Client Newsletter

Canada, 2018 SUMMER

Gallagher
Insurance | Risk Management | Consulting

GALLAGHER BETTER WORKS℠

Gallagher Better Works℠ builds a better workplace.

Benefits | Compensation | Retirement | Employee Communications | Workplace Culture

Leslie Lemenager, International President

At the heart of Gallagher Better Works℠ is a holistic focus on employee and organizational wellbeing.

It's the guiding principle that informs every aspect of Gallagher's comprehensive approach to benefits, compensation, retirement, employee communications and workplace culture.

Gallagher Better Works is how you turn your workplace from an obligation to a destination. It's how your best becomes better and your company becomes stronger. And it's only available from Gallagher.

Welcome to our client newsletter. We trust you will find the enclosed information to be timely and useful to your business planning. If you have any questions regarding this content, please contact your local Gallagher representative.

INSIDE THIS ISSUE

Gallagher Better Works℠ builds a better workplace.

ORGANIZATIONAL WELLBEING

Individual employee wellbeing is only part of the puzzle. Gallagher can help you develop a comprehensive strategy for managing risk, staying on top of compliance and clearly communicating your organization's vision.

- Total Wellbeing and Engagement Strategy
- Employee Communications
- Compliance Issues
- Enterprise Risk Management

PHYSICAL & EMOTIONAL WELLBEING

Medical insurance is only the tip of the iceberg when it comes to your employees' physical and emotional wellbeing. Gallagher Better Works has dozens of ways to promote a healthier, happier workforce.

- Healthcare Plan Design and Consulting
- Healthcare Claims and Data Analysis
- Voluntary and Flex Benefits
- Workplace Flexibility Policies
- Community Involvement Programs
- Pharmacy Benefit Management

CAREER WELLBEING

In addition to developing a compensation structure that rewards the individuals who help your organization grow, Gallagher can help you set your employees up for career-long success.

- Compensation Structure
- Training and Coaching Programs
- Total Rewards Programs
- Surveys and Validation
- Human Resources Management

FINANCIAL WELLBEING

Many employees experience financial stress. Meet your employees wherever they are in their financial journey with education, communication and solutions supporting their spending and savings efforts. Gallagher can guide your investment strategy and help ensure your people are retirement-ready.

- Retirement Plans
- Retirement Readiness
- Executive Planning

Solutions tailored to your needs

Every organization faces different challenges and opportunities. That's why Gallagher has dedicated teams immersed in some of the more unique industries we serve. Take the first step toward making your workplace work better.

Contact me for additional information:

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Benefit plan considerations for cost containment.

Dave Dickinson, Area President, Ottawa | Benefits & HR Consulting

The push-pull between cost-containment and competitive benefits arrangements.

When it comes to employee benefits, Canadian employers face a complex struggle. On one hand, they seek to attract and retain the best talent and on the other hand, they look to effectively manage what appears to be ever escalating benefit plan costs.

KEY COST FACTORS

According to Gallagher's 2017 Canadian Benefits Strategy & Benchmarking Survey, the top employer benefits-related challenge is cost control, which was reported by 82% of respondents. While the emphasis may have shifted somewhat as to the culprits applying pressure on expanding plan costs, the primary factors can be attributed to:

- **Cost-shifting.** When private sponsor benefit plans were first established, they were designed to supplement publicly funded government programs. Over the years, cut backs in healthcare services at both the provincial and federal level meant more costs needed to be absorbed by corporate Canada.
- **Chronic disease and mental health issues.** Based on a 2015 benchmarking survey conducted by The Conference Board of Canada, the average cost of providing benefits for employees is $8,330 per full-time equivalent. It's likely that this annual figure isn't going to decline any time soon given the rise in chronic disease and mental health issues being reported. The survey also highlighted that 52 percent of organizations reported increases in benefits costs for active employees, averaging 6.2 percent between 2013 and 2014.
- **We're aging.** As our population ages, so does the workforce and with it comes the potential for an increase in illness, injury and costs.
- **New prescription drugs.** Fewer drugs are coming off patent while more new, improved or repackaged medications, available in easy to take formats, are driving up consumer demand. Additionally, more drugs are available to treat cancer and other illnesses, such as hepatitis C, carry with them a hefty price tag per protocol.

We're here to help

With the support of a trusted advisor, employers are able to focus more readily on developing and implementing creative plan designs that balance employee value while effectively managing plan costs. Frequent, relevant communication goes hand in hand with the introduction of any change.

