

To:	Finance and Administration Committee	Item:	FA-10-164	Date of Report:	May 17, 2010
From:	Rick Stockman, Commissioner Corporate Services Department	File:	A-4350	Date of Meeting:	May 27, 2010
Subject:	<i>Insured Retiree Benefits for Mayor and Councillors</i>			Ward(s):	All
	<i>Public Meeting</i>				

1.0 PURPOSE

Council at its March 9, 2009 meeting referred the following motion to staff for comments:

“That Council Remuneration By-law 39-2005 be amended by adding a section 3.05 so that insured benefits for Councillors and the Mayor be the same as retired employees of the exempt group.”

The purpose of this report is to provide staff's comments on the above motion.

2.0 RECOMMENDATION

That the Finance and Administration Committee recommends to City Council:

That Council provide direction on insured retiree benefits for the Mayor and Councillors as outlined in Report FA-10-164 dated May 17, 2010.

3.0 EXECUTIVE SUMMARY

Staff was asked by Council to provide comments on amending the Council Remuneration By-law 39-2005 by adding a section 3.05 so that insured benefits for Councillors and the Mayor are the same as retired employees of the exempt group.

This report overviews existing exempt staff retiree benefits, existing Council retiree benefits, the estimated cost of a proposed change and presents an alternative for Council's consideration.

4.0 INPUT FROM OTHER SOURCES

4.1 General

- Manulife Financial (Group Benefits Carrier)
- Buffet Taylor (Benefits Consultant for the City of Oshawa)
- Director, Finance Services

4.2 Auditor General

- The Auditor General's comments are shown in Attachment 2.

5.0 ANALYSIS

- The following analysis provides background, benefit options and the potential financial impact when considering retiree benefits for members of Council who are 65 years of age or older.

5.1 Exempt Retiree Benefits

- The City of Oshawa is one of the few municipalities in Ontario to offer retiree health benefits to staff.
- When exempt employees retire, the City pays for various portions of the premium for these benefits depending on length of service, ranging from 25% after 10 years of service to 100% after 25 years of service.
- Exempt employees must retiree and begin their OMERS pension and have no similar benefit plan available from another employer. As well, retirees must maintain residence in the Province of Ontario to retain these benefits.
- Benefits include extended health care, semi-private hospital, major medical, drugs and vision care (no dental coverage is provided to retirees).
- The Corporation established retiree benefits in the early 1990's as a trade-off to eliminate sick leave gratuity for staff.

5.2 Council Retiree Benefits

- The current Remuneration By-law for Council was changed in 2005 to provide "retiree benefits" for the outgoing Mayor or Councillors, with 15 or more years of cumulative service, and provides retirees coverage for extended health and dental coverage until age 65.
- A member of Council could presumably hold a Council position from age 20 to age 35 and be eligible for retiree benefits for 30 years, until age 65. By adding post age 65 benefits to Council remuneration for retiring members of Council, this benefit liability could easily be extended by a further 20 years.
- It is very difficult to ascertain when a member of Council is deemed retired given these are elected positions and some members of Council have broken tenure.

- The following chart provides a brief overview of the insured benefits currently available.

	Extended Health Benefit	Dental Care	Vision Care	Life Insurance
Active Councillor under age 65	✓	✓	✓	✓
Active Councillor over age 65	✓	✓	✓	✓
Retired Councillor to age 65	✓	✓*	✓	
Retired Councillor over age 65				
Retired Exempt Group Employee	✓		✓	Cash Payout \$750

* Retired Councillors pay 5% of premium cost

- As depicted in the chart, active Councillors over 65 receive the same benefits as active Councillors under 65.
- However, retired Councillors over 65 do not have access to any insured benefits while retired Councillors under 65 have access to Extended Health, Dental, and Vision Care.
- Currently, there are no former members of City Council who are receiving insured benefits.

5.2.1 Cost to Extend Insured Benefit Coverage to Councillors Over 65

- The following tables show the cost of extending insured benefit coverage similar to the exempt group retirees for family and single coverage.

