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# HALDIMAND COUNTY

## Report HRD-06-2024 Employee Benefit Plan Renewals

For Consideration by Council in Committee on October 29, 2024

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### OBJECTIVE:

To approve the 2025 Employee Group Benefits Insurance plan renewals for eligible Haldimand County employees, Volunteer Firefighters, Members of Council and retired employees.

### RECOMMENDATIONS:

1. THAT Report HRD-06-2024 Employee Benefit Plan Renewals be received;
2. AND THAT Sun Life's monthly employee benefit plan renewal premium rates plus applicable taxes as outlined in Report HRD-06-2024 be approved, effective January 1, 2025.

**Prepared by:** Heather Scott, Coordinator, HRMS/Benefits

**Reviewed by:** Katie Meyer, Manager, Human Resources

**Respectfully submitted:** Megan Jamieson, CHRL, General Manager, Corporate & Social Services

**Approved:** Cathy Case, Chief Administrative Officer

### EXECUTIVE SUMMARY:

This report reflects the proposed January 1, 2025 renewal rates for Long Term Disability, Life, and Accidental Death and Dismemberment Insurance, as well as informational budget rates for the Extended Health Care and Dental benefits for eligible Haldimand County Council members, employees, retirees and volunteer firefighters. The level of benefits provided to each particular group are determined by Council direction, ratification of a Collective Agreement changes or other legislated and/or approved benefits changes. This report strictly deals with the annual plan premiums related to the current level of benefits already approved by Council as of January 1, 2025. Based on the most recently available benefit experience and related demographics, and the completion of two Request for Proposals (RFP) the County has negotiated renewal rates effective January 1, 2025. This will be the first year that all of the group benefits renewal dates take place on the start of a calendar year, which was achieved through the last RFP to align the group benefit renewal rates to the proposed 2025 budget rates allowing for a more simple, transparent comparison of rates, budget and actuals.

### BACKGROUND:

Haldimand County provides group benefits for Extended Health Care (EHC), Dental Care, Life Insurance, Long Term Disability (LTD), and Accidental Death and Dismemberment (AD&D) for all eligible full-time employees, members of Council (excluding LTD), eligible retirees, and on-duty volunteer firefighters (Life and Accident & Sickness (A&S) only). The County also coordinates optional A&S insurance for volunteer firefighters who want to purchase off-duty benefit coverage, at their own expense. These benefits are an essential, valued portion of the overall employee total compensation package and have evolved to assist employees well-being and productivity.

In September 2023, staff completed a public procurement process for EHC, Dental, Life and LTD, resulting in a renewed contract with Sun Life Assurance Company of Canada, as of January 1, 2024. Staff later completed a public procurement process for AD&D as well as Accident and Sickness in September 2024, resulting in the implementation of a new contract with iA Financial Group and a renewal with VFIS, respectively, both as of January 1, 2025.

**ANALYSIS:**

Annually, staff report to Council on the prior year’s group benefits experience, market trends and expectations, and to seek authorization, where applicable, with respect to benefit renewal premiums. This can be a complex issue, particularly given the variety of benefits provided, the different ways to fund a benefits program and finding the right funding structure for an organization. The goal of establishing a funding structure is to balance affordability to the municipality with the appropriate level of risk, with risk being an unexpected financial loss (e.g. a claim).

This report breaks down the information by benefit type and the financial arrangement used.

**Non-Refund, Fully Pooled Benefits**

With this underwriting method, the insurance company takes all the risk and charges a set rate for coverage. The County’s benefits plan history is pooled with other employer benefits plans within that insurer, meaning rates are established in accordance with the overall results of all of the clients participating in that insurer’s pool. Premiums are paid into the insurer’s pool and any claims are charged against the pool. This typically applies to benefits with low premiums and infrequent but comparatively high claim amounts. For Haldimand County, the following benefits are included in this underwriting arrangement:

- a. *Accidental Death and Dismemberment*
- b. *Volunteer Firefighters Accident and Sickness*
- c. *Optional Employee Life Insurance – 100% employee paid*

The following chart reflects the 2025 rate changes, as a direct result of the recent RFP, which included a rate reduction for AD&D and maintenance of previous rates for A&S (no change).

