



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 of Human Resources

Subject: Contract Amendment: Retiree Medical Plan Actuarial Services

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to amend the existing contract (No. 7114) with Milliman, Inc., (hereinafter "Milliman") by increasing expenditure authority in an amount not to exceed \$20,000 for actuarial services of the Berkeley Fire Fighters Association and the Berkeley Police Association retiree medical benefit programs for the period of July 1, 2007 through December 31, 2007.

FISCAL IMPACTS OF RECOMMENDATION

Funding for the actuarial service will come from Payroll Deduction Trust Fund, budget code 930-9701-410-3038.

|                                    |          |
|------------------------------------|----------|
| Original contract amount           | \$30,000 |
| Proposed increase (this amendment) | \$20,000 |
| Total New Contract Amount          | \$50,000 |

|  |          |
|--|----------|
| Budget codes:  |          |
| 930-9701-410-3038                                      | \$30,000 |
| Proposed increase - 930-9701-410-3038 (this amendment) | \$20,000 |
| Total Expense Budget for Contract                      | \$50,000 |

The Contract Management System number is BDUW3.

Milliman bills on a time and expense basis where time charges are based on hourly billing rates that range from \$60 to \$340 per hour. Expenses include equipment and phone charges and any travel costs associated with face-to-face meetings.

### CURRENT SITUATION AND ITS EFFECTS

Milliman has completed actuarial work on the Retiree Health Premium Assistance Plan, which covers non-sworn employees and the retiree medical plans for both sworn Police and sworn Fire employees, so that the City knows its liabilities for Other Post Employment Benefits (OPEB) as required under several Governmental Accounting Standards Board (GASB) Statements. The City has implemented a strategy of pre-funding all of the retiree medical plans. In order to ensure the plans are meeting the financial assumptions to pay future benefits, the City has periodic actuarial studies performed to determine the funded status of each plan. Staff has been in labor negotiations with representatives of the Berkeley Fire Fighters Association/I.A.F.F. Local 1227 and the Berkeley Police Association and retiree medical benefits have been one of the topics under discussion. Staff has relied on the professional expertise of actuaries at Milliman to ensure that costs associated with any change or modifications of these benefits is known by all parties as part of the collective bargaining process. This has resulted in additional work for Milliman and thus additional cost to the City.

### BACKGROUND

On September 19, 2006, the City Council adopted Resolution No. 63,425–N.S. to authorize the City Manager to execute a contract and any amendments with Milliman in an amount not to exceed \$30,000 for actuarial services of the several retiree medical benefit programs with a term through June 30, 2007. The City Manager extended the term of the contract through December 31, 2007 because additional actuarial work needed to be performed in support of ongoing labor relations. However, invoices for services have reached the \$30,000 contract limit so it is necessary to increase the expenditure authority to continue to receive actuarial services in support of ongoing labor relations.

### RATIONALE FOR RECOMMENDATION

The City has had actuarial studies completed of the several retiree health benefit plans. Changes and modifications to the retiree medical benefit plans for sworn Fire and Police have been discussed extensively during contract negotiations with the recognized employee organizations representing these employees. It is important for the City to ensure that the retiree medical benefit programs are adequately funded and that the City meets the requirements of the several GASB Statements.

### ALTERNATIVE ACTIONS CONSIDERED

The first alternative option considered was not having the actuarial studies performed. Staff does not believe this option to be viable because the City needs to be able to adequately assess the long-term impacts of changes to the retiree medical benefit program. Because the City pre-funds these benefits rather than use a pay-as-you-go funding strategy the City needs accurate projections of the true cost of benefits as part of its budget and policy making responsibility.

### CONTACT PERSON

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

Attachments:  
1: Resolution

RESOLUTION NO. ##,###-N.S.

CONTRACT AMENDMENT: MILLIMAN, INC., FIRE FIGHTERS RETIREE MEDICAL PLAN ACTUARIAL SERVICES

WHEREAS, there is a need for actuarial services for determining future liabilities for the City's retiree health benefit program for sworn Police and Fire employees; and

WHEREAS, this type of actuarial work is specialized within the professional accounting field and is done by persons who are familiar with professional accounting and actuarial standards and reporting requirements; and

WHEREAS, Milliman, Inc., was selected for this project as part of a continuing engagement extending back several years and the City intends to put the contract for these services out to bid the next time this type of work is required; and

WHEREAS, the maximum charge for the actuarial services will be an additional \$20,000 for a total expenditure of \$50,000, and Article XI, Section 67.5 of the Charter of the City of Berkeley and Section 7.18.010 of the Berkeley Municipal Code requires City Council approval of contracts that exceed \$25,000.

WHEREAS, funds are available in Budget Code 930-9701-410-3038.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley hereby authorizes the City Manager to amend the existing contract (No. 7114) with Milliman by increasing expenditure authority in an amount not to exceed \$20,000 for an aggregate expenditure of \$50,000 for actuarial services in support of the City's labor relations activities concerning the retiree medical benefit programs of sworn Fire and Police for the period of July 1, 2007 through December 31, 2007. A fully executed amended version of said contract to be on file in the Office of the City Clerk.