Family Coverage

Cumulative Years of Service	Paid by Corporation	
Less than 15 years	N/A	
15 to 20 years	25%	\$540.48
21 to 24 years	50%	\$1080.96
25 years or more	100%	\$2161.92

Single Coverage

Cumulative Years of Service	Paid by Corporation	
Less than 15 years	N/A	
15 to 20 years	25%	\$176.49
21 to 24 years	50%	\$352.98
25 years or more	100%	\$705.96

5.2.2 Concerns Associated with Extending City Paid Councillor Retiree Benefits

- In March 2004, a report to Council from the Operational Services Committee (Report OS-04-126, Section 5.0) concluded that “The City must take steps to cap, reduce and preferably eliminate benefits extended to employees when they retire”.
- In the same report, Section 6.0 recommended that management, through collective bargaining, effect a cost containment strategy to phase-out retiree health benefits and eliminate them for new employees. Council approved the phase-out strategy.
- During the last round of negotiations with CUPE 250 and CUPE 251, management followed this strategy and attempted to eliminate these benefits for new employees. Providing additional retiree benefits to Council, at this point in time, will make it very difficult for management to advance this position in the next round of negotiations.
- The following Strategic Financial Plan (SFP) objectives would be contradicted should there be a policy change to provide retiree benefits after age 65 for elected officials.
 - Minimize property tax increases – implementing retiree benefits would increase the City’s tax levy requirement.
 - Control labour costs – this initiative is a direct contradiction to this objective as it will lead to increased labour costs.
 - Contain costs – every opportunity is taken to reduce costs where possible – implementing retiree benefits would increase the City’s costs.

5.3 Alternative for Council’s Consideration

- Council could consider amending the By-law to allow members of Council the ability to purchase the current exempt employee retiree benefits package for full premium cost with the standard restrictions as outlined in the Exempt Retiree Benefits Package (see Attachment 1).
- Annual costs to a retired Councillor would be \$705.96 single or \$2161.92 family.
- There are no direct cost implications for the City if members of Council choose to fully pay the premiums for over age 65 retiree benefits.
- There may be a slight increase in the potential long term unfunded liability but this is not considered to be material.

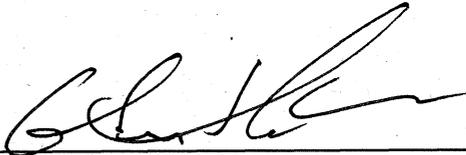
- One possible way to limit this potential liability would be to require members of Council to have a specified number of years of service before being eligible to purchase insured benefits similar to the exempt group retired employees (i.e., after 15 years of service).

6.0 FINANCIAL IMPLICATIONS

- Financial implications are dependant on Council's direction resulting from its consideration of this report.

7.0 RESPONSE TO THE COMMUNITY STRATEGIC PLAN

- Not applicable



Glenn Thurston, Acting Director
Human Resource Services



Rick Stockman, Commissioner
Corporate Services Department

Attachments



Insured Benefits for Exempt Group Retired Employees

Corporate Services Department
Human Resource Services

This incorporates the entire policy with respect to insured benefits for retired employees of the Exempt Group (Management and Non-Union regular, full-time employees), approved by Council in 1991, November 2001, November 2004 and June 2007.

Extended Health Care Benefits

- a. The Corporation will make available to retired employees of the Exempt Group (Management and Non-Union, regular full-time employees), a Retirees' Extended Health Care Package which will include: Semi-Private, Major Medical, Drugs and Vision Care, subject to an overall maximum benefit of \$10,000 per person every three (3) consecutive years. For employees retiring after January 1, 2007, maximum benefit increases to \$15,000 per person every three (3) consecutive years.
- b. Employees who retired prior to January 1, 1989, will continue to pay 100% of the monthly premium cost, in advance.
- c. Employees who retired after January 1, 1989, will be required to pay the monthly premium cost of the package, in advance, and may be eligible for monthly premium cost sharing in accordance with the following schedule:

Years of Active Service with the Corporation	Share of Premiums	
	Corporation	Retired Employee
Less than 10 years	0%	100%
10 years	25%	75%
15 years	50%	50%
20 years	75%	25%
25 years	100%	0%

- d. Premium sharing by the Corporation commences with the billing month of February.
- e. Retention of the package, regardless of the premium-sharing arrangement, is subject to the following conditions:
 - (1) Only a retired employee, defined as one who has elected to draw the OMERS retirement benefit upon leaving the active service of the Corporation, may be eligible.
 - (2) The retired employee continues to retain his/her principal residence in the Province of Ontario and provides the Corporation with a current address at all times.
 - (3) Similar benefit plans are not available to the retired employee from another employer.

