



THE CORPORATION OF THE TOWN OF TECUMSEH

Corporate Services & Clerk
Report No. 39/17

TO: Policies & Priorities Committee

FROM: Laura Moy, Director Corporate Services & Clerk

DATE OF REPORT: October 23, 2017

DATE TO COUNCIL: November 28, 2017

SUBJECT: Council Post-Retirement Health & Dental Benefits

RECOMMENDATIONS

It is recommended that:

1. Corporate Services & Clerks Report No. 39/17 regarding Council Post-Retirement Health & Dental Benefits, **be received**; and that
2. Based on answers to questions outlined in this report, a Policy on Council Health & Dental Benefits, Life Insurance and Post-Retirement Benefits, **be developed** and presented to Council for consideration.

BACKGROUND

At the July 11, 2017 meeting of the Personnel Committee, the Members were presented with Corporate Services & Clerks Report No. 19/17 regarding Costings for Council Health & Dental Benefits and Life Insurance. The Report followed funding being allocated in the 2017 Budget for Council benefits. It provided a summary of the cost of health and dental benefits for Members of Council, equivalent to those provided to non-union management employees; and reported on findings to provide life insurance coverage to the Members of Council, beyond that provided in the comprehensive policy of insurance with Jardine Lloyd Thompson Canada.

At the meeting, the Members resolved to provide Council \$50,000 Life Insurance and health & dental benefits equivalent to the same benefits provided to non-union management employees of the Town.

Discussion was also held, at the meeting, on providing post-retirement benefits (PRB) to Members of Council. It was noted that non-union management employees hired before January 2007 are eligible to receive PRBs and that the City of Windsor offers some of its former Council Members post-retirement benefits, provided they meet certain criteria.

This report will summarize the status of the health and dental benefits, and life insurance, as directed by Council to date. In addition it will review the retiree benefits provided to non-union management employees of the Town, as well as the City of Windsor's retirement benefits for Members of its Council.

COMMENTS

Health and Dental Benefits

The health care and dental benefits with Green Shield for Members of Council are set out in [Appendix A](#). These benefits are in keeping with the same benefits provided for non-union management employees.

To date, four (4) members have enrolled and two (2) members have given waivers as they have coverage either through their regular full-time employment and/or spousal coverage.

The **total annual cost** to provide these health and dental benefits to all Members of Council is approximately \$27,300, [based on two (2) single and five (5) family coverages].

Life Insurance

As previously reported, the current life insurance provided to non-union management employees is two times their annual salary to age 65. Desjardins Financial Services (DFS) has advised the same coverage is not available under the current policy to Members of Council as they are not regular full-time employees.

However, flat life benefits of up to \$50,000 were offered by Desjardins for Council Members. No life waiver of premium benefit is included and the benefit amounts reduce by 50% at age 65 and terminate at age 70. Council resolved to provide the maximum benefit offered of \$50,000.

The total annual premium to provide \$50,000 life insurance to all Members of Council is \$1,224.60.

All Members of Council have been enrolled in the life insurance benefit.

The foregoing life insurance is provided in addition to the comprehensive policy of insurance with Jardine Lloyd Thompson Canada. Included in this policy is a Council Accident Policy which provides 24-hour coverage to the Members of Council in the amount of \$200,000 for accidental death, dismemberment, paralysis, disability, paramedical and dental expense [VFP 9112265]. Further policies provide Out of Province Medical coverage [VFP 9116080] and Recovery Assistance [JLT01002] to the Members of Council. Enrolment in these policies and coverage thereunder is subject, in all respects, to the terms and provisions of the plans/policies.

The above costs for both the health & dental benefits and life insurance will vary from year to year as premiums may change upon annual renewals.

Post Retirement/Council Term

Green Shield has an option to convert group coverage to individual coverage when a person is leaving a company group plan. If Council has a plan with the Town, they would be entitled to convert under *Green Shield's Prism Continuum Program* within 60 days of losing their Green Shield coverage. The cost estimate/range is hard to predict, as this Program offers three different plans to choose from and the cost ranges between the plans.

This option would also be available if a Member of Council has Green Shield coverage through their regular employment to convert their coverage [through their work plan] to an individual policy, once the work plan terminates.

