



Office of the City Manager

CONSENT CALENDAR
December 18, 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: HealthComp Inc - Dependent Care Assistance Plan Third Party Administrator

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract and any amendments with HealthComp Inc. in an amount not exceed \$6,000 to provide administrative services for the City of Berkeley's Dependent Care Assistance Plan for January 1, 2008, through December 31, 2009.

FISCAL IMPACTS OF RECOMMENDATION

The administrative fee is \$6.20 per participating employee, per month (or minimum of \$175.00 per month, which ever is more), for a total estimated cost of \$6,000 for two calendar years: January 1, 2008, through December 31, 2009. The reason for seeking the City Council's approval is because the aggregate fees paid over the ten years HealthComp has administrated this Plan will be over \$25,000. Expenditures for this contract are paid out of the Payroll Deduction Trust Fund budget code 930-9701-410-2090.

Original contract amount.....	\$5,800
Proposed increase.....	\$200
Total new contract amount.....	\$6,000

Budget codes:

930-9701-410-2090.....	\$5,800
Proposed increase - 930-9701-410-2090.....	\$200
Total expense budget for contract.....	\$6,000

CURRENT SITUATION AND ITS EFFECTS

The City provides a pre-tax dependent care assistance plan that allows eligible employees to contribute pre-tax monies to pay dependent care expenses. The City has contracted with HealthComp Inc. since September 1, 1997, to administer this plan. HealthComp Inc. is responsible for enrolling the eligible employees, coordinating the benefit with the employee contributions, reconciling, and reimbursing the employees directly. Participation has been as high as 45 participants, but currently there are 35

participants in the plan. Staff predicts enrollment to continue in the 35 to 40 participant range.

BACKGROUND

On May 1, 1988, the City established a Dependent Care Assistance Plan under Internal Revenue Code Sections 125 (Cafeteria Plans) and 129 (Dependent Care Assistance Plans) to allow its employees to elect to have a portion of their salary (up to \$5,000 per year) set aside each pay period on a pre-tax basis for reimbursement of their childcare or eldercare expenses.

The City hired L & H Administrators to administrate the plan, but in 1997 L & H went out of business. The Human Resources Department contacted eight Third Party Administrators, interviewing four who met the necessary requirements. HealthComp was ultimately chosen because of their experience in working with public agencies and their ability to reconcile the records from the previous administrator, their efficient processing and reporting technology (able to pay benefits as frequently as we liked and included a 24-hour toll-free number), and they were the least expensive bid. The City has been very satisfied with the service HealthComp has provided so far.

RATIONALE FOR RECOMMENDATION

The Dependent Care Assistance Plan is an employee benefit authorized under the City of Berkeley Municipal Code Chapter 4.40.100 et seq. HealthComp Inc. has only increased their administrative fee four times in the ten years since they have been the City's Third Party Administrator for the Dependent Care Assistance Plan, moving from \$4.00 per participant per month to \$6.20 per participant per month. HealthComp Inc. has agreed to hold this rate for the next two calendar years.

ALTERNATIVE ACTIONS CONSIDERED

Staff has explored options with our health benefits insurance broker, RealCare Insurance Marketing, Inc., and the continuing rate is comparable to the market rate.

CONTACT PERSON

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

Attachments:

1. Resolution

RESOLUTION NO. -N.S.

CONTRACT: HEALTHCOMP INC.- DEPENDENT CARE ASSISTANCE PLAN THIRD PARTY ADMINISTRATOR

WHEREAS, the Dependent Care Assistance Plan is an employee benefit authorized under the City of Berkeley Municipal Code Chapter 4.40.100 et seq.; and

WHEREAS, the City has contracted previously with HealthComp Inc. to provide administrative services to the Dependent Care Assistance Plan; and

WHEREAS, the aggregate fees paid for the administration of this Plan since 1997 will reach \$25,000; and

WHEREAS, funds are available in the current budget in the Payroll Deduction Trust Fund Budget Code 930-9701-410-2090.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley hereby approves a contract with HealthComp Inc. to provide administrative services to all eligible employees under the Dependent Care Assistance Plan in an amount not to exceed \$6,000 for the period of January 1, 2008, through December 31, 2009.

BE IT FURTHER RESOLVED that a record signature copy of said contract and any amendments reflecting these rate increases to be on file in the Office of the City Clerk.

