

Date: May 2, 2023	Originator's files:
To: Mayor and Members of Council	
From: Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer	Meeting date: May 17, 2023

Subject

Delegation of Authority for the Operation of Certain City Bank Accounts for the City's Long-Term Disability Program

Recommendation

That a By-law be enacted authorizing the Director of Finance and Treasurer and the City Clerk or designate to jointly authorize and execute agreements and any necessary amendments and ancillary documents, in a form satisfactory to Legal Services, as may be necessary to provide Sun Life Assurance Company of Canada access to certain newly created City bank accounts for the purposes of administering the City's long-term disability program.

Executive Summary

- The City is modifying the funding arrangement of its long-term disability (LTD) program with Sun Life Assurance Company of Canada (Sun Life), moving from a fully insured program to an administrative services only (ASO) program. This shift is expected to generate long-term cost savings to employee and employer paid premiums in the plan.
- As part of this program change, Sun Life will operate two (2) City bank accounts to administer the LTD program.
- Council approval is required to delegate authority to Sun Life to administer these City bank accounts.

Background

The City's long-term disability (LTD) program has historically been administered as a fully insured plan through the City's insurance carrier, Sun Life Assurance Company of Canada (Sun Life).

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With an insured arrangement, the carrier determines the applicable premiums with little or no input from the employer to fund the LTD program. These calculations take into account reserves required to manage the claims depending on the duration, which can be overstated. Once the premiums are established, the employer then collects employee-paid premiums through payroll deduction (for non-taxable plan), and where applicable under a collective agreement, employer-paid premiums through the operating budget (for taxable plans), and remits the established amount to the vendor on a monthly basis. The carrier is then responsible for managing the claim process including the payment for an employee on LTD while assuming full liability for all risks during the life of the claim.

Comments

As part of PRC002928 - Employee Group Benefits Provider, an in-depth analysis was completed by Human Resources in partnership with Finance, in which Sun Life was the successful bidder and the City made the decision to transition the LTD program from a fully insured plan to an administrative services only (ASO) plan. This change was previously shared with Council on October 6, 2021 in the closed session report entitled "Total Rewards Recommendations for 2022".

Under an ASO plan, Sun Life will continue to administer the LTD plan with the City having more control and flexibility to establish the premiums for both employee and employer paid plans; however, the liability of the plan and payments would be remitted by the City. Over the long run, the transition to an ASO plan for the City's LTD benefits will further reduce the cost of the program for both employees who pay premiums through a payroll deduction, and employer paid premiums where applicable under a collective agreement.

As part of its operation of the LTD ASO program, Sun Life is responsible for administering payments to employees on LTD and third parties on behalf of the City. Staff have created two bank accounts segregated from the rest of the City's funds to administer the LTD program. In order to operate these accounts on behalf of the City, Council approval and an enacted By-law is required to authorize the City Treasurer and City Clerk, to execute agreements or other instruments and documents with the City's banker (CIBC) to provide third party access to these bank accounts to Sun Life.

To properly safeguard the City's assets, a number of controls will be implemented upon the commencement of the program in July 2023:

- The approval of a payment by Sun Life will be different than the individuals responsible for the release of payment. Additional segregation of duties similar to those in place at the City are in place at Sun Life;
- Cheque activity will be monitored on a daily basis and enhanced fraud detection practises to review cheque encashment will be implemented;
- A bank reconciliation will be performed monthly by Sun Life and separately by City staff to monitor balances;

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- Employee Health Services staff will monitor claim payments to ensure all payments are authorized and appropriate within the context of the claim.

Financial Impact

There are no financial impacts resulting from the Recommendations in this report.

Conclusion

The transition from a fully insured LTD plan to ASO will reduce the costs of the City's LTD plan for both employees and the City. In order to administer the LTD ASO plan, Council approval is required to delegate the operation of two bank accounts to Sun Life.



Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer

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