In addition to the foregoing, a further report and policy has been requested on providing health, dental and life benefits, as well as offering PRBs to Members of Council, similar in nature to those offered to non-union management employees hired before January 9, 2007 and to that offered by the City of Windsor to its former members. In this regard, the following information is given.

Non-union management employees of the Town are provided PRBs, under the following conditions. The employee was:

1. hired by the Corporation prior to January 9, 2007,
2. has attained age 55, and
3. has retired from employment with the Corporation and is entitled to a pension pursuant to the Ontario Municipal Employees' Retirement System, on the date of retirement (Eligible Retiree).

The premiums payable by the Corporation with respect to the following are offered to the eligible retiring non-union management employees:

- a) Group Life Insurance - \$5,000*
- b) Prescription Drug Plan
- c) Dental
- d) Vision
- e) Extended Health Services
- f) Semi Private Coverage
- g) Out-of-Province

* The Corporation ceases to pay the premium payable with respect to the \$5,000 Group Life Insurance benefit in the month in which the retired employee attains age 65.

The City of Windsor provided post-retirement medical benefits to Members of its Council in accordance with the City's existing criteria for staff retiree benefits, provided that the Member of Council has served a minimum of four terms. Where the Council Member has served a minimum of four terms in office, but does not meet the required retiree eligibility for retiree benefits, that Member is afforded the opportunity to purchase the retiree medical benefits at one half of the prevailing rates as may be adjusted from time to time.

In 2009, the City changed its requirements as they relate to Council benefits and approved limiting the PRBs for Members of its Council newly elected after April 17, 2009 to age 65, providing the Member of Council serves a minimum of four (4) terms. This is at the municipality's expense.

For discussion:

Members of Council at the July 2017 Personnel Meeting talked about providing PRBs, equivalent to the benefits provided to Eligible Retirees of the Town, provided the Member of Council was elected prior to January 2007 and has served a minimum of four (4) consecutive terms on Council.

In order to draft the Council Benefit Policy, in relation to PRBs, direction from Council is required on the following:

- Who is eligible for PRBs?
- Having served four (4) consecutive terms effective which date?
- Are benefits limited to age 65, or provided for life?
- Are benefits to be equivalent to non-union retiree benefits, or current non-union employee benefits?
- Is the Town responsible for the full cost of PRBs?

Based on the response to the above questions, a further budget allocation may be required commencing 2018.

CONSULTATIONS

Director Financial Services & Treasurer
 Buffet Taylor
 Desjardins Financial Services
 Green Shield Canada
 City of Windsor

FINANCIAL IMPLICATIONS

An allocation of \$20,000 was included in the 2017 Council Budget to cover the health care and life benefits for Members of Council. The actual annual cost for benefits approved, assuming all Members choose to participate, amounts to \$27,300 with the projected increase for 2018 being in the neighbourhood of \$29,500. Although not all Members have elected to join, we do need to consider the full potential impact.

We have had actuarial estimates completed to assist in determining the financial impact of providing PRBs for life to Members of Council. The estimates were based on assumptions similar to those used for calculating actuarial estimates for administration:

- Discount rate at December 31, 2016 4.2%
- Retirement age 59, 65,70 (59 used for management)
- Premium rates 2016 base year
- # of Council Members 7

Results of the evaluation are:

	Retirement Age		
	59	65	70
Prior Service Cost (PSC) - one time charge	\$467,600	\$419,100	\$341,100
Current Service Cost (CSC)	\$40,500	\$33,400	\$27,500
Ongoing Expense Increase	\$59,400	\$50,300	\$41,300

The PSC is a one-time charge which represents the immediate obligation the Town would incur if PRBs are approved for Council. PSC is the cost of benefit improvements attributable to plan participants' prior service pursuant to a plan amendment or a plan initiation that provides benefits in exchange for plan participants' prior service. This amount ranges from \$341K up to \$468K depending on what retirement age you use.

The CSC is the increase in the present value of a defined benefit obligation resulting from employee service in the current period. Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

To fully fund PRBs for Council, based on a retirement age of 65, would require a one-time allocation of \$419,100 plus an annual ongoing allocation of \$50,300 over the \$27,300 allocation currently approved.

These calculations are based on existing Members of Council and their years of service. If there are restrictions placed on which Members are eligible for receiving the benefit, such as years of service, being on Council prior to a certain date etc., then the obligations would be reduced. It is of note that the obligation per Council Member is not as easy as dividing the above table by seven as the liability is significantly higher for the more senior Members of Council.