Contact me for more information:
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IT'S HARD TO TAKE SOMETHING AWAY ONCE IT HAS BEEN GIVEN

When employees have been offered a benefit package, it isn't easy to modify in a way that reduces employer cost without risking the possibility of upsetting plan members and their eligible dependents. Keeping a close watch on avoiding employee dissatisfaction is important.

Since prescription drugs represent between 60 to 80 percent of most plans health care costs, employers tend to focus more of their attention in this area. Top cost containment tactics reported in the Gallagher's 2017 Canadian Benefits Strategy & Benchmarking Survey include:

- Mandatory generic polices (61%)
- Dispensing fee maximum (38%)
- Prior authorization based on drug classification and/or cost (31%)
- Per-prescription deductible (28%)

Other non prescription drug related tactics include:

- Changing vision care coverage
- Limiting specific long term benefits (e.g., retirees or part-time employees)
- Grandfathering benefits coverage
- Introducing or enhancing health and wellness promotion programs
- Introducing or promotion of health risk assessments and early intervention programs to reduce or eliminate absences and disability claims

BUILD A STRONG COMMUNICATION CAMPAIGN

Regardless of the tactics considered, employers are well served when there's a comprehensive employee communication plan developed alongside any potential plan changes.

Communication tips to consider:

- Tailored messages for different employee groups;
- Ensure the change is clearly described including: why it is being introduced and what's in it for the employee (i.e., are benefit dollars being reinvested back into the plan to introduce or enhance a benefit?);
- Use data and infographics or charts to illustrate what's happening through examples and simulations;
- Start communicating pending changes as soon as possible;
- Ensure the communications have a call to action especially if the employee is being asked to modify their role as a health care consumer.

Plan administration — managing eligibility, enrollments, changes and terminations for a successful group benefits program.

Margit Herbath, Manager, Benefit Services

One of the most important functions of a Plan Administrator is to ensure all eligible employees are enrolled on to their group benefits plan, on time.

Why it's important: A benefits contract describes who is eligible under a benefits program. Typically, any full-time and part-time permanent employees who are working a specified minimum number of hours per week should be enrolled on the plan within 31 days of eligibility. Any exemptions must be approved by the insurer.

What could happen if this is not reported on time: Enrollments received more than 31 days after the employee becomes eligible are considered late applicants by the insurer. Late applicants may need to provide medical evidence of eligibility and could be declined for coverage by the insurer based on medical evidence provided. This could leave an organization liable for all future claims.

SALARY CHANGES

Any change in earnings should also be reported as soon as possible.

Why it's important: Disability and sometimes Life and Accidental Death and Dismemberment benefits are calculated as a percentage of gross monthly earnings. In order for benefits to be paid with the most up to date salary, changes must be reported to the insurer within 31 days.

What could happen if this is not reported on time: The insurer may only pay the benefit based on a lower amount than the employee's actual salary on the date a claim is incurred. An organization could be liable for any shortfall in benefit payments between the current actual salary and the last reported salary.

It is important to note that if a salary change is not reported in a timely manner, employees could be responsible for any retro-premiums to keep the disability benefit tax-free at time of claim.

TERMINATION

It is also important to know when group benefits will end.

Group benefits contracts list the maximum age for employees to remain on the group plan for each benefit. Once employees reach that age, coverage is automatically terminated by the insurer.

When an employment contract is terminated or an employee resigns, group benefits coverage ends on the last day of active employment.

When organizations run into situations where they would like to offer benefits beyond their end date, they may be able to request an extension from the insurance carrier.

Coverage During Temporary Lay-off, Leave of Absence, Illness or Injury: Benefits should be continued in accordance with the organization's written company policy. Group insurance contracts will list the maximum allowable benefit extensions.

Severance: Benefits should be extended in accordance with employment standards requirements. For extension of coverage beyond this, organizations must first contact their insurance carrier for approval.

Conversion privilege: Employees who terminate from the group plan may be able to convert some of their life coverage to a personal plan, and there may be some individual health and dental options available to them as well. The life conversion deadline is 31 days, so it's important they are notified of this at the time of termination.

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A synopsis of public drug plans for high-cost drug claimants.

Anna Duong, Senior Analyst

Over the last few years, we have seen high-cost biologic and specialty drugs drive up benefit plan costs. This upward pressure has forced many plan sponsors to consider implementing a wide variety of drug cost management strategies. The most extreme of which being an annual drug maximum. While these cost containment strategies help to lower costs for the plan sponsor, they may leave plan members on the hook for the costs in excess of coverage offered. This is concerning given that high-cost biologic and specialty drugs can cost anywhere from tens of thousands to hundreds of thousands of dollars, annually, which many cannot afford.

