

IMPLEMENTATION OF THE ILLNESS OR INJURY PLAN

Date:	April 26, 2010
To:	Employee & Labour Relations Committee
From:	City Manager
Wards:	All Wards
Reference Number:	

SUMMARY

This report provides information on the implementation of the new Illness or Injury Plan (IIP) for TCEU Local 416 and CUPE Local 79 as provided for in the new collective agreements ratified in July 2009.

Financial Impact

The Special Payouts of a one-time payout expenditure of approximately \$20.0 million were processed for the pay date of February 18, 2010, with some additional payouts processed on March 4, 2010. The Special Payouts were funded through the Employee Benefits Reserve.

The net reduction in current and future sick leave liabilities as a result of the implementation of the new IIP and one time payout is approximately \$174.1 million. This amount is broken down as follows:

Illness Plan – Reduction in Liability

	Local 79	Local 416	Total
Past Service, Reduction in Liability	\$13.7	\$13.7	\$27.4
Future Service Cost Savings (Present Value)	\$27.2	\$15.2	\$42.4
Future Savings Attributable to New Hires (Present Value)	\$84.2	\$40.1	\$124.3
Total	\$125.1	\$69.0	\$194.1
Less Cost of One-time Special Payout	(\$9.6)	(\$10.4)	(\$ 20.0)
Net Liability Savings (past service reduction and future service cost savings)			\$174.1

The sick leave liability for the City of Toronto (excluding its ABCs) is \$243 million as at December 31, 2009. This reflects a reduction of \$36 million from the sick leave liability as at December 31, 2008, which was \$279 million. Details regarding the City of Toronto's benefit liabilities will be reported to the Audit Committee through the City of Toronto's consolidated financial statements in June.

Buck Consultants, the City of Toronto's benefit actuaries, have determined all liability and savings figures reflected above.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

ISSUE BACKGROUND

On July 31, 2009, the City of Toronto ratified new collective agreements with TCEU Local 416 and CUPE Local 79. The new collective agreements provided for a new Illness or Injury Plan (IIP) to replace the existing Sick Pay Plan (SPP) for all employees hired after July 31, 2009, the date of ratification. In addition, all existing employees in a Short Term Disability (STD) plan were transferred to the new IIP effective January 1, 2010 and all employees in an SPP who were hired on or before the date of ratification were provided with a one time option to transfer to the new IIP and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement.

The introduction of a new IIP plan was one of the key objectives of the City in the 2009 collective bargaining negotiations. This was due to Councils direction for the 2009 negotiations as well as recommendations from the Auditor General to contain the growing cost of benefits. Eliminating the SPP for new employees and providing a one time option for existing employees to switch to the new IIP was a way to contain the growing sick leave liabilities.

Implementation:

The implementation of the new IIP was a complex process involving six major stages, which was rolled out over a six (6) month period.

Stage	Item	When
1	IIP Website & Employee address update	September
2	Mail out Information Packages & Election Forms	October
3	Information Sessions across the City	October/November (weeks of Oct 19, 26, November 2, 9 and 16)
4	Due date for all employees to submit their election notice	November 30, 2009
5	Implementation	December/January
6	Special Payout/Payment	February 2010

1. IIP Website/Employee Address Update – the implementation was launched on September 21, 2009, with a series of communications to all divisions providing information on new IIP.

On September 23, 2009, a new website was launched that provided complete information for employees. The website was accessible either internally and from home through the City's external website address. The information included implementation time-lines; full description of the new IIP; FAQs; IIP presentations; and an Estimator for employees to calculate the amount of their Special Payout.

2. Mail Out of Information Packages - The letters and information packages were prepared in consultation with Local 416 and Local 79. The letters were prepared and distributed to all employees on October 8 and 9, 2009.
3. Information Sessions – Information sessions were scheduled for employees of Local 416 and Local 79 during the weeks of October 19, October 26, November 2, November 9 and November 16. There were a total of 67 sessions held at 26 different work locations across the City. The locations included: the 7 civic centres; TFS/EMS Headquarters and Training Academy; 7 Yards; and 10 Long Term Care Homes. The sessions were attended by over 5,400 employees.
4. Election Form Deadline Date: The original deadline date that was negotiated by the parties during collective bargaining was November 18, 2009. However, as we approached that date, we were still holding information sessions up to November 16, 2009, and both the Unions and the City were continuing to receive a large volume of inquiries for information. As a result, to ensure that employees had a full opportunity to make informed decisions, there was agreement with both Local 416 and Local 79 to extend the deadline to November 30, 2009.

COMMENTS

The implementation of the new IIP has involved a significant amount of work and cooperation across divisions and sections throughout the organization, including: Pension, Payroll & Employees Benefits; Finance & Administration Communications; Employee & Labour Relations; and Legal Services. In addition, there has been extensive consultation and cooperation from Local 416 and Local 79 to ensure that employees received enough information to provide a thorough understanding of the sick plans and the options available to them.

Implementation Results:

The implementation of the IIP has resulted in approximately 40% of permanent employees being removed from the SPP and STD plans and being transferred to the new IIP plan. The transfer of these employees, in addition to all new employees automatically

being enrolled into the IIP, has resulted in a reduction in the City's sick leave liabilities and a significant future savings.

Breakdown of Results:

The following provides a breakdown of the IIP results for the Local 79 full-time and Local 416 bargaining units. There were also options provided to employees covered by the Long-term Care Homes & Services (LTCH&S), Part-time, Collective Agreement to elect to stay in their current SPP or transfer to the new IIP. However, since this group of employees does not have access to a sick bank payout upon termination/ retirement, they are not included in the results.

A total of 17,571 employees were eligible to elect to transfer to the IIP, which includes 11,462 from Local 79 and 6,109 from Local 416.

Local 79 Full-Time and Local 416 Results:

Total Employees moving to IIP on January 1, 2010:	7,215
(Includes 449 employees who are on STD and will automatically be transferred to IIP)	
Reflected as a percentage of the total base figure:	40%

IIP Breakdown by Bargaining Unit as follows:

TCEU Local 416 moving to IIP:	2,785
Reflected as a percentage of Local 416 base figure:	46%
CUPE Local 79 full-time unit moving to IIP:	3,981
Reflected as a percentage of Local 79 base figure:	35%

All of the above noted efforts has helped the City achieve a successful implementation of a new Illness or Injury plan within a very tight timeline. Throughout this process, City staff ensured that they worked collaboratively with both CUPE Local 79 and TCEU Local 416. These efforts have resulted in 40% of permanent employees transferring to the new IIP and the elimination of the SPP for all new employees of CUPE Local 79 and TCEU Local 416, hired after July 31, 2009.

The City of Toronto has reduced its sick leave liabilities and eliminated the sick pay plan for new employees of Local 79 and Local 416, based on Councils direction for the 2009 negotiations.

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