



# Trustees' Report

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Information for school trustees, participating employers, and employee representatives  
published following each regularly scheduled meeting (Sept. – June)

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## Highlights of the November 17, 2016, Trustees' Meeting

### 1. CEO's Report

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- ◆ The customary overview of claims statistics was presented.

### 2. Reserves

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- ◆ Each fiscal year end (August 31), ASEBP must establish regular reserves to:
  - ensure that promised benefits will be paid in the event of an interruption of premiums or a partial wind-up of a benefit plan, and
  - reflect the impact of claims in the year they first happened.
- ◆ The ASEBP Trustees set reserves at approximately \$379 million (\$396 million in 2015). This is a decrease of four per cent, the lowest year-over-year change in many years.
- ◆ Most of the reserves relate to future payments for Extended Disability claims as ASEBP must set aside enough money to pay each disability claim as long as required, sometimes to age 65. Since the bulk of this money will be paid out at some time in the future, reserves have an opportunity to earn investment income. The expected investment income is also factored in when setting the reserves. As at August 31, 2016, the required reserves were fully funded and invested with a variety of investment managers.

### 3. Financial Health

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- ◆ 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, reserve and claims variability, which are defined below.
  - 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).
  - Reserve variability takes into account the possibility of major swings in the number of open disability claims and the corresponding impact on reserves required to make future payments.
  - 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 three 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 which increase ASEBP's financial liabilities.
- ◆ The Plan Actuary estimated that, as of August 31, 2016, the capital adequacy ratio will be over 100 per cent. (Note: the year-end numbers are estimated as the audited financial statements are in progress.)
- ◆ Overall, ASEBP's financial health continues to be relatively good.

## 4. We've Moved!

- ◆ ASEBP is now located in a new office building with easier street access, more visitor parking and better wheelchair access. Visit us just a few blocks north of our previous location at:

Allendale Centre East  
Suite 301, 6104-104 Street NW  
Edmonton, AB T6H 2K7

### HERE'S HOW TO GET TO OUR NEW HOME



The ASEBP Trustees' Report is distributed to participating employers, school trustees, ATA and CUPE locals and other employee representatives. It provides an overview of issues discussed by ASEBP's Trustees. Information from this report may be provided to covered members, but please note that changes may occur between first and second readings. ASEBP will continue to confirm policy changes in Administration Bulletins. If you would like to be included on the distribution list, please contact ASEBP.



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