Fortunately, these high-cost drugs can be subsidized by publicly funded provincial or territorial drug plans (public drug plan) across Canada.[1, 2] Trying to navigate between the public drug plan and their own private health drug plan can be a daunting task, which can further put undue stress on a plan member. As a result, many plan members look to their employers to help coordinate between the two. Each public plan can have many different variables (premiums, deductibles, or copayments) before a high cost drug can be covered. Therefore, plan sponsors (especially ones with employees in multiple regions) should have a general understanding of these items to identify areas where they can support their employees relating to gaps in coverage, as well as the anticipate costs that could come onto their private plan. The table below represents some of the basic features of each provincial public drug plan offered to members with high-cost drugs:

Province	Public Drug Plan	First Payer	Premium	Deductible	Co-pay
BC	Fair Pharmacare Plan[3]	Yes	Yes	Yes	Yes
AB	Non-Group Coverage[4]	Yes	Yes	Yes	Yes
SK	Special Support Program[5]	Yes	No	Yes	No
MB	Pharmacare Program[6]	Yes	No	Yes	Yes
ON	Trillium Drug Program[7]	No	No	Yes	Yes
	OHIP+ (Children under age 25)[8]	No*	No	No	No
QC	RAMQ[9, 10, 11]	No	Yes	Yes	Yes
NL	The Assurance Plan[12]	No	No	Yes	No
NS	Family Pharmacare[13]	No	No	Yes	Yes
NB	New Brunswick Drug Plan[14]	No	No	Yes	Yes
PEI	High Cost Drug Program[15]	No	No	No	Yes
	Catastrophic Drug Program[16]	No	No	Yes	No

*OHIP+ is first payer for children not enrolled in private coverage

Knowing which plan pays first (public versus private) could provide further savings for a plan sponsor. For example, British Columbia, Alberta, Saskatchewan and Manitoba's public plans are "first payer" which means that the majority of the drug cost would be covered by the government. This allows for the private plan to supplement and pay for any remainder out-of-pocket expenses by their members.

While these public plans—British Columbia (Fair PharmaCare Plan), Alberta (Non-Group Coverage), Saskatchewan (Special Support Program), and Manitoba (Pharmacare Program)—are "first payer," all require some sort of premium and/or deductible be reached prior to providing coverage for drug costs. In some cases, these can be quite high for a plan member to pay as some deductibles are based on a percentage of net family income. For these instances, the premiums and/or deductibles can be paid through a plan members' private plan. Further, once the deductible has been fully met, plan members will be required to copay a portion of the drug costs out-of-pocket which can also be directed and paid through their private plan.

For the remaining provinces, the public plan is not "first payer" so a plan member would need to fully exhaust their private plan prior to getting coverage from the government. For private plans with drug maximums, this would place more of the financial burden on the member as any premiums, deductibles and copayments would be paid out-of-pocket. To help mitigate costs for the plan member, some public plans include out-of-pocket maximums, which pay 100% of the remainder of drug costs if a plan member has spent a predetermined out-of-pocket dollar amount.

To summarize, being aware of the different public drug plans could be beneficial for both an employee and employer. Understanding which plan pays first can provide an employer with better insight as to where to support their employees with any gaps in coverage and can also help with anticipating any costs coming onto their plan. This not only streamlines the payment process for high-cost drugs but also promotes faster recovery as employees can focus on improving their illness rather than worrying about payment for their high-cost drugs.

Unfortunately, public plans can be very complex and describing the nuances of each plan is out of the scope of this article. Should you require any assistance in coordinating with a public plan on a case by case basis, please reach out a Gallagher Benefit Services representative for assistance.

Contact me for more information: Anna_Duong@ajg.com

Notes:

1. Subject to meeting the eligibility criteria by province.
2. Prior Authorization may be required for brand name drugs where a least cost alternative or generic alternative is available or for certain drugs that are not on listed on the provincial drug formulary. Refer to each provincial jurisdiction for further details.
3. https://www2.gov.bc.ca/gov/content/health/health-drug-coverage
4. http://www.health.alberta.ca/services/drugs-non-group.html
5. https://www.saskatchewan.ca/residents/health/prescription-drug-plans-and-health-coverage/extended-benefits-and-drug-plan/special-support-program
6. http://www.gov.mb.ca/health/pharmacare/general.html
7. https://www.ontario.ca/page/get-help-high-prescription-drug-costs
8. https://www.ontario.ca/page/learn-about-ohip-plus
9. Régie de l'assurance maladie du Québec (RAMQ)
10. http://www.ramq.gouv.qc.ca/en/citizens/prescription-drug-insurance/Pages/eligibility.aspx
11. Coordination between RAMQ and private health plans is not available however Quebec has mandated that all private plans in the province must cover at least the drugs listed on the List of Medications, which includes the exceptional medications and drugs covered under the exception patient measure.
12. http://www.health.gov.nl.ca/health/prescription/nlpdp_plan_overview.html
13. https://novascotia.ca/dhw/pharmacare/family-pharmacare.asp
14. http://www2.gnb.ca/content/gnb/en/departments/health/MedicarePrescriptionDrugPlan.html
15. https://www.princeedwardisland.ca/en/information/health-pei/high-cost-drug-program
16. https://www.princeedwardisland.ca/en/information/sante-i-p-e/catastrophic-drug-program

