

Management/Non-union Employees, Accountability Officers and Elected Officials Benefit Plans

Date: July 7, 2020

To: Executive Committee

From: City Manager and Chief People Officer

Wards: All

SUMMARY

The purpose of this report is to provide recommendations regarding the proposed changes to the benefits plan for Management/Non-union employees, Accountability Officers and Elected Officials. The proposed changes outlined in this report arise from staff's review of the benefit plan changes, following the recently concluded collective bargaining with TCEU, Local 416 and CUPE, Local 79.

RECOMMENDATIONS

The City Manager and Chief People Officer recommend that:

1. City Council direct that the Active Benefits Plan for Management/Non-union employees, Accountability Officers and Elected Officials, be amended as outlined in Attachment 1 to this report.
2. City Council approve the requirements to provide medical certificates for Management/Non-Union employees as outlined in Attachment 1 to this report.
3. City Council direct that the Pre-65 Retiree Benefit Plan for Management/Non-union employees and Accountability Officers, be amended, where applicable, for employees who retire on or after August 1, 2020, as outlined in Attachment 1 to this report.

FINANCIAL IMPACT

Benefit Plans – Health, Parental Leave and Float Day

In 2019, the City spent approximately \$243.70 million on benefits (i.e., Health, Dental, Group Life Insurance and Long Term Disability) for employees and eligible retirees of the City of Toronto. Of that amount, the cost to provide health and dental coverage for Management/ Non-union employees, Accountability Officers and Elected Officials was approximately \$25.50 Million. Benefit Plans are funded through divisional operating budgets.

The implementation of the recommended changes to the Active Benefit Plan for Management/Non-union employees, Accountability Officers and Elected Officials, as of the effective dates recommended in the chart below, will result in some incremental increased costs for Health & Dental benefits. However, this increased cost is more than offset by the significant savings of \$2.3 million achieved through the changes in pregnancy/ parental leave top-up.

Incremental Additional Benefit Costs (in \$millions):

Item	Explanation	Effective Date	Gross Cost
Psychologist Services	<p>Effective April 16, 2020, increased the maximum amount from \$300 per person per benefit year to \$1,000 per person per benefit year.</p> <p>Expanded the psychologist services providers to include registered psychotherapist or a registered Masters of Social Work (MSW) practitioner who are members in good standing with their respective Colleges.</p> <p>To address the impacts of COVID-19 on the mental wellbeing of City employees, the City Manager approved the implementation of this increase in April 2020.</p>	April 16, 2020	\$0.325M
Vision	Effective August 1, 2020, provide an additional \$80 for one routine eye exam for every twenty-four (24) consecutive months.	August 1, 2020	\$0.233M
Dispensing Fee Cap	Effective August 1, 2020, the dispensing fee cap remains at \$9.00, with the exception of the dispensing fee cap for eligible compound		

Item	Explanation	Effective Date	Gross Cost
	drugs which shall be twenty-five (\$25) per prescription. The \$25 dispensing fee cap is the City's current practice, so there is no increase in costs	August 1, 2020	N/A
Medical Certificates	Effective August 1, 2020, enhance the information to be provided at 20 days and each subsequent 24 days of absence and will pay up to \$60 for completion of the City's Return to Work form.	August 1, 2020	\$0.014
Incremental Additional Benefit Costs			\$0.572M

Incremental Benefit Cost Savings (in \$millions):

Item	Explanation	Effective Date	Gross Cost
Parental Leave	Amended Supplemental Employment Benefits payments for pregnancy/parental leave – Effective for leaves that begin on or after January 1, 2021, the amount of the top-up for employees who take pregnancy and parental leave be increased from 75% of wages to 85% of wages (less EI benefits). Employees can receive the 85% top-up for up to 12 months or elect to spread the same dollar value of the top-up payments over a period of up to 18 months, so that all employees will have access to the same total amount of top-up entitlement. Currently, as a result of the 2017 change in Federal EI benefits, employees can receive the 75% top-up for the full 18-month period.	Effective for leaves that begin on or after January 1, 2021	(\$2.30M)
Erectile Dysfunction Drugs	Effective August 1, 2020, the Erectile Dysfunction medication be limited to 40 tablets every 3 months based on the first paid claim, unless there is a medically supported requirement that an employee receive a greater number of tablets. The benefit is currently unlimited.	August 1, 2020	(\$0.002M)
Orthotics and Orthopedic	Effective August 1, 2020, the number of Orthotics and Orthopedic Shoes for		(\$0.003)

