

ASEBP Trustees' Report

Volume 26-18 No. 10 December 2018

Highlights of the December 21, 2018, Trustees' Meeting

1. Audited Financial Statements

- The audited financial statements for the year ended August 31, 2018, were approved by the ASEBP Trustees. The external auditors gave an unqualified opinion
- Over the year, ASEBP continued to focus on solid financials and fiscal management to help deliver high-value health and income replacement benefits at a reasonable cost to covered members and their dependants
- Investment returns for the year were strong, exceeding long-term expectations without compromising investment policies and beliefs or exposing the invested assets to undue risk. As a result, reserves are fully funded and premium rates have been moderated while providing opportunities for further investments into health-related benefits and initiatives
- The financial highlights are outlined in ASEBP's 2018 Annual Report, which will be available on ASEBP's website in early 2019

2. Financial Health

- ASEBP measures its financial health through the capital adequacy ratio and the related Capital Adequacy Reserve. The intent of this reserve is to provide financial stability during unusual times
- ASEBP's Capital Adequacy Policy identifies how much capital ASEBP reasonably requires under unusual circumstances. The Policy is based on the premise that capital adequacy is more than simply being able to meet day-to-day expenses or being solvent—ASEBP has a number of measures in place to protect the plan from risks associated with regular operations. These include having reserves for future disability payments, analyzing past claims experience and projecting expected changes, including margins to account for some degree of fluctuation, etc. The Capital Adequacy Reserve is in addition to all regular reserves
- The financial framework captured in the Capital Adequacy Policy strives to establish an appropriate balance between assets and liabilities, thus helping the ASEBP Trustees determine when ASEBP has sufficient financial resources to meet specific risks during unusual times that impact overall financial performance. These risks are related to asset and claims variability:
 - Asset variability takes into account the market value of investments and other assets held by ASEBP, which can be subject to significant variation (as experienced in 2008 and 2009)
 - Claims variability takes into account the possibility of an unusual fluctuation in claims
- A factor of financial risk has been assessed for each of these areas of variability in order to determine total capital requirements. The ratio of total available capital compared to total required capital is expressed as a percentage. When the ratio reaches 100 per cent, the Capital Adequacy Reserve is fully funded. For example, if the required capital was deemed to be \$100 and available capital was \$90, the capital adequacy ratio would be 90 per cent. The

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CHIEF EXECUTIVE OFFICER

Kelli Littlechilds

available monies are set aside in a Capital Adequacy Reserve (in the example, this would be \$90) and are available to offset unusual circumstances that increase ASEBP's financial liabilities

- The plan actuary calculated that, as of August 31, 2018, the capital adequacy ratio is over 100 per cent
- Overall, ASEBP's financial health continues to be good

3. Plan Design – Second Reading (for January 1, 2019)

- The ASEBP Trustees gave **final approval** (second reading) to two additional changes to take effect on January 1, 2019
- The first change affects availability of the Employee and Family Assistance Program (EFAP). In June, the ASEBP Trustees approved a Supplemental Package for the following employees otherwise ineligible for “regular” benefits: substitute teachers, casual employees, part-time employees, employees serving a waiting period and working retirees. The ASEBP Trustees have approved access to the EFAP for these individuals on the same basis as other employees. That is, ASEBP will cover the cost as an investment in the health of the public education sector
- The second change affects compression garments under the Extended Health Care plan. The annual maximum will remain \$250 per calendar year, while the two-pair maximum will be removed. The two-pair maximum was instituted based on manufacturer warranties (six months per pair); however, it's reasonable that covered members may need more than two pairs per year. This change allows for additional pairs to be purchased, encouraging covered members to compare offerings from different providers, while preserving the overall maximum

4. Eligibility for Benefits – Workers' Compensation Act

- A recent change to the Workers' Compensation Act (WCA) requires employers to continue to make health benefits premium payments for injured workers covered by the WCA for up to one year after the date of injury. To aid ASEBP employer groups in meeting this legislative requirement when an injured worker is no longer eligible for ASEBP health benefits (e.g. contract ends), the ASEBP Trustees have suspended all necessary provisions which would otherwise restrict access to these health benefits. The suspension is retroactive to September 1, 2018

5. Extended Disability Benefits (EDB) Management

- The ASEBP Trustees reviewed regular monthly, semi-annual and annual reports about ASEBP's Extended Disability Benefits plan. As of December 1, 2018, the number of open EDB claims is higher compared to the same period last year, as is the number of people with EDB coverage. The combined effect is a slightly lower overall disability rate than last year. The trend over the past 10 years has been a decreasing disability rate
- Top causes of disability consistently continue to be mental health disorders and diseases of the musculoskeletal system and connective tissue
- The ASEBP Disability Services team works proactively with covered members and their health care providers, employers and employee representatives to support improved health and a successful return to work whenever possible and appropriate

6. Other Reporting Highlights

- The ASEBP Trustees review additional reports on a quarterly, semi-annual and annual basis. Highlights include:
 - There were just under 60,000 covered members (including early retirees) as of October 1, 2018. This may not reflect full enrolment for the year, as there is generally a lag between when an employee is hired and when ASEBP receives the enrolment data
 - For the period of September 2017 to August 2018 (comparatives in parentheses are for the prior year):
 - \$87 million (\$81M) was paid for Extended Health Care claims; approximately 63 per cent (65 per cent) of this was for prescription medications. It's significant that the cost of medications hasn't risen dramatically year over year. ASEBP's medication management strategy continues to support the health of covered members and their dependants while striving for sustainability
 - \$70 million (\$66M) was paid for Dental Care claims; approximately 78 per cent (79 per cent) was for basic preventative and restorative services. Oral health is an important aspect of total health and regular dental check-ups are covered within this category
 - \$9 million (\$8M) was paid for Vision Care claims (note: rounding overstates the year-over-year increase of \$0.4 million); approximately 76 per cent (80 per cent) was for eyewear





The ASEBP Trustees' Report provides an overview of topics discussed at all ASEBP Trustees' Meetings. These meetings provide the opportunity for ASEBP Trustees to come together to discuss matters of importance at ASEBP—from the financial health of the benefit plan to the introduction of new benefits and programs. While all information in each report is an accurate account of decisions made at the meetings, there can be changes that occur between first and second readings of certain topics which may result in differences between their reporting.

To learn more about the ASEBP Trustees, please visit the Governance page, found in the About section of our website, www.asebp.ca.



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