



Meeting Date: June 5, 2024

Prepared By: Tiffany Farrell, Director of Corporate Services

Report No: CPS-36-2024

Subject: Employee Benefits Review

Recommendation:

THAT Report CPS-36-2024, re: Employee Benefits Review be received;

AND THAT Council approves the enhancements to the benefit program as outlined in the report below for employee benefit plan 11418A and B for July 1, 2024;

AND THAT Council approves the enhancements to the benefit program as outlined in the report below for employee benefit plan 11418A and B for December 1, 2024;

AND THAT Council approves the enhancements to the benefit program as outlined in the report below for employee benefit plan 11418A and B for March 1, 2026;

AND FURTHER THAT the Director of Corporate Services be directed to budget for the use of the Employee Benefits Reserve Fund in the 2025 and 2026 budgets for \$18,666.72 and \$27,909.72 respectfully to fund these improvements.

Purpose:

To inform council of the changes that have been implemented in our benefits program for 2024 related to long-term disability (LTD), life insurance and Accidental Death & Dismemberment (AD&D) and health care spending account (HCSA).

Additionally, to make a recommendation to Council regarding proposed enhancements to the employee benefit plans over the next three years. Accordingly, the proposed changes will be effective July 1, 2024, December 1, 2024, March 1, 2026.

Background:

Middlesex Centre has an ASO (administrative services only) benefit plan. Which means it is a self-funded health care plan, essentially Middlesex Centre provides health and short-term disability benefits to employees using our own funds. This change was made approximately 15 years ago, and it has been very positive for Middlesex Centre. The only aspects of our plan that are insured are our healthcare claims per individual greater than the stop-loss attachment (currently \$10,000), life insurance, LTD and AD&D. At that time, council also created the employee benefits reserve fund which is funded by the surplus generated each year for underspending on the employee benefits and associated health care spending accounts (HCSA). The fund is to be used to support employee benefits/initiatives.

The Middlesex Centre health care spending account (HCSA) was established in 2009. The HCSA is a fund of \$600 per employee per year, to be used for any CRA approved health and dental-related costs not covered by our current benefit plan. The unused portion of the fund carries over one year and at the end of the second year any unused funds at that point are returned to the Municipality. The employee benefit plan was last reviewed in detail in 2016.

The employee benefit policy renewal is March 1 of each calendar year. The 2024 renewal overall change in premium for the program is 10% with the health care program (specifically biological drug usage) leading the increase. Middlesex Centre Staff included this increase in the 2024 budget as approved by Council on December 20, 2023.

Analysis:

Staff have been working in 2024 on improvements to the current employee benefits program. To date, three items have been reviewed, with two improvements being completed by staff to date, while the third is being proposed for council approval.

1. LTD, Life Insurance and AD&D Improvements

In 2024, staff reviewed the LTD, Life Insurance and AD&D coverage and costs. Staff worked with our benefits broker, Selectpath to obtain a more competitive price on our LTD, Life insurance and AD&D policy. Middlesex Centre was in a 3-year price guarantee that ended February 29, 2024. Selectpath secured updated pricing that was 11.8% lower than the proposed increased premium. Middlesex Centre has moved providers to secure the lower rates and there was no impact on employees due to this change. These rates are guaranteed for 24 months.

Additionally, along with lower rates, the maximum coverages for LTD and life insurance have increased, which brings current employees in line with coverages as included in our long-term disability policy. The coverage provides monthly income of 75% of the employee's pre-disability monthly income up to the maximum amount set out in the

benefit policy. The maximum set out in the benefit policy is now \$13,000 for LTD with medical evidence required for coverage greater than \$8,200.

2. Health Care Spending Account Improvements

Middlesex Centre offers an HCSA to help our staff manage health expenses, including many that are not covered under the insured plan - examples include: co-pay amounts, laser eye surgery, fertility treatments, etc. In 2024, staff improved the process for submitting claims by combining the HCSA with our regular benefits program. This resulted in staff having only one benefits card and one certificate number to remember. Additionally, when submitting a claim electronically via the RWAM Mobile App or the RWAM Plan Member Website, staff now have the option to indicate whether they would like any unpaid balance to be processed under their HCSA by simply checking the selection box.

3. Diversity Equity and Inclusion (DEI) Review

Throughout the Municipality of Middlesex Centre, we support diversity, equity and inclusion in all of its forms. Middlesex Centre developed its first Diversity, Equity and Inclusion Policy and supporting strategy in 2022. As part of our 2024 initiatives under hiring and employee retention, staff undertook a review of the employee benefits program to ensure it is equitable and inclusive. Gender and gender identity, neurodivergences, ethnic background, socio-economic levels, sexual orientation, visible and invisible disabilities, and so many more origins and foundations of life that are often not referred to in traditional benefits plans must be considered when we make these decisions.

