

2019 ANNUAL REPORT

June 2020



Public Sector
Group Insurance Plan

Table of Contents

Message to the Parties of PSGIP	2
About the PSGIP.....	3
Governance and Administration	4
Highlights of 2019 Plan Year	6
2019 Plan Financials	11
For More Information	14

Message to the Parties of PSGIP

The benefits provided under the Public Sector Group Insurance Plan (PSGIP) are a key component of ensuring the health and well-being of employees and their families.

We hope this report provides you with a good understanding of the Plan and how it's managed by the Trustees, as well as the Plan's current financial position.

The stability of the Plan is shaped by the environment in which it operates. An aging population, changes in legislation, increased use of services, and more expensive treatments - particularly in the area of prescription drugs - are all factors that cause benefit costs to increase. In Canada, high-cost specialty drugs used to treat chronic conditions are putting upward pressure on health plan costs and the PSGIP is no exception. The Trustees have actively managed the Plan to ensure premium rates under the PSGIP continue to remain competitive.

As we look back on 2019, the Trustees are proud of the work that was accomplished. There are approximately 10,000 active employees and retirees covered under the Plan, representing total annual premiums of \$39,653,000. The costs to run the Plan were 8.4% of premium and the financial results by benefit are summarized in this report. The Plan remains financially stable with adequate reserves on hand.

Highlights

In 2019, the Trustees:

- Conducted 5 full Trustee meetings throughout the year, plus two retiree information sessions in February;
- Worked with the Parties to amend the Long-Term Disability (LTD) Plan effective January 1, 2019 to, extend the termination age from age 60 to 62 in alignment with changes to the Civil Service Superannuation Fund;
- Amended the Basic Accidental Death & Dismemberment plan effective August 1, 2019, to extend the termination age from age 65 to age 80 for Health PEI;
- Completed the annual group benefit renewal, limiting the overall Plan costs increase to 5.3% (compared to average cost increases of 7% - 12% in other plans)
 - 2.9% of the Plan cost increase was due to the LTD Plan amendment to extend the termination age from 60 to 62,
 - Chronic diseases such as Rheumatoid Arthritis, Diabetes, Cancer and Skin Disorders represent 33% of Health costs (up from 32% the previous year),
 - Long-Term Disability coverage is the second leading cost driver, after Health;
- Developed and issued active and retiree member newsletters;
- Welcomed new Trustees. Since January 2019, three Trustees have retired, which resulted in the appointment of three new Trustees. The new Trustees have each participated in Trustee orientation sessions;
- Continued to develop and review operational policies for Trustees, to ensure the ongoing effective operation of the Plan in the best interests of its members.

As Chair and Vice-Chair of the PSGIP, we are pleased with the results of 2019 and look forward to another successful year in 2020.

Jennifer Doyle
Chair, PSGIP Trustees

Melanie Bell
Vice-Chair

About the PSGIP

The Public Sector Group Insurance Plan is designed to provide group insurance benefits to Plan beneficiaries, as determined by the Parties (employers and unions). The Parties to the Trust Agreement establishing the PSGIP are as follow:

- Canadian Union of Public Employees (CUPE);
- Health PEI;
- International Union of Operating Engineers (IUOE);
- Prince Edward Island Nurses' Union (PEINU);
- Prince Edward Island Union of Public Sector Employees (UPSE); and
- Province of Prince Edward Island.

The PSGIP helps protect its members when they need assistance covering health and dental expenses and provides financial protection in times of illness, injury or unexpected events.

GUIDING PRINCIPLES

The Plan is guided by four key principles:

QUALITY

Provides sound financial protection in times of need.

COMPREHENSIVE

Provides a wide range of benefits for both you and your family in times of illness, injury or unexpected events.

CONVENIENT

Offers a practical drug card with many advantages – no need to pay the total cost of a drug up-front, no claim form to complete, and more.

PROMOTES RESPONSIBILITY

It's your Plan ... and your money. As a result, you have a direct impact on both cost savings and increases.

Plan Documents

For more information about the PSGIP, visit the PSGIP benefits website at www.mybenefitplan.ca.

Governance and Administration

The PSGIP Trustees are appointed by the Parties to provide careful oversight and management of the Plan. The Trustees have developed a governance structure and processes to ensure that all responsibilities regarding the Plan are fully and properly discharged. This includes retaining and supervising specialist service providers, who help the Trustees ensure the day-to-day and long-term requirements of the Plan and its members are met.

