



Report to: General Committee

Date Report Authored: January 26, 2015

SUBJECT: Request for Proposal 169-R-14 City of Markham Services
Provider for Health Care Benefits Plan (York Coop CRFP2014-04)

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RECOMMENDATION:

- 1) THAT the report “Request for Proposal 169-R-14 City of Markham Group Benefits Provider (York Coop #CRFP2014-04)” be received;
- 2) THAT Request for Proposal 169-R-14 City of Markham Services Group Benefits Provider (York Coop #CRFP2014-04)”, Part A - Group Benefits – Accidental Death and Dismemberment be awarded to ACE INA for a (5) five year contract term (January 1, 2015 – December 31, 2019) with an option for five additional (1) year terms, in the estimated 2015 amount of \$41,150 exclusive of HST, and will be funded from account 030 220 0034 Accidental Death and Dismemberment;
- 3) THAT Request for Proposal 169-R-14 City of Markham Group Benefits Provider (York Coop # CRFP2014-04)”, 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, 2015 – December 31, 2019), with an option for five additional (1) year terms, in the estimated 2015 amount of \$886,633 exclusive of HST, and will be funded from various benefit accounts as described in the report;
- 4) THAT the Chief Administrative Officer (CAO) and Director of Human Resources be authorized to execute an agreement with ACE INA for the provision of the Group Benefits – Accidental Death and Dismemberment), in a form satisfactory to the City Solicitor;
- 5) THAT the Chief Administrative Officer (CAO) and Director of Human Resources 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;
- 6) THAT Staff be authorized to amend the award amounts in years 2016-2024 to reflect changes to the budget accounts approved by Council during the annual budget process;
- 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 and market study conducted to substantiate the recommendation of award for the City of Markham group benefits provider.

BACKGROUND:

As part of the York Region Benefits Umbrella Group (the Umbrella Group), the City of Markham's group benefits program was issued to the market in 2014. The Umbrella Group currently includes the Region of York, City of Markham, Town of Newmarket, Town of Aurora and Town of East Gwillimbury. Markham has been a member of the Umbrella Group since 1999.

The current providers are ACE INA for accidental death and dismemberment (AD&D) insurance and Sun Life Financial for life insurance, long term disability (LTD), health benefits and dental benefits.

Buffet Taylor & Associates Ltd. 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 premium rates, and a review and the negotiation of associated terms and conditions on an annual basis.

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

The City, under the Umbrella Group, entered into agreement with ACE INA Insurance Company on May 1, 2003 following a comprehensive market survey. It is underwritten on a fully-insured, pooled basis with ACE INA Insurance.

The plan includes basic AD&D insurance and also provides access to voluntary AD&D insurance. Premiums for basic insurance are payable by the City, and premiums for voluntary AD&D insurance coverage are 100% payable by the employees, via payroll deduction.

In May 2014 (110-S-14), Markham received approval to participate in the Umbrella Group market survey and RFP process to ensure that Markham continues to benefit from an AD&D group insurance product that is market competitive in quality, service and pricing. The RFP process included an opportunity to secure multi-year rate guarantees that may result in continued cost certainty for City budget purposes.

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

On June 1, 1994, Markham entered into an agreement with the Mutual Life Assurance Company, which has since changed its name to Sun Life Financial of Canada. The agreement is to provide an annual renewable Group Life Insurance benefit for City employees under the Umbrella Group's plan.

The City's Group Life Insurance Benefit Plan includes basic life insurance coverage for employees and also provides an additional optional component for employees and their dependents. Group Life Insurance premiums are City paid and the optional life insurance premiums are 100% employee paid.

Under this contract, Sun Life also provides long-term disability, dental and group health care coverage.

RFP Issuance

The RFP (CRFP2014-04), for the provision of Group Benefits, was issued by the Region on behalf of the following York Purchasing Co-operative agencies: Town of Aurora, Town of East Gwillimbury, City of Markham and Town of Newmarket. The RFP included Part “A” for AD&D insurance and Part “B” for life, long term disability, health and dental benefits. The objectives of the RFP were as follows:

- Test the competitiveness of the current rates, underwriting arrangements, and financial and administrative terms of the existing contract, based on the existing underwriting instructions.
- Ensure replication of the existing plan design for all plan groups as identified in the plan design summaries and employee benefit booklets.
- Partner with an effective disability management team.
- Ensure effective administration through online systems and unique tools and applications.
- Ensure fraud protection and claims management related to all benefit lines are utilized in the most advantageous manner.
- Investigate value added services and cost stability features through the competitive market survey.

