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ADMINISTRATIVE REPORT

Report Date: October 2, 2012
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Meeting Date: October 16, 2012

TO: Vancouver City Council

FROM: General Manager of Human Resource Services and Chief Procurement Official

SUBJECT: Contract Award for the Provision of Employee Group Benefits

RECOMMENDATION

THAT Council authorize City staff to negotiate and enter into three contracts (as described below), for the procurement of employee group benefits for a term of up to five years each, with an estimated combined contract value of \$9,422,189, over such five-year period, funded through the annual operating budget process, subject to the conditions set out in Recommendations B and C and the preparation of legal agreements satisfactory to the General Manager of Human Resource Services, the Director of Legal Services and the Chief Purchasing Official.

List of Contracts: (Estimated amounts for the contract terms, based on projected claims, are shown):

Contract No. 1: - PBC Health Benefits Society dba Pacific Blue Cross ("Pacific Blue Cross") - Claims Administration for Extended Health and Dental Benefits - \$4,266,682.

Contract No. 2: - Sun Life Financial Inc. ("Sun Life Financial") - Life Insurance - \$4,628,167.

Contract No. 3: - SSQ Life Insurance Company Inc. ("SSQ Financial Group") - Critical Illness Insurance - \$527,340;

FURTHER THAT the Director of Legal Services be authorized to execute and deliver, on behalf of the City, all legal documents required to implement Recommendation A;

AND FURTHER THAT no legal rights or obligations will be created by Council's adoption of Recommendations A and B above unless and until such legal documents are executed and delivered by the Director of Legal Services.

REPORT SUMMARY

The City's current contracts for employee group benefits will expire on December 31, 2012. To ensure that these services continue uninterrupted, Request for Proposals PS20120441 "Group Benefits for Employees of the City of Vancouver" (the "RFP") was distributed to eleven proponents on May 29, 2012 who had been pre-qualified under Request for Expressions of Interest ("RFEOI") PS20110605. Following the evaluation of proposals submitted in response to the RFP, this report recommends that the City enter into contracts with two incumbent service providers, Pacific Blue Cross and Sun Life Financial, and one new service provider, SSQ Financial Group.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The City's Procurement Policy provides that Council is to award contracts for the purchase of equipment, supplies and services that will provide the highest value to the City, based on quality, service and price. Contracts with a value over \$2 million are referred to Council for approval.

REPORT

Background/Context

The City's employee group benefits plan includes provision of health and dental benefits for all City employees, life insurance for all City employees except those at the Vancouver Police Department, and critical illness insurance for exempt staff only. The City has sought to do business with service providers which offer competitive, but reasonable and sustainable financial terms as well as superior service levels.

The preferred proponents are expected to perform the following services:

- 1) Provide basic life, optional life, optional spousal life, critical illness, and optional critical illness insurance to eligible employees of the City of Vancouver.
- 2) Perform administrative services only for the extended health and dental benefits and health spending accounts of eligible employees of the City.

Strategic Analysis

The RFEOI and RFP were issued in accordance with the terms and conditions of the City's Procurement Policy. Six service providers responded to the RFP and their proposals were evaluated to ascertain which offered the best overall value to the City by an evaluation team comprised of staff from Human Resources and Supply Chain Management, with the assistance of Mercer Canada Ltd, a consulting company that specializes in the benefits industry. In determining which proposals offered the best overall value to the City, factors such as price, service, product features, transition costs, and proposals' impact on, and acceptability to, City employees were considered, among other factors. A quantitative analysis formed a part of the evaluation of overall best value.

The City's key evaluation criteria in the insurer selection process included, without limitation:

- 1) Ability to offer competitive and sustainable premium rates and rate guarantee periods.
- 2) Dedicated customer service providing timely, efficient, transparent, consistent and accurate adjudication and communication with the City and its employees. Ability to match current plan design.
- 3) Ability to meet the City's administrative requirements and work with the City's administration team to ensure a smooth transition (or the benefit of avoiding a transition in the case of incumbent suppliers).
- 4) Ability to provide employee self-service and/or online claims submission.
- 5) Ability to provide practical solutions for managing prescription drug costs.
- 6) Established claims audit practices.
- 7) Benefits and acceptability to the City's employees.
- 8) Demonstrated ability to adhere to the City's values, including sustainability.

As part of the evaluation process, four proponents were short-listed and invited to present their proposals to City Staff and to labour union and staff association representatives. Following the proponent presentations, a meeting was held to obtain feedback from the union and staff association representatives.

Based on this evaluation, the evaluation team concluded that the proposals submitted by Pacific Blue Cross, Sun Life Financial and SSQ Financial Group provide best overall value to the City.

Financial

Finance and Human Resources have reviewed the financial information and Finance confirms that funding is available from the current approved salary and benefits budgets. The RFP process, based on projected claims and salaries, has produced a cost savings that is estimated at \$2.7 million over 5 years. Of note is the fact that this area of service to the City has not been out to competitive tender for more than twenty-five years.

Human Resources/Labour Relations

The following unions and associations are affected by the recommendations in this report and will be provided with a copy of the report:

- 1) Canadian Union of Public Employees Local 15
- 2) Canadian Union of Public Employees Local 1004
- 3) Canadian Union of Public Employees Local 391
- 4) Vancouver Firefighters Union Local 18
- 5) Teamsters' Local 31
- 6) Vancouver Police Union
- 7) Vancouver Police Officers' Association
- 8) International Brotherhood of Electrical Workers Local 213
- 9) International Alliance of Theatrical Stage Employees Local 118

CONCLUSION

In summary, City Staff recommend that the City of Vancouver enter into three separate contracts with:

- 1) Pacific Blue Cross, for the provision of extended health and dental benefits administration services. This will be a five-year contract.
- 2) Sun Life Financial, for the provision of basic group life and optional life insurance. This will be a three-year contract, extendable to five years.
- 3) SSQ Financial Group, for the provision of basic critical illness and optional critical illness insurance. This will be a one-year contract, renewable for four additional years.

The above-noted recommendations were made after a rigorous evaluation process as a result of the RFP, resulting in a projected cost-savings estimated at \$2.7 million over the next five years.

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