



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 05/19/2026

ITEM NO: 14

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DATE: May 19, 2026  
TO: Mayor and Town Council  
FROM: Chris Constantin, Town Manager  
SUBJECT: **Authorize the Town Manager to Execute an Agreement with The Advantage Group to Continue to Administer Retiree Health Contribution Reimbursements Retroactive to February 1, 2026, with Automatic Renewals Every 12 Months**

RECOMMENDATION: Authorize the Town Manager to execute an agreement with The Advantage Group to continue to administer retiree health contribution reimbursements retroactive to February 1, 2026, with automatic renewals every 12 months.

FISCAL IMPACT:

The annual cost based on the estimated number of Town retirees is \$11,644. The annual amount is included in the FY 2025-2026 Operating Budget and the FY 2026-27 Proposed Budget.

STRATEGIC PRIORITY:

The Council action supports the Town's strategic priority of prudent financial management.

BACKGROUND:

The Town has a Retiree Health Reimbursement Program, also commonly referred to as a Health Reimbursement Account (HRA). The Town's HRA provides retiree health reimbursement to eligible employees hired before varying dates in 2018, including employees provided with a final offer and confirmation of employment in accordance with those varying dates, and who retire from the Town after completing five (5) years of continuous service with the Town. The monthly reimbursement amount is set annually at the cost of Kaiser CalPERS Region 1 rates,

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Human Resources Manager

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Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Administrative Services Director

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which are adjusted annually to reflect changes in the Kaiser Region 1 premiums, and agreed upon reimbursement formulas in accordance with agreements with the Town labor unions. Medical premiums are initially deducted from the retiree's monthly pension check. The Town uses a third-party vendor to reimburse retirees for the Town's contribution.

On February 1, 2016, the Town entered into a month-to-month agreement with The Advantage Group (TAG) to manage the administrative work of calculating, validating, and reimbursing these premiums via paper check or direct deposit and directly resolving issues with retirees related to lost checks and questions regarding reimbursement amounts, misdirected funds, and reimbursement process.

On February 1, 2021, the Town renewed the agreement for five years. Since 2016, vendor expenditures have total approximately \$75,000. The Town has been satisfied with the services provided by TAG.

DISCUSSION:

The Town has maintained a successful, ongoing relationship with TAG since 2016. The previous contract expired on January 31, 2026. Due to an administrative oversight, the contract was not renewed prior to its expiration. However, TAG continued to provide uninterrupted services, and the Town continued to receive the benefit of these services.

To comply with procurement policies and formalize the vendor relationship, retroactive approval is required for services rendered from February 1, 2026, to the present. To avoid future lapses in service, which could negatively impact Town retirees, staff recommends transitioning this contract into an automatic annual renewal agreement.

This approach is beneficial because it ensures there is no disruption in service for retirees, reduces the administrative burden associated with formal renewals for routine, high-performing services, and secures the current pricing structure for the upcoming 12-month period. The Town retains the right to terminate the contract at any time, for any reason, with 30 days' notice, ensuring the Town is not locked into the agreement should service quality decline, budgetary or other needs change.

The cost for the agreement is based on a monthly plan administration fee of \$50 and a monthly cost of \$6 per retired participant receiving monthly reimbursements. Currently, there are 152 retirees receiving monthly reimbursements. There is also a \$100 annual fee for required IRA non-discrimination testing that ensures employer-sponsored benefit plans comply with IRS regulations. Fees are guaranteed for a period of three (3) years from the effective date of this agreement. Following the initial three (3) year period, TAG reserves the right to adjust fees,

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provided that the Town is given no less than six (6) months' notice before any such changes take effect.

CONCLUSION:

Staff recommends authorizing the Town Manager to execute an agreement with TAG retroactive to February 1, 2026, with automatic contract renewals every 12 months to continue providing monthly retiree health contribution reimbursements.

TAG has provided reliable, accurate, and customer friendly service to Town retirees as well as supplemental support for Town staff resources.

COORDINATION:

This memo has been coordinated with the Town Attorney.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. The Advantage Group Administration Draft Agreement
2. The Advantage Group Administration Previous Agreements