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

| | |
|---------------------------------------|----------------|
| Advertised | ETN; |
| Bids closed on | August 7, 2014 |
| Number picking up bid documents | 14 |
| Number of companies responding to bid | 1 |

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

| | |
|---------------------------------------|----------------|
| Advertised | ETN; |
| Bids closed on | August 7, 2014 |
| Number picking up bid documents | 14 |
| Number of companies responding to bid | 2 |

* York Region contacted bidders who downloaded the document and did not submit a bid with the following responses: Manion Wilkins and Associates, stated: “They are a 3rd party administrator and offer ASO health and dental benefits only”, and Manulife Financial, stated: “Upon review of the plan specifications and considering the proposal submission deadline, we have decided to decline to quote.”

Note: Staff are aware that there is a limited pool of providers who are able to support the size of the York Region Umbrella group.

PROPOSAL EVALUATION

The Evaluation Team for this RFP was comprised of staff from York Region Corporate Services, City of Markham, Town of Newmarket and Buffet Taylor & Associates Ltd. York Region’s Purchasing staff acted as the facilitator.

The proposals were evaluated using a two-envelope system where the technical and financial information are received in separate sealed envelopes. Proponents were not required to achieve a minimum technical score in order to qualify their financial proposal.

The proponents listed below submitted proposals with the results as noted in Table A:

TABLE A

Part A - Accidental Death and Dismemberment

| # | Name of Company | Technical (60%) | Interview (10%) | Financial (20%) | Financial value add (10%) | Total (100%) | Total Price* (All Participating Agencies) Exclusive of HST | Total Price* (City of Markham's Portion) Exclusive of HST |
|---|-----------------------|--------------------|--------------------|--------------------|------------------------------|-----------------|---|--|
| 1 | ACEINA Life Insurance | 20.56 | 6.7 | 20 | 0 | 47.26 | \$414,014.00 | \$41,150 |

*Note: GST does not apply to Insurance premiums in Ontario; Insurance premiums are only PST applicable

York Region is confident that ACE INA life Insurance will meet the contract requirements.

Part B - Health, Dental, Life and Long Term Disability

| # | Name of Company | Technical (60%) | Interview (10%) | Financial (20%) | Financial value add (10%) | Total (100%) | Total Price* (All Participating Agencies) Exclusive of HST | Total Price* (City of Markham's Portion) Exclusive of HST |
|---|-------------------------------|--------------------|--------------------|--------------------|------------------------------|-----------------|---|--|
| 1 | Sun Life Financial | 42.84 | 8.25 | 19.27 | 7.4 | 77.76 | \$7,513,313.00 | \$886,633 |
| 2 | Desjardins Financial Security | 31.01 | 6.25 | 20 | 5 | 62.26 | \$7,237,976.00 | \$778,095 |

*Note: GST does not apply to Insurance premiums in Ontario; Insurance premiums are only PST applicable

As part of the evaluation process, interviews were conducted with all (3) three Bidders: ACE INA Life Insurance, Desjardins Financial Security and Sun Life Financial.

Key to the selection of a benefits provider, once all the technical aspects have been satisfied, is which carrier is able to provide the best value for price. Financial envelopes were opened following the interview process. After a thorough review it was determined by the evaluation committee that Sun Life's quotation offered the best value for price for each member of the Umbrella Group for Part B and ACE INA for Part A.

OPTIONS / DISCUSSIONS

Part A - Accidental Death and Dismemberment

Staff concluded that it is in the best interest of the City of Markham to renew this coverage with ACE INA Insurance under the Regional Municipality of York Umbrella Plan due to the following reasons:

1. The City continues to enjoy competitive premium rates through economies of scale.
2. ACE INA has a proven track record with the City and the Umbrella Group, providing satisfactory customer service for the past ten years.
3. Buffett Taylor was able to negotiate a renewal premium rate of \$0.018 per \$1,000 of coverage for 2014. This rate has remained unchanged since 2003.
4. There is also no change to the voluntary AD&D monthly rates of \$0.025 (single) and \$0.036 (family), which have also remained unchanged since 2003.

Since 2003, Markham has had one AD&D claim. This one claim was made in 2013. However, this does not mitigate the fact that potential insurance carriers would base an AD&D premium quote primarily on the expected (actuarially based) claim risk presented by municipal corporations (including Firefighters).

Funds for Accidental Death and Dismemberment insurance are provided from account 030 220 0034 Accidental Death and Dismemberment, which has a current budget of \$41,150 and it is sufficient to accommodate the contract award.

