



Report to: General Committee

Meeting Date: December 6, 2022

SUBJECT: Award of Proposal 031-R-22 City of Markham Services Provider for Health Care Benefits Plan (York Coop #CRFP2021-02)

PREPARED BY: Bessie Mok, Manager of Compensation and Benefits, Ext. 2337
Rosemarie Patano, Senior Construction Buyer, Ext. 2990

RECOMMENDATION:

- 1) THAT the report “Award of Proposal 031-R-22 City of Markham Group Benefits Provider (York Coop #CRFP2021-02)” be received;
- 2) THAT Award of Proposal 031-R-22 City of Markham Services Group Benefits Provider (York Coop # CRFP2021-02)”, Part A - Group Benefits – Accidental Death and Dismemberment be awarded to Industrial Alliance for a five (5) year contract term (January 1, 2023 – December 31, 2027) with an option for five additional one (1) year terms, in the estimated 2023 amount of \$30,411 exclusive of tax, to be funded from account 030 220 0034 Accidental Death and Dismemberment;
- 3) THAT Award of Proposal 031-R-22 City of Markham Group Benefits Provider (York Coop #CRFP2021-02)”, Part B - Group Benefits – Health, Dental, Life and Long Term Disability) be awarded to Sun Life Financial of Canada for a five (5) year contract term, (January 1, 2023 – December 31, 2027), with an option for five additional one (1) year terms, in the estimated 2023 amount of \$627,688 exclusive of tax (excluding the cost of ASO funded Extended Health and Dental claims of approximately \$6M), to be funded from various benefit accounts as described in the report;
- 4) THAT the Chief Administrative Officer (CAO) and City Solicitor and Director of People Services be authorized to execute an agreement with Industrial Alliance for the provision of the Group Benefits – Accidental Death and Dismemberment), in a form satisfactory to the City Solicitor and Director of People Services;
- 5) THAT the Chief Administrative Officer (CAO) and City Solicitor and Director of People Services be authorized to execute an agreement with Sun Life Financial of Canada for the provision of the Group Benefits – Health, Dental, Life and Long Term Disability), in a form satisfactory to the City Solicitor and Director of People Services;
- 6) THAT Staff be authorized to amend the award amounts in years 2028-2032 to reflect changes to the budget accounts approved by Council during the annual budget process; and
- 7) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

This report outlines the evaluation process conducted to substantiate the recommendation of award for the City of Markham group benefits provider.

BACKGROUND:

The City of Markham is part of the York Region Benefits Umbrella Group (the “Umbrella Group”). The Umbrella Group currently includes the Region of York, City of Markham, Town of Newmarket, Town of Aurora, Town of Georgina, and Town of East Gwillimbury. Markham has been a member of the Umbrella Group since 1992.

People Corporation has been the Umbrella Group’s benefit consultant since 1992 and has been contracted by the Umbrella Group to provide consulting services related to the review, negotiation and management of the Umbrella Group’s various benefit programs, including but not limited to an annual contract review of the Administrative Services Only (“ASO”) fees, insured premium rates, and a review and the negotiation of associated terms and conditions of the contract.

Chubb Insurance has been the City’s insurer for Accidental Death and Dismemberment (“AD&D”) coverage since 2003. Sun Life has been the City’s insurer for basic life since 2003, ASO provider for Long Term Disability (“LTD”) since 2002 and ASO provider for health and dental benefits since 2009.

The current contract with existing providers is currently in its 4th extension. While one additional extension year was available to the Umbrella members, due to ongoing service issues, it was decided this was appropriate timing to undertake a Request for Proposal (“RFP”) process to ensure that all Umbrella members benefit from group insurance providers are competitive in both service and pricing. The RFP process included an opportunity to secure multi-year rate guarantees that will result in continued cost certainty for City budget purposes.

BID INFORMATION - Part A - Accidental Death and Dismemberment (“AD&D”)

Advertised	ETN;
Bids closed on	February 10, 2022
Number picking up bid documents	15
Number of companies responding to bid	5

BID INFORMATION - Part B – Life, Long Term Disability, Health and Dental benefits

Advertised	ETN;
Bids closed on	February 10, 2022
Number picking up bid documents	15
Number of companies responding to bid	3

PROPOSAL EVALUATION

The Evaluation Team for this RFP was comprised of staff from the Region of York, City of Markham, Town of Newmarket, Town of Aurora, Town of Georgina, and Town of East Gwillimbury. York Region’s Procurement staff acted as the facilitator. People Corporation acted

as subject matter expert given their experience in the group insurance marketplace and provided advice and context throughout the process.

Part A - Accidental Death and Dismemberment (“AD&D”) Insurance

For Part A, the RFP process resulted in the following five (5) submitted proposals: Chubb Insurance (incumbent); AIG Insurance; Industrial Alliance Special Market; SSQ Insurance; and, Wawanesa Insurance.

