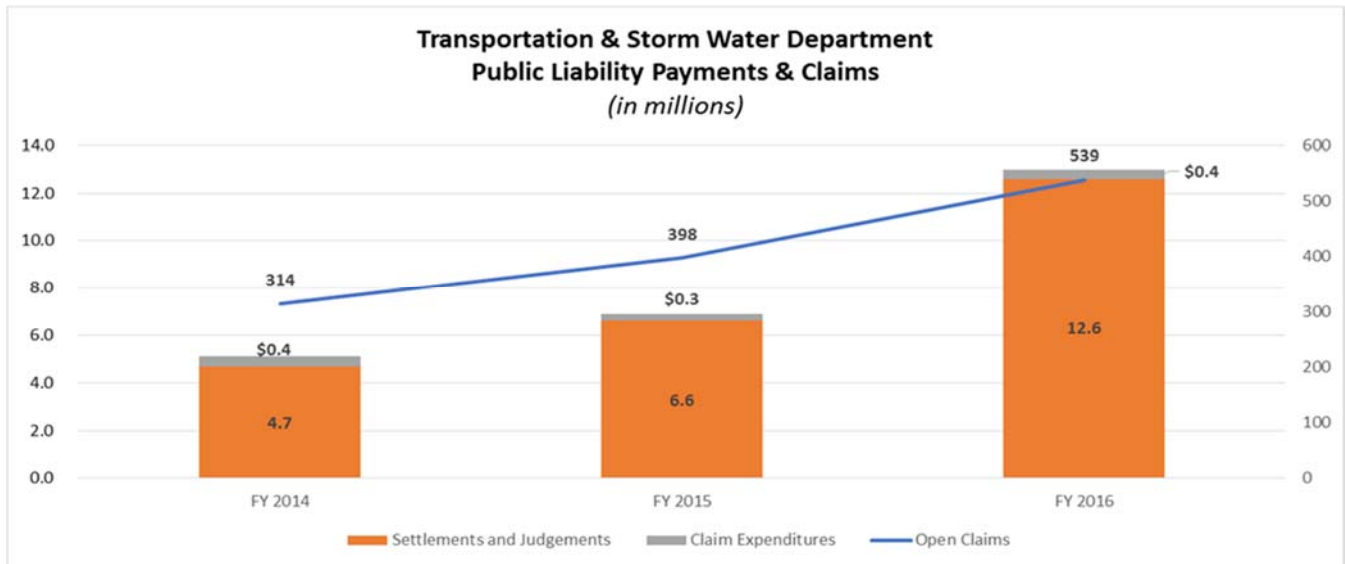
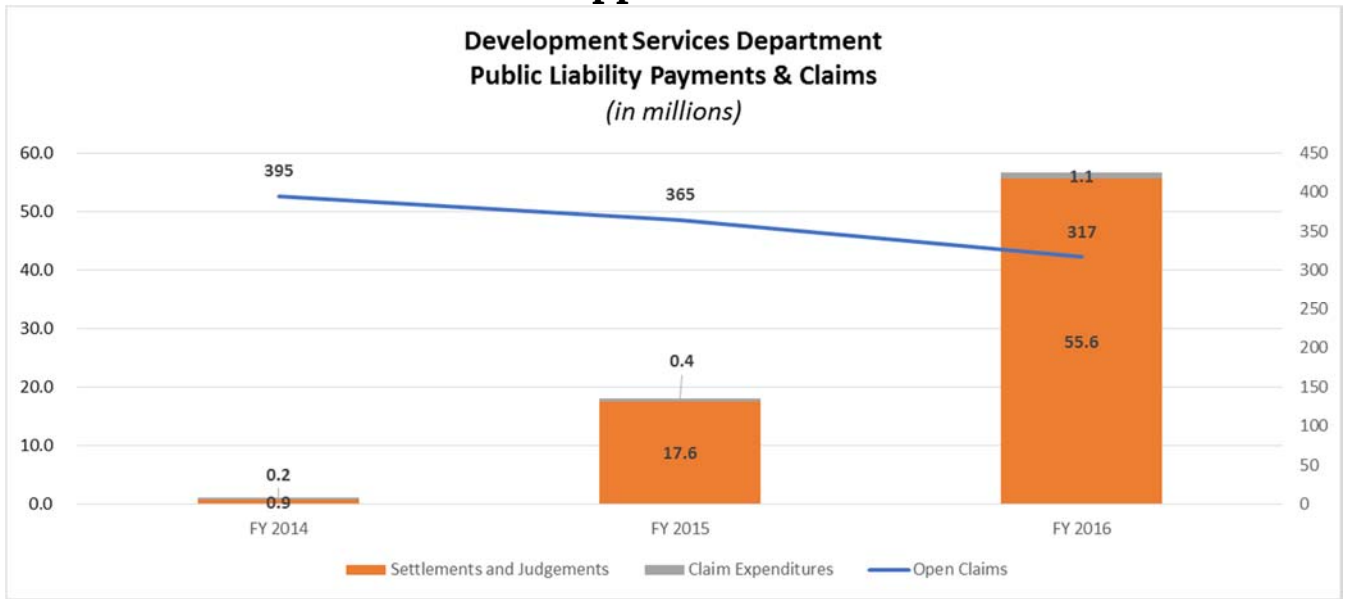
**Transportation & Storm Water Department**—FY 2016 claim payments increased \$6.1 million (88%) from the previous year. Settlements and judgments increased \$6.0 million (91%) and claim expenditures increased \$0.1 million (33%) from FY 2015. FY 2016 claims opened increased 141 (35%) from claims opened in FY 2015.