This is not a small feat to tackle, and this report is just a start in addressing these DEI gaps in our benefit plan. Overall, DEI starts with consistency and a one size fits all approach doesn't work. By only picking one or two items that are missing from the plan, we consequently ignore everything else. The three-year plan being proposed tries to address this challenge by listening to our staff and what their needs are. However, to prioritize a DEI strategy when it comes to benefits, the entirety of DEI must be addressed and welcomed, which is why we will continuously request feedback from our team members and improvements will be reviewed on a go-forward basis.

To make an informed recommendation on changes to the plan, it was determined the first step would be to obtain feedback from all employees on the benefit plan which is attached to this report. DEI is personal, and only our staff will know what they need in terms of benefits to support their needs. Staff launched an employee benefits survey with all full-time municipal staff. The results of the survey are attached to this report (A1 Middlesex Centre Employees - Healthcare Survey Results 2024). The results were positive, with most staff being satisfied with the current benefit program. There were some suggestions which are outlined in this report.

Second, staff met with Selectpath in the fall of 2023 to discuss reviewing the benefits program under a DEI lens. During these meetings staff discussed industry practices and standards on benefits, and the changing benefit landscape with respect to benefits that are not covered and have been classified historically as “lifestyle choices” and therefore no coverage, or very little coverage, was offered. Staff are recommending improving our plan for inclusivity and propose that some new benefits be added or modified within our current plan.

There is a lot of value to aligning DEI into our benefit program as a tool for not only attracting and retaining talent, but also for reflecting the diversity of the world we live in. Ensuring benefit coverage for the items noted below can go a long way in supporting people looking to manage their lives and creating a more inclusive work environment for our employees. The new medications and benefits proposed will improve the overall health of our employees, which not only assists them in their lives, but ensures that they are healthy and able to be productive employees for the organization. It is important to understand that many people still face bias and stigma at work and in their personal lives related to their specific needs, so ensuring the work environment is inclusive for all people is extremely important. Unfortunately, it is common that many of the items noted below are not included in benefit programs and as such they lack comprehensive benefits covering lifestyle programs, dietitians, psychotherapy, and medications to address these concerns for individuals who may need these to support their health.

Supporting well-being and helping employees manage their health is becoming one of the essential elements of sustained organizational growth. It is important to realize that to maintain and improve corporate performance, we need to understand the health of our employees and support our workforce to live healthy lives. By understanding and being supportive, others will always have a different lived experience than our own and incorporating these experiences with our strategy to support our team members, we can improve as an organization.

Recommendations:

Staff are recommending a three-year plan for improvements in the employment benefits program. Although the Municipality does offer a HCSA, which provides flexibility, it is not material enough when thinking about gender affirmation or other personal experiences any employee could face. The goal overall is a flexible plan that is free of the inherent biases which deter individuals from utilizing their benefits, allow members choice, access and personalization based on lived experience.

Year 1 – 2024

Staff are recommending the addition of new benefits to the program. In an effort to minimize the financial impact, staff are recommending implementing these new benefits solely to employees at this time. These benefits are limited to what the CRA and our benefit carrier approves as eligible costs as they are bound by the Income Tax Act.

- Gender Affirmation
 - coverage for certain gender-affirming procedures not covered by provincial/territorial health plans to help people with their gender affirmation journey performed in Canada. Lifetime maximum of \$5,000 per employee.
- Treatment of medication for obesity
 - coverage for treatment or medication for obesity that are approved for individuals under a doctor approved program. Lifetime maximum of \$5,000 per employee.

Staff are also recommending improvements that are already included in our benefits program, and these would be applicable for employees and their families.

- Smoking cessation products
 - increase in benefit from \$300 lifetime maximum (prescription required) to \$1,000 lifetime maximum (prescription required).
- Hearing aids
 - \$500 every 5 years to \$1,500 every 5 years.
- Vision coverage
 - increase benefit from \$400 every two years to \$500 every two years.
- Major restorative dental benefits
 - increase benefit from \$2,000 per calendar year to \$2,500 per calendar year.
- Orthodontic dental benefits
 - increase benefit from \$2,000 per calendar year to \$2,500 per calendar year for eligible dependents.

Costs for these new/modified benefits is unknown at this time. For the two new benefits, only the employee will be eligible to receive this benefit (not family members). This will be reviewed once we have more data on the cost impacts. Currently, staff are estimating an increase of \$5,000 a year for the new benefits.

Based on historical usage of smoking cessation and hearing aids, the expected increase is estimated under \$1,000 per calendar year.

All staff have access to \$400/year for vision coverage. It is assumed that the additional \$100/every two years will be spent by the existing staff for their vision coverage. The average vision coverage a year is \$16,229, which would be 40.5 people spending \$400/year, therefore we would assume the 40.5 people would spend the additional \$100, totalling \$4,057.25/year.