Item	Explanation	Effective Date	Gross Cost
Shoes for dependents under 18 years of age	dependents 18 years of age and under be limited to 3 pairs per dependent per benefit year. The benefit is currently unlimited.	August 1, 2020	
Incremental Benefit Cost Savings			(\$2.305M)

Additional Item

Item	Explanation	Effective Date	Gross Cost
One additional Float Day	Effective August 1, 2020, increase the number of Float Days from 2 to 3.	August 1, 2020	\$2.16M Notional Cost within approved annual salaries (May require some incremental staffing to back-fill resources)

In addition, the health changes will flow through to the Pre-65 Retiree Benefit Plan, for Management/Non-union employees and Accountability Officers who retire on or after the date of Council approval, and who are entitled to pre-65 retiree benefits as outlined in the City Policy.

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

DECISION HISTORY

At its meeting on May 3, 2016, City Council considered a staff report dated March 31, 2016 with recommendations regarding the general annual salary range increase for Management/Non-union employees and Accountability Officers and the proposed changes to the benefits plan for Management/Non-union employees, Accountability Officers and Elected Officials:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX14.7>

At its special meeting on March 6, 2020, City Council ratified the collective agreement negotiated with CUPE, TCEU Local 416 and on June 29, 2020, City Council ratified the collective agreements negotiated with CUPE, Local 79. The proposed changes outlined in this report arise from staff's review of the wage increases and benefits plan changes, following the recently concluded collective bargaining with TCEU, Local 416 and CUPE, Local 79:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC17.1>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC22.4>

COMMENTS

Benefit Plans – Health, Parental Leave and Float Day

City Council has recently approved a five-year collective agreement for TCEU Local 416 on March 6, 2020 and with Local 79, which was ratified by the Union on June 27, 2020 and by City Council on June 29, 2020, which provided changes to the benefit plans.

In 2002, the City harmonized its benefit plans for non-union employees and elected officials. The harmonized benefit plan was approved by City Council in February 2002 and implemented following a period of notice on April 1, 2003. As part of this process, City Council directed that at the conclusion of each round of bargaining with the City's unions that the City review the benefit coverage for Management/Non-union employees, Retirees and Elected Officials to ensure that the benefits plan remained competitive. In 2003, 2005, 2012 and 2016, further amendments were made to the Management/Non-union employees, Accountability Officers and Elected Officials Benefits Plan after each round of bargaining with the City's unions.

The City of Toronto provides a comprehensive Benefits Plan for its Management/Non-union employees, Accountability Officers and Elected Officials that is comparable to other public sector employers and incorporates various cost containment provisions. The benefit plans are defined benefit plans which are subject to inflationary increases, depending on general Canadian health and dental increases. As a result, the costs related to the benefit plans increase annually.

In the case of health and dental benefit costs (claims only) for the Management/Non-union employees, Accountability Officers and Elected Officials the costs increased from \$21.28 million in 2018 to \$22.51 million in 2019, an increase of 5.8%. The following table provides a summary of the health and dental costs for the Management/Non-union employees, Accountability Officers and Elected Officials for 2017 to 2019:

Health and Dental Benefit Cost Trends (Claims only) – 2017 to 2019 Management/Non-union Employees, Accountability Officers & Elected Officials

	2017	% Increase 2017 to 2018	2018	2019	% Increase 2018 to 2019
Health	\$5.80	13.1%	\$ 6.60	\$6.70	1.36%
Drugs	\$7.40	-8.2%	\$6.80	\$7.70	13.4%
Dental	\$7.50	6.2%	\$7.90	\$8.20	3.0%
Total	\$20.70	3.0%	\$21.30	\$22.60	5.8%

Changes Negotiated in the 2020 Collective Bargaining

In the recent 2020 round of negotiations, with TCEU, Local 416 and CUPE, Local 79, a number of benefit changes were negotiated and are contained in their new 2020-2024 collective agreements. As directed by City Council in February 2002 and consistent with the City's practice since that time, staff have reviewed the Benefits Plan for Management/Non-union employees, Accountability Officers and Elected Officials and are bringing forward recommendations for changes consistent with the changes negotiated with the unions, as follows:

- Dispensing fee cap - Remains at nine dollars (\$9), with the exception of the dispensing fee cap for eligible compound drugs which is twenty-five dollars (\$25) per prescription, which reflects the City's current practice.
- Erectile Dysfunction medication - Established a cap of 40 tablets every 3 months based on the first paid claim, unless there is a medically supported requirement that an employee receive a greater number of tablets. The benefit is currently unlimited.
- Addition of nurse practitioner to the list of professionals who can provide prescription for massage therapy.
- Orthotic and Orthopedic devices for dependants 18 years of age and under - shall be limited to three (3) pairs per dependant per benefit year. The benefit is currently unlimited.
- Psychologist Services - Increased the maximum amount for psychologist services from three hundred dollars (\$300) per person per benefit year to one thousand dollars (\$1,000) per person per benefit year. Expanded the psychologist services providers to include registered psychotherapist or a registered Masters of Social Work (MSW) practitioner who are members in good standing with their respective Colleges. To address the impacts of COVID-19 on the mental wellbeing of City employees, the City Manager approved the implementation of this increase in April 2020.
- Vision - Provided an additional eighty dollars (\$80) for one (1) routine eye exam for every twenty-four (24) consecutive months, outside of the vision entitlement (\$450).

Medical Certificates

During the recent collective bargaining a significant objective of the City was to negotiate changes to the timing and the information to be provided on the medical certificates in order to enhance the City's early intervention approach to return employees to work as quickly and successfully as possible. As a result, there is enhanced information to be provided at 20 days of absence and each 24 days of absence thereafter. This information is to be provided on the City's Return to Work form and the City will pay up to \$60 for completion of the City's form. This change will be effective August 1, 2020.

Pregnancy/Parental Leave

In 2017, the federal government changed the Employment Insurance Act rules by allowing employees the option of extending their pregnancy and parental leave from a maximum of 12 months to up to 18 months. With these EI changes, employees could now take the value of their EI entitlement and spread it over a longer period if they chose to do so.

As a result of this change, employees can receive the 75% top-up that was previously provided for a maximum of 12 months, for the full 18-month period.

This change resulted in significant financial pressure for City increasing from \$2.3 million in 2016 to \$4.9 million in 2019, as follows:

Management/Non-Union Pregnancy/Parental Leave Cost 2016 - 2019

2016	2017	2016-2017 % Increase	2018	2017-2018 % Increase	2019	2018-2019 % Increase
\$2.3M	\$3.1M	34.8%	\$3.6M	16.2%	\$4.9M	35.7%

To address this pressure, the City negotiated changes with the unions to a top-up model that mirrors the federal model of taking a fixed amount (a top-up entitlement) and allows employees to spread that amount over an extended period of time if they elect to take a longer leave.

The change amended the Supplemental Employment Benefits (SUB) payments for pregnancy/parental from 75% of wages to 85% of wages (less EI benefits) and, further, Employees' can receive the 85% top-up for up to 12 months or elect to spread the same dollar value of the top-up payments over a period of up to 18 months, so that all employees will have access to the same total amount of top-up entitlement.

It is recommended the same change be approved for Management/Non-union employees effective for leaves that begin on or after January 1, 2021.

Implementation Timing

When making changes to the terms and conditions of employment for non-unionized employees, it is important to provide a reasonable notice period in order to allow employees to adjust and to ensure compliance with any legislative and common-law requirements. In addition, staff in the Pension, Payroll & Employee Benefits Division require time to educate and communicate these changes to impacted employees. With regard to the health and dental benefit changes recommended in this report, it has been determined that it is reasonable to implement them effective August 1, 2020. The change to pregnancy/parental leave top-up is more significant and warrants notice to Management/Non-union Employees, Accountability Officers and Elected Officials Benefit Plans

employees before implementation. As a result, staff are recommending an implementation date of August 1, 2020 for the health benefit changes and January 1, 2021 for the pregnancy/parental leave top-up, with the exception of the enhanced benefit for Psychological Services which was implemented as of April 16, 2020. Staff have consulted with the City's Legal division regarding this notice period.

Conclusion

The City continues to be committed to providing its employees with a fair and comprehensive benefits plan that is also responsible to the taxpayers of Toronto.

Notwithstanding these changes, the City will continue to provide a fair and comprehensive benefits plan for its Management/Non-union employees, Accountability Officers and Elected Officials. These reasonable changes will continue to provide them with a benefits plan that is competitive when compared to other large private and public sector employers.