All proposals were evaluated for accuracy and compliance with standard procedures by York Region, followed by an evaluation of their technical submission. Once confirmed, all five (5) proposals were evaluated against pre-established evaluation criteria as outlined in the RFP: 5 points for Experience and Qualification; 45 points for Responses to AD&D questionnaire, including plan design duplication; and 50 points for Price, totaling 100 points.

Based on the “price per point” methodology which was undertaken (as described above), Industrial Alliance Special Markets scored the highest overall.

Part B – Life Insurance, Long Term Disability, Extended Health and Dental benefits.

For Part B, the RFP process resulted in the following three (3) submitted proposals: Sun Life Financial (incumbent), Manulife Financial and Desjardins Insurance.

All proposals were evaluated for accuracy and compliance to standard procedures by York Region, followed by an evaluation of their technical submission. Once confirmed, all three (3) proposals were evaluated against pre-established evaluation criteria as outlined in the RFP: 10 points for Experience and Qualification; 60 points for Understanding and Approach; 10 points for Interview and Demonstration; and, 5 points for Price, totaling 100 points.

All three (3) proponents were invited to the Interview and Demonstration.

Based on the “price per point” methodology which was undertaken (as described above), Sun Life scored the highest overall.

OPTIONS/ DISCUSSION:

The following summarizes the overall cost impact to all insured and ASO fees payable under Part A and Part B of the RFP.

Part A

Expense Item	Current	January 1, 2023 Marketing	
AD&D Insurance*	45,617	30,411	-33.3%

The above pricing does not include the optional AD&D coverage which is 100% employee paid.

Part B

Expense Item	Current	January 1, 2023 Marketing	
Basic Life	364,412	297,020	-18.5%
Dependent Life	6,221	4,539	-27.0%
ASO fees	252,011	210,442	-16.5%
Stop loss/pool charges	109,413	62,224	-43.1%
LTD fees	53,463	53,463	0.0%
All Benefits Combined	785,520	627,688	-20.1%

The above excludes estimated health care, dental and LTD claims costs.

Part A - Accidental Death and Dismemberment ("AD&D") Insurance

As noted above, as a result of the overall evaluation (technical and pricing), Industrial Alliance is the highest scoring proposal.

The change to Industrial Alliance will duplicate coverage for the City of Markham's employees and provide a 33% cost savings from the current cost. The optional AD&D rates will also reduce the cost for employees by approximately 19%.

The rate guarantee period under Industrial Alliance is for 36 months, effective January 1, 2023 to December 31, 2025.

Part B – Life Insurance, Long Term Disability, Extended Health and Dental benefits.

As noted above, as a result of the price per point methodology, Sun Life was the lowest price per point proposal.

The rate guarantee periods under Sun Life are noted below:

Benefit	Period	From	To
Basic Life	36 months with 15% renewal cap on first renewal	January 1, 2023	December 31, 2025
Dependent Life	36 months with 15% renewal cap on first renewal	January 1, 2023	December 31, 2025
Optional life	48 months	January 1, 2023	December 31, 2026
ASO LTD fees	60 months	January 1, 2023	December 31, 2027
ASO H&D fees	60 months	January 1, 2023	December 31, 2027
Pooling charges	24 months	January 1, 2023	December 31, 2024

FINANCIAL CONSIDERATIONS

Staff recommend that the Request for Award 031-R-22 City of Markham Services Group Benefits Provider (York Coop #CRFP2021-02) Part A - Group Benefits – Accidental Death and Dismemberment be awarded to Industrial Alliance for a five (5) year contract term, (January 1, 2023 – December 31, 2025), with an option for five additional one (1) year terms, in the estimated 2023 amount of \$30,411 exclusive of HST, to be funded from account 030 220 0034 Accidental Death and Dismemberment.

Staff recommend that the Request for Award 031-R-22 City of Markham Services Group Benefits Provider (York Coop #CRFP2021-02)”, Part B - Group Benefits – Health, Dental, Life and Long Term Disability) be awarded to Sun Life Financial of Canada for a (5) five year contract term, (January 1, 2023 – December 31, 2025), with an option for five additional one (1) year terms, in the estimated amount of \$627,688 exclusive of HST, to be funded from various benefit accounts as described in the report.

The total budget available is \$785,520. The 2023 operating budget will be adjusted to reflect the favourable pricing by \$157,832.00

The financial tables below summarize Part A and B awards and the funding sources:

Part A - Accidental Death and Dismemberment	Amount
2023 Budget*:	\$ 30,411.00
Budget available:	\$ 30,411.00
Award (exclusive of HST):	\$ 30,411.00
Budget Remaining:	\$ 0.00

Part B - Health, Dental, Life and Long Term Disability	Amount
2023 Budget*:	\$ 785,520.00
Budget available:	\$ 785,520.00
Award (exclusive of HST):	\$ 627,688.00
Budget Remaining:	\$ 157,832.00

*Subject to Council approval of the 2023 Budget

PEOPLE SERVICES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Financial Services, People Services

RECOMMENDED BY:

Claudia Storto
City Solicitor and Director of People Services

Andy Taylor
Chief Administrative Officer

ATTACHMENTS:

None