**TABLE 1: Proposed 2025 Renewal Rate Changes, Non-Refund Fully Pooled Benefits**

<b>Benefit</b>	<b>Carrier</b>	<b>Group Covered</b>	<b>Renewal Date</b>	<b>Proposed 2025 Premium Increase / (Decrease)</b>	<b>Estimated Cost / (Saving) Of Proposed</b>
Accidental Death & Dismemberment	iA Financial Group	Employees and Council	Jan 1, 2025	(18%)	(\$2,500)
On-Duty Accident & Sickness	VFIS of Canada	Volunteer Firefighters	Jan. 1, 2025	No Change	\$0

**Non-refund, Prospectively Rated Benefits**

This underwriting methodology is very similar to the above, however, the renewal rates are based on a *combination* of the County’s past historical claims experience and the insurer’s manual rate. The combination depends on the credibility factor that is applied by the insurance carrier to the group’s own experience. Other factors affect the renewal rates as well, such as the demographic changes of employees (age, male/female split etc.), trend factors and inflation factors which are all used to arrive at a negotiated renewal rate.

The County offers two benefits under this methodology:

- a. *Basic Life Insurance*
- b. *Long Term Disability (LTD) Insurance*

As a result of the RFP, Sun Life has provided a 36 month rate guarantee for Basic Life Insurance (Jan 1, 2024-Dec 31, 2026) and a 24 month rate guarantee for LTD (Jan 1, 2024 – December 31, 2025). Under these guarantees, premium changes would be linked only to plan changes. In 2025, plan changes across several groups were provided through union bargaining. The resulting rate changes were anticipated and included in the overall cost of collective bargaining, ratified by Council. Table 2 outlines such changes for 2025.

It should be noted that while the County has rate guarantees in place for the next 1-2 years, our experience with both Life and LTD claims has been deteriorating and the initial forecasted increases are significant. Staff will continue to monitor this trend to anticipate and plan for rate increases when the rate guarantee expires. The contract includes maximum annual increase caps, to ensure the initial increases will not exceed 15%.

**TABLE 2: January 2025 Proposed Life and LTD Renewal Rate Changes**

<b>Benefit</b>	<b>Carrier</b>	<b>Group Covered</b>	<b>Renewal Date</b>	<b>Proposed 2025 Premium Impact</b>	<b>Estimated Cost / (Saving) Of Proposed</b>
Life Insurance	Sun Life	Eligible Employees, Council, Volunteer Firefighters and Retirees	Jan. 1, 2025	0.40%	\$1,100
Long Term Disability	Sun Life	Eligible Employees	Jan. 1, 2025	4.30%	\$24,000

**Experience Rated Benefits with Administrative Services Only (ASO) Funding**

Benefit plans that utilize the ASO funding arrangement are considered a “self-insured” solution for employers. The risk of claims costs lies primarily with the employer, up to the Large Amount Pooling (LAP) limit, which is further described below. In this case, all claims are still submitted to and administered by the insurer, who then invoices the full costs (plus applicable administration fees, commissions and taxes) to the municipality. Payments are reconciled at the end of the financial year, and if there is a deficit it must be paid in full, immediately. The County has now utilized ASO for the past two years, for two benefit types:

- a. *Extended Health Care*
- b. *Dental Care*

Given the nature of ASO methodology, negotiation of premiums for these benefits is not required. However, for practicality, the County utilizes “fixed” monthly rates (from January 1 to December 31) to expense monthly costs and avoid ebbs and flows throughout the year. By using this arrangement it maintains the employee co-pay contributions (for dental coverage in two groups) set for a full 12 month period. This requires regular monthly monitoring of the “fixed” rates that are being used in comparison to the actual claims so that the County is always aware of whether the plan is in a surplus or deficit situation. Based on the experience over the past 12 months, staff will be adjusting internal projected amounts, effective January 1, 2025, as follows:

- Extended Health Care: 1% increase. Estimated annual cost increase of \$18,300.
- Dental: 9% increase. Estimated annual cost increase of \$82,300.

It is important to note that, in addition to a higher usage of the basic dental services in recent months, the significant increase in dental costs is also driven by the increase in cost for individual claims. Benefits are reimbursed based upon the Ontario Dental Fee guide, set by the Ontario Dental Association and subject to increase every January. Recent years has seen higher than normal rate increases, being 4.8% (2024) and 8.5% (2023) which has a direct impact on the County's claim costs. The budgeted +9% adjustment considers these recent changes, together with claims experience and aims to cover anticipated costs without running a deficit.

Each of these rate increases will be reflected in the draft 2025 operating budgets, as part of the overall compensation costs. By aligning the contracts with the County's operating budget cycle, through the recent RFP process, there will no longer be a lag between the operating budget rates and the Group Benefit renewal rates allowing for a simpler, more transparent comparison of budget versus actuals.

