

# THE CORPORATION OF THE MUNICIPALITY OF MISSISSIPPI MILLS

## STAFF REPORT

**DATE:** January 25, 2022  
**TO:** Committee of the Whole  
**FROM:** Jeanne Harfield, Clerk  
**SUBJECT:** Long Term Disability Premiums

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### **RECOMMENDATION:**

**THAT the Committee of the Whole recommends that Council approve Option 1 - subsidize 50% of the cost of LTD premiums.**

### **BACKGROUND:**

In 2017, the Municipality's group benefits provider changed from Sun Life to Industrial Alliance. As a result of the transition the premiums for long term disability (LTD) increased by 80.5%. In Mississippi Mills employees are responsible for paying LTD premiums and monthly deductions are taken off from each full-time employee paycheck.

In 2017, Council was presented with a staff report outlining the increases to LTD and provided options to subsidize or completely cover LTD premiums. At the time Council did not vote to subsidize or cover the LTD premiums.

### **DISCUSSION:**

Mississippi Mills along with other municipalities participate in a group buying arrangement for insurance coverage coordinated by Lanark County. In 2021, Carleton Place announced that they would no longer be participating in the group purchase for insurance and opted to source alternative insurance coverage. As a result of Carleton Place opting out as well as other factors, insurance premiums under Industrial Alliance have increased. However, the largest increase is to the 2022 LTD premiums which have increased by 39.7%.

This does not mark the only increase to LTD premiums since 2017. For instance, in 2020 LTD premiums increased by 20% and in 2021 LTD premiums increased by an additional 22%. Most recently, in January 2022 Industrial Alliance informed the municipality that the LTD premiums would increase again by 39.7%.

Year	LTD Rate	% Increase
2017	\$2.215	N/A
2018	\$3.999	80.5%

2019	\$3.999	N/A
2020	\$4.799	20%
2021	\$5.854	22%
2022	\$8.176	39.7%

Between 2017 and 2022 there is a 269.12% increase in LTD rates.

In Mississippi Mills, the union group through the collective bargaining process negotiates salary and benefit changes on behalf of all employees. As part of the recent agreement, employee salaries are increased annually by 2%. In some cases, due to the LTD premium increase employees may be taking home less salary in 2022 than they did in 2021. For example, the table below shows the impact the increase in LTD premiums will have on an employee's paycheck. The example below is based on an annual salary of \$52,136.15 in 2021 before deductions.

<b>Employee X</b>					
<b>2021</b>			<b>2022 with 2% increase</b>		
Per paycheck	Salary	\$2,005.20	Per paycheck	Salary	\$2,045.28
	LTD premium	\$91.58		LTD premium	\$139.80
	Other deductions	\$600.58		Other deductions	\$617.22
	Salary after deductions	<b>\$1,313.04</b>		Salary after deductions	<b>\$1,288.26</b>
Annual Salary after deductions	<b>\$34,139.04</b>		Annual Salary after deductions	<b>\$33,494.76</b>	

Assuming that employee X is at the top of the pay scale for their position they would not get a step increase only the 2% annual increase as agreed to in the collective agreement. As a result, employee X will take home less money in 2022 than in 2021.

LTD premiums are calculated based on a formula that is tied to a full-time employee's salary level. With the new LTD premiums in 2022, the annual deductions for employees range from on the lowest end at \$2,619.48 to the cap at \$5,298.00. In 2022, the average LTD premiums paid annually by employees is: \$3,923.87.

LTD premium deductions from employees' salaries have been an issue for employee retention as well as negatively impacting employee morale. This is because other municipalities in Lanark County pay 100% of LTD premiums. At Lanark County, CUPE pays LTD premiums for all unionized employees and the County pays 100% of the premiums for all non-unionized employees. As a result of COVID-19 and other factors, employee and perspective employees are seeking greater benefits as well as more

flexibility in work. If Mississippi Mills adjusts how LTD premiums are paid it will go towards attracting talented prospective employees and retaining valuable employees.

The main benefit to the employee paying 100% of the premiums is the tax treatment of payments. If an employee does use the long term disability insurance the payments to the employee are not taxable. It should be noted that Mississippi Mills currently does not have any employees on Long Term Disability and since 2017 only 1 employee has been on LTD.

Full-time staff do not have the option to opt-out of LTD. Full time employees once eligible (after a 3-month waiting period) are automatically enrolled in the municipal benefits program.

To address concerns raised relating to staff retention and morale the following options are being presented to Committee of the Whole for consideration:

**Option 1** – Subsidize 50 per cent of the total LTD premiums that are currently paid in full by employees. This option would result in employees paying 50% of the premium and the municipality covering the other 50%. While this is not in keeping with other comparable municipalities it is an improvement to the current situation.

**Option 2** – Include full LTD premiums in the 2022 budget. This would address staff morale and hopefully help retain staff and align Mississippi Mills with other lower tier municipalities and the County of Lanark.

**Option 3** – Subsidize the 2022 incremental increase (39.7%) in the 2022 budget. The employees would still be responsible for paying the LTD premiums that were established in 2021. The Municipality would pay the difference between 2021 and 2022.

Should Council decide to subsidize in part or pay for the full LTD premiums Council will also need to direct staff to work with the Union to amend the collective agreement to reflect these changes.

### **FINANCIAL IMPLICATIONS**

The financial implications to the 2022 budget vary with the four options presented.

**Option 1** – This option would result in a budget increase of \$111,830.22

**Option 2** – This option would result in a budget increase of \$223,660.44

**Option 3** – This option would result in a budget increase of \$63,641.52

### **SUMMARY**

In January 2022, the municipality's insurance provider sent Mississippi Mills the insurance renewal rates for 2022. The rate for LTD premiums increased by 39.7%.

Currently, employees are responsible for paying 100% of the LTD premiums and this amount is deducted from each paycheck. Prior to the most recent increase, LTD deductions already negatively impact employee morale and is an issue in employee retention and attracting new employees. Adding further deductions to employees will only further negatively impact employee morale and could potentially impact employee retention.

In an effort to address these concerns, staff has brought forward this report with various options to help alleviate the amount that is deducted from employee paychecks. Staff is recommending that the Committee of the Whole recommends that Council approve Option 1 – subsidizing 50% of the LTD premiums which would result in a budget impact of \$111,830.22.

Respectfully submitted,

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Jeanne Harfield

Clerk

Approved by,

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Ken Kelly

Chief Administrative Officer