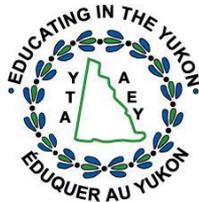


# Report to Central Council

## Joint Management of Benefits

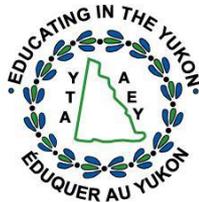
February 5, 2011

Presented by: Peter Giangrande



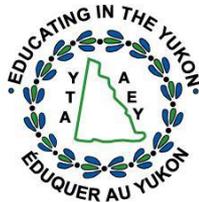
# Agenda

- Background
  - Committee Mandate
  - Committee Composition
  - Role and Responsibilities
- Structure of Benefit Plan
- Extended Health & Dental Plans
- Long Term Disability
- Accomplishments
- Challenges
- Next Steps



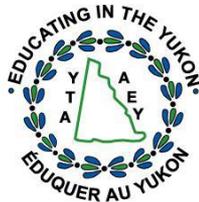
# Committee Mandate

- Responsible for financial, administrative, and communication tasks related to the benefit plans for all employees of YG.
- This includes:
  - ongoing review of the financial position of all the benefits,
  - review of benefits usage,
  - developing recommendations re: plan design and premium rates
- Joint Management Committee (JMC) reviews and approves policies from/with the insurance carrier and communicates changes in benefit plan design and premium rate changes to members.



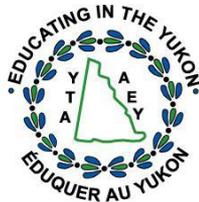
# Committee Composition

- Membership of JMC is defined in legislation and consists of from:
  - YEU (1)
  - YTA (1)
  - Management (1)
  - Confidential Exclusion (1)
  - Employer (2)
  - Secretary provided by the employer



# Roles & Responsibilities

- As plan fiduciaries Employee group Representatives have a responsibility to act in good faith towards the plan.
- JMC members can speak for our employee groups but always respecting our overall responsibilities to the viability of the plan.



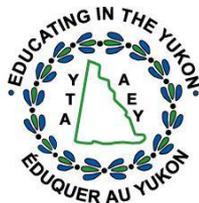
# Benefit Plan Structure

## Health and Dental

- Are considered “Administrative Services Only” contracts
  - we pay the carrier to administer the claims but we pay claims out of our bank account.
  - Generally, it is easier for the committee to make changes to the rules of these plans because the carrier does not actually cover the costs of the claims.
  - This is considered a plan rather than a policy.
- The cost for Sun Life to administer health and dental in fiscal 2009 was about half a million dollars.

## Long Term Disability, Life, AD&D and Optional/Dependent Life

- Are considered **Insured Benefits** where we pay a premium for coverage.
- These are considered policies.
- More difficult to make changes to the rules of these policies as the changes have to be negotiated with the carrier under the policy.



# Health & Dental Plans

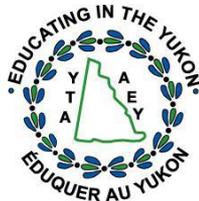
## Health

- Deposited \$5 Million
  - \$4.6M of claims
  - \$0.37M in admin
  - Leaving a surplus of \$4,692 in fiscal 2009

## Dental

- Deposited \$2.6M
  - Paid claims of \$2.45M
  - \$139K in admin of
  - Leaving a surplus of \$9,322 in fiscal 2009

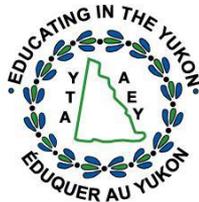
- Extended health and Dental are the easiest to predict
- JMC has been very good at accurately predicting premium rates.
  - within 1/1000 of a percent in our Extended Health predictions in fiscal 2009
  - Within 1/300 of a percent for dental in fiscal 2009



# Long Term Disability

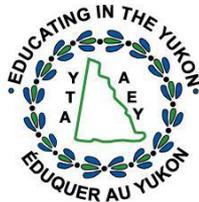
Fiscal Year	Premiums Paid	(Deficit)/Surplus
2006-2007	\$3.6 Million	(\$0.5 Million)
2007-2008	\$3.4 Million	(\$0.3 Million)
2008-2009	\$4.8 Million	\$1.0 Million
2009-2010	\$4.6 Million	(\$1.0 Million)

