

ITEM 15
MANAGER'S REPORT NO. 27
COUNCIL MEETING 85/04/09

RE: BURNABY ART GALLERY REQUEST THAT THE CORPORATION FUND ITS LIABILITY FOR SICKNESS, DISABILITY AND DEATH BENEFITS

MUNICIPAL MANAGER'S RECOMMENDATION:

1. *THAT the recommendation of the Director Administrative & Community Services be adopted.*

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1985 April 03

TO: MUNICIPAL MANAGER
FROM: DIRECTOR ADMINISTRATIVE & COMMUNITY SERVICES
RE: BURNABY ART GALLERY REQUEST THAT THE CORPORATION FUND ITS LIABILITY FOR SICKNESS, DISABILITY AND DEATH BENEFITS

RECOMMENDATIONS:

1. THAT the Corporation underwrite the potential liability of the Burnaby Art Gallery employees for coverage through the Burnaby Municipal Benefit Society for long term sickness, long term total disability and death benefits.
2. THAT the Corporation assume this potential liability on the basis that the costs associated therewith will be considered as an additional part of the operating grant for which the Art Gallery applies to the Parks Commission annually.
3. THAT these undertakings be subject to acceptable agreements between the Corporation and the Art Gallery and the Burnaby Municipal Benefit Society and the Art Gallery with those agreements to be submitted to Council for ratification and information respectively at a later date.
4. THAT a copy of this report be sent to the Parks & Recreation Commission, Library Board & Burnaby Village Museum.

REPORT

Background:

The Canadian Union of Public Employees, Local 23 obtained Labour Relations Board certification as the bargaining agent for employees of the Burnaby Art Gallery Association, except the Director, on 1982 March 18. CUPE Local 23 then served notice on the Burnaby Art Gallery to bargain a collective agreement.

At the request of the Gallery, the Corporation arranged for a representative of the GVRD - Labour Relations Department to act as spokesman in the negotiation of the first collective agreement. In addition a member of the Corporation's Personnel staff attended the negotiations to observe, and advise where requested. A collective agreement was signed on 1984 September 14 providing benefits and working conditions to Gallery employees similar to the benefits enjoyed by Corporation employees that are members of CUPE Local 23.

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One of the terms of settlement, subject to acceptance by the Burnaby Municipal Benefit Society was to include Art Gallery employees as members of the Society, thereby providing sickness, long term total disability and death benefit coverage through the Burnaby Municipal Benefit Society. These benefits were to be identical to those provided to Corporation, Library Board and Burnaby Village Museum employees that are members of CUPE Local 23.

The Burnaby Art Gallery applied for membership in the Society and while a number of legal and administrative details have been worked out, a number still remain. Administrative and funding arrangements will need to be formalized in an agreement between the Benefit Society and the Art Gallery and also an agreement between the Benefit Corporation and the Art Gallery. The agreement between the Benefit Society and the Art Gallery will make reference to the agreement between the Corporation and the Art Gallery so as to ensure that the Directors of both the Society and the Gallery are protected with regard to the potential liabilities involved.

It became evident to the Directors of the Society, in considering the implications of the Art Gallery's request, that the Gallery could not adequately fund the liability for long term sick leave, long term total disability and death benefits. The Directors deferred decision on the Gallery's request, notified the Gallery of its concerns regarding their ability to fund the liability and requested further direction on their membership application.

To actually provide the benefits negotiated, and to protect itself from the maximum liability associated with those benefits, the Gallery would either have to purchase coverage through a private insurance carrier or request that the Corporation assume the liability as it does for the Library Board and Burnaby Village Museum employees.

The Burnaby Art Gallery has requested by means of a letter to the Municipal Manager (attached) that the Corporation underwrite the liability of the Burnaby Art Gallery employees through the Burnaby Municipal Benefit Society for long term sickness, long term total disability and death benefits.

The Gallery stated in its request to the Corporation that coverage through a private carrier is difficult to obtain due to the small numbers involved and is beyond its financial resources.

Financial Considerations:

The Corporation funds virtually all of the costs of long term sick leave, long term total disability and death benefits provided through the Society. The Corporation is self-insured for those benefits. Payments to the Society are funded from the employers and employees shares of reduced UIC premiums, interest on specific reserves, and general revenues.

The cost to the Corporation of covering 937 Corporation, Library Board and Burnaby Village Museum employees for long term sick leave in 1984 was \$499,149. The 1984 cost of long term total disability was \$66,444 and death benefits \$136,237. This is on a 1984 total Corporation, Library Board and Museum payroll of \$32,888,598.

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1985 April 03

The Corporation annually reviews the cost of long term sick leave, long term total disability and death benefits annually to establish a percentage cost of payroll. These costs are then apportioned to each department, including the Library Board and Burnaby Village Museum, through the budget process by applying a benefits cost percentage to each salaries' budget. This benefits cost percentage for the subject benefits was 2.16% of payroll in 1983 and 2.37% in 1984. The Gallery is prepared to pay its share of costs based on the percentage figure established by the Corporation but needs to be protected from the potential liability or large exposure at any one time. Using 2.37% and current salary rates at the Gallery, the Gallery's estimated share of benefits costs would be about \$2,200 for 1985. The Corporation would then fund any cost in excess of that covered by the percentage based premium.