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SIGNATURE

Chris Murray
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Chief People Officer

ATTACHMENTS

Attachment 1 - Active Employee Benefits Plan Provision Changes and Requirement for Medical Certificates

ATTACHMENT 1

Active Employee Benefits Plan Provision Changes and Requirement for Medical Certificates

Benefit Type	Current Provision	New/Changes to Provision
Psychologist Services	\$300 per person per benefit year to \$1,000 per person per benefit year.	<p>Effective April 16, 2020, increased the maximum amount from \$300 per person per benefit year to \$1,000 per person per benefit year.</p> <p>Expand the psychologist services providers to include registered psychotherapist or a registered Masters of Social Work (MSW) practitioner who are members in good standing with their respective Colleges.</p> <p>To address the impacts of COVID-19 on the mental wellbeing of City employees, the City Manager approved the implementation of this increase in April 2020.</p>
Vision	Currently the \$80 for the eye exam is included within the vision entitlement of \$475 every 24 months	Effective August 1, 2020, provide an additional \$80 for one routine eye exam for every twenty-four (24) consecutive months.
Dispensing Fee Cap	Currently the dispensing fee cap is \$9.00.	<p>Effective August 1, 2020, the dispensing fee cap remain at \$9.00, with the exception of the dispensing fee cap for eligible compound drugs which shall be twenty-five (\$25) per prescription.</p> <p>The \$25 dispensing fee cap is the City's current practice, so there is no increase in costs</p>
Parental Leave	Currently, as a result of the 2017 change in Federal EI benefits, employees can receive the 75% top-up for the full 18-month period.	<p>Effective for leaves that begin on or after January 1, 2021, amend the Supplemental Employment Benefits payments for pregnancy/parental leave – the amount of the top-up for employees who take pregnancy and parental leave be increased from 75% of wages to 85% of wages (less EI benefits).</p> <p>Employees be able receive the 85% top-up for up to 12 months or elect to spread the same dollar value of the top-up payments</p>

		over a period of up to 18 months, so that all employees will have access to the same total amount of top-up entitlement.
Erectile Dysfunction Drugs	The benefit is currently unlimited.	Effective August 1, 2020, the Erectile Dysfunction medication be limited to 40 tablets every 3 months based on the first paid claim, unless there is a medically supported requirement that an employee receive a greater number of tablets.
Orthotics and Orthopedic Shoes for dependents under 18 years of age	The benefit is currently unlimited.	Effective August 1, 2020, the number of Orthotics and Orthopedic Shoes for dependents 18 years of age and under be limited to 3 pairs per dependent per benefit year.
One additional Float Day	Currently 2 float days.	Effective August 1, 2020, increase the number of Float Days from 2 to 3.

The above noted changes for Drugs and Orthotic Devices would also flow through to the Pre-65 Retiree Benefit Plan, for Management/Non-union employees and Accountability Officers who retire on or after the above effective dates, and who are entitled to Pre-65 retiree benefits as outlined in the City Policy.

Medical Certificate Requirements (Effective August 1, 2020 for Management/Non-Union Employees)

(a). Employees who are absent for more than three (3) consecutive days on sick leave shall supply, to their supervisor, a certificate/note from their personal physician or nurse practitioner, within seven (7) days. providing the following information:

- (i) the first day of illness or injury;
- (ii) the first and last date the employee was seen by the physician or nurse practitioner.

The seven (7) day period may be extended by the Division Head if the employee is incapacitated to the extent that he/she is unable to produce the certificate of illness within that period.

Supervisors may exercise discretion, on a case by case basis to determine whether such a physician's note is required and/or when the employee must provide the note.

(b). An employee absent for more than twenty (20) consecutive working days shall:

- (i) provide immediately following such twenty (20) days, a return-to-work form completed by his/her physician or nurse practitioner, in the form provided by the City, providing the following information:
 - 1. the date of injury or onset of illness;
 - 2. the latest date the employee was seen by the physician or nurse practitioner;
 - 3. whether the employee is capable of returning to work with or without restrictions and, in the event that the employee is not currently capable of returning to work, the duration the employee is unable to participate in work;
 - 4. if the employee is or will be capable of returning to work with restrictions in the physician's or nurse practitioner's opinion relating to:
 - a. the nature of the restrictions that affect the employee's ability to return to work and the degree to which those restrictions limit that ability;
 - b. any limitations on duties assigned to the employee, that the City is required to put in place in order to permit him/her to return to work;
 - c. the period of time the restrictions would apply; and,
 - 5. the date of the employee's next appointment with his/her physician or nurse practitioner;
- (c) provide an updated Return-to-Work form from his/her physician or nurse practitioner, in the form provided by the City, covering the same information, following each subsequent twenty four (24) consecutive working days of absence. The City may request and/or the employee may provide updated return to work information within the twenty four (24) day period if necessary to support accommodation efforts; and
- (d) provide the consent requested on the City's Return-to-Work form to the Employee Health & Rehabilitation Unit

The employer shall reimburse employees for the cost associated with filling out the Return-to-Work form up to sixty dollars (\$60).