



Trustees' Report

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 16, 2017, Trustees' Meeting

1. CEO's Report

- ◆ The customary overview of claims statistics was presented

2. Reserves

- ◆ 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 reserve requirements at approximately \$353 million (\$379 million in 2016). This is a decrease of seven per cent, largely driven by the Retirement Incentive for Teachers and Employees (RITE) program.
- ◆ Most of the reserves relate to future payments of Extended Disability Benefits claims as ASEBP must set aside enough money to pay each claim as long as required, sometimes to age 65. Since the bulk of this money will be paid out at some point in the future, reserves have an opportunity to earn investment income. The expected investment income is also factored in when determining reserve requirements. As at August 31, 2017, the reserves were fully funded and invested with a variety of investment managers.

3. 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, 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, 2017, the capital adequacy ratio will be over 100 per cent. (Note: the year-end numbers are estimated as financial statements are in the process of being audited.)
- ◆ Overall, ASEBP's financial health continues to be good.

4. Experience Adjustment System

- ◆ The ASEBP Trustees reviewed the Experience Adjustment System and are considering making a number of changes, including: refining the eligibility criteria, accounting for large claims and improving ease of understanding. Further discussion is expected at the December ASEBP Trustees' meeting.

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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