

September 24, 2018

To: His Worship the Mayor
And Members of City Council

Re: Employee Group Benefits – Request for Proposal

RECOMMENDATION

**RECOMMENDATION OF THE FINANCE AND ADMINISTRATION COMMITTEE
- SEPTEMBER 4, 2018**

1. That the Executive Director, Financial & Corporate Services be delegated the authority to issue a Request for Proposal for a benefits carrier(s) to administer the City of Regina's comprehensive employee benefits package for a term of up to ten years.
2. That the Employee Benefits Committee be delegated authority to review the existing employee benefits package and make amendments to employee benefits, subject to the collective bargaining and budget processes.
3. That the Executive Director, Financial & Corporate Services be delegated authority to negotiate, award and enter into and amend contracts with the highest ranked proponent from the public procurement process for a period of up to ten years with an employee group benefits provider.
4. That the City Clerk be authorized to execute the necessary agreements after review and approval by the City Solicitor.

FINANCE AND ADMINISTRATION COMMITTEE – SEPTEMBER 4, 2018

The Committee adopted a resolution to concur in the recommendation contained in the report.

Recommendation #5 does not require City Council approval.

Councillors: Bob Hawkins (Chairperson), Sharron Bryce (teleconference), Jason Mancinelli, and Barbara Young were present during consideration of this report by the Finance and Administration Committee.

The Finance and Administration Committee, at its meeting held on September 4, 2018, considered the following report from the Administration:

1. That the Executive Director, Financial & Corporate Services be delegated the authority to issue a Request for Proposal for a benefits carrier(s) to administer the City of Regina's comprehensive employee benefits package for a term of up to ten years.
2. That the Employee Benefits Committee be delegated authority to review the existing employee benefits package and make amendments to employee benefits, subject to the collective bargaining and budget processes.
3. That the Executive Director, Financial & Corporate Services be delegated authority to negotiate, award and enter into and amend contracts with the highest ranked proponent from the public procurement process for a period of up to ten years with an employee group benefits provider.
4. That the City Clerk be authorized to execute the necessary agreements after review and approval by the City Solicitor.
5. That this report be forwarded to the September 24, 2018 meeting of City Council for approval.

CONCLUSION

Regular review of employee benefit plans is necessary to ensure effective management, cost-efficiency to remain abreast of trends in the employee benefits market. The City of Regina's (City) benefit coverage levels have remained unchanged since inception. The current insurers, Blue Cross and RBC Insurance have administered the City's contract for 11 and 20 years respectively, without a review of the benefit plan.

An Employee Benefits Committee (the Committee) was established in May 2018 to provide governance and oversight to employee benefit programs and to represent the best interests of the organization, its employees and other stakeholders. The Committee agreed to initiate an RFP for an insurer to administer the City's group benefits programs subsequent to a benchmarking analysis which compared the City's benefit programs to other comparable organizations and found a mix of below average, average and above average benefits.

Goals of the benefits carrier Request for Proposal (RFP) process include:

- providing plan designs that meet current requirements and consider future benefits options for employees
- delivering superior customer service
- reviewing competitiveness of rates
- adopting leading edge technology to support HR in administering benefit programs.

Future changes to employee benefit programs will be reviewed and endorsed by the Committee and negotiated with the Unions in alignment with existing practices.

BACKGROUND

The City's Benefits program has evolved over time. Group life insurance plans had been in place prior to 1970 and in 1978, the first dental plan was bargained by the Regina Police Service. In 1986, the International Association of Fire Fighters (IAFF) joined the dental plan, followed by the remaining unions. A medical plan was established in 2007 for Out of Scope (OOS), with the Unions bargaining the plan for their members in the following years. The current provisions of the City's group plans remain the same today as were implemented in 1978, 1986 and 2007.

In 2006, the Pension & Benefits Department initiated an RFP to acquire a benefit carrier to administer the City's existing group life and dental programs, as well as, add a medical program. Saskatchewan Blue Cross has been the City's benefit carrier for medical, dental and group life insurance since 2007 and RBC Insurance Company has been the benefit carrier for Accidental Death and Dismemberment insurance (AD&D) since 1995.

HR assumed responsibility of employee benefits in 2008 and has been focused on building a solid foundation. This includes contract management, funding policy development, managing reserves, refreshing documentation and employee materials, streamlining benefit program options, managing benefit changes/additions and building all benefit programs and eligibility into Oracle, as part of the larger Human Resource Management System (HRMS) project.