In order to limit the Town’s liability, PRBs were discontinued for regular full-time non-union employees hired after January 9, 2007 and for regular full-time union employees hired after March 30, 2010.

At December 31, 2016, the PSC is \$8,100,000, CSC is \$570,051 and annual expense is \$341,400 for current employees eligible for PRBs. The Post Retirement Benefit Reserve balance is \$1,685,000.

Administration recommends that any Council Post-Retirement Health and Dental Benefits approved be fully funded through an increase in the tax levy. This recognizes the true cost to implement PRBs and funding should be provided congruent with the decision being made.

LINK TO STRATEGIC PRIORITIES

No.	2017-18 Strategic Priorities	Applicable
1.	Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.	✓
2.	Ensure that the Town of Tecumseh’s current and future growth is built upon the principles of sustainability and strategic decision-making.	✓
3.	Integrate the principles of health and wellness into all of the Town of Tecumseh’s plans and priorities.	
4.	Steward the Town’s “continuous improvement” approach to municipal service delivery to residents and businesses.	✓
5.	Demonstrate the Town’s leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.	✓

COMMUNICATIONS

Not applicable

Website Social Media News Release Local Newspaper

This report has been reviewed by senior Administration as indicated below and recommended for submission by the CAO.

Prepared by:

Reviewed by:

Laura Moy, Dipl. M.M, CMM III HR Professional
Director Corporate Services & Clerk

Luc Gagnon, CPA, CA, B.Math
Director Financial Services & Treasurer


Recommended by:

Tony Haddad, MSA, CMO, CPFA
Chief Administrative Officer

Attachment(s): 1. Summary of Council Health and Dental Benefits

LM

Appendix 1

		Green Shield Benefits Summary Members of Council
Line of Business	Plan Details	Division 229, Active Non-Union Employees
Drug	Co-pay	\$2.00 per prescription
	Formulary Type	Conditional effective February 1, 2003
	Generic Substitution	No
	Allow ODB deduct/copays	Yes
	Maximum	N/A
	RX By law	Yes
	Limited Access/Over the Counter	Yes
EHS	Co-payment, Deductible, Maximum	N/A
	Aids for Daily Living (i.e. beds)	Yes
	Braces	Yes
	Footwear	Yes
	Incontinence/Ostomy supplies	Yes
	Oxygen & related supplies	Yes
	Mobility Aids (i.e. wheelchairs)	Yes
	Prosthetic Appliances	Yes
	Respiratory/Cardiology	Yes
	Vascular Compression	Yes
	Eye Exams	\$85 per 24 months
	Retinal Eye Exams	Yes
	Ambulance	\$100 per trip
	Dental Accident	Yes
	In Home Nursing	\$10,000 per calendar year based on the date of the first paid claim. The maximum number of hours per shift is 8 hours.
	Chiropractor	\$500 per calendar year, co-payment of \$10 per visit for the first 15 visits per calendar year.
	Chiropodist/Podiatrist	\$400 per calendar year
	Massage	\$500 per calendar year
	Osteopath	\$400 per calendar year
	Physiotherapist	Reimbursement for all visits is based on the usual and customary per visit amount.
	Psychologist	\$35 for the initial visit, \$20 per hour for each subsequent visit, to max of \$200 per calendar year.
	Speech Therapist	\$200 per calendar year
	Accommodation – Semi & Private	Semi – unlimited Private - \$1,000 per lifetime
Vision	\$400 per 24 consecutive months based on first paid claim.	
Prostate Exam	Yes	
Travel	90 days per trip, \$1,000,000 per calendar year	
Dental	Fee Guide	Current ODA
	Annual Max	N/A
	Major Max	\$2,000 per calendar year
	Basic Co-insurance	100% coverage for all eligible services
	Recall frequency	Every 9 months
	Complete Exams & Full Month X-rays	Every 3 years
	Comprehensive Basic (endo & perio)	Yes
	Denture repairs, adj., reline, etc.	Yes, relines are subject to once every 3 years
	Major Services (crown, bridge, denture)	50%, \$3,000 per calendar year
	Orthodontics	50%, \$4,000 per lifetime for dependent children 18 years of age and under only.
	Sealants	Yes

Revised: May 13, 2017