CITY OF
Burlington

SUBJECT: 2020 to 2021 Group health benefit renewal

TO: **Corporate Services, Strategy, Risk & Accountability Cttee.**

FROM: **Human Resources Department**

Report Number: HR-04-20

Wards Affected: All

File Numbers: 330-02

Date to Committee: December 10, 2020

Date to Council: December 14, 2020

Recommendation:

Retain Sun Life as the provider of major medical, dental, long term disability and life insurance plans for the benefit year December 1, 2020 to November 30, 2021.

PURPOSE:

Vision to Focus Alignment:

- Deliver customer centric services with a focus on efficiency and technology transformation

Background and Discussion:

Since 2017 Sun Life has provided the City's group health benefits which includes the following:

- Medical;
- Dental;
- Basic Life Insurance;
- Optional Life Insurance; and
- Long Term Disability (LTD).

The group benefit plan covers 1,239 employees, retirees, dependents, and surviving dependents. As negotiated in 2017, there has been a rate guarantee on the Long-Term Disability premiums until November 30, 2020. In addition, and as negotiated in 2017, LTD premiums cannot exceed a 20% at first renewal. Life Insurance premiums are under a rate guarantee until November 30, 2021.

Strategy/process

Impacts of the pandemic on the usage of the benefit plans have been varied. For example, the provision of paramedical services was paused for several months, dental services were only provided in emergency circumstances and drug therapy fully continued as normal. This has created a unique benefit year.   When most services were halted, the City negotiated a one-month premium holiday in June for Health and Dental premiums with Sun Life. This resulted in a onetime cost savings of $570,000 ($180,00 for Dental and $370,000 for Health).

For the benefit year of December 1, 2020 to November 30, 2021, the City's benefit consultant AON, negotiated and is recommending a 1.5% overall increase to the Health, Dental and LTD premiums, resulting in an annual increase of $387,648. This increase has been included in the 2021 operating budget.   Premium rate changes are broken down as follows:

- Health   0%
- Dental   0%
- LTD   20%
- Life Insurance   No Change (under a rate guarantee)

Long Term Disability premiums across all industries are seeing double and, in some cases, triple digit increases. With our guarantee we were able to mitigate the impact of an increase to the 20% cap. Without the rate guarantee, we would likely have seen a significant increase to our LTD premiums.   Two main drivers have been identified as increasing this premium. We have had several employees who qualified for Long Term Disability over the past 3 years during the guarantee period and this experience contributed to the increase in our premiums.

The second is a benefit industry wide report completed by Zurich Insurance in 2019 which reported that the number of LTD claims over the past five years for all employers have increased substantially and this trend is expected to continue. This has caused a response from all insurance carriers to substantially increase their rates. While our consultant does not agree with this response, it is a reality that all employers are facing and must contend with at renewal. We will monitor this development through 2021 to understand the potential impact on the 2021 renewal and will identify mitigation strategies in response.

Financial Matters:

Not applicable.

Total Financial Impact

The total financial impact over a twelve-month period is $387,648.

Source of Funding

Funds have been budgeted in the 2021 operating budget.

Conclusion:

It is recommended that the overall increase of 1.5% increase to group benefit premiums be approved and implemented effective December 1, 2020.

Respectfully submitted,

Laura Boyd

Executive Director of Human Resources

Ext 7631

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.