Mergers and acquisitions: 3 keys to HR success.

Erin Glover, Senior HR Consultant

Search anything on the internet about merger and acquisition (M&A) success and what you'll actually find are numerous articles and studies about their alarming failure rates. While the reasons vary, one common denominator exists: failures are often attributed to poor handling of change management from the Human Resources (HR) perspective. Focus on these three key areas in your next M&A transaction to help set the path for success.

1. PLANNING FOR EFFECTIVE INTEGRATION

If you don't already have one, invest your time early-on in a checklist of tasks and considerations for each of the three phases: strategic planning, execution and integration. Brainstorm and capture checklist items from all angles, appoint appropriate individuals to each item and define ideal timelines for completion. This will help keep you on track so that you can focus on important and timely activities and not get bogged down in the daily minutia, or worse, forget to address a critical task.

Here are some considerations for each of the phases.

Strategic Planning

Get involved in the M&A strategy and philosophy discussions with the executive and negotiating teams as early as possible. This partnership is vital as it will lay the foundation for which HR considerations are incorporated into the Purchase and Sale Agreement (PSA). How are employees going to be impacted by the M&A? What are the HR risks associated with the transaction? What employment-related factors and concerns do you have with the PSA?

Execution

Once you are through due diligence and the PSA is signed, it's time to start preparing for the integration. Do you need to update any corporate policies or procedures? Will your compensation or benefits plans change? How are you going to motivate employees through the transition? How do you identify critical employees?

Integration

Integrating a handful of employees versus hundreds is extremely different, but both require the same planning and attention. Does your standard onboarding process need to change? What support do your leaders need? What training is required?

Having a plan in place, communicating regularly and applying a people-first attitude throughout all phases of an M&A won't guarantee success, but they certainly help catapult you towards it!

In addition, the Gallagher team in Calgary recently presented an educational session regarding mergers and acquisitions. If you would like to receive a link to the recorded session, please contact Erin.

Contact me for additional information:

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2. ONGOING COMMUNICATION

An M&A can be one of the largest and most difficult organizational changes that your company can go through. Employees can be consumed with doubt, uncertainty, loss of motivation and distrust. The best way to alleviate those feelings is through communication. On the flip side, even if there is only excitement, people still have questions.

It's important to note that you cannot over-communicate. Keep some of these tips in mind when planning out your communication strategy:

- Employees prefer to hear messages directly from the top about the business impacts and from their direct supervisors about the personal impacts
- You don't need to have all the answers before communicating; share what you can, even if it's just a promise to provide more information soon
- Be straight-forward and honest and don't make promises you can't keep
- Give employees the opportunity to voice concerns, provide feedback and ask questions

3. HAVING A PEOPLE-FIRST ATTITUDE

People are touted as being an organization's most important resource, yet in so many M&As, the human element is often forgotten. Yes, assets are being acquired, but it's the people that make a company great. As you plan for an effective integration, apply the old adage "put yourself in their shoes" every step of the way. What would you want to know? How would you want to be treated?

What Ontario employers should know about the new legislation Bill 3, Pay Transparency Act, 2018 in advance of January 2019.

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Closing the gender wage gap has increasingly become a focus of government both at the provincial and federal levels, evidenced by the new provincial legislation recently passed in Ontario, as well as prospective federal legislation expected in the Fall of 2018. While many of the details regarding this provincial and federal legislation are not known at this time, clearly employers need to be aware of gender wage gap issues and consider how they will respond to the requirements of the new legislation as it is understood now, and with the anticipated requirements of legislation in the near future.

Similar pay equity and pay transparency laws currently exist in other countries such as Australia, Iceland, Germany and United Kingdom.