Based on the current rate of \$0.018 per \$1,000 of insured benefit, the City of Markham is benefiting from the Umbrella Group plan arrangements (as opposed to going on its own for a stand-alone rate). Buffet Taylor have completed AD&D market surveys for several municipal groups over the course of the last 18 months, and the most competitive AD&D rates Buffet Taylor has seen for a similar municipal client is \$0.020 per \$1,000. The market has seen rates in some cases for some municipal groups at \$0.018 per \$1,000, but these were groups that had a different risk composition for AD&D coverage (e.g. they did not have either Firefighters or Police within their employee population mix).

Part B - Life Insurance, Long Term Disability, Health and Dental

Life Insurance

The current life insurance premium rate is \$0.184 per \$1,000 of insured benefit. Sun Life quoted a 20% reduction to the rate. The new rate, effective January 1, 2015, will be \$0.1472 per \$1,000 of insured benefit and will remain guaranteed for 36 months through December 2017.

Funds for basic life insurance are provided from account 030 220 0046 Payroll – Life, which has a current budget of \$390,874. The current enrolment for City and Library employees combined is 952 insured lives with a total life insurance volume of \$163,911,500.

Sun Life has reduced dependent life rates by 10% and the optional life rate table by 30%. The estimated annual cost of these benefits including taxes is \$30,546. Premiums for these benefits are 100% employee paid and recoverable via payroll deduction with no budget impact to the City of Markham.

Long Term Disability

The LTD benefit is funded on an administrative services only (ASO) basis. The City pays for actual cost of the monthly LTD claims plus any fees, charges and taxes related to Sun Life's management of the LTD claims. Funds for LTD administration are provided from account 030 220 0033 Long Term Disability in the amount of \$28,002.

Health and Dental

The health and dental benefits are funded on an administrative services only (ASO) basis. Therefore, the City pays for the actual cost of claims plus any applicable fees and taxes and pays Sun Life fees for the administration and management of claims. Within the health benefit category, the City pays insurance premiums for stop loss or pooling insurance. Stop loss is additional insurance purchased by employers to manage risk related to large, costly, catastrophic or unexpected claims.

Funds for the health and dental benefits are provided from account 030 220 0039 Health and Dental in the amount of \$540,394.

The total budget available is \$959,270 (Life: \$390,874 + LTD: \$28,002 + Health/Dental: \$540,394).

Although volumes of insurance and claims may impact budget figures, the negotiated rates and fees effective January 1, 2015, are guaranteed by Sun Life as follows:

- Life Insurance, Optional Life and Dependent Life for 36 months
- Health & Dental ASO fees for 48 months
- LTD ASO fees for 48 months
- AD&D for 12 months

FINANCIAL CONSIDERATIONS:

The Request for Proposal 169-R-14 City of Markham Services Group Benefits Provider (York Coop #CRFP2014-04)", Part A - Group Benefits – Accidental Death and Dismemberment be awarded to ACE INA for a (5) five year contract term, (January 1, 2015 – December 31, 2019), with an option for five additional one (1) year terms, in the estimated 2015 amount of \$41,150 exclusive of HST, to be funded from account 030 220 0034 Accidental Death and Dismemberment.

The Request for Proposal 169-R-14 City of Markham Group Benefits Provider (York Coop # CRFP2014-04)", 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, 2015 – December 31, 2019), with an option for five additional one (1) year terms, in the estimated 2015 amount of \$886,633 exclusive of HST, to be funded from various benefit accounts as described in the report;

The total budget available is \$959,270 (Life: \$390,874 + LTD: \$28,002 + Health/Dental: \$540,394). The 2015 operating budget has been adjusted to reflect the favourable pricing of \$72,637.

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

| Part A - Accidental Death and Dismemberment | Amount |
|--|---------------|
| 2015 Budget*: | \$ 41,150.00 |
| Budget available: | \$ 41,150.00 |
| Award (exclusive of HST): | \$ 41,150.00 |
| Budget Remaining: | \$ 0.00 |

| Part B - Health, Dental, Life and Long Term Disability | Amount |
|---|---------------|
| 2015 Budget*: | \$ 959,270.00 |
| Budget available: | \$ 959,270.00 |
| Award (exclusive of HST): | \$ 886,633.00 |
| Budget Remaining: | \$ 72,637.00 |

*Subject to Council approval of the 2015 Budget

ENVIRONMENTAL CONSIDERATIONS:

None

ACCESSIBILITY CONSIDERATIONS:

None

ALIGNMENT WITH STRATEGIC PRIORITIES:

None

BUSINESS UNITS CONSULTED AND AFFECTED:

Financial Services, Human Resources

RECOMMENDED BY:

21/01/2015

X 

Sharon Laing
Director, Human Resources

21/01/2015

X 

Andy Taylor
Chief Administrative Officer