

Committee of the Whole (1) Report

DATE: Tuesday, November 28, 2023

WARD(S): ALL

TITLE: GROUP BENEFITS SINGLE SOURCE – CANADA LIFE:
FINANCIAL IMPLICATIONS

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To seek approval to proceed via Single Source procurement of group benefits for City Staff and the Mayor and Members of Council, pending a competitive procurement that is planned to be undertaken in 2024-2025.

Report Highlights

- The City has been in contract with Canada Life for the provision of health benefits for City Staff, the Mayor and Members of Council for over 15 years.
- The contract with Canada Life renews annually at the end of each calendar year.
- In 2023, the Office of the Chief Human Resources Officer began preparations to undertake a competitive process for the procurement of health benefits. This process will take some time and it is anticipated that the City will be in a position to go to market in 2024 and implement in 2025.
- A Single Source procurement will allow the City to continue with Canada Life on an interim basis to ensure that benefits continue to be available to City Staff, the Mayor and Members of Council.

Recommendations

1. That Council direct Staff to proceed with a Single Source Procurement with the identified Supplier, Canada Life (for a period of 1 year, with two optional 1-year renewals), for the provision of group benefits for City Staff, the Mayor and Members of Council at a cost that is yet to be negotiated with the vendor.

Background

The contract for group benefits runs from January 1st to December 31st each year. Due to a recent change in the Corporate Procurement policy language introduced in July 2023, the City is required to competitively procure the services. To allow time for issuance of a competitive bid and accommodate potential implementation service requirements (should the bid result in awarding to a new supplier), it is recommended to single source the services from Canada Life to allow for continuity of services. The single source request is for a term of one year plus 2 optional one-year extension periods to be exercised at the discretion of the City.

Previous Reports/Authority

n/a

Analysis and Options

The City's contract with Canada Life to provide group benefits for our staff and the Mayor and Members of Council has been in place for over 15 years. The contract has been renewed each January 1. Typically, the insurer provides an estimate for premiums to be paid for the coming year which are then negotiated with the support of the City's contracted group benefits consultant to ensure the most advantageous pricing while maintaining our obligations in providing group benefits to City staff and the Mayor and Members of Council.

The City's group benefits contract provides coverage in the following areas:

- Pay Direct Drug
- Dental
- Hospital Benefit
- Paramedical (chiropractic, massage, acupuncture, psychological, etc.)
- Long-Term Disability Income Benefits
- Employee and Family Assistance Program

Approximately 2000 City employees are covered for benefits including the Mayor and Members of Council.

In 2023, the Office of the Chief Human Resources Officer (OCHRO) began making preparations to undertake a competitive bid process. This task was added to OCHRO's project plan in 2023/24. Key OCHRO staff are presently undertaking key activities towards operationalizing the project plan towards meeting the objective of going to market in 2024 and implementing it through 2025.

An interim solution is needed due to the length of time required to prepare for the competitive bid process in the open market which may take upwards of 24 months to complete. With the change in Procurement policy language in July 2023, there wasn't time to complete the process by January 1, 2024, which is when the current contract with Canada Life ends.

In accordance with the new Corporate Policy, Staff seek authority to enter into an interim Single Source award pending the competitive procurement. This will permit Staff the time and opportunity to prepare the comprehensive bid documents that will be required and ensure the best value for the corporation. A Single Source Procurement is one where other suppliers are available; however, there are valid and sufficient reasons for selecting one Supplier in particular. The City's Procurement Policy provides criteria which must be met to procure via Single Source Procurement. Given the impending renewal date of December 31, 2023, and given that the services were purchased before a required formal Procurement process was initiated and completed through Procurement Services, it is the Director of Procurement Services' determination that this justifies the use of Single Source Procurement in this case. The Procurement Policy further provides the City protection in that a Single Source Procurement must be undertaken to obtain the Best Value for the City.

Given the anticipated amount of the award, Council must first approve proceeding via Single Source Procurement.

Financial Impact

Funding for employee benefits is included in the departmental operating budgets of both the City's tax-supported and rate-supported operations. The total budget for employee benefits, which include the employer portion of the Canada Pension Plan (CPP), Employment Insurance (EI) and Group Pension (OMERS); as well as Employee Group Benefits, Employer Health Tax and Workers' Compensation is calculated at 32.2% of full-time salaries plus 12.4% of part-time salaries. Employee Group Benefits represent approximately 33% of total employee benefit costs and are charged to general ledger account 230809.7017.

Once the contract has been executed, Staff will report back with details including the negotiated price. In the meantime, Staff have provided a Confidential Memorandum to Mayor and Members of Council [Attachment 1] detailing the negotiation plan.

Operational Impact

A Single Source procurement will allow the City to continue with Canada Life on an interim basis to ensure that benefits continue to be available to City Staff, and the Mayor and Members of Council.

Broader Regional Impacts/Considerations

n/a

Conclusion

Staff recommend that Council direct them to proceed via Single Source Procurement for the provision of health benefits for City Staff, the Mayor and Members of Council from Canada Life for a period of one year, with two optional one-year renewal periods to permit City Staff the time to prepare a competitive procurement for 2024-2025.

For more information, please contact Robert Orrico, Manager, Occupational Health, Safety & Wellness, x. 8291

Attachment

1. Confidential Memorandum from Legal Services to be provided to Mayor and Members of Council under separate cover.

Prepared by

Robert Orrico, Manager, Occupational Health, Safety & Wellness, x. 8291.

In Consultation with

Pooja Nagra, Director of Procurement Services, ext. 8306.

Louise Vrebosch, Deputy City Solicitor, Litigation & Municipal Law, ext. 8969.

Approved by



Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and CFO

Reviewed by



Nick Spensieri, City Manager