ASEBP Trustees' Report

Volume 28-20 No. 08 December 2020

Highlights of the December 18, 2020, Trustees' Meeting

1. COVID-19 Update

- Administration continues to respond to an increase in reported sick leaves and is preparing for a potential increase in disability claims. A number of supports are being provided to covered members and employer groups (e.g. promoting Employee and Family Assistance Program resources, networking sessions, mental health first aid training)

2. Plan Design

- The ASEBP Trustees are constantly striving for value, balancing plan benefits and the cost of investing in the current and future health of covered members. They are sensitive to participant needs and stakeholder concerns, as well as the impact of changing medical, dental, pharmaceutical and other practices, in addition to changes to the health care system. The ASEBP Trustees are also cognizant of plan utilization, statutory or regulatory requirements and market conditions (i.e. competition from other benefit providers and fiscal constraints)
- **Second Reading (Final Approval)**
  - **Extended Disability Benefits (EDB): September 1, 2021**
    - The calculation of EDB benefit payments will recognize different remuneration schedules and more closely reflect actual earnings, ensuring more equitable payments to covered members when they are in receipt of EDB
- Reminder: Plan design changes approved effective January 1, 2021, are outlined in the June and November editions of the *ASEBP Trustees' Report*

3. Experience Adjustment System

- The ASEBP Trustees reviewed the Experience Adjustment System (EAS) policy and three changes were given **second reading (final approval)**, effective September 1, 2021:
  - **New graded exit schedule**: Historically, as soon as an employer group drops below the EAS enrolment threshold, they lose eligibility to participate in the EAS and move to base premium rates. Adding an exit schedule will limit large changes in EAS position and allow for more stability for those employer groups with fluctuating enrolment that can take them above or below the enrolment threshold from one year to the next. The graded exit schedule will mirror the existing graded entry schedule
  - **Equal Life/EDB experience weighting**: Instead of the most recent experience having a heavier weighting, all five experience years will be weighted equally. This will align the EAS with the methodology used in premium rate setting
  - **Increased Extended Health Care (EHC) pooling threshold**: Currently, an employer group is protected from a covered member's EHC combined claims exceeding $15,000 per year; this amount will change to $25,000 per year. Graded movement already limits the degree of change in an employer group's surcharge or discount position from year to year to

provide increased stability. If not properly balanced, the two pooling mechanisms can work against each other, which is the impetus for changing the EHC combined claims pooling threshold

4. Audited Financial Statements

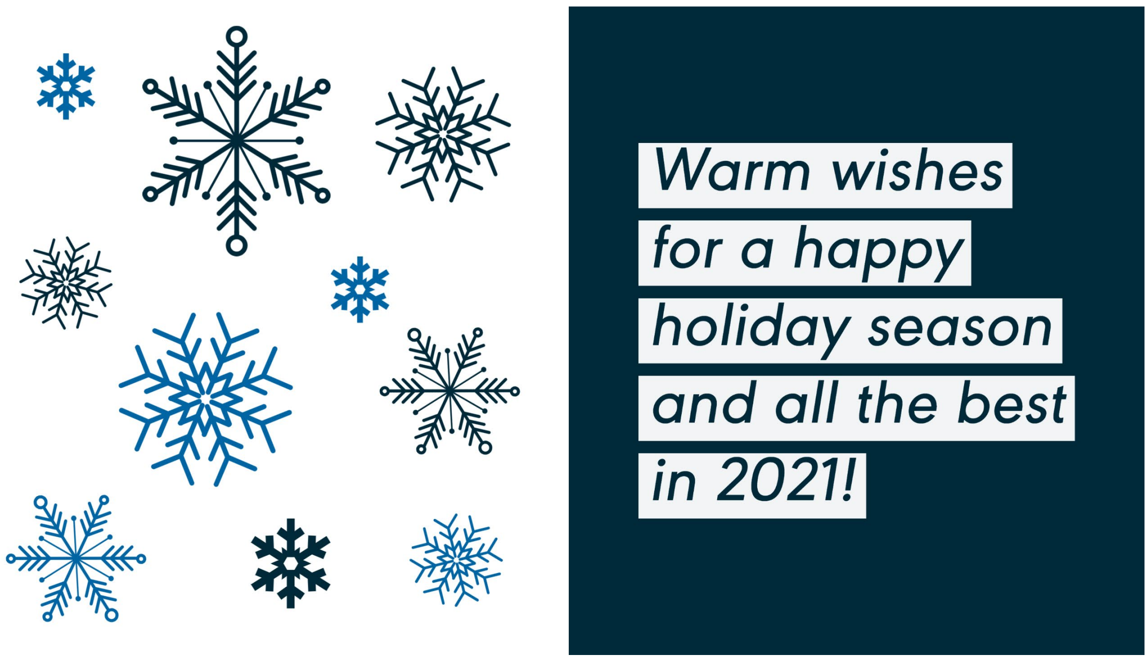
- The audited financial statements for the year ended August 31, 2020, were approved by the ASEBP Trustees. The external auditors gave an unqualified opinion
- Over the year, ASEBP continued to focus on solid financials and fiscal management to help deliver high-value health and income replacement benefits at a reasonable cost to covered members and their dependants
- Trust assets are prudently invested and, as a result, reserves remain fully funded and current premium rates have been moderated. Given the overall decrease in investments and increase in liabilities experienced over the year, assets available for additional benefit initiatives have been depleted
- The financial highlights are outlined in ASEBP's 2020 Annual Report, which will be available on ASEBP's website, asebp.ca, in early 2021

5. 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
    - 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%, 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%. 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
- The plan actuary calculated that, as of August 31, 2020, the capital adequacy ratio is 99%
- Overall, ASEBP's financial health continues to be good

6. Farewells

- The ASEBP Trustees wish Holly Bilton all the best, acknowledging her contributions as an ASEBP Trustee
- The Alberta Retired Teachers' Association (ARTA) begins self-administering their benefit plan as of January 1, 2021. While ASEBP will no longer be providing administrative services to ARTA, the ASEBP Trustees extend congratulations on this new chapter of their business



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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