Extended Health Care Benefits (continued)

- (4) The retired employee shall promptly report any changes in marital status or number of dependents and reimburse the Corporation for the amount of any premium overpayment resulting from failure to report such changes.
- (5) Voluntary cancellations must be properly documented in Human Resource Services.
- (6) The Corporation, after reasonable efforts to settle overdue benefit premium accounts, retains the right to cancel coverages after notification by registered mail to the last known address.
- (7) Any cancellation is permanent. Coverages cannot be subsequently reinstated.
- (8) Upon the death of a retiree, benefit coverage for the retiree's spouse may continue to the end of the twenty-fourth month) following the month of death of the retired employee at which time coverage ceases.
- (9) Such benefits will be subject to the terms and conditions of any governing master policy or statutory requirement. Any dispute over the payment of benefits shall be adjusted between the retired employee and the Insurance Carrier, however, the Corporation will use its best efforts to assist in dealing with the Carrier.
- (10) Selection of carriers, and any future enhancements or other amendments to the benefit plans will be at the discretion of the Corporation. The Corporation reserves the right to revise or cancel retiree benefit plans and cost sharing provisions as a result of changed legislation, plan experience, premium costs, funding arrangement, or other factors.

Group Life Insurance Benefits

- f. The Corporation will make available to regular full-time Exempt Group employees:
- (1) Who retire at normal retirement age 65, reduced group life insurance coverage in accordance with the following schedule:

(a) Retiring prior to June 1, 1984	\$1,500
(b) Retiring on or after June 1, 1984, but prior to February 1, 1991	\$3,000
(c) Retiring on or after February 1, 1991, but prior to January 1, 2006:	\$5,000
(d) Retiring after January 1, 2006 – \$750 cash payment only, if eligible for premium sharing based on service requirements.	
 - (2) Who retire early, group life insurance coverage in accordance with the following schedule:
 - (a) Option A – Coverage in effect at the time of early retirement.
(Option A deleted for those retiring after January 1, 2006)
 - (b) Option B – \$10,000 coverage.
 - (c) Option C – Prior to January 1, 2006, immediate reduced coverage per paragraph f. (1).
(Option C deleted after December 31, 2005).
(Option C is replaced with a cash payment of \$750 for those retiring after January 1, 2006, who were otherwise eligible for City-paid group life).

Group Life Insurance Benefits (continued)

- g. Employees who retired prior to January 1, 1989, will continue to pay 100% of the monthly premium cost in advance.
- h. For employees who retire after January 1, 1989, and:
 - (1) Who have reached normal retirement age 65 and have elected to retain reduced coverage; or
 - (2) Who have retired early and have elected to retain reduced coverage under Option C (available only up to January 1, 2006), the Corporation will share the monthly premium cost according to the schedule outlined in paragraph c. above.
- i. For employees who elect coverage under Option A (available only up to January 1, 2006) or Option B, and retire early after January 1, 1989:
 - (1) With 25 or more years of service, the Corporation will share 50% of the monthly premium cost up to age 65.
 - (2) With less than 25 years of service, the retiree will pay 100% of the monthly premium cost up to age 65.
- j. After age 65, coverage under Option A or Option B will reduce to the amount specified in Option C and the Corporation will share the monthly premium cost according to the schedule outlined in paragraph c. above.
(Note: Options A and C are only available up to January 1, 2006. The \$750.00 cash payment is available only for those eligible for premium sharing under i. (1) above.)
- k. Premium sharing by the Corporation commences with the billing month of February.
- l. The conditions outlined in paragraph e. (1), (5), (6), (7), (9) and (10) apply to Group Life Insurance coverage.

Information updated following Council ratification June 18, 2007.

Human Resource Services
March 9, 2009 / September 14, 2009 [To clarify wording under Extended Health Benefits e.(8)]

May 20, 2010

To: Members of the Finance and Administration Committee
From: Ron Foster
Auditor General

I have read report FA-10-164 "*Insured Retiree Benefits for Mayor and Councillors*" and discussed the report with staff. I agree with the recommendation of staff.



Ron Foster
Auditor General