PSGIP TRUSTEES

The PSGIP Trustees work diligently to ensure that the Plan runs smoothly. They act solely in the best interests of the Plan and its beneficiaries, in accordance with their mission statement and the Trust Document.

Trustees' Mission

To achieve the Plan's objectives, the Trustees are committed to the following qualities:

PROACTIVITY	TRANSPARENCY	INTEGRITY
Identify and analyze group insurance trends and best practices Make recommendations to optimize the Plan's cost-effectiveness and long-term sustainability	Inform Parties of all decisions Support beneficiaries on the Plan and their role	Adhere to the Trust document at all times Respect all legal agreements and requirements

Responsibilities of the PSGIP Trustees under the Trust Agreement

- Establishing and administering the fund;
- Entering into all necessary contracts;
- Establishing and administering reserve funds;
- Appointing and monitoring the performance of the administrator, consultants, insurance carriers, etc.;
- Investing funds and paying expenses;
- Communicating regularly and openly with Plan members and Parties;
- Reviewing requests from Parties for additional or expanded services;
- Making Plan changes, where permitted, and
- Adjusting rates as a result of Plan experience.

The Trustees cannot make Plan changes that result in material rate increases or add new benefits to the Plan on a cost-shared basis. The Trustees require unanimous approval or direction from the Parties to increase or enhance benefits.

PSGIP Trustees – 2019

TRUSTEE	REPRESENTING
Karen Fraser, Chair	Employer
Jennifer Doyle, Vice-Chair	PEINU
Rick Adams / Sarah MacDonald	Employer
Tanya Tynski	Employer
Carolyn Knox	UPSE – Health
Kellie Hawes	Employer
Bobby Kennedy	CUPE
Melanie Bell	Employer
Kirk Morrison	UPSE – Civil Service
Valerie Robinson	IUOE

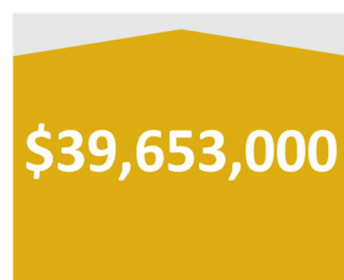
2019 SERVICE PROVIDERS

The following service providers supported the management and administration of the Plan:

PROVIDER	SERVICE
Johnson Inc.	General Administration – collects premium from payroll sources, maintains eligibility records, handles administration inquiries from employers and employees
Canada Life (formerly known as Great-West Life)	Health, Dental and Travel claims payer Insures Basic Life, Dependent Life, Optional Life, Spousal Optional Life, Optional Dependent Life and LTD benefits
CHUBB	Insures Basic and Voluntary Accidental Death and Dismemberment benefits
Mercer (Canada) Limited	Provides consulting services on all benefit plans
HR Atlantic	Trustee Co-ordinator
Industrial Alliance	Holds Retiree Life Reserve, All Benefits Reserve, Basic Life Reserve and LTD Reserve Funds

Highlights of 2019 Plan Year

GROSS PREMIUM PSGIP ACTIVE AND RETIREE



BENEFIT PLANS' 2019 FINANCIAL RESULTS PSGIP ACTIVE AND RETIREE



LTD CASES

Current LTD Cases

The Plan had 70 new LTD claims and 80 files terminated in 2019, resulting in a net decrease of 10 claims. As of December 31, 2019, the Plan had 189 active claims, which represents 3.6% of the LTD benefit enrolment.

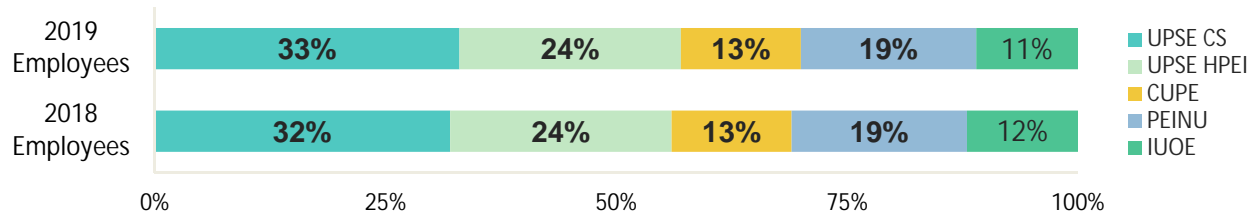
	HEALTH PEI	CIVIL SERVICE	TOTAL		HEALTH PEI	CIVIL SERVICE	TOTAL
	2018				2019		
January 1	121	70	191		134	65	199
• Terminations* / **	(37)	(27)	(64)		(63)	(17)	(80)
• Additions	50	22	72		58	12	70
December 31	134	65	199		129	60	189

