

ASEBP Trustees' Report

Volume 27-19 No. 10 December 2019

Highlights of the December 20, 2019, Trustees' Meeting

1. Audited Financial Statements

- The audited financial statements for the year ended August 31, 2019, 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
- Trust assets are prudently invested and, 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 2019 Annual Report, which will be available on ASEBP's website, asebp.ca, in early 2020

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 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

ASEBP TRUSTEES

Drew Chipman, Chair
Fred Kreiner, Vice-Chair
Holly Bilton
Chad Bowie
Evelyn Chan
Maddy Daniels
Doug Lerke
Shirene Napier
Kim Pasula
Daryl Scott

CHIEF EXECUTIVE OFFICER

Kelli Littlechilds

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- The plan actuary calculated that, as of August 31, 2019, the capital adequacy ratio is over 100 per cent
 - Overall, ASEBP's financial health continues to be good

3. Investments – Second Reading (for January 1, 2020)

- As noted in the [October 2019 ASEBP Trustees' Report](#), the results of the asset-liability modelling study identified opportunities to improve the risk-reward profile of the Trust's asset mix
- The ASEBP Trustees gave **final approval** (second reading) to a revised Statement of Investment Policies and the related monitoring policy, which will go into effect on January 1, 2020
- A detailed asset mix transition plan has been prepared in order to responsibly migrate from the existing asset mix to the new one



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, asebp.ca.



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