DISCUSSION

In May 2018, the Executive Leadership Team (ELT) established a Committee to provide governance and oversight of the employee benefit programs, group benefit funding and reserves. In particular the Committee is accountable to ensure a high degree of certainty that the promised benefits will be delivered, ensure benefit costs are fair and sustainable over a long-term basis and examine opportunities to enhance existing benefit programs.

Working alongside advisors from the HR Department and Mercer Benefits Consultants (Mercer), the membership of the Employee Benefits Committee includes:

- Executive Director, Financial & Corporate Services
- City Solicitor
- Director, Human Resources
- Management representative from the organization

The Committee has decision making authority for Employee Benefit Programs, including benefit premium rate setting, reserve funding targets, allocating surplus, contract renewals and plan design. The Committee makes recommendations to the City Manager and/or City Council for approval of major plan enhancements and changes that impact collective bargaining, strategic use of surplus funding, new benefit programs or vendor changes.

Mercer has provided the City with benefits consulting services since the 1990's in the areas of annual renewal calculations, evaluating the health of our benefit programs, benefit carrier negotiations, benefit plan benchmarking and pricing, advice regarding governance, the establishment of the Benefits Funding Policy and support on issues as they arise. The City uses this information to make decisions regarding the employee benefits programs and benefits offered.

Recently, HR engaged Mercer in conducting a benchmarking analysis to evaluate the City's benefit plans. In comparison to 88 other public-sector organizations, the City's benefit plans provide both generous and below median benefits options. The City was identified to have generous life and child eyeglass coverage. Only 33 per cent of comparators offer a health spending account and 13 per cent offer a flex spending account, where currently this is offered to Out of Scope employees. Areas where improvement is needed include increasing group life insurance maximums to ensure full coverage obligations are met, enhancing accidental death and dismemberment coverage levels and reviewing dental and health benefits. A review will allow for rebalancing of benefit coverage levels resulting in overall enhancement to the programs.

In June 2018, the Committee considered the benchmarking results provided by Mercer and agreed that an RFP is the next step in the process of reviewing benefit programs.

Mercer Consulting will work closely with the City throughout the RFP to meet the following goals:

- Plan Design: Deliver benefits equivalent to the current program and the flexibility to accommodate future plan design changes
- Financial: Ensure competitiveness of rates, low administration expenses and guaranteed rates for length of contract
- Service Team: Enable a superior level of customer service, including maintaining exceptional service standards by supporting the City of Regina in plan administration and accuracy in claim processing and reporting
- Technology: Deliver leading edge technology to support HR in administering the program and for employees in managing their coverage

Throughout the RFP and review of employee benefits programs, any potential changes to existing programs will be contemplated and endorsed by the Committee. Changes, if required, will be bargained with the Unions.

While the *Regina Administration Bylaw No. 2003-69*, Section D, Part 2, Multiple Year Contracts allows for the purchase of Contractual Services for a term not greater than five years without getting Council approval; it is recommended the successful proponent (s) be awarded a ten year contract for the City's group benefits. Because the recommended term is for more than five years, this action requires the approval of City Council. The selection from this process may be used to establish the City's standard for future negotiated services.

RECOMMENDATION IMPLICATIONS

Financial Implications

Benefit costs are included within the operating budget process and rates are reviewed annually to ensure sustainability of the plans. Established benefits reserves may be used to offset costs, if required and endorsed by the Committee and the City Manager; and if approved by City Council under recommendation number two of this report.

Approximately \$267K is paid to Blue Cross annually for the administration services provided, this expense is included within the current benefit premium rates, therefore, no additional budget dollars are required to undertake this RFP process as it will be completed by Administration.

Benefit premium rates are reviewed annually to ensure that the premiums collected cover the expenses of the plan plus administration fees of both Blue Cross and Mercer. If the annual rate review determines that the premiums collected are insufficient, the premium rates are adjusted automatically and communicated to employees. The City's current dental and group life plans have seen minimal rate changes over the past 10 years, the medical plan has not had a rate change since inception in 2007. The 2017 annual rate review indicated that expenses for the dental and medical plans are continuing to rise and rate changes may be recommended in the future.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

The majority of collective agreements expire at the end of 2018. Initiating the review aligns with bargaining and can help to support negotiations, particularly in a period of fiscal austerity. The RFP process will provide costing options for benefits that may be used during the collective bargaining process.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

Communication materials will be provided to stakeholders throughout the process, including Saskatchewan Blue Cross and all employee groups.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,

FINANCE AND ADMINISTRATION COMMITTEE



Ashley Thompson, Secretary