- LTD is totally dependent on claims experience
- Has been very difficult to predict (see above chart)
- We have tried to pursue a strategy where LTD rates are stabilized, but that hasn't been possible based on our fluctuating claims history



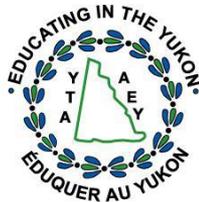
# Long Term Disability (cont'd)

- At April 2010, there were approximately 110 active claims of approximately 130 total claims in 2009-2010.
  - about **3 times** the industry standard for LTD of 8-9 claims per 1000 employees (approx. 4500 Actives in the plan).
- YTA had 14 active claims at the end of April, 2010.
  - This is over twice the average of 8-9 active LTD claims per 1000 employees (approx. 725 members in YTA).



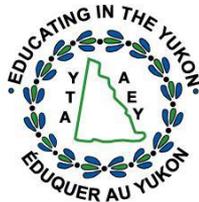
# Long Term Disability (cont'd)

- JMC negotiated a rate freeze for insured plans (e.g., LTD, Life; not ASO contracts) through 2012
  - including expenses and expense factors
- Large increases in LTD rates are expected in year three unless our claims experience moderates in the interim.



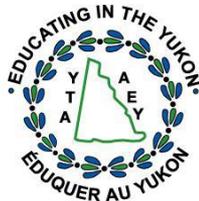
# The Larger Context

- Increases in our health plan claims are well below what we would expect health care inflation to be (5% vs. 12-15%)
- Increases in the dental plan claims are below industry norm of 6-9% (3.9% last year, 5.3% over two years)
- JMC is going through a process of visioning for the plans going forward.



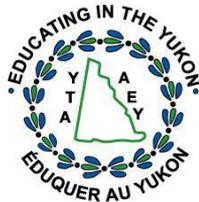
# YTA Accomplishments

- In January, 2008, I moved a motion to address benefits for term employees who already had benefits on the ASO contract:
  - No waiting period for an employee whose service is continuous, who has coverage and who accepts a new or extension to a temporary/term appointment regardless of the length of the appointment.
- In February, 2008, I moved a motion to change the wording of wait periods,
  - An employee (whatever group), whose initial term of employment is less than or equal to 6 months and whose employment is subsequently extended beyond 6 months.
- FYI: for all YTA employees, continuous service exists when there are 10 paid days in a month.



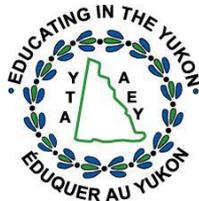
# Challenges

1. Reducing costs through “fixed cost” arrangements such as:
  - health care spending accounts as a replacement for real improvements in the plan.
  
2. LTD as a “cost-driver” for our plan
  - YTA LTD rates more than double the industry norm.
  - Wellness and workplace health need to be a focus for YG to decrease their costs for benefits, both in LTD and in drug use (a cost-driver for Extended Health).
  - YG needs to take a broad view of this
  
3. Post Employment Benefits
  - The cost-share on post-employment benefits (retiree benefits) is going to be an issue going forward, as the Employer attempts to decrease their liability.  
At the spring 2008 meeting JMC approved an increase to the number of years necessary for any employer contribution (cost-share) to 10 years.
    - As a result if you retire with less than 10 years of service with YG, there is no-employer-cost-sharing.
    - The Employer does not view this as an elimination of a benefit (because you can still get the coverage – you just have to pay 100% of the premium).
    - This move alone saved YG \$5.9M of booked liability.



# On the Immediate Horizon

1. Cost saving measures
2. Health Care Spending Accounts:
  - 500 members over the dental max. We are below industry norms in our maxima.
  - Average for vision is \$250 or \$300; Managers have \$500 max. Increasing the vision max to \$250 would cost approximately \$173 000 and dental to \$1250 would cost \$62 000 for a total of \$230 000 (3% of plan)



# Next Steps

- No wait period for dependants.
  - Presently, must be within 60 days of birth, otherwise wait 3 months
- Survey YTA members on plan/policy options
- What members are most concerned about when it comes to Extended benefits
- YTA formally develop a position not in support of health spending accounts

