



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2014 NOV 20 PM 12:17

AGENDA REPORT

TO: HENRY L. GARDNER
INTERIM CITY ADMINISTRATOR

FROM: Anil Comelo

SUBJECT: Health Reimbursement Account Contract

DATE: November 17, 2014

City Administrator
Approval

Date

11/20/14

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council adopt:

A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR OR DESIGNEE TO EXECUTE A THREE (3) YEAR CONTRACT (JANUARY 1, 2015 TO DECEMBER 31, 2017) AND ONE OPTION TO EXTEND FOR AN ADDITIONAL TWO (2) YEAR TERM WITH ICMA-RC FOR PLAN ADMINISTRATION SERVICES OF A HEALTH REIMBURSEMENT ACCOUNT (HRA) UNDER AN AGREED UPON FEE STRUCTURE TO BE PAID BY INDIVIDUAL ACCOUNT PARTICIPANTS AND WAIVING ADVERTISING AND THE REQUEST FOR PROPOSALS/QUALIFICATIONS PROCESS

EXECUTIVE SUMMARY

Staff seeks the authority to waive advertising and the competitive request for proposals/ qualifications process and execute an agreement with International City/County Management Association Retirement Corporation (ICMA-RC) for the provision of health reimbursement Plan Administration. In conjunction with the reopening of labor negotiations with International Association of Fire Fighters (IAFF) Local 55 on September 15, 2014, the Human Resources Management Department (HRM) was asked to solicit proposals from qualified vendors to administer a negotiated Health Reimbursement Arrangement (HRA) plan for IAFF members with a planned implementation date of January 1, 2015. A Request for Qualification (RFQ) was facilitated by the City's employee benefits broker, Barney and Barney. Proposals were also solicited from two current plan administrators under contract with the City. The outcome of the RFQ found that ICMA-RC was the most qualified vendor, capable of implementing the plan within the short timeframe permitted under the negotiation. Staff recommends the agreement be executed for the period of January 1, 2015, through December 31, 2017, with one two-year

Item: 5

Finance & Management Committee
December 2, 2014

option to renew. Staff also requests authority to expand this agreement to accommodate service plan modifications that may involve other labor units within the City.

Authorizing the contract with the ICMA-RC VantageCare Retirement Health Savings (RHS) will enable staff to fully comply with negotiated benefits agreements within an abbreviated time frame.

OUTCOME

Authorization of this resolution will result in an agreement with ICMA-RC for three (3) years to provide health reimbursement plan administration through December 31, 2017 and an option to extend for two additional two-year terms for a total contract term ending December 31, 2021. The contract with ICMA-RC does not involve monies paid directly to the vendor, as its compensation is based on a percentage of the total deposits held in account and an annual account fee. The fees will be paid by plan participants with no additional fiscal burden upon the City. The initial deposit negotiated by IAFF Local 55 consists of a one-time, lump sum, non-recurring, and non-pensionable payment of one thousand dollars (\$1,000.00) into each full time active unit member's account. At present, there are 507 authorized positions that would be eligible for the lump sum payment. Details of the future funding of the account through vacation accrual are discussed in a separate closed session report submitted by City Administrator's Office – Employee Relations Department.

BACKGROUND/LEGISLATIVE HISTORY

On July 1, 2014, the City Council executed a labor agreement with IAFF Local 55 for the period of July 1, 2014 through October 31, 2017. Included in the agreement was language that required the City to reopen negotiations in the summer of 2014 with the union for the purpose of discussing the implementation of a Health Reimbursement Arrangement (HRA) for active members. The agreement stipulated that the HRA would be implemented no later than January 1, 2015. On September 15, 2014, the Employee Relations Department initiated discussions with IAFF regarding the framework and terms of the HRA. In conjunction with these discussions, HRM was directed to solicit proposals from qualified vendors for the admiration of a HRA Plan. Working with the City's employee benefits broker, Barney and Barney, proposals were obtained from 5 qualified plan administrators. Proposals were also secured from two administrators currently contracted to service City benefits programs. The seven proposals were carefully reviewed and two administrators were presented to the negotiation team for consideration. Following further discussion with IAFF, it was determined that ICMA-RC presented the most qualified proposal and is able to implement the plan within the short timeframe required. Staff is recommending the contract be awarded to ICMA-RC for implementation of their plan with the proprietary name VantageCare Retirement Health Savings (RHS) account.