**Police Department**—FY 2016 claim payments decreased \$1.6 million (15%) from the previous year. Settlements and judgments decreased \$1.3 million (14%) and claim expenditures decreased \$0.3 million (30%) from FY 2015. FY 2016 claims opened decreased 4 (1%) from claims opened in FY 2015.

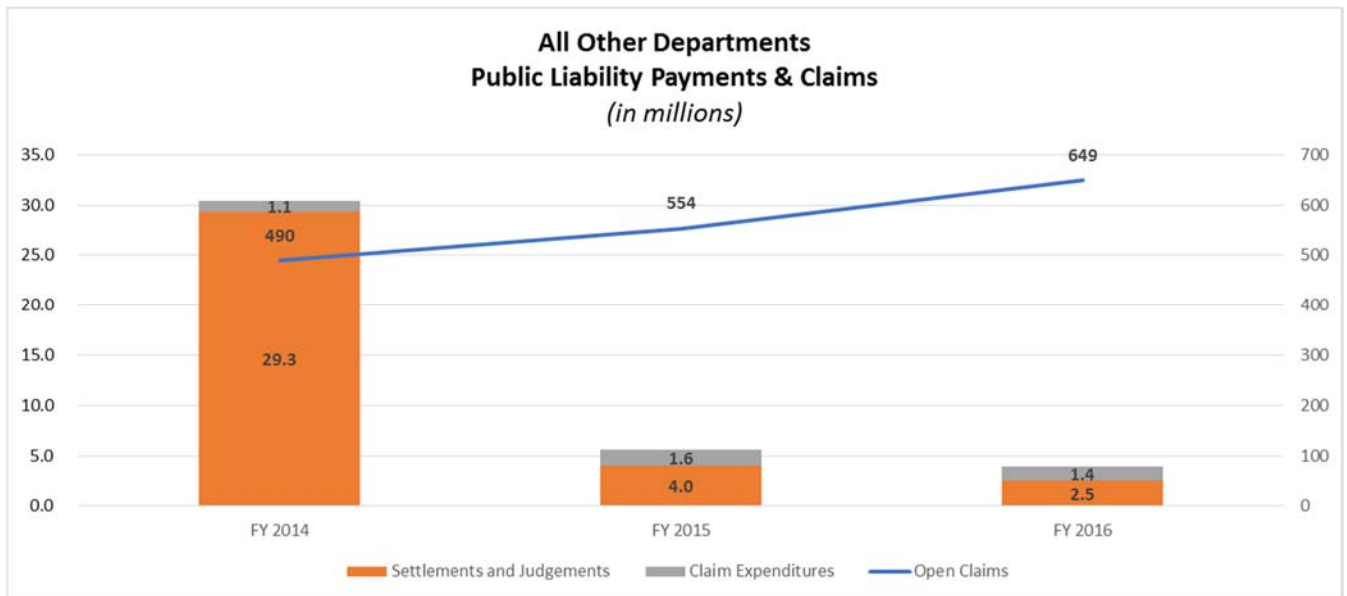
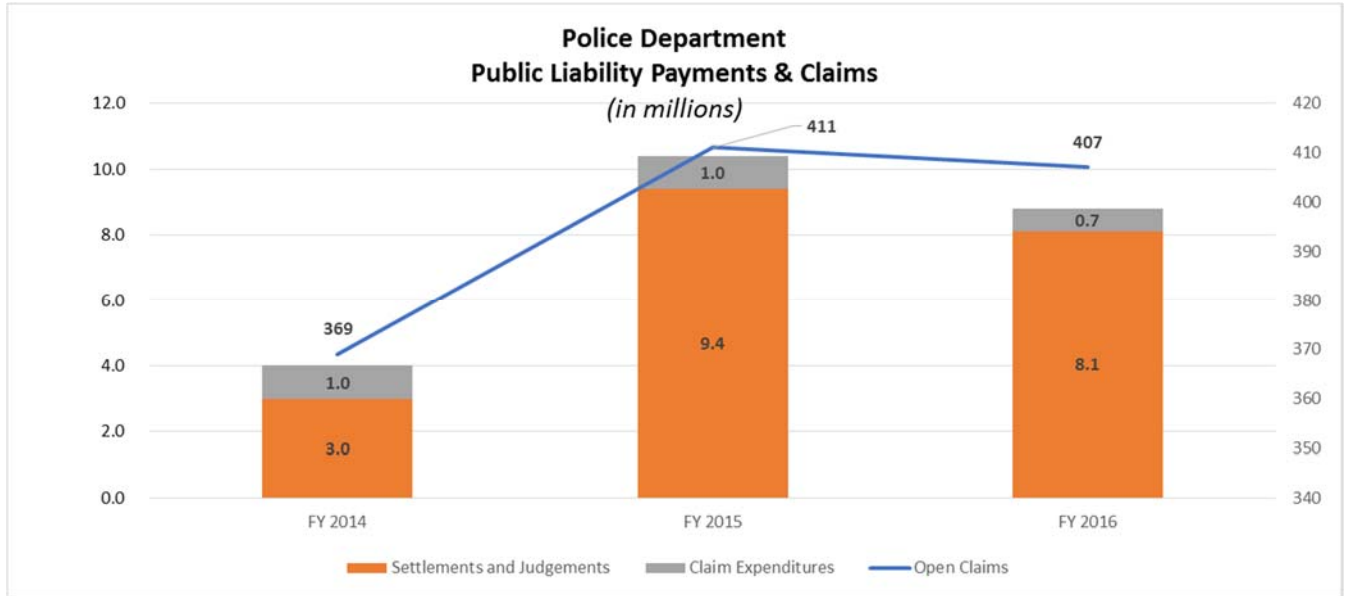
**Public Utilities Department** —FY 2016 claim payments decreased \$2.7 million (46%) from the previous year. Settlements and judgments decreased \$1.2 million (38%) and claim expenditures decreased \$1.5 million (56%) from FY 2015. FY 2016 claims opened increased 5 (3%) from claims opened in FY 2015. Note: FY 2014 includes \$13.0 million for Grande North at Santa Fe Place Homeowners Association which was paid directly to the plaintiff from the insurer.

**All Other Departments**—FY 2016 claim payments decreased \$1.7 million (30%) from the previous year. Settlements and judgments decreased \$1.5 million (38%) and claim expenditures decreased \$0.2 million (13%) from FY 2015. FY 2016 claims opened increased 95 (17%) from claims opened in FY 2015.

