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EMPLOYEE BENEFITS PROVIDER

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, October 8, 2008, from the Commissioner of Corporate Services:

1. RECOMMENDATIONS

It is recommended that:

1. A contract be awarded to Sun Life Financial to provide the York Region employee benefit plans.

2. The Regional Chairman and Regional Clerk be authorized to sign the necessary agreement with Sun Life Financial for the provision of Employee Benefits, subject to review by Legal Services.

2. PURPOSE

This report outlines the evaluation process undertaken to substantiate the recommendation that Sun Life be engaged to continue the provision of the Region's employee benefit plans.

3. BACKGROUND

Region's benefit plans marketed to the Canadian insurance market

The Region provides negotiated employee benefits plans for its staff. Sun Life is the current provider for life, extended health and dental coverage and long term disability benefits.

The Town of Markham and the Town of Newmarket participate with York Region in a pooled benefit group, an arrangement which enables them to receive the benefit of large group numbers in the pricing for their benefits plans.

It is an acceptable standard in the group benefit marketplace to conduct a market survey every five years to ensure that the most competitive financial arrangements are made for the benefit programs. Accordingly, marketing specifications were released to the broad competitive marketplace by the Region's Benefits Consultants, Buffett Taylor & Associates in February 2008.

Strong response to the request for proposal

The marketplace showed significant interest in the account. Quotations were received on the full benefits package from Sun Life, Manulife, Desjardins and Great West Life. One carrier, Green Shield, submitted a quotation for only the health and dental portion of the business. The remainder of those to whom the RFP was sent declined to quote for a variety of reasons, most because they were unable to meet the complexities of the pooled group and the variety of plan designs.

Substantial analysis of the proposals was conducted by Buffett Taylor & Associates on behalf of the pooled benefit group. Each municipality conducted an individual review of the summation of the proposals then met as a committee, together with the Purchasing Managers of York Region and the Town of Newmarket, to conduct a joint review and analysis based on comprehensive, weighted evaluation criteria.

The final step of the evaluation was to give each of the five proponents an opportunity to conduct presentations for the evaluating committee and Purchasing Managers. This forum also enabled an interview process for questions about the written submissions to complete the full review process.

4. ANALYSIS AND OPTIONS

Respondents evaluated on technical merit

A weighted evaluation criteria was developed by the umbrella group based the following seven categories:

1. General requirements
2. Benefit management/administration (service related)
3. Reporting capabilities
4. System technology requirements
5. Financials
6. Plan design
7. Finalist presentation

Each of the above criteria was broken down into several aspects. Next to the financial response, the benefits management/administration criteria was the most heavily weighted as it is essential that the benefits carrier is able to provide accurate claims adjudication within acceptable timelines and be accountable to each member of the pooled benefits group through a dedicated service team. Also of very high importance in the evaluation was the ability of each proponent to provide an exact duplication of each municipality’s existing plan design, schedules and policy provisions. This is extremely important where the benefits provided are as the result of negotiated Collective Agreements. Another important aspect of the evaluation was each carrier's ability to interface with the system technology of each municipality.

The following table summarizes the technical points assigned to each proponent.

Table 1
Technical Point Awards

Proponent	Technical Points
Sun Life Financial	780.6
Manulife Financial	763.5
Great West Life	756.4
Desjardins	712.5
Green Shield	543.6

5. FINANCIAL IMPLICATIONS

Sun Life's proposal provides the best financial arrangement

The Region's benefit plans are a combination of fully insured and ASO (administrative services only), whereby the Region incurs all the costs of the benefit claims and engages a carrier to administer the plan. This combination of financial arrangements coupled with involvement of the Towns of Markham and Newmarket in the benefit plans, makes the quotation from the insurance carriers very complex. Each element must be quoted based on the financial arrangement in place, and separately for each participating member of the group.

Key to the selection of a benefits plan provider, once all the technical aspects have been satisfied, is which carrier is able to provide the best price. After very thorough review it was determined by the evaluation committee that Sun Life's quotation offered the best price for each member of the pooled benefit group.

6. LOCAL MUNICIPAL IMPACT

As previously mentioned, the Towns of Markham and Newmarket participate with York Region in a pooled benefit group. This arrangement enables Markham and Newmarket to receive pricing for their benefits plans normally available only for large groups. It also enables them to participate in a self-insured arrangement for the long-term disability benefit which is a funding arrangement only available for large groups. The Region's numbers provide the critical mass for the advantageous plan pricing.

Both Markham and Newmarket participated fully in developing the evaluation criteria, rating each proposal and selecting the preferred carrier and will be making recommendations to their respective Councils for Sun Life to be awarded the business.

The selection of the benefits carrier for the pooled benefit group will have no impact on the remaining municipalities.

7. CONCLUSION

Sun Life's insured premium rates and ASO expenses for the health and dental coverage and long term disability are competitive relative to the group insurance marketplace and represent the best financial arrangement for each member of the pooled benefit group. Sun Life also scored the highest points for technical merit based on very comprehensive evaluation criteria. The favourable combination of price and technical product substantiate the recommendation that Sun Life be selected as the carrier for York Region's employee benefit plans.

For more information on this report, please contact Nancy Paterson, Manager, Employee Services at Ext. 1264.

The Senior Management Group has reviewed this report.