Item: _____
Finance & Management Committee
December 2, 2014

ANALYSIS

The City committed in the most recently negotiated labor agreement with IAFF Local 55 to implement a Health Reimbursement Arrangement no later than January 1, 2015. This commitment, which was executed on July 1, 2014, afforded a very short period under which staff could solicit and secure a qualified vendor to administer a HRA plan. Utilizing available resources through the City's current employee benefits broker, the City requested proposals from qualified vendors for the provision of plan administration services as well as from two current plan administrators. Administration of HRA plans are highly regulated by IRS rules and regulations, necessitating the use of experienced and qualified vendors in this area.

It is believed that the competitive RFP process conducted by Barney and Barney tapped an established market of known specialized service providers. The recommended firm, ICMA-RC, is highly qualified, has a proven performance record of administering employee health reimbursement accounts and is currently the plan administrator for the City's Deferred Compensation Program. It has 3,490 Retirement Health Savings Plans under management, with over one billion in assets in those plans. ICMA-RC was previously vetted through a formal RFQ process for Deferred Compensation Program Administration. The HRA program they proposed is marketed under the name of VantageCare Retirement Health Savings (RHS) account.

The City's formal competitive RFQ process would take at least several months to complete and the City is under a negotiated agreement to provide this program no later than January 1, 2015. Therefore, complying with the advertising requirements and going through a full RFQ process would seriously impede the City's ability to comply with the negotiated mandates and could expose the City to charges of unfair labor practices for failure to meet negotiated commitments. Since ICMA-RC was determined to be the most qualified vendor in the Deferred Compensation RFQ completed in January 2014, and the initial funds and ongoing program funds are monies that are allocated as employee benefit monies to be disbursed to individual employees, it would be inefficient to undergo a new advertising and RFQ process.

Furthermore, pursuant to Section 2.04.051 B of the Oakland Municipal Code permits waiver of advertising and request for proposal/qualifications (RFP/Q) process when it is in the best interests of the City to do so. As indicated above, staff finds that it is in the best interest of the City to award the contract to ICMA-RC, forgoing the advertising and RFQ process, in order to meet our negotiated obligation with IAFF.

PUBLIC OUTREACH/INTEREST

On October 7, 2014, the City of Oakland issued through the City's benefits broker, Barney & Barney, a formal request for qualifications (RFQ) for HRA Plan Administrators. The RFP represented the industry standard. As a result of that RFQ process, the City received five proposals from qualified vendors. Two vendors currently contracted to administer City benefits

Item: _____

Finance & Management Committee

December 2, 2014

programs were also asked to provide proposals as well. All seven proposals were carefully considered. At the conclusion of the review process, it was determined that ICMA-RC was the most qualified based on their proven track record of plan administration services and the features offered under the plan proposal. The recommended vendor was presented to the labor negotiation team for consideration and it was agreed that ICMA-RC was the most overall qualified vendor for the negotiated program.

COORDINATION

This report has been reviewed and approved by the City Attorney's Office, Contracts and Compliance and the Budget Office.

COST SUMMARY/IMPLICATIONS

1. COST ELEMENTS OF AGREEMENT/CONTRACT

The fee for the RHS plan will be fully borne by the participants and therefore will not have any impact on the City's budget. The agreed upon fee structure is based on the total monies held in account for plan participants. The City will initially deposit \$1,000 for each eligible IAFF member. Presently there are 507 authorized positions that would be eligible for the payment. ICMA-RC will charge \$3.00 per \$1,000 (or .30%) as an asset fee plus a \$25 annual account charge.

2. SOURCE OF FUNDING

Fees associated with this benefit product (RHS) will be fully borne by the participants and therefore will have no impact on the City's budget.

3. FISCAL IMPACT

While the fees for the RHS benefits product will be borne by individual participants, initial contributions by the City called for in labor agreements will have fiscal implications for the City. The initial expenditures under this agreement are allocated from previously authorized labor agreement with the IAFF Local 55. The initial City contribution is \$1,000 per employee. Ongoing expenses will be funded directly from the employee's account assets as participant administrative fees.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

ICMA-RC is a highly qualified financial account administrator. They have a proven performance record in administering these types of accounts for other public entities and are currently the plan administrator for the City's Deferred Compensation Program, managing over \$350 million in employee retirement assets.

SUSTAINABLE OPPORTUNITIES

Economic: No economic opportunities are identified in this report.

Environmental: No environmental opportunities are identified in this report.

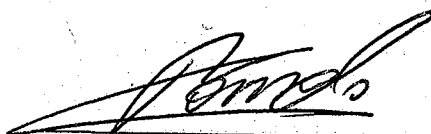
Social Equity: No social equity opportunities are identified in this report.

CEQA

This report is not a project under CEQA.

For questions regarding this report, please contact Anil Comelo, Director of Human Resources Management, at (510) 238-6450.