# Appendix A

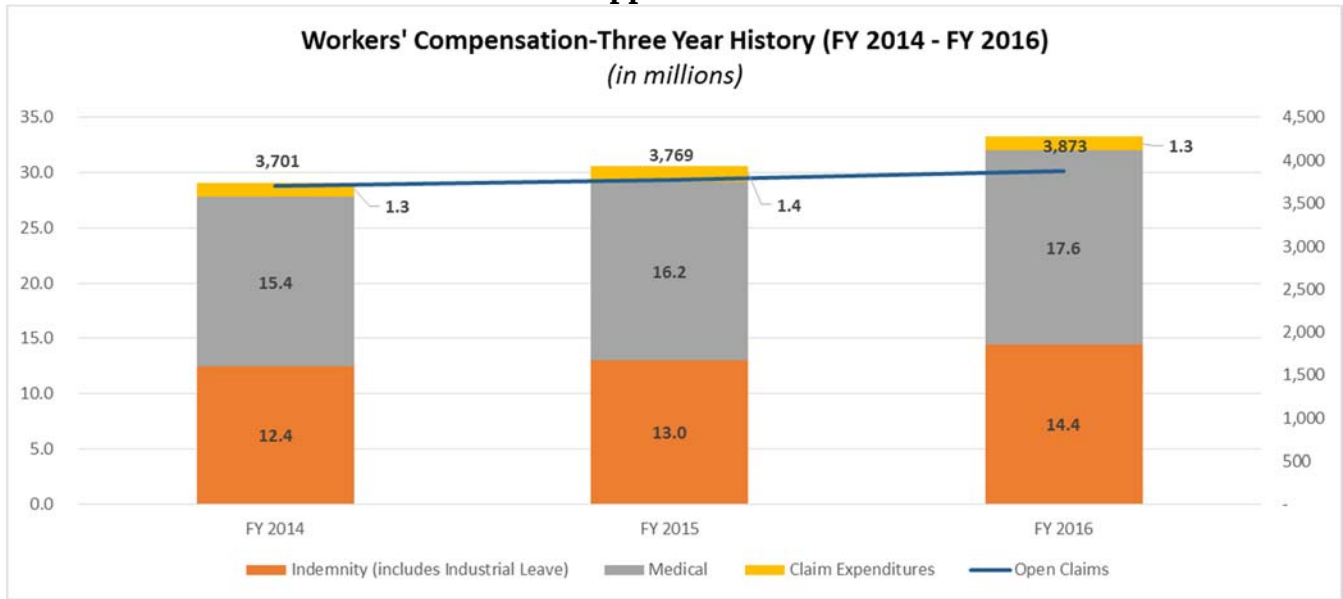


# Appendix A





## Appendix B



**Citywide**—FY 2016 claim payments increased \$2.7 million (9%) from the previous year. \$1.4 million (11%) increase in indemnity, \$1.4 million (9%) increase in medical, and \$0.1 million (7%) decrease in claim expenditures from FY 2015. FY 2016 claims opened increased 104 (3%) from claims opened in FY 2015.

**Police Department**—FY 2016 claim payments increased \$1.1 million (7%) from the previous year. \$1.2 million (20%) increase in indemnity, \$0.1 million (1%) decrease in medical, and no change in claim expenditures from FY 2015. FY 2016 claims opened increased 26 (1%) from claims opened in FY 2015.

**Fire-Rescue Department** (includes Fire, Lifeguards, and Emergency Medical Services)—FY 2016 claim payments increased \$0.8 million (11%) from the previous year. \$0.1 million (3%) decrease in indemnity, \$0.9 million (25%) increase in medical, and no change in claim expenditures from FY 2015. FY 2016 claims opened increased 61 (7%) from claims opened in FY 2015.

**Public Utilities Department**—FY 2016 claim payments were the same as the previous year. \$0.2 million (11%) increase in indemnity, \$0.1 million (6%) decrease in medical, and \$0.1 million (50%) decrease in claim expenditures from FY 2015. FY 2016 claims opened decreased 17 (4%) from claims opened in FY 2015.

**Public Works Department**—FY 2016 claim payments increased \$0.5 million (43%) from the previous year. \$0.1 million (25%) increase in indemnity, \$0.4 million (57%) increase in medical, and no change in claim expenditures from FY 2015. FY 2016 claims opened decreased 11 (6%) from claims opened in FY 2015.

**All Other Departments**—FY 2016 claim payments increased \$0.3 million (7%) from the previous year. No change in indemnity, \$0.3 million (15%) increase in medical, and no change in claim expenditures from FY 2015. FY 2016 claims opened increased 11 (2%) from claims opened in FY 2015.