* 2018 – 20 due to reaching max age and 1 due to death

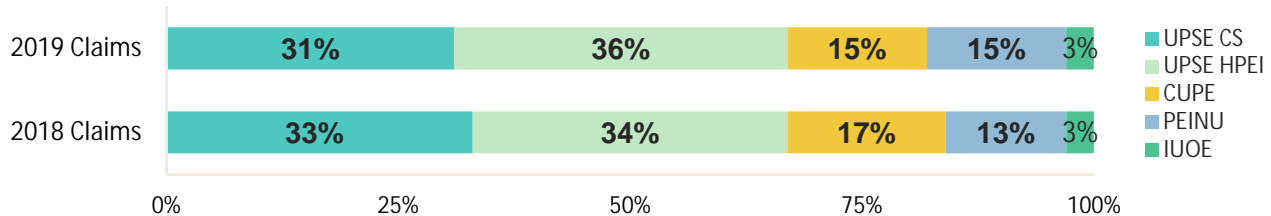
** 2019 – 18 due to reaching max age and 3 due to death

Open LTD Claims

% of Employees Enrolled in LTD by Union Group



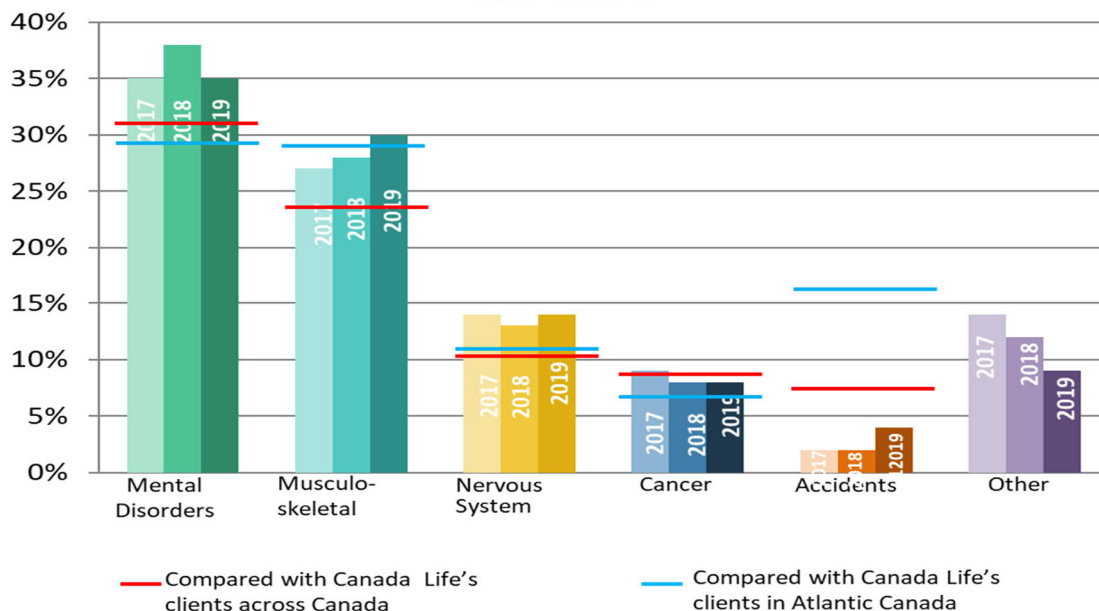
% of Open LTD Claims by Union Group



LTD Disease States

The following chart illustrates the top disease categories for PSGIP's 189 active LTD claimants with a comparison to Canada Life's block of business.

**PSGIP LTD Cases by Disease State
2017 to 2019**

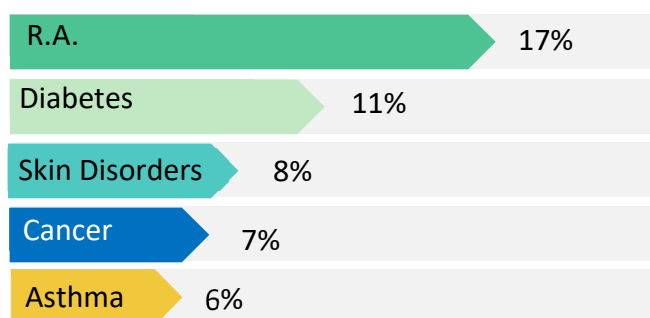


TOP DISEASE STATES 2019

