




Office of the City Manager

CONSENT CALENDAR  
December 18, 2007

To:  Honorable Mayor and Members of the City Council

From: Phil Kamlarz, City Manager

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

Subject: Contract: The Lipman Company - Third-Party Administrator For Retiree Health Programs

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 for Non-Sworn retirees and other retiree medical programs for sworn Fire and Police for the period covering January 1, 2008, through December 31, 2009, for a total cost not to exceed \$125,000 for the contract period.

FISCAL IMPACTS OF RECOMMENDATION

The total estimated cost for this contract is \$125,000 over the next two calendar years. Currently there are 245 participating Non-Sworn, Fire, and Police retirees, and staff projects to add 10 to 15 more over the next two calendar years. So the estimated cost is based on 260 participants at a rate of \$20.00 per participant per month for 24 months. TLC has agreed to continue administering the several retiree health programs at a rate of \$20.00 per participating retiree per month from January 1, 2008 through December 31, 2009.

The first six months of the two-year contract are covered under the Fiscal Year 2008 budget. Fiscal Year 2009 and the first half of Fiscal Year 2010 budget will include funding for the balance of 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.....	\$87,000
949-9701-410-3040.....	\$19,000
950-9701-410-3040.....	\$19,000
Total new contract amount.....	\$125,000

### 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 Associations that specify the amount the City contributes towards post-employment retiree benefits. The City has a contract with TLC to administer the various post-employment retiree benefits. Currently there are 245 participating Non-Sworn, Fire, and Police retirees, and staff projects to add an aggregate 10 to 15 more retirees over the next two calendar years based on prior experience as some retirees leave the plan for various reasons. 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 IRS 1099 tax forms to retirees. TLC also administers the annual Open Enrollment for participating retirees and dependents.

### 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 administrate the Plan. The Retiree Medical Committee reviewed five administrators and unanimously agreed to award the contract to TLC on January 28, 2000. TLC continued to administer this plan at the same rate of \$13.00 per participating retiree per month through May 1, 2007 when, after identifying additional administrative costs that were not included in prior years, TLC increased the rate to \$20.00 per participating retiree per month.

Initiated by the first rate increase since the Plan's inception in 2000, the City sent out request for proposals in October 2007 for a third party administrator. Requests were sent to thirty-six different vendors, and two companies responded: Benefit Management Technologies, Inc. and TLC.

Benefit Management Technologies, Inc. quoted an administrative rate of \$20.62 per retiree per month, while TLC bid to continue at the same \$20.00 per retiree per month rate and guaranteed the rate for the next two calendar years. Therefore, staff chose to award the contract to TLC due to not only the previous experience administering the several plans, but also due to the lower administrative cost.

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 posted a request for proposals to thirty-six different vendors, and from these proposals chose to award the contract to TLC based on price and continuity of service. Staff does not believe it is necessary to re-bid the contract.

CONTACT PERSON

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

Attachments:

1. Resolution

RESOLUTION NO. -N.S.

EXECUTE A 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 administrate 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 \$125,000 for the period of January 1, 2008 through December 31, 2009; 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.

WHEREAS, funds are available in the Retiree Mendical Trust Fund, Fire Medical Trust Fund and Police Medical Trust Fund.

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 \$125,000, from January 1, 2008 through December 31, 2009.

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