

Amendment to Blanket Contract 47023537 with Mercer (Canada) Ltd for the provision of General Benefits Consulting Services.

Date: January 25, 2024

To: General Government Committee

From: Executive Director, Finance Shared Services and the Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to request authority to amend Blanket Contract Number 47023537 issued to Mercer (Canada) Ltd. for the provision of subject matter expertise during collective bargaining, review of underwriting methodologies, dependent verification exercise, future marketing of benefit programs, as well as auditing of the benefit carriers on behalf of the City.

The blanket contract amendment is necessary to cover outstanding 2023 invoices to conclude the dependent verification project and to fund the required benefits initiatives in 2024.

The total value of the amendment being requested for Blanket Contract Number 47023537 is \$650,000 net of all applicable taxes and charges (\$661,440 net of HST recoveries), increasing the total Blanket Contract value from \$1,590,031 net of all applicable taxes and charges (\$1,618,015 net of HST recoveries) to \$2,240,031 net of all applicable taxes and charges (\$2,279,456 net of HST recoveries).

General Government Committee approval is required in accordance with Section 71-11.1C of the Toronto Municipal Code Chapter 71 (Financial Control By-law), where the current request exceeds the allowable threshold of \$500,000 net of all taxes and charges.

RECOMMENDATIONS

The Executive Director, Finance Shared Services and the Chief Procurement Officer recommend that:

The General Government Committee grant authority to the Executive Director, Finance Shared Services to amend Blanket Contract Number 47023537 with Mercer (Canada) Ltd by increasing the total Blanket Contract target value by \$650,000 net of all applicable taxes and charges (\$661,440 net of HST recoveries), from \$1,590,031 net of

all applicable taxes and charges (\$1,618,015 net of HST recoveries) to \$2,240,031 net of all applicable taxes and charges (\$2,279,456 net of HST recoveries).

FINANCIAL IMPACT

The total potential contract amendment identified in this report is \$650,000 net of all applicable taxes and charges (\$661,440 net HST recoveries). Funding details are summarized in Table 1.

Of this total increase request of \$650,000 net of all applicable taxes and charges (\$661,440 net HST recoveries), funding for the amount of \$250,000 net of all applicable taxes and charges (\$254,400 net of HST recoveries) to cover outstanding 2023 invoices to conclude the dependent verification project was already included in the 2023 Council approved Non-Program Operating Budget under cost centre NP2093. Funding for the amount of \$400,000 net of all taxes and charges (\$407,040 net of HST recoveries) has been included in the 2024 Staff Prepared Operating Budgets for Non-Program and for the Pension, Payroll and Employee Benefits Division (PPEB) as detailed in Table 1.

Table 1 - Breakdown of recommended Purchase Order amendment request

| Category | Amount (net of all applicable taxes and charges) | Amount (net of HST recoveries) | Funding Source/ Cost Centre | Commitment Item |
|--|--|--------------------------------------|---|--------------------|
| Outstanding 2023 invoices to conclude the dependent verification project | \$250,000 | \$254,400 | 2023 Council Approved Non-Program Operating Budget/NP2093 | 4078 |
| 2024 CUPE Competitive Marketing & Bargaining Support | \$100,000 | \$101,760 | 2024 Staff Prepared Operating Budget for PPEB | 4020 |
| 2024 DEI Gap Analysis & Union Joint Benefit Reviews | \$240,000 | \$244,224 | 2024 Staff Prepared Non-Program Operating Budget /NP2093 | 4078 |
| 2024 Ad Hoc Benefits & Miscellaneous Support | \$60,000 | \$61,056 | 2024 Staff Prepared Non-Program Operating Budget/NP2093 | 4078 |
| Total | \$650,000 | \$661,440 | | |

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

DECISION HISTORY

At its meeting on January 20, 2021, the Bid Award Panel adopted, without amendment item BA118.1 with reference to Ariba Document Number 2694782831 awarding a Blanket Contract to Mercer (Canada) Ltd for the provision of subject matter expertise during collective bargaining, review of underwriting methodologies, future marketing of benefit programs as well as auditing of the benefits carrier(s) on behalf of the City (i.e. mapping audit, claims and adjudication audit, disability file audit) for the City of Toronto, Toronto Transit Commission (TTC) and Toronto Police Services Board (TPSB), with a base term of four (4) years, with one (1) separate option year period.

[Agenda Item History - 2021.BA118.1 \(toronto.ca\)](#)

COMMENTS

Mercer initially secured the contract for general benefits consulting services, particularly the dependent verification exercise, which not only met Auditor General recommendations but also aligned with benefits administration best practices and established good governance. The City recognized the need to maintain the sustainability of the benefit plans by applying good governance to ensure covered dependents meet the contractual eligibility specifications as defined by the collective agreements and benefits policy. This non-punitive exercise resulted in the removal of ineligible dependents from the plan, which, in the long term, will have positive impacts on the financial health and sustainment of City benefits plans.

The initial Mercer contract amount of \$1,590,031 net of all applicable taxes and charges (\$1,618,015 net of HST recoveries), covering the four-year span from March 2021 to March 2025, was exhausted by the end of 2023 due to an additional \$1.1 million required for the dependent verification exercise. Two key factors contributed towards the expanded scope and timeline, thereby resulting in the higher costs:

1. Originally planned for a three-month duration, the project was extended by an additional nine months related to union arbitrations and settlements (\$0.5 million); and
2. The initial project assumed the City of Toronto would be able to manage the implementation of the project, including managing communications and calls. Due to resourcing constraints impacting the project, Mercer was requested to assume these additional responsibilities (\$0.6 million).

As a result of the higher cost to complete the dependent verification exercise, other planned projects requiring Mercer's support were deferred, including funds for essential 2024 projects such as the upcoming CUPE collective bargaining support; a diversity, equity, and inclusion gap analysis; and a union benefits market analysis.

The City of Toronto, in conjunction with the Toronto Transit Commission and Toronto Police Services, will strike a committee to tender a Request for Proposal for the procurement of benefits consulting services starting in the first quarter of 2024. It is anticipated that a new contract will be in effect by the end of the first quarter of 2025. Essential 2024 projects related to required initiatives cannot be delayed until that time, and Mercer is best positioned to support the City in the contract's final year.

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SIGNATURE

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