

MEBCO

**MULTI-EMPLOYER BENEFIT PLAN
COUNCIL OF CANADA**

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SUBMISSIONS

to

Minister Without Portfolio Responsible for WCB Reform

by

Multi-Employer Benefit Plan Council of Canada

February 27, 1996

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INTRODUCTION

1. Reform of the Workers Compensation System is a critical issue for all of MEBCO's members and their beneficiaries. What is at stake is not only the survival of the WCB System but also that of the Life and Health Trust Funds which have historically served employers, their workers and families for non-occupational illness.

As an Organization representing both Management and Labour we feel it is our obligation to inform you of the background and operations of MEP's so your goal of reforming the Workers' Compensation System can meet the future obligations to injured workers without implementing additional burdens to Multi-Employer Benefit Plans.

2. Multi-Employer Benefit Plan Council of Canada (MEBCO)

MEBCO was established in 1992 to represent the interests of Canadian multi-employer benefits plans (MEPs) with provincial and federal governments regarding proposed or existing legislation and policies affecting these plans. MEBCO is a federal no-share capital corporation, operating on a not-for-profit basis.

MEBCO is representative of all persons and disciplines involved in MEPs, including union and employer trustees, professional third party administrators, non profit or "in-house" plan administrators, professionals including actuaries, benefit consultants, lawyers and chartered accountants. MEBCO is administered by a Board of Directors consisting of representatives from each of the above groups.

3. Background of MEPs

Over the past quarter-century labour and management have joined together to develop a response to the problems of delivering quality life, health and disability services and retirement plans to workers and their families in industries typified by small companies and a mobile work force. There are hundreds of MEPs in Canada covering well over **1,000,000 workers and their families** in industries as diverse as building and construction, food, service, retail, hotel and restaurant, graphic arts, garment manufacturing, security, textiles, transportation, and entertainment. A single MEP may be national, regional, provincial or local in scope. Anywhere from 2 to over 1, 000 employers may contribute to a single MEP pursuant to several collective agreements.

Collective agreements negotiated by one or more unions establish MEPs and the contributions necessary to finance and provide benefits under these plans. MEPs are "Trust Funds" and are generally administered by a joint board of trustees, comprised of an equal number of trustees appointed by labour and the employers. These trustees are responsible for receiving contributions from employers , paying certain benefits directly to members and their dependants and entering into insurance contracts for provision of other benefits. In the event that an employer is delinquent in making contributions, the trustees pursue collection proceedings.

Some of the more common forms of coverage provided by MEPs include:

- Extended Health and Hospital Care;
- Drug Care;
- Dental Care;
- Vision Care Benefits;
- Sickness and Disability Benefits;
- Life Insurance;
- Retirement Pension Benefits, and
- Retiree Health, Dental and Life Insurance Benefits.

These plans provide **continuous benefits coverage** to workers as they change employment from one contributing employer to another. This **portability or seamless coverage is essential for workers** in mobile, seasonal industries like construction and entertainment. Additionally, most plans allow for the accumulation of revenues and "pay-direct" schemes to **protect workers and their dependents during periods of unemployment** not uncommon in many of the industries represented.

EMPLOYMENT PATTERNS

A worker may be employed by a particular employer for only a day, a week, a month or a few months, to work on a specific project, and then move on to work on **another contributing employer's project**, and thereafter another, etc. Between jobs he or she might be off work for a day, a week, a month or longer. **A construction worker may work for several different employers over his or her working life, with periods of unemployment between jobs.**

Without a **central plan covering all of his or her work for multiple employers**, workers could not have ready access to the many necessary benefits provided by MEPs. Frequent changes in employment would make coverage by one employer impossible. Since most employers are small they simply are unable to maintain a separate benefit plan.

Because of different employment patterns, workers in these industries tend to identify with their union rather than with a particular employer as the central organizing force in their work life, a reality long recognized in Canadian labour law. That is, a construction labourer identifies with the Labourers Union, a plumber with the United Association of Plumbers and Pipefitters, etc. rather than with a contractor. Also, workers look to their union for health care and other benefits not provided by the public health care plan.