#### Large Amount Pooling (LAP) / Stop Loss

It is noted above that eligible extended healthcare claims are paid up to a maximum threshold known as the "large amount pooling limit" (LAP). This limit provides an element of protection for potentially catastrophic claims (such as high drug claims or emergency travel claims). This arrangement means that Sun Life will "pool":

- i) claims in excess of \$50,000 per employee,
- ii) \$50,000 per dependent unit (all dependents combined), and
- iii) all Out of Country claims from first dollar.

Such pooled claims are then "removed" from the County's experience and not considered when calculating experience for future rate changes; this ensures, renewal rates are not impacted by unusual or extraordinary claims.

In return for this protection, insurers will charge a premium, regardless of whether or not the protection has been used. In the most recent claims experience analysis period from May 1, 2023 to April 20, 2024 the County paid a total of \$86,576 for the LAP premium. Any claims in excess of the \$50,000 threshold (as applicable) and/or any Out of Country claims are removed from the claims experience and are not included in the renewal rates calculations. During this same claim experience analysis period, there were \$87,284 in pooled claims that were excluded from the County's EHC claims experience. This LAP charge is included as part of the EHC rates/deposits. The current LAP charge is calculated as 9.10% of non-pooled EHC claims, and after negotiations by our benefits consultant the new LAP charge will be 10.95% of non-pooled EHC claims. Sun Life LAP charges are based on the experience across their block amongst several risk classes that vary based on pooled claim experiences.

#### Claims Handling / Administrative Expenses

Finally, while the EHC and Dental benefits are considered self-insured, Sun Life acts as the administrator of the plans, where the County relies on them to set up and 'operate' the plan in the manner that we require. This includes producing benefits booklets, adjudicating and paying claims and other administrative functions that occur with relation to a benefits plan. In return, the County pays Sun Life the following ASO expenses: General Administration Charge, Claims Administration Charge, and a Profit Charge. These are calculated based on the non-pooled claims that are paid within our plan and these expenses are also subject to change at each renewal. As a result of the RFP process in Fall 2023, Sun Life provided a 60 month rate guarantee on the General Administration, Claims Handling and Profit Charges that will remain as 2.30%, 2.88% and 0.30% respectively until December 31, 2028.

## **FINANCIAL/LEGAL IMPLICATIONS:**

The Sun Life renewal rates for eligible County employees, Council members, retirees and Volunteer Firefighters' benefit coverages, as outlined in this report, will result in a net annualized increase in premiums, on a combined basis, of approximately \$125,700 including tax or an overall increase of 3.5%. The proposed Sun Life renewal premiums equate to a total annualized expense of \$3,674,600, including tax, based on the current employee enrolment and plan coverage. In addition, other insurers are paid AD&D annual premiums of about \$23,100 (approximately \$14,800 for Council members and full-time employees; and a six month cost of \$8,300 for volunteer firefighters for July 1 to December 31, 2024 as a result of the alignment of the renewal date in the September 2024 RFP). It should be noted that the Life and LTD increases, which are included in these figures above, have already been approved through report HRD-03-2024.

The 2025 Tax-Supported and Rate-Supported Operating Budgets are being prepared based on the benefits renewal projection data. Moving forward, as of January 1, 2025, there should no longer be any shortfall between the proposed insurance renewal and the operating budget because of the realignment of the benefit renewal date to January 1st.

Actual expenses will fluctuate due to changes in actual eligible employees, changes in family status, staff vacancies or council-approved staffing initiatives. Corporately, the surplus or deficit for the 2025 tax supported budget will be contributed to or from the Contingency Reserve.

The County's Employee Benefits Reserve Fund, which has been used in the past to partially offset significant increases in benefit premium costs, currently has a balance of \$3,360,000 as at December 31, 2023. Given the balance of the Employee Benefits Reserve Fund, the County is in an excellent position to offset any future benefit insurance cost increases. A review of this Reserve Fund should be undertaken in future years to determine whether some of the monies should be used to help fund other employee benefit liabilities, such as workers' compensation or unfunded sick leave liability.

A comprehensive actuarial review of the post-employee benefits liability was conducted as at December 31, 2023. For the internally held Post-Employment Benefits Reserve Fund (held for Haldimand County retirees) as of December 31, 2023, sufficient funds had been accrued in the reserve fund to cover the 2025 benefit insurance premiums for the existing retirees. The audited balance as at December 31, 2023 is \$1,164,300.

## **STAKEHOLDER IMPACTS:**

Not applicable.

## **REPORT IMPACTS:**

Agreement: No

By-law: No

Budget Amendment: No

Policy: No

## **REFERENCES:**

None.

**ATTACHMENTS:**

1. January 1, 2025, Renewal Rate Illustration