Respectfully submitted,



ANIL COMELO
Director, Human Resources Management

Prepared by:
Deborah Grant
Risk Manager, HRM

2014 NOV 20 PM 12:17

OAKLAND CITY COUNCIL

Approved as to Form and Legality


City Attorney

RESOLUTION NO. _____ C.M.S.

Introduced by Councilmember _____

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR OR DESIGNEE TO EXECUTE A THREE (3) YEAR CONTRACT (JANUARY 1, 2015 TO DECEMBER 31, 2017) WITH ONE OPTION TO EXTEND FOR AN ADDITIONAL TWO (2) YEAR TERM, WITH ICMA-RC, FOR PLAN ADMINISTRATION SERVICES OF A HEALTH REIMBURSEMENT ACCOUNT (HRA) UNDER AN AGREED UPON FEE STRUCTURE TO BE PAID BY INDIVIDUAL ACCOUNT PARTICIPANTS AND WAIVING ADVERTISING AND THE REQUEST FOR PROPOSALS/QUALIFICATIONS PROCESS

WHEREAS, the City Council adopted a Memorandum of Understanding (MOU) with the International Association of Fire Fighters (IAFF) Local 55 on July 1, 2014; and

WHEREAS, included in the executed MOU with IAFF was a commitment to re-open negotiations for the purpose of establishing and implementing a Health Reimbursement Arrangement (HRA) for active IAFF members; and

WHEREAS, the City agreed in the MOU to implement the HRA no later than January 1, 2015; and

WHEREAS, negotiations were re-opened on September 15, 2014; and

WHEREAS, bids were solicited from five qualified vendors through the City's employee benefits broker and from two existing vendors; and

WHEREAS, a vendor was identified as most qualified based on a proven track record and experience with the City of Oakland's Deferred Compensation Plan Administration; and

WHEREAS, administration of such specialized services is highly regulated by the Internal Revenue Service; and

WHEREAS, the City of Oakland does not possess such capabilities in-house; and

WHEREAS, it is in the interest of the City to utilize the services of a HRA Plan Administrator to manage and hold in trust monies deposited by and/or on behalf of City employees; and

WHEREAS, the Deferred Compensation Committee, as authorized by the City, had undertaken an extensive Request For Qualifications (RFQ) process in January 2014 which resulted in the selection of ICMA-RC for the plan administration of the City's Deferred Compensation Program; and

WHEREAS, ICMA-RC is equally well qualified to establish and administer the Health Reimbursement plan for IAFF, Local 55; and

WHEREAS, staff recommends that the Council waive advertising and the request for proposals or qualification process for the contract to establish and administer the Health Reimbursement plan and award it to ICMA-RC because it would be most prudent, efficient and expeditious way to for the City to proceed; and

WHEREAS, Section 2.04.051 B of the Oakland Municipal Code (OMC) permits waiver of advertising and request for proposal/qualifications (RFP/Q) process when it is in the best interests of the City to do so; and

WHEREAS, this contract is of a professional and temporary nature and the City Administrator has determined that this contact shall not result in the loss of employment or salary by any person having permanent status in the competitive civil service; now, therefore be it

RESOLVED: That the City finds and determines the forgoing recitals to be true and correct and hereby adopts and incorporate them into this Resolution; and be it

FURTHER RESOLVED: Pursuant to Section 2.04.051 B of the Oakland Municipal Code and for the reasons stated above and in the agenda report accompanying this Resolution, the Council finds and determines that it is in the best interests of the City to waive advertising and the RFP/Q process for this contract, and so waives the requirements; and be it

FURTHER RESOLVED: That the City Council of the City of Oakland authorizes the City Administrator or designee to award the Health Reimbursement Arrangement Administrative Services contract to ICMA-RC for three (3) years under an agreed upon fee structure to be paid by individual account participants; and be it

FURTHER RESOLVED: That the City Council of the City of Oakland authorizes the City Administrator or designee, with acceptable performance by the vendor, to exercise the option to extend the contract for up to one additional two-year term under the same agreed upon fee structure to be paid by individual account participants; and be it

FURTHER RESOLVED: That the fee structure will be \$3.00 per \$1,000 (or .30%) as an annual asset fee plus a \$25 annual account charge; and be it

FURTHER RESOLVED: That the monies deposited to the employee accounts will be taken from previously authorized labor allocations; and be it

FURTHER RESOLVED: That the Council finds that this contract is of a professional and temporary nature and shall not result in the loss of employment or salary by any person having permanent status in the competitive civil service; and

FURTHER RESOLVED: That the City Attorney will approve the contract as to form and legality and a copy will be on file in the Office of the City Clerk; and be it

FURTHER RESOLVED: That this Resolution shall take effect immediately upon its passage.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF and PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

5

FINANCE & MANAGEMENT CMTTE
DEC 02 2014