## Appendix B

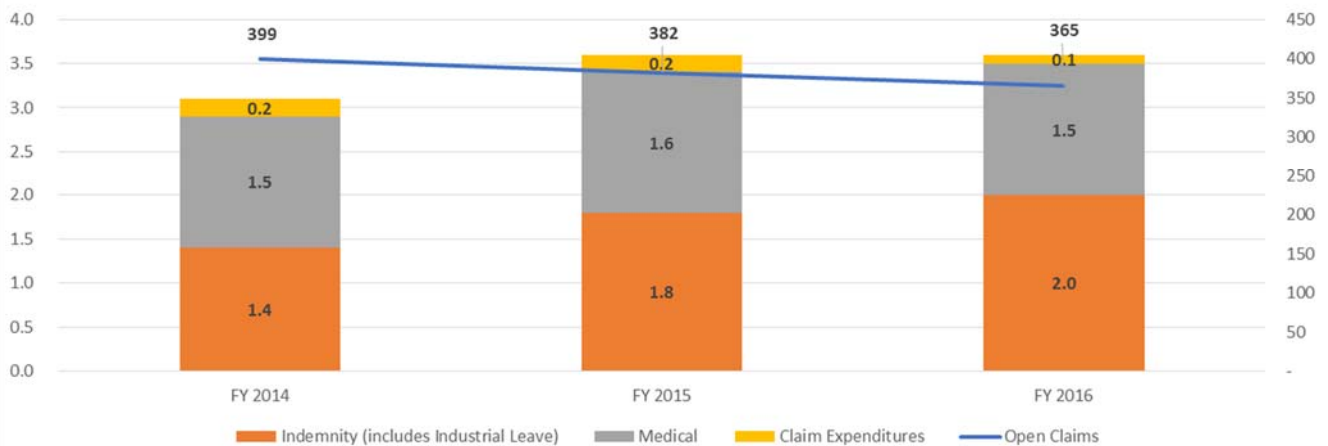
### Police Department Workers' Compensation Payments & Claims (in millions)



### Fire-Rescue Department Workers' Compensation Payments & Claims (in millions)

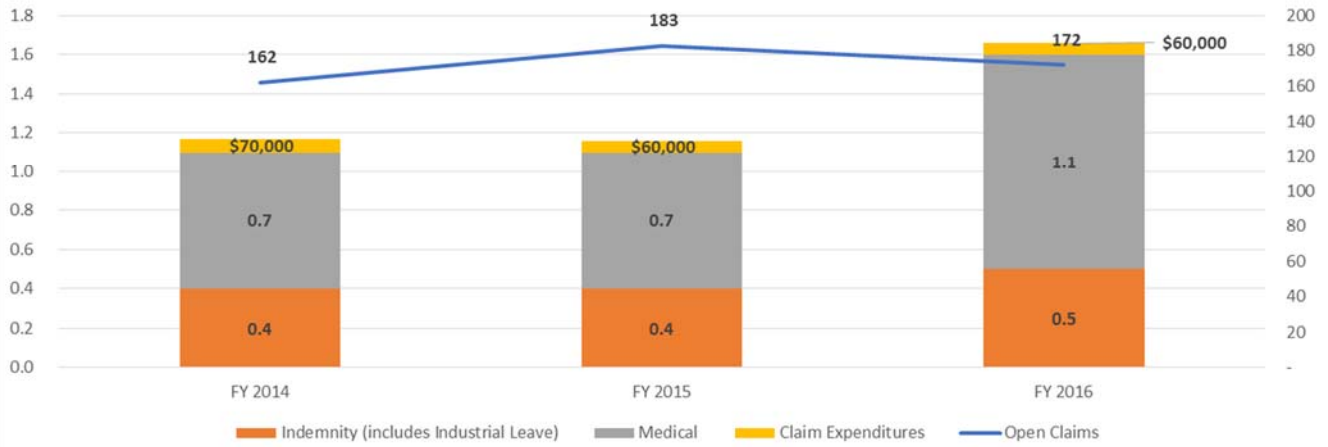


### Public Utilities Department Workers' Compensation Payments & Claims (in millions)



## Appendix B

### Public Works Department Workers' Compensation Payments & Claims (in millions)



### All Other Departments Workers' Compensation Payments & Claims (in millions)