ECONOMIC ADVANTAGES OF MEPS

MEPs have been made feasible by the **economies of scale** enjoyed by the bringing together of large numbers of smaller employers. Financial savings occur in such areas as administration and purchasing of benefits, which would not otherwise be available to individual employers, particularly small employers. Matters such as the design of these benefit plans are the responsibility of the trustees with professional assistance. This eliminates the need for participating employers to maintain their own plan administration work force. Simply put, MEPs can use the pool of collectively bargained contributions and the pool of covered workers and their families, to negotiate better terms with insurers and others than the individual employer could.

FINANCING OF MEPS

As noted above, MEPS are funded through employer contributions based on hours worked. Workers covered by MEPS are highly sensitive to increases in benefit costs since any increase would often translate directly into a lower take home pay. Both in Canada and the United States, **these plans were established many years ago as a result of government tax incentives.** more specifically, employers were allowed to deduct from taxable income their contributions to MEPS and **employees were generally not subject to tax on either the amounts of these contributions or the benefits they receive.** Not surprisingly, this has led to a proliferation of MEPS in both countries from which union members and their families have benefitted greatly.

THE PURPOSE OF THIS SUBMISSION

4. Multi-Employer Benefit Plans provide compensation to their members for non-occupational disability caused by injury or disease. This compensation takes the form of wage loss replacement, prescribed drugs, vision care, hearing aids and other medical appliances and durable medical products required as a result of these injuries or illnesses.

MEPS provide for Short Term and Long Term Disability. A typical definition of disability under an insured Long Term Disability program would be as follows:

"Totally Disabled means that solely because of a non-occupational illness or non-occupational accidental bodily injury, and insured employee is unable to work:

- during the Waiting Period and for the next 24 months, at the employee's own occupation (type of work, not just the employee's own job); and
- from then on, any occupation for which such employee is, or may reasonably become, fitted by education, training or experience.

In the case of disability due to a mental, psychoneurotic or personality disorder, an insured employee must receive treatment under the supervision of a licensed doctor (M.D.) who either specializes in the practice of psychiatric medicine or who has, by reason of training or experience, a specialized competence in the field of psychiatric medicine."

A typical definition for Short Term Disability under an insured Weekly Indemnity program is as follows:

"Disabled means that solely because of either an illness or accidental injury that is non-occupational, an insured employee cannot perform his or her regular occupation."

Long Term Disability can be provided through insured Long Term Disability programs or Pension Plans. Fiscal responsibility has always been a priority with MEPs. As stated earlier, programs are funded through a Collective Agreement and are experienced rated with annual accounting. Compensation levels must be maintained within the ability of the MEPs to provide this coverage on a fully funded basis. It is the responsibility of MEBCO to ensure the political environment remains positive to the ongoing success of MEPs.

As Labour and Management representatives of MEPs we will continue to strive to ensure that a sufficient benefit level is maintained for our members with non-occupational disabilities. We stress the purpose of our Submission is to inform the Government that MEPs have a system in place which protects employees from non-occupational disability and to represent our members' interest in maintaining this system which is not in a position with fixed sources of revenue to accept the off-loading of medical and/or disability expenses of occupational illness or injury. In fact, any down loading of this nature would have a more onerous impact on Multi-Employer Benefit Plans as opposed to single employer plans.

CONCLUSION

5. MEPs in Canada are a unique labour and management response for meeting the needs of their members. This role should not only be recognized by Government, but should be preserved and indeed encouraged. MEPs provide disability coverage and other health related benefits to their members for non-occupational disabilities on a fully funded basis.

It may be appropriate for the Government and this review board to study the MEPs delivery system for disability coverage to gather ideas that will help in maintaining a viable WCB program.

We look forward to talking with you in the near future.