

**Management’s Response to the Auditor General’s
Employee Benefits Review**

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Dis-agree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
1.	The Director, Pension, Payroll and Employee Benefits, in consultation with senior management representatives of the City’s Agencies, Boards and Commissions, review and consider the cost-effectiveness of expanding the current City of Toronto benefits umbrella to include other City of Toronto Agencies, Boards and Commissions.	X		<p>The City of Toronto has secured very reasonable administrative fees with the benefits carrier. These rates are guaranteed until December 31, 2010.</p> <p>In developing these rates, the benefits carrier reviews the benefit policies, administrative practices, utilization, claims patterns, demographics and mortality rates. All of these factors along with the benefit carrier already having the infrastructure in place to support the City’s plans impacts the development of the administrative fees.</p> <p>Although we do not feel there are significant savings to be achieved by the City directly, there may be savings for the individual ABC’s. Currently the following ABC’s are included in the City’s contract with Manulife:</p> <ul style="list-style-type: none"> ▪ Exhibition Place ▪ Hummingbird Centre ▪ Toronto Library ▪ Toronto Zoo ▪ Yonge & Dundas Square 	<p>The Director of Pension, Payroll & Employee Benefits will consult with senior management representatives of the City’s ABC’s in order to review and consider the cost effectiveness of expanding the current City of Toronto benefits umbrella to other City of Toronto ABC’s, i.e., TTC, Toronto Police.</p> <p>Timing: The review will be completed by May 2009.</p>

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				Staff will meet with the senior representatives from Toronto Police and the TTC to review the cost effectiveness of expanding the current contract to include them. It will be necessary to conduct this review within the parameters of any existing contracts.	
2.	The Director, Pension, Payroll and Employee Benefits, continue to review cost containment initiatives for the purpose of identifying potential cost reduction opportunities related to employee and retiree benefit costs. The review should include the use of drug dispensing fee caps as well as the potential for deductible and co-insurance provisions.	X		<p>The action recommended is currently being done by the Division. The Benefits & Employee Services section, as part of its ongoing strategy, reviews the annual utilization costs of the City of Toronto’s Benefit Plans. In addition, staff benchmark other public sector organizations and remain up to date on insurance standards and general health care issues in Ontario.</p> <p>As a result, there is a continuous effort and awareness with respect to identifying benefit cost patterns and developing strategies to deal with these trends. However, staff are limited when implementing any changes to the benefit plans of unionized employees outside of</p>	The Director of Pension, Payroll & Employee Benefits will continue as currently done to review cost containment initiatives for the purpose of identifying potential cost reduction opportunities related to employee and retiree benefit costs. No further action required.

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				<p>the collective bargaining process. Staff provide information to each of the City’s unions and associations with respect to the costs of the benefit plans and potential cost containment mechanisms both during and after collective bargaining.</p> <p>We will continue as we have to review costs and explore all options with respect to cost containment. This review will include dispensing fee caps, deductibles and co-insurance provisions.</p>	
3.	<p>The Director, Pension, Payroll and Employee Benefits, give consideration to the formal documentation of an annual evaluation of benefit administrator performance.</p>	X		<p>The action recommended is currently being done by the Division. Staff in the Benefits & Employee Services section regularly reviews the performance of the benefits administrator. This is done in a number of ways, both formal and informal on an annual and quarterly basis.</p> <p>The City of Toronto has a Performance Standards Agreement in place with Manulife Financial which provides guarantees on claims processing turn-around times, financial statement production and financial accuracy. This agreement forms part of the</p>	<p>The Director, Pension, Payroll & Employee Benefits will continue to review the performance of the benefits administrator and maintain evidence of such reviews. No further action is required.</p>

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				<p>contract with Manulife Financial and there are financial penalties if Manulife does not meet these standards. This is reviewed annually.</p> <p>In addition, other internal measures have been created to identify any errors that may have occurred that do not form part of the Performance Standards Agreement. These include a quarterly review of actual claim cost data to ensure that it conforms to remittances charged and a verification of payments made to employees on LTD.</p>	