NEW ONTARIO PAY TRANSPARENCY LEGISLATION

Bill 3, the Pay Transparency Act, 2018, making Ontario the first province in Canada to establish comprehensive legislation around pay transparency. The purpose of the Pay Transparency Act is to promote gender equality and equal compensation between men and women in the workplace through increased transparency. This legislation is a broader strategy aimed at increasing "pay awareness" in both hiring and compensation practices for employees in Ontario, with a view to advancing the Ontario government's stated objective of closing the gender wage gap.

The Act will come into force on January 1, 2019. The Pay Transparency Act aligns well with the recently amended and enhanced "Equal Pay for Equal Work" requirements in the Ontario Employment Standards Act, 2000 (under the Fair Workplaces, Better Jobs Act, 2017) which came into force on April 1, 2018.

We have highlighted below the new and significant obligations for employers in Ontario according to the timeline for implementation:

Effective January 1, 2019 — Recruitment:

- Require all publicly advertised job postings to include the expected compensation (salary range or rate) for the position;
- Prohibit employers from seeking compensation history from prospective employees.

Effective 2020/2021 — Annual Pay Transparency Report and Filing:

- Require employers (with 100 or more employees) and every ‘prescribed’ employer to file a pay transparency report by May 15 of each year
- Must contain prescribed information relating to:
  - The employer,
  - The workforce composition,
  - The differences in workforce compensation with respect to gender and other prescribed (diversity) characteristics.
- Require employers to post the report online or in a conspicuous place in every workplace and also submit it to the Ministry of Labour
- The first mandatory prescribed reporting period is;
  - Employers with 250 or more employees must submit the first pay transparency report no later than May 15, 2020.
  - Employers with 100 to 249 employees must submit the first pay transparency report no later than May 15, 2021.

Employers in Ontario should take this opportunity to review their job posting and recruitment/interview processes to ensure compliance with the new legislation. In addition, employers with more than 100 employees, we recommend reviewing your workforce, compensation data and practices in preparation for the upcoming pay transparency reports.

It is not clear at this time what and how precisely employers will need to convey information in the proposed pay transparency reports. If pay transparency reporting in the UK is any guide as to the ultimate requirements in Ontario, then employers can anticipate using “mean” and “median” in the pay and bonus calculations, as well as proportion calculations receiving bonus by gender.

Regardless of eventual requirements under provincial pay transparency, it is clear that the process involving compliance will be a data intensive process. Employers should be considering how relevant data regarding gender wage gap and other possible measures of inequities related to employment of women and other Ontarians can be extracted from their HRIS systems in preparation for analyses at this time.

In today’s competitive landscape, it is imperative that legislative compliance is a fundamental part of an effective total rewards strategy for attraction and retention, and corporate sustainability. At Gallagher, we have conducted research with a dedicated team who are compliance experts in the federal and provincial legislations and can assist organizations to strengthen their value proposition and achieve strategic goals.

If you have any questions or would like more information about our services, please call Gallagher at 416.644.6584.

Personal Pension Plans.

Mara Canal, Consultant, Group Retirement Services

As Group Retirement Services consultants, Gallagher works with organizations to optimize the value of their workplace savings plans for employees. In addition, we also spend time consulting directly with business owners personally with regard to an alternative savings vehicle separate from, and a step over and above, the group plan. If you are a business owner, I'd like to introduce you to the Personal Pension Plan (PPP). PPPs are designed specifically for you. PPPs are not group plans, there is only one participant — the business owner.

For most workers, an RRSP is an efficient retirement savings vehicle. However, an RRSP may not meet the needs of higher-income individuals, such as business owners. With higher incomes, RRSP contributions become limited and may not generate enough desired retirement savings for the business owner. PPPs offer maximum tax relief and maximum opportunity for retirement savings.

In addition to enabling business owners to build significantly larger retirement savings over an RRSP, there are many other important benefits, including:

- Ability to make contributions for "past service"
- Highest level of protection from creditors
- Tax-deductibility of investment management fees
- Inter-generational tax-deferred wealth transfer

PPP contributions can be entirely funded by the corporation and all contributions are tax deductible to the company.

Further, as small business owners are now well aware, the new tax measures announced by the Minister of Finance, the "Morneau Measures," point to higher taxes for business owners and their families. There are new limits on the amount of passive income a small business earns while still qualifying for the small business tax rate. Fortunately for business owners, a partial substitute to saving within a corporation exists in the form of a PPP, which is a Canadian registered pension plan authorized under the Income Tax Act (Canada).

PPPs have been available since 2012. Their earlier variant the Individual Pension Plan (IPP) has been around since the early 1990s. They provide profound advantages over RRSPs. There are limits but if you have free cash flow and care about retirement capital, these are not to be missed.

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since 1927.

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