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Employee Benefits in State and Local Governments, 1987



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In addition to the data on individual benefit plans, the survey examined how insurance and retirement benefits were administered and whether benefits were offered independently or as part of a flexible benefits program. The survey also looked at how benefits, including paid leave, were provided to police and firefighters.

Plan sponsor (tables 79-80)

Although employees of State, rather than local, governments constituted about one-quarter of the surveyed work force, the proportion of workers in State-administered plans was higher. In many instances, local government employees participated in statewide insurance or retirement plans. Plan sponsorship varied slightly by occupational group, but significantly from benefit to benefit. Two-thirds of health and life insurance participants were in plans sponsored by a local government; police and firefighters were the most likely group to be in a local government plan. Sickness and accident and long-term disability insurance plans were closely split between State and local sponsorship; 57 percent of sickness and accident insurance participants were in State-sponsored plans, while 52 percent of long-term disability insurance participants were in local plans.

State sponsorship of benefit plans was most noticeable in retirement benefits. Eighty-five percent of participants in defined benefit pension plans were covered by State-sponsored plans; such plans were most prevalent for teachers and least prevalent for police and firefighters. It was not uncommon for local governments to provide their own insurance benefits but to contribute to a State pension plan. Three-fifths of money purchase pension plan participants were covered by State plans. Once again, teachers were the most likely to participate in State plans, while police and firefighters were the least likely.

Data on the incidence of certain benefits for police and firefighters were further examined to determine whether the same benefit plans were offered to both occupations. As table 80 shows, about half of these employees were in governments where the same plans covered both police and firefighters. (Many protective service workers, however, were in governments where either police or firefighters, but not both, were employed. When only one occupation was employed, it was usually police officers.) In governments employing both, police and firefighters were likely to have different sick leave, vacation, and pension plans, while insurance benefits were generally the same for both occupations. Firefighters often

have unusual work schedules, which necessitate unique paid leave plans. Differences in defined benefit pension plans reflect, in part, the availability of State plans for police and local plans for firefighters.

Flexible benefits plans and reimbursement accounts (table 81)

Traditionally, employers have offered their workers benefit plans in a number of areas, such as health insurance, life insurance, and retirement. Employees may have a choice between one or more plans in a benefit area, for example, between a commercial health insurance plan and a health maintenance organization, but benefits in each area are offered separately. In recent years, however, new approaches to offering benefits have attracted considerable attention. BLS investigated two new arrangements—flexible benefits plans and reimbursement accounts.

Nine percent of the employees in State and local governments were offered flexible benefits plans, reimbursement accounts, or both. These plans applied to 11 percent of the teachers, 8 percent of the regular employees, and 4 percent of the police and firefighters.

Flexible benefits plans, also known as cafeteria plans, covered 5 percent of all workers. These arrangements allow employees to choose between two or more types of benefits.²⁷ The most common choices offered were health, life, long-term disability, and sickness and accident insurance; prepaid legal services; and the option of receiving cash instead of benefits. In addition, plans commonly allowed employees to make pretax retirement savings through salary reduction plans. Less common choices were added sick leave and vacation days, educational assistance, child care expenses, and adoption assistance. Pensions are usually fixed benefits and not part of a flexible benefits program.

Five percent of all workers were eligible for reimbursement accounts. These accounts, also called flexible spending accounts, provide employer funds, employee pretax money, or both, to be used for expenses not included in a benefits package. Typical expenses that may be reimbursed through the account include health care coinsurance, deductibles, and

²⁷ For this survey, a plan had to allow choices among two or more types of benefits to be classified as a flexible benefits plan. Thus, plans that permitted a selection in only one benefit area (for example, a choice among several health insurance options or plans) were not classified as flexible benefits plans.

other out-of-pocket health expenses; insurance premiums; and child care costs. Reimbursement accounts may be part of a flexible benefits plan or they may stand alone.

A large majority of employees participating in flexible benefits plans or reimbursement accounts were required to contribute toward the cost of their benefits, or were allowed to contribute to obtain additional benefits. Most of these

contributions were in the form of a salary reduction arrangement.²⁸

Individual benefit plans offered through a flexible benefits plan were analyzed and included in the tabulations for specific benefit areas in this bulletin.

²⁸ See footnote 13.

Table 79. Plan administration: Percent of full-time participants in selected benefits by type of sponsor, State and local governments, 1987

Employee benefit program	Health insurance	Life insurance	Sickness and accident insurance	Long-term disability insurance	Defined benefit pension	Money purchase pension
All participants						
Total	100	100	100	100	100	100
State sponsored	33	35	57	48	85	60
Local government sponsored	67	65	43	52	15	40
Regular participants						
Total	100	100	100	100	100	100
State sponsored	39	41	58	51	83	51
Local government sponsored	61	59	42	49	17	49
Teachers						
Total	100	100	(¹)	100	100	100
State sponsored	24	27	(¹)	46	95	92
Local government sponsored	76	73	(¹)	54	5	8
Police and firefighters						
Total	100	100	100	100	100	100
State sponsored	13	16	43	22	62	41
Local government sponsored	87	84	57	78	38	59

¹ Data were insufficient for publication.

Table 80. Summary: Percent of full-time police and firefighters by coverage of employee benefit programs, State and local governments, 1987

Employee benefit program	All participants	In governmental units with plans covering		
		Both police and firefighters	Police only	Firefighters only
Paid holidays	93	45	39	9
Paid vacations	100	40	45	14
Paid sick leave	97	45	40	12
Sickness and accident insurance	14	4	9	1
Long-term disability insurance	18	9	8	1
Health insurance	96	53	36	7
Life insurance	91	53	31	7
Defined benefit pension	93	43	39	11
Defined contribution plan	13	3	7	2

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 81. Flexible benefits plans and reimbursement accounts:¹ Percent of full-time employees eligible, State and local governments, 1987

Coverage	All employees	Regular employees	Teachers	Police and firefighters
Total	100	100	100	100
Eligible for flexible benefits and/or reimbursement accounts	9	8	11	4
Flexible benefits	5	4	8	2
With reimbursement accounts	1	1	2	(²)
Reimbursement accounts	5	4	5	3
Freestanding reimbursement accounts	3	3	3	3
Not eligible for flexible benefits or reimbursement accounts	91	92	89	96

¹ Flexible benefits plans, also known as flexible compensation and cafeteria plans, allow employees to choose between two or more benefits or benefit options, including cash, in determining their individual benefit packages. Reimbursement (flexible spending) accounts, which are used to finance benefits or expenses unpaid by insurance or benefit plans, may be part of a flexible benefits program or stand alone (freestanding accounts). These accounts may be financed by the employer, employee, or both. The employee contribution is usually made through a salary reduction arrangement.

² Less than 0.5 percent.

NOTE: Sums of individual items may not equal totals because some employees were eligible for both flexible benefits plans and reimbursement accounts.

Footnote 10 $\frac{I-81}{10}$