



Staff Report

Report To: South Huron Council
From: **Dan Best, Chief Administrative Officer/Deputy Clerk**
Date: August 13 2018
Report: CAO 2018-15
Subject: Employee Group Benefits Update

Recommendations:

That the report of Dan Best, Chief Administrative Officer dated August 13, 2018 with respect to the Employee Group Benefits Update be received; and

That the surplus funds received through the Consortium be placed in the Benefit Contingency Reserve.

Purpose:

Information

Background and Analysis:

Huron County Lower Tiers (with the exception of Goderich), Perth County, Perth County Lower Tiers, and St. Marys participate in a consortium with Huron County to collaborate in the procurement and management of benefit costs. Through a risk sharing pool, Huron County's Lower Tier municipalities share extended healthcare and dental costs. The Perth and St. Marys municipalities utilize a similar risk sharing pool. Both pools have protected the individual municipalities against high cost claims which has permitted stable year to year benefit costs.

As a result of the collaborative arrangement, there has been an accumulation of financial reserves jointly owned by the municipalities. Following establishment of the joint reserves balance, balances remain in the

prior separate reserve accounts. These amounts are available to be refunded to the municipalities and will be distributed proportionally based on premiums contributed to the prior risk sharing pool.

As an outcome of the collaborative pooling approach, the participating municipalities have access to favourable underwriting arrangements for the extended healthcare and dental care benefits. These arrangements have been in place with the insurer since 2012 for Huron County municipalities and since 2013 for Perth and St Marys municipalities.

As a group, the overall benefit costs have remained stable for seven consecutive years for Huron municipalities and six consecutive years for the Perth and St Marys municipalities. During these periods, costs for individual municipalities have been adjusted to achieve harmonized rates. Therefore, the municipalities pay equivalent rates to provide equivalent coverage to staff.

As noted above, the favourable underwriting arrangements have yielded significant financial benefits which would not be available to the individual municipalities on a standalone basis. The result has been accumulation of financial reserves jointly owned by the municipalities, which provide benefit cost stability and rating flexibility during the annual benefits renewal.

To further enhance the financial benefits of pooling and sharing of risk amongst the municipalities, the Huron County Lower Tiers, Perth, and St Marys municipalities created a single risk sharing pool as of January 1st, 2018. Establishment of a joint pool was possible due to the municipalities adopting a shared plan design for extended health and dental care benefits as of January 1st, 2017 and uniform premium rates as of January 1st, 2018

Financial Impact:

To support the single risk sharing pool, a joint reserve account was established for the Huron County Lower Tiers, Perth, and St Marys municipalities as of January 1st 2018. The account is funded by transfers from the prior separate reserve amounts. In the interest of fairness, the proportional contribution for each municipality was based on current enrolment levels.

As previously stated and following establishment of the joint reserves balance, funds remain in the prior separate reserve accounts. These amounts are available to be refunded to the municipalities and will be distributed proportionally based on premiums contributed to the prior risk sharing pool.

For the Municipality of South Huron, the amount withdrawn is \$54,526.00. As this is a one-time withdrawal, the municipal consortium recommends the funds be transferred to reserves and not be used for ongoing costs.

Legal Impact:

There are no legal implications as a result of the actions outlined in this report

Staffing Impact:

There are no staffing implications as a result of the actions outlined in this report

Consultation:

Huron-Perth-St Marys Benefits Consortium
Sandy Becker, Director of Financial Services

Related Documents:

None

Respectfully submitted,

Dan Best, Chief Administrative Officer/Deputy Clerk