



Office of the City Manager

CONSENT CALENDAR

October 26, 2021

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Donald E. Ellison, Interim Director of Human Resources

Subject: Contract: Voya for 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 with Voya 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 November 1, 2021 to November 1, 2026 for an amount not to exceed \$112,000.

FISCAL IMPACTS OF RECOMMENDATION

The total estimated cost for this contract is \$112,000; an estimated \$28,000 for first year costs to transition from our current vendor BASIC pacific to an annual estimated annual cost of \$21,000 thereafter. Costs are predicated on the number of retirees.

Voya will administer the Plans at the following rates:

## First-Year Fees

Annual Administration Fee	\$20,333
COBRA Takeover Fee (Approx. 40 COBRA Participants)	\$1,000
Retiree Billing Takeover Fee (Approx. 443 Retirees)	\$6,667
<b>First-Year Total</b>	<b>\$28,000</b>

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

<b>Budget Code</b>	<b>Retiree Medical Programs</b>	<b>Costs</b>
731-99-900-900-0000-000-412-612990-	Berkeley Police Association	\$4,424
736-99-900-900-0000-000-412-612990-	Berkeley Fire Fighters Association	\$20,465
722-99-900-900-0000-000-412-612990-	International Brotherhood of Electrical Workers	\$1,382
723-99-900-900-0000-000-412-612990-	Public Employees Union, Local One	\$19,358
724-99-900-900-0000-000-412-612990-	Unrepresented Unit Z1 Department Head	\$3,595
725-99-900-900-0000-000-412-612990-	Unrepresented Unit Z2	\$9,126
726-99-900-900-0000-000-412-612990-	Service Employees International Union, Local 1021 Community Services Unit and Part-Time Recreation Leaders Association	\$24,059
727-99-900-900-0000-000-412-612990-	Service Employees International Union, Local 1021 Maintenance and Clerical Chapter	\$29,591
<b>Total</b>		<b>\$112,000</b>

#### 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 443 participating retirees. Recently, the City has experienced a failure to perform by BASIC pacific under their existing contract with the City, which poses a risk of termination from COBRA and post-employment retiree medical benefits.

### 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.

Earlier this year, the City began receiving inquiries from retiree and COBRA enrollees and associated vendors regarding issues with BASIC's service and timeliness. On August 11, 2021, the City delivered a Notice to Cure advising BASIC that their agreement was at risk of termination due to concerns regarding their failure to perform. To date, BASIC has taken modest steps to address the concerns, but the issues have continued. The City will be noticing BASIC of our intent to terminate effective November 30, 2021.

With the assistance of Keenan and Associates, the City's benefits broker, Keenan helped the City identify a new vendor that is better equipped to handle administration of direct billing duties for retiree and COBRA medical benefit. The City will enter into an agreement with Voya as the new vendor, and will be working to transition retiree and COBRA medical benefit enrollees to their platform effective November 1, 2021. Due to the urgency of this need to switch companies, the City did not have time to engage in a full Request for Proposal as retiree premiums will be impacted negatively without a faster transition to a new vendor. As such, we relied on our current benefits broker to provide us with an interim solution. In July 2023, the City will engage in an RFP process for these services to ensure

the City is able to identify the best long-term, cost-effective solution for administration of the City's COBRA and RHPAP benefits.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACT

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, Voya, 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 RHPAP to handle it better than the current administrator. Accordingly, the best option would be to amend the contract with Voya.

CONTACT PERSON

Donald E. Ellison, Interim Director of Human Resources (510) 981-6807

Attachments:

1. Resolution

RESOLUTION NO. XX,XXX-N.S.

CONTRACT: VOYA 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 Voya 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 \$112,000 through November 1, 2026 based on funds allocated for these expenses for the City's previous third-party administrator for COBRA administration and RHPAP administration.

NOW THEREFORE, BE IT RESOLVED that the Council authorizes the City Manager to approve a new contract and any subsequent amendments with Voya 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 \$112,000, for the period covering November 1, 2021 to November 1, 2026.

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.