



# TOWNSHIP OF NORTH HURON

# REPORT

Item No.

**REPORT TO:** Reeve Vincent and Members of Council  
**PREPARED BY:** Dwayne Evans  
**DATE:** 04/06/2018  
**SUBJECT:** Employee Group Benefits Update  
**ATTACHMENTS:** [Click here to enter text.](#)

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## **RECOMMENDATION:**

THAT the Council of the Township of North Huron hereby receives the June 4<sup>th</sup> 2018 Report of the CAO on Employee Group Benefits Update for information purposes;

AND FURTHER, THAT, the Director of Finance be directed to create a new reserve account and to deposit the Employee Group Benefits withdrawal funds into this new reserve account;

AND FURTHER, THAT staff be directed to prepare a report for Council's consideration suggesting special projects for the use of these funds.

## **EXECUTIVE SUMMARY**

Huron County Lower Tiers (with the exception of Goderich), Perth County, Perth County Lower Tiers, and St. Marys participate in a consortium with Huron County to collaborate in the procurement and management of benefit costs. Through a risk sharing pool, Huron County's Lower Tier municipalities share extended healthcare and dental costs. The Perth and St. Marys municipalities utilize a similar risk sharing pool. Both pools have protected the individual municipalities against high cost claims which has permitted stable year to year benefit costs.

As a result of the collaborative arrangement, there has been an accumulation of financial reserves jointly owned by the municipalities. Following establishment of the joint reserves balance, balances remain in the prior separate reserve accounts. These amounts are available to be refunded to the municipalities and will be distributed proportionally based on premiums contributed to the prior risk sharing pool. As this is a one-time withdrawal, the municipal consortium recommends the funds be transferred to reserves and used for special projects rather than ongoing costs.

## **DISCUSSION**

As an outcome of the collaborative pooling approach, the participating municipalities have access to favourable underwriting arrangements for the extended healthcare and dental care benefits. These arrangements have been in place with the insurer since 2012 for Huron County municipalities and since 2013 for Perth and St Marys municipalities.

As a group, the overall benefit costs have remained stable for nine consecutive years for Huron municipalities and six consecutive years for the Perth and St Marys municipalities. During these periods, costs for individual municipalities have been adjusted to achieve harmonized rates. Therefore, the municipalities pay equivalent rates to provide equivalent coverage to staff.

As noted above, the favourable underwriting arrangements have yielded significant financial benefits which would not be available to the individual municipalities on a standalone basis. The result has been accumulation of financial reserves jointly owned by the municipalities, which provide benefit cost stability and rating flexibility during the annual benefits renewal.

### **Risk Sharing Enhancement**

To further enhance the financial benefits of pooling and sharing of risk amongst the municipalities, the Huron County Lower Tiers, Perth, and St Marys municipalities created a single risk sharing pool as of January 1st, 2018. Establishment of a joint pool was possible due to the municipalities adopting a shared plan design for extended health and dental care benefits as of January 1st, 2017 and uniform premium rates as of January 1st, 2018.

### **FINANCIAL IMPACT**

#### **Reserve Withdrawal**

To support the single risk sharing pool, a joint reserve account was established for the Huron County Lower Tiers, Perth, and St Marys municipalities as of January 1st 2018. The account is funded by transfers from the prior separate reserve amounts. In the interest of fairness, the proportional contribution for each municipality was based on current enrolment levels.

As previously stated and following establishment of the joint reserves balance, funds remain in the prior separate reserve accounts. These amounts are available to be refunded to the municipalities and will be distributed proportionally based on premiums contributed to the prior risk sharing pool.

For the Township of North Huron, the amount to be withdrawn is \$70,649.00. As this is a one-time withdrawal, the municipal consortium recommends the funds be transferred to reserves and used for special projects rather than ongoing costs.

### **FUTURE CONSIDERATIONS**

No future financial impacts of the consortium arrangement is anticipated.

### **RELATIONSHIP TO STRATEGIC PLAN**

Goal #4 – Our administration is fiscally responsible and strives for operational excellence.



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Dwayne Evans, CAO