



Office of the City Manager

CONSENT CALENDAR  
September 11, 2007

To: Honorable Mayor and  
Members of the City Council

From: *PK* Phil Kamlarz, City Manager

Submitted by: David W. Hodgkins, Director, Human Resources

Subject: Contract: Retiree Health Premium Assistance Plan Third-Party Administrator

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract and any amendments with The Lipman Company, Inc. (TLC) for administration of the Retiree Health Premium Assistance Plan and other retiree medical programs for sworn Fire and Police for the period covering January 1, 2007 through December 31, 2007, for a total not to exceed \$55,000.

FISCAL IMPACTS OF RECOMMENDATION

The total estimated cost for this contract is \$55,000. TLC has agreed to continue administrating the Retiree Health Premium Assistance Plan at a rate of \$13.00 per participating retiree per month from January through April 30, 2007, and \$20.00 per participating retiree, per month, beginning May through December 31, 2007.

The Fiscal Year 2008 budget includes funding for this contract. Expenditures for this contract are paid out of budget codes: 940-9701-410-3040 (Non-Sworn Employees), 949-9701-410-3040 (Fire) and 950-9701-410-3040 (Police).

Budget codes:

940-9701-410-3040	\$39,500
949-9701-410-3040	\$8,500
950-9701-410-3040	\$7,000
Total Expense Budget for Contract	\$55,000

CURRENT SITUATION AND ITS EFFECTS

The City has contractual obligations under the various Memoranda of Understanding/Agreements with non-sworn employees and sworn Fire and Police unions that limit the amount the City contributes towards post-employment retiree medical benefits. The City has a contract with TLC to administer the various post-employment retiree medical benefits. TLC is responsible for enrolling the eligible retirees into the City's retirement health plans, calculating and collecting the fees owed by each retiree through their CalPERS pension benefit, coordinating the benefit with the City's contribution on the

employee's behalf, reconciling and paying the health carrier bills, and issuing 1099 tax forms to retirees. TLC also administers the annual Open Enrollment for participating retirees. Currently there are 242 participating Non-Sworn, Fire, and Police retirees.

### BACKGROUND

As part of various union contract negotiations, the City agreed to provide assistance in the payment of retiree medical premiums for all sworn Police employees (1989), sworn Fire employees, (1997), and Non-Sworn employees (1998). In 1998, a joint union-management committee (Retiree Medical Committee) was formed consisting of representatives of each of the affected non-sworn unions and staff from the Human Resources and Finance Departments. An actuarial study was requested from the firm of Milliman Consultants and Actuaries to provide cost projections for various benefit scenarios. The Retiree Medical Committee reached mutual agreement on a benefit plan and named it the Retiree Health Premium Assistance Plan (Plan).

The City sent out requests for proposals to administer the Plan. The Retiree Medical Committee reviewed five administrators and unanimously agreed to award the contract to TLC. A contract was entered into on January 28, 2000 for the period of January 18, 2000 through December 31, 2002 and approved by the City Manager for an amount not to exceed \$25,000. However, a spike in retirements of sworn Fire and Police employees and Non-Sworn employees resulted in reaching the maximum contract amount prior to December 2002. As a result, in September of 2002 the Council approved an amendment to the contract with TLC to extend the term of the contract for two (2) more years, to December 31, 2004, and to increase the total contract for an amount not to exceed \$95,000.

At the end of the December 31, 2004 contract period, TLC informed the City that they were in the process of evaluating the rates charged to the City. However, TLC did not increase the rates and on March 22, 2005, Council approved an amendment to the contract extending the term for two (2) additional years, to December 31, 2006, at no increase in rates, at an amount not to exceed \$95,000.

In late December 2006, the TLC Account Manager who handled the City's account since its inception unexpectedly left the company. Up to that point, the City had no indication from TLC that they would not extend the City's contract. However, contract renewal was delayed as TLC worked with City staff to conduct a full audit of the City's account. In the Audit, TLC identified additional administrative costs that were not included in prior years, and informed the City that because of these increased administrative costs the rate would likely be increased. Final audit on the City's account was completed by April 2007, and TLC informed the City that as of May 1, 2007, administrative costs would increase from \$13.00 to \$20.00 per participating retiree. Therefore, the total contract for 2007 will be for an amount not to exceed \$55,000. The actual amount of expenditures depends upon the number of participating retirees.

RATIONALE FOR RECOMMENDATION

The Retiree Health Premium Assistance Plan and sworn retiree benefits are employee benefits required under various collective bargaining agreements with the City, and the Third Party Administrator is the most efficient and cost effective way to administer these benefits.

ALTERNATIVE ACTIONS CONSIDERED

Staff did not solicit quotations from other carriers this year for continuity of service. However, staff will work with the City's benefits insurance broker to solicit quotations from other companies for 2008.

CONTACT PERSON

David W. Hodgkins, Director of Human Resources 981-6805

Attachments:

1. Resolution

RESOLUTION NO. -N.S.

CONTRACT WITH THE LIPMAN COMPANY, INC. FOR THE ADMINISTRATION OF THE RETIREE HEALTH PREMIUM ASSISTANCE PLAN AND OTHER RETIREE MEDICAL PROGRAMS

WHEREAS, The City of Berkeley has a contract with The Lipman Company, Inc. to administer the Retiree Health Premium Assistance Plan and other retiree medical programs, which contract was authorized by the City Manager; and

WHEREAS, payments on the contract with The Lipman Company, Inc. will not exceed the maximum allowable amount of \$55,000; and

WHEREAS, the City of Berkeley would like The Lipman Company, Inc. to continue to provide administrative services for the Retiree Health Premium Assistance Plan and other retiree medical programs; and

WHEREAS, funds are available in budget codes 940-9701-410-3040 (Non-Sworn Employees), 949-9701-410-3040 (Fire) and 950-9701-410-3040 (Police).

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley authorizes the City Manager to approve a new contract and any subsequent amendments with The Lipman Company, Inc., for the administration of the Retiree Health Premium Assistance Plan and other retiree medical programs at the rate of \$20 per participating retiree per month, not to exceed \$55,000, from January 1, 2007 through December 31, 2007 A record signature copy of said contract and any amendments to be on file in the Office of the City Clerk.