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Information Memo

To: Council Meeting
Date: June 21, 2022
Division: Office of the Chief Administrative Officer
Department: Human Resources
Subject: Information Memo – 2022 Employee Benefit Insurance Renewal

Recommendation(s):

THAT the Information Memo regarding the 2022 Employee Benefit Insurance Renewal be received as information.

AND THAT Council direct staff to withdraw \$100,000 from the Unrestricted Deposit Account held by Green Shield to be transferred to the Health & Wellness Reserve.

Background

The purpose of this memo is to provide Council with information on the 2022 Employee Benefit Insurance Renewal. As of July 1, 2022, the Corporation of Norfolk County's benefit plans are subject to renewal.

Discussion:

The Life Insurance and Long Term Disability (LTD) benefits for Norfolk County are underwritten by Sun Life and the Accidental Death and Dismemberment (AD and D) are insured under Chubb Insurance.

Group Life Insurance and AD and D rates are normally subject to potential annual increases, however; in conjunction with the 2019 renewal, the Group Life insurance and AD and D rates were guaranteed for three years (until July 1, 2022) and LTD rates were guaranteed for two years (until July 1, 2021). It was further negotiated that when Life insurance premiums came off guaranteed rates, the maximum increase would be 15%. Therefore, all three rates are subject to review and potential increases this year. After review and the subsequent negotiation by Norfolk County's benefit consultants, there is an increase of 15% (approximately \$1,885 per month) to Group Life Insurance, an increase of 10.8% (approximately \$4,149 per month) to LTD and no change to AD and D.

The Extended Health, Dental and Travel benefits are underwritten by Green Shield Canada on a Retention/Refund Accounting Basis, whereby Norfolk County is entitled to

the surplus generated and conversely are responsible for any deficit incurred upon completion of the year-end financial statement.

Total extended health care claims for the current review period equaled \$1,955,662 (+5.2%) compared to \$1,858,627 the prior period. Total dental claims for the current review period totaled \$813,940 (+22.6%) compared to \$663,641 in the prior period. The increase in extended health care and dental claims were expected and can be attributed to most of the providers of paramedical and dental services resuming full services after being impacted for a period of time in 2021 due to the pandemic. In anticipation of these increases, staff ensured that this would be reflected in the 2022 budget.

This table summarizes the information listed above:

Employee Benefits Expense Update		
Benefit	% Increase	Projected Monthly \$ Increase
Life Insurance	15%	\$1,885
Long Term Disability	10.8%	\$4,149
AD and D	0%	\$0
Extended Health	14%	\$24,883
Dental	12.6%	\$9,006
Travel	0%	\$0

Consistent with the industry, the largest component of Extended Health Care claims are prescription drugs. Industry standards indicate prescription drugs represent approximately 60% to 70% of Health claims in the public sector; drug claims for Norfolk County are at 67.4%.

Due to the negotiated renewal with Extended Health Care there is an increase of 14% (approximately \$24,883 per month) and Green Shield an increase of 12.6% (approximately \$9,006 per month) to Dental rates at this renewal. There is no change to Travel/Out of Country Emergency benefits. However, despite these increases, the overall negotiated increase is lower than the budgeted amount for 2022. This will result in a favourable variance in the 2022 Budget of \$63,800.

Norfolk County has attempted to keep premium rates at status quo and in some cases decreasing rates since 2013. Our industry trends show increasing expenses in the areas of prescription drugs, dental services and large increases in LTD claims due to mental health. Therefore, staff continue to examine cost containment strategies that may be implemented to mitigate the expected future increased premiums.

At the same time, as a recruitment and retention strategy, HR staff are examining ways to enhance employee benefits to better reflect current staff needs beginning with Norfolk County's non-union group. Benefit enhancement with the unionized groups will be

done through the collective bargaining process. Financing of any Non Union benefit enhancements will be done by using the favourable variance noted above.

Further, there are excess funds in the account with Green Shield in the amount of \$219,000. This has been used as a reserve to ensure there are funds available for short term increases in benefits. Green Shield has communicated that Norfolk County could withdraw \$100,000 from their excess funds and still maintain those requirements. The \$100,000 will be used to invest into the employee wellness program for all Norfolk County staff. This was done similarly in 2014 and the funds were utilized to support wellness strategy initiatives for staff.

Human Resources has gathered information by surveying staff, and discussing industry trends and comparing other municipal plans with Norfolk County's benefit consultant. Although the Norfolk County benefits plan is fulsome in terms of providing all of the basic characteristics of a solid plan, it is lagging behind in terms of coverage in areas such as mental health and vision care and has not adapted to the changing needs of staff, such as orthodontic coverage. Management is of the opinion that improvements in these areas will result in a more robust benefit plan that provides coverage in areas that are important to both the employees and the corporation. These changes are crucial to the recruitment and retention of staff.

Financial Services Comments:

The approved 2022 Levy Supported Operating and Rate Supported Budgets include an estimated increase in employee benefit costs based upon projected rates at the time the budget was being prepared. As noted above, the 2022 budgeted rates for employee benefit plans will have the capacity to allocate \$63,800 of savings to enhance employee benefits after the July 1st renewal rates are implemented. This reallocation of rates will ensure there will be no negative budget variance for 2022. The revised rates will be incorporated into the projections for the 2023 budgets.

The request for withdrawal from Green Shield of \$100,000 from the Unrestricted Deposit Account will be placed in the Norfolk County Health & Wellness Reserve. Usage of these funds will be included in future Levy Supported Operating Budgets to offset any levy impacts.

Attachment(s):

- None

Conclusion:

As of July 1, 2022, Norfolk County's employee benefit plans are subject to renewal. The overall negotiated increase for 2022 is lower than the budgeted amount for 2022, resulting in a favourable budget variance, which will be used to examine benefit

enhancements for staff to assist with the overall strategy to improve recruitment and retention of staff.

Approval:

Approved By:
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CAO

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