Other Considerations:

The Art Gallery is clearly a separate employer from the Corporation. There is no integration of the Gallery's payroll, accounting, budget or administrative systems with the Corporation's. It is recommended that if Council approves underwriting the liability for Art Gallery employees, it do so on the basis that the costs associated with that underwriting will be considered as an additional part of the operating grant which the Art Gallery applies for annually.

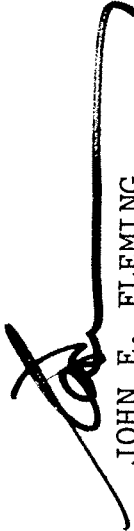
As stated earlier, there are administrative details that still have to be worked out which will be covered in agreements between the Society and the Art Gallery and the Corporation. The agreement between the Corporation and the Gallery will be referred to Council for approval.

There has been the need for an agreement between the Benefit Society and the Corporation concerning the administration of benefits to Corporation employees for some time. This is in the process of being drafted. Similar agreements between the Society and the Library Board and the Society and the Burnaby Village Museum are also required, and are being drafted for submission to the appropriate bodies.

Agreements between the Benefit Society and the employers (Corporation, Library Board, Museum, Art Gallery) are required in order that there be a formal understanding as to the benefit to be administered. The Benefit Society is a legal entity separate from the employers and not party to any contractual agreements the employers have with Local 23 or with exempt employees. Therefore, the bylaws provide the Society the authority to enter into agreements with the employers to formally set out the benefits to be administered. It is equally important that the agreements between the Society and the employers spell out how the benefits are to be funded since the Society is not the employer, has no control over the bargaining process but is obligated to provide its members with the benefits bargained by the employers and the unions.

JEF:gmc
Attach.

cc: Personnel Director
Director Engineering
Director Finance
Director Recreation & Cultural Services
Secretary, BMBS
President, Burnaby Art Gallery



JOHN E. FLEMING
DIRECTOR ADMINISTRATIVE
AND COMMUNITY SERVICES



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COUNCIL MEETING 85/04/09

6344 Gilpin Street
Burnaby, British Columbia
V5G 2J3
(604) 291-9441

February 7, 1985

Mr. M.J. Shelley
Municipal Manager
The Corporation of the
District of Burnaby
4949 Canada Way
Burnaby, B.C.
V5G 1M2

Dear Mr. Shelley,

While the Burnaby Art Gallery was negotiating with the Canadian Union of Public Employees (Local 23), the Union asked for the same benefit package that was available to Corporation employees.

Based on preliminary discussions held at the time, no problems could be foreseen that would make the Art Gallery employees inadmissible for membership in the Burnaby Municipal Benefit Society, subject of course to approval by the Membership of the Society. On that basis, the eventual settlement between CUPE and the Gallery included the Benefit Society "package" for sick leave, Long Term Total Disability and the Death Benefit, subject to the necessary approvals.

Subsequently, as you are aware, we have been advised by the Burnaby Municipal Benefit Society Directors that the Society needs to be assured that the Art Gallery is able to underwrite any potential liability incurred by the Burnaby Art Gallery employees for those three benefits.

We have made some preliminary inquiries in the private sector for the cost of coverage for Long Term Sickness, Long Term Disability, and Death Benefits, at the levels currently provided to Corporation employees. Because our employees group is less than ten people, coverage is difficult to obtain and what coverage is available is beyond the resources of the Burnaby Art Gallery Association. If we are to meet our commitment to our employees under the collective agreement, we have no alternative but to appeal to the Corporation to consider our request that the Corporation underwrite this liability on the same basis as our annual appeal for a grant to assist with operating expenses. The Art Gallery is able to pay its proportionate share of costs of the plan based on the Corporation's experience which we understand is approximately 2.16% of gross payroll; what we are unable to do is to underwrite the potential liability, because of the nature of our funding.

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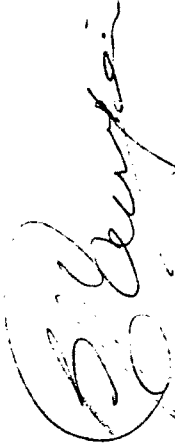
February 7, 1985

Mr. M.J. Shelley
Municipal Manager
The Corporation of the District of Burnaby
Burnaby, B.C.

This course of action has been discussed with the Canadian Union of Public Employees and it is our understanding that a decision to extend this coverage to the Gallery employees on this basis would be supported by the Union and its membership.

Should you require further information, we would of course be pleased to provide so that this matter could be resolved at the earliest possible date.

Yours truly,



Brian Carrigan
President
Burnaby Art Gallery Association

BC/jah

