



SUBJECT: 2024 to 2025 group benefits renewal

TO: Committee of the Whole

FROM: Human Resources Department

Report Number: HR-08-24

Wards Affected: all

Date to Committee: December 2, 2024

Date to Council: December 10, 2024

Recommendation:

Renew Sun Life as the provider for the City's group benefits plan including extended health, dental, long-term disability and life insurance for the benefit year December 1, 2024 to November 30, 2025 as outlined in human resources department report HR-08-24.

PURPOSE:

Vision to Focus Alignment:

- Designing and delivering complete communities
- Providing the best services and experiences
- Protecting and improving the natural environment and taking action on climate change
- Driving organizational performance

Executive Summary:

The annual Group Benefits Renewal Report includes an overview of the City's claims experience over the last 12-month period, along with the negotiated renewal costs for the new Group Benefits year.

Overall, City's position entering into this year's renewal with Sun Life was trending slightly more favorably than the previous year. An overall increase of 20.9% was

initially proposed by Sun Life. Through the negotiations process, our benefits consultants at Aon were able to reduce this overall increase to approximately 11%.

Aon's negotiations achieved annual cost savings of \$1,208,371 over Sun Life's initial proposal.

The overall increase in benefit premiums can be attributed to a number of factors including the rising utilization and costs of drugs within our Extended Health plan as well as an increase in paid claims for Basic Life Insurance.

Background

Sun Life is the insurance carrier that provides the City's group benefits plan which includes the following:

- Extended Health;
- Dental;
- Basic Life Insurance;
- Optional Life Insurance; and
- Long Term Disability (LTD)

The City's group benefit plan covers approximately 1,400 employees, retirees, dependents, and surviving dependents.

Cost savings

Overall, City's position entering into this year's renewal with Sun Life was trending more favorably than the previous year. An overall increase of 20.9% was initially proposed by Sun Life. Through the negotiations process, our benefits consultants at Aon were able to reduce this overall increase to approximately 11%.

Aon's negotiations achieved annual cost savings of \$1,208,371 over Sun Life's initial proposal.

City's claims experience over the last 12-month period

The overall increase in benefit premiums can be attributed to a number of factors including the rising utilization and costs of drugs within our Extended Health plan, as well as an increase in paid claims for Basic Life Insurance.

The City's plan includes several very expensive drugs that are used to treat life-threatening diseases and disorders. Examining the plan's experience over the last 12 months, the top 10 paid claims for drugs have increased by 11.6%, and drug claims in

general have increased by 17.7%. In addition to drug usage, overall plan member utilization has increased. A breakdown of the paramedical claims which trended upward included: physiotherapy, massage therapy, mental health and chiropractic services. All of which contribute to higher premium rates.

Basic Life Insurance is another area with an increase to premium rates. Basic Life rates are determined partially on claims experience and Sun Life's manual rate applied to the demographics of our employee population. The data over the past 60 month period shows a rise in paid claims and decrease in our reserves at Sun Life.

Unlike Basic Life, Long Term Disability (LTD) is trending down. We are starting to see LTD premiums normalize based on City of Burlington's claims experience, short term sick claims are being effectively managed at the City which has resulted in the reduction in active or approved LTD cases which has contributed positively to our plan.

Dental benefits, have also seen a favourable downward trend based on the claims experience over the last 12-month period. During the 2023 benefits renewal, the City implemented a 20% increase to the dental premium, this increase, coupled with the stabilization of our dental claims contributed towards the positive outcome for this benefits renewal. Furthermore, in last year's benefit renewal report we advised that Ontario Dental Association's (ODA) dental fee guide increased their rates above normative levels with an 8.5% increase. This year the ODA's dental fees have increased modestly by 4.8%.

In conclusion, with Dental and LTD premium renewal rates trending favourably for the City, they have offset some of the increases we are seeing in Extended Health and Basic Life Insurance for the renewal.

Financial Matters:

As a result, for the benefit year of December 1, 2024 to November 30, 2025, the City's benefit consultant Aon is recommending we proceed with the overall increase of 11% to our group benefits and implement the following premiums:

- Extended Health 20.2%
- Life Insurance 10%
- Dental 1%
- LTD -20%

Total Financial Impact

The total financial impact over a twelve-month period is: \$1,007,300.

Source of Funding

Funds have been budgeted in the 2025 operating budget.

Other Resource Impacts

Not applicable.

Conclusion:

It is recommended that the overall increase of 11% to the premiums for the City's group benefits plan be approved and implemented effective December 1, 2024.

Respectfully submitted,

Laura Atanas

Manager of Total Compensation and Data Analytics

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Commissioner Legal and Legislative Services/City Solicitor.