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TORONTO PUBLIC LIBRARY

STAFF REPORT
ACTION REQUIRED

Employee Benefit Plan Carriers

Date:	January 30, 2017
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to seek Toronto Public Library Board ratification of City Council's award for the provision of administrative and underwriting services for employee benefit plans for the City of Toronto and the Agencies and Corporations, which includes Toronto Public Library (TPL), that fall under the City's benefits administration umbrella.

In July 2016, Council entered into the following agreements to administer the benefit plans for an initial five-year contract term and subsequent two potential one-year optional contract renewals:

- **Green Shield Canada** for
  Extended Health Care (EHC) and Dental Benefits

- **The Manufacturers Life Insurance Company (Manulife)** for
  Group Life Insurance, Accidental Death and Dismemberment (AD&D) Insurance and Long Term Disability (LTD) Administration/Insurance Benefits.

Council's agreement with Green Shield and Manulife to administer the benefit plans is for an initial five-year contract term and subsequent two potential one-year optional contract renewals. The agreements will result in TPL expenses of approximately $5.344 million, excluding all applicable taxes and Harmonized Sales Tax (HST), for administrative services only (ASO) fees, life insurance premiums and stop loss pooling charges, over the initial five-year contract term, and approximately $7.796 million, excluding all applicable taxes and HST, in the event that both of the one-year optional contract renewals are exercised.

RECOMMENDATION

The City Librarian recommends that the Toronto Public Library Board:

1. ratifies City Council's award for the provision of administrative and underwriting services for employee benefit plans for the City and the Agencies and Corporations,

which includes Toronto Public Library (TPL), that falls under the City's benefits administration umbrella, and TPL enter into agreements with:

(i) Green Shield Canada for the provision of Extended Health Care and Dental Benefits on the basis that:

a. the initial term of the agreement will be for five years, effective January 1, 2017 and ending December 31, 2021;

b. the administration fees will be guaranteed for the entire term of the agreement;

c. the agreement will result in TPL expenses of approximately $1.754 million, excluding all applicable taxes and HST, for administrative services only fees and stop loss pooling charges over the initial five-year contract; and

(ii) The Manufacturers Life Insurance Company for the provision of Group Life Insurance, Accidental Death & Dismemberment Insurance and Long Term Disability Administration/Insurance Benefits on the basis that:

a. the initial term of the agreement will be for five years, effective January 1, 2017 and ending December 31, 2021;

b. the administration fees will be guaranteed for the entire term of the agreement;

c. for the final two years of the agreement, the insured rates and stop loss pooling charges will be determined by applying appropriate weight to the claims experience under the agreement on the basis of the number of employees and the years of experience; and

d. the agreement will result in TPL expenses of approximately $3.589 million, excluding all applicable taxes and HST, for administrative services only fees, life insurance premiums and stop loss pooling charges over the initial five-year contract; and

2. grants authority to the City Librarian to exercise the options to extend both agreements for up to two additional separate one-year extensions, from January 1, 2022 to December 31, 2023 on the basis that:

(i) the maximum two-year extension of the Green Shield agreement will result in TPL expenses of approximately $0.778 million, excluding all applicable taxes and HST, for administrative services only fees and stop loss pooling charges; and

(ii) the maximum two-year extension of the Manulife agreement will result in TPL expenses of approximately $1.674 million, excluding all applicable taxes and HST, for administrative services only fees, life insurance premiums and stop loss pooling charges.

FINANCIAL IMPACT

TPL provides EHC, dental care, life insurance, AD&D and LTD benefits to employees and retirees of the Library and their eligible dependents.

On the basis of the new rates and current claims utilization patterns, the total estimated potential contract award identified in this report (i.e., initial term plus all optional renewal years) for TPL is $7.796 million, excluding all applicable taxes and HST, for ASO fees, life insurance premiums and stop loss pooling charges.

In 2016, ASO fees paid to Manulife amounted to approximately $0.262 million for EHC, dental care and LTD and approximately $0.599 million for life insurance premiums and AD&D and stop loss pooling charges, for a total of $0.861 million.

The Library's total cost in 2017 for the provision of these services is estimated to be $0.988 million, which represents an increase of $0.127 million over 2016, and this increase has been included in TPL's 2017 operating budget submission to the City. Annual increases in years 2018 to 2021 will be provided for in the respective operating budgets.

Funding details for TPL are provided in the table below (amounts shown exclude all applicable taxes and HST):

Year (January 1 – December 31)	Green Shield Canada	Manulife		Total
	EHC/Dental ASO Fee & Stop Loss Pooling Charge	LTD ASO Fee	Life Insurance Premium	
2017	$330,542	$36,034	$621,614	**$988,190**
2018	$340,458	$37,768	$645,205	**$1,023,431**
2019	$350,672	$39,586	$669,692	**$1,059,950**
2020	$361,192	$41,491	$707,307	**$1,109,990**
2021	$372,028	$43,488	$747,034	**$1,162,550**
Five Years Total	**$1,754,892**	**$3,589,219**		**$5,344,111**
2022	$383,188	$45,581	$775,386	**$1,204,155**
2023	$394,684	$47,774	$804,813	**$1,247,271**
Optional Two Years Total	**$777,872**	**$1,673,554**		**$2,451,426**
Total Award	**$2,532,764**	**$5,262,773**		**$7,795,537**

The Director, Finance and Treasurer, has reviewed this financial impact statement and is in agreement with it.

DECISION HISTORY

At its July 2016 meeting, Council considered the *GM13.7 Request for Proposal 9105-16-7020 for the Provision of Administrative and Underwriting Services for Employee Benefit Plans* report and awarded contracts to Green Shield Canada and the Manufacturers Life Insurance Company.

ISSUE BACKGROUND

The City and the Agencies and Corporations that fall under the City's benefits administration umbrella, including TPL, provide benefits coverage to approximately 36,000 employees and retirees and their eligible dependents. The previous incumbent benefits carrier for the entire suite of benefits was Manulife.

TPL provides EHC, dental care and LTD coverage on an ASO basis. This means that the Library is responsible for paying to the carrier the amounts of the benefit claims themselves, plus an administration fee for adjudicating and paying the claims. In addition, life insurance and AD&D are provided on an insured basis, which means that the Library is responsible for paying the life insurance premiums to the carrier in its capacity as insurer.

TPL's benefit plans are provided to approximately 1,600 active employees and approximately 500 retirees in accordance with the applicable collective agreement and Library Board-approved policies.

COMMENTS

The City, with input from TPL, issued a Request for Proposal (RFP) in January 2016 for the provision of benefit plan administration and underwriting services. The City's RFP focused on the selection of a benefits carrier(s) with strong systems, reporting and fraud detection processes in place, and with the ability to mirror existing benefit plan designs.

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  Extended Health Care (EHC) and Dental Benefits

- **The Manufacturers Life Insurance Company** for
  Group Life Insurance, Accidental Death and Dismemberment (AD&D) Insurance and Long Term Disability (LTD) Administration/Insurance Benefits.

Library Board ratification is being sought as the agreements are currently being finalized and awards with a commitment value in excess of $500,000 require Board approval.

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SIGNATURE

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City Librarian