All staff have access to approximately \$2,000/year for major restorative dental benefits. For 79 employees this would be \$158,000 in eligible benefits. However, on average only \$4,752 is spent each year, which is approximately 3% usage. Costs for this increase is expected to be 3% of the total employee population using it (79 people times 3% is 2.37 people), therefore 2.37 people x \$500 increase per person, or \$1,185.00 per year.

All staff have access to approximately \$2,000/year for orthodontic for dependents. For 79 employees this would be \$158,000 in eligible benefits. However, on average only \$3,562 is spent each year, which is approximately 2.3% usage. Costs for this increase is expected to be 2.3% of the total employee population using it (79 people times 2.3% is 1.78 people), therefore 1.78 people x \$500 increase per person, or \$890.38 per year.

Year 2 – 2025

When expanding how we look at DEI with respect to benefits as discussed above, it is important that we are aware of individual needs of our staff. The staff survey outlined that there were a variety of benefits people were requesting including additional orthotics coverage. In reviewing the requests, the best way to accomplish an improvement to benefits that have a positive impact on all staff is to increase the HCSA. The HCSA is a way to provide flexible benefit coverage to our team members based on their individual needs. To be eligible to be covered under the HCSA, the cost must be a CRA approved expense. Staff are provided with the following information as it changes from time to time.

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/lines-33099-33199-eligible-medical-expenses-you-claim-on-your-tax-return.html>

Some staff have requested that the HCSA be used for items that are not included in the CRA listing. This would not be considered a HCSA, rather it would be a personal spending account (PSA) and it would be a taxable benefit. Staff are not recommending that this new benefit be implemented at this time as the current focus is on employee health benefits. A HCSA is only used as required for CRA approved medical and dental expenses.

Staff are recommending that the HCSA be increased by 30% or \$180. This would increase the HCSA from \$600 to \$780/year.

The HCSA runs from December 1st to November 30th of the following year. Staff are recommending this change be implemented for December 1, 2024.

The usage rate for the HCSA is approximately 45.95% each year. Therefore, the expected costs for this increase are expected to be 45.95% of the \$180 increase per person, or \$6,534.09 based on 79 employees on benefits.

Year 3 – 2026

In 2016, the Municipality completed a comprehensive review of its benefits plan and subsequently made changes to the plan. As part of this change, the Municipality combined 8 paramedical services which each had \$500 of funding (\$4,000 in total) into a combined group with a total value of \$2,000. Registered massage therapy and chiropractic was excluded from the combined value and remained at the \$500.

Based on the results from the staff survey, it appears that the majority of the staff are requesting an increase in the amount provided for the paramedical services. As noted above, the last time benefits were fully reviewed was 2016. Costs for the services covered in the paramedical coverage has increased since that time. The average CPI increase from 2012 to 2022 is 2.2%, an approximate 22% increase over the last 10 years.

Our current benefits include:

\$2,000 combined per calendar year for the following services:

- Osteopath
- Naturopath
- Podiatrist/ Chiropracist
- Speech Therapist
- Psychologist
- Physiotherapist

\$500 per calendar year for

- Registered massage therapist

\$500 per calendar year for

- Chiropractor

Staff are recommending the following increase for the paramedical services for March 1, 2026:

\$2,250 (increase of \$250) combined per calendar year for the following services:

- Osteopath
- Naturopath
- Podiatrist/ Chiropracist
- Speech Therapist
- Psychologist
- Physiotherapist

\$600 (increase of \$100) per calendar year for

- Registered massage therapist

\$600 (increase of \$100) per calendar year for

- Chiropractor

The recommended increase is due to increasing costs of services since 2016.

Currently, all staff have access to approximately \$3,000/year for paramedical benefits. For 79 employees this would be \$237,000 in eligible benefits. However, on average only \$62,535 is spent each year, which is approximately 26% usage. Costs for this increase is expected to be 26% of the \$450 increase per person, or \$9,243 based on 79 employees on benefits.

Conclusion

Competitive compensation practices, inclusive of benefits are imperative to ensure the Municipality remains competitive in the recruitment and retention of employees. However, more importantly, embracing a culture of DEI and supporting our staff's individual needs and removing barriers to increased health and wellbeing is essential for a healthy organization. Staff have developed a plan that balances increased health care coverage for our team and the financial impacts to the organization.

Financial Implications:

Estimated increase in benefits (excludes the new benefits proposed with no historical data to include):

2024: \$12,132.63

2025: \$12,132.63 + 6,534.09 = \$18,666.72

2026: \$18,662.72 + 9,243.00 = \$27,909.72

Increase in Benefits cost is estimated at \$58,709.07 to be funded from the Employee Benefits Reserve which has a balance of \$363,473.64 on May 31, 2024.

Strategic Plan:

This matter aligns with following strategic priorities:

- Responsive Municipal Government

This report responds to Objective 5.3 – Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

Attachments:

A1 Middlesex Centre Employees - Healthcare Survey Results 2024