



Office of the City Manager

CONSENT CALENDAR
December 10, 2019

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: LaTanya Bellow, Director of Human Resources

Subject: Contract No. 31900092 Amendment: Basic Pacific, Third-Party Administrator for COBRA Administration and Retiree Health Premium Assistance Plan Administration

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract amendment to Contract No. 31900092 with BASIC Pacific (BASIC) for COBRA Plan administration and 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 October 1, 2018, through December 31, 2022; for a total cost not to exceed \$405,000.

FISCAL IMPACTS OF RECOMMENDATION

The total estimated cost for this contract is \$405,000; an estimated \$60,000 expenditure from the start of the contract through calendar year 2019, and an estimated \$115,000 for each calendar year of 2020, 2021, and 2022. Costs are predicated on the number of retirees.

BASIC will administer the Plans at the following rates:

Cobra Administration

COBRA Administration	\$.35 PEPM
COBRA Direct Pay	\$140.00 per month
CalCOBRA Administration/Direct Bill	\$1000.00 per month

Retiree Billing Administration

Retiree Billing Administration	\$12.50 PRPM
Retiree Direct Pay	\$1000.00 per month
Retiree Out of Area Admin/Direct Bill	\$2500.00 per month (includes additional checks)

Funding is available for this contract in allocations from the following budget codes:

Budget Code	Retiree Medical Programs	Costs
731-99-900-900-0000-000-412-612990-	Berkeley Police Association	\$16,000
736-99-900-900-0000-000-412-612990-	Berkeley Fire Fighters Association	\$74,000
722-99-900-900-0000-000-412-612990-	International Brotherhood of Electrical Workers	\$5,000
723-99-900-900-0000-000-412-612990-	Public Employees Union, Local One	\$70,000
724-99-900-900-0000-000-412-612990-	Unrepresented Unit Z1-Department Head	\$13,000
725-99-900-900-0000-000-412-612990-	Unrepresented Unit Z2	\$33,000
726-99-900-900-0000-000-412-612990-	Service Employees International Union, Local 1021 Community Services Unit/Part-Time Recreation Leaders Association	\$87,000
727-99-900-900-0000-000-412-612990-	Service Employees International Union, Local 1021 Maintenance and Clerical Chapter	\$107,000
Total		\$405,000

CURRENT SITUATION AND ITS EFFECTS

The City is required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) to offer continuation coverage rights to its employees. The City also 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 medical benefits. Therefore, the City has a contract with BASIC to assist with COBRA duties and responsibilities and to administer the various post-employment retiree medical benefits. Responsibilities include: furnishing all required COBRA notifications, 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 eligible retirees. BASIC also administers the annual Open Enrollment for participating retirees. Currently, there are 325 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 valuation 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 (RHPAP).

In 1999, the City issued a request for proposal (RFP) to administer the RHPAP. The Retiree Medical Committee reviewed five administrators and unanimously agreed to award the contract to The Lipman Company (TLC), who administered the RHPAP until December 2018, when the privately owned company announced their closure due to retirement.

BASIC had just been contracted by the City in October 2018 to administer COBRA benefits when they were approached to administer the RHPAP as well. BASIC agreed to take on the additional duties and, after a quick learning period, have settled into the duties of this very unique City benefit.

The original contract BASIC had agreed to, not to exceed \$40,000, was only to cover the cost of COBRA administration. Now that they have taken on the RHPAP duties their estimated annual costs will be \$115,000. In comparison, TLC annual costs were \$117,000 and they did not handle COBRA administration, as a result, BASIC's handling of both programs will save the City an estimated \$46,000 over the life of the contract.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

COBRA continuation of coverage rights is required by Federal regulations, and The Retiree Health Premium Assistance Plan and sworn retiree benefits are employee benefits required under various collective bargaining agreements with the City. Contracting with the Third Party Administrator, BASIC, is the most efficient and cost effective way to administer these benefits.

ALTERNATIVE ACTIONS CONSIDERED

The City sent out a request for proposals through its benefits broker, Keenan and Associates, and no companies are familiar enough with the unique benefits of the City's RHPAP than the current administrator. Accordingly, the best option would be to amend the contract with BASIC.

CONTACT PERSON

LaTanya Bellow, Director of Human Resources 981-6807

Attachments:

1. Resolution

RESOLUTION NO. -N.S.

EXECUTE A CONTRACT AMENDMENT TO CONTRACT NO. 31900092 WITH BASIC PACIFIC FOR COBRA ADMINISTRATION AND THE ADMINISTRATION OF THE RETIREE HEALTH PREMIUM ASSISTANCE PLAN AND OTHER RETIREE MEDICAL PROGRAMS

WHEREAS, the City of Berkeley would like BASIC Pacific to provide administrative services for COBRA and for the Retiree Health Premium Assistance Plan and other retiree medical programs; and

WHEREAS, funds are available and will be budgeted in future years in an amount not to exceed \$405,000 through December 31, 2022;

NOW THEREFORE, BE IT RESOLVED that the Council authorizes the City Manager to approve An amended contract and any subsequent amendments with BASIC Pacific for administration of COBRA and of the Retiree Health Premium Assistance Plan for non-sworn retirees and other retiree medical programs for sworn Fire and Police not to exceed \$405,000, for the period covering October 1, 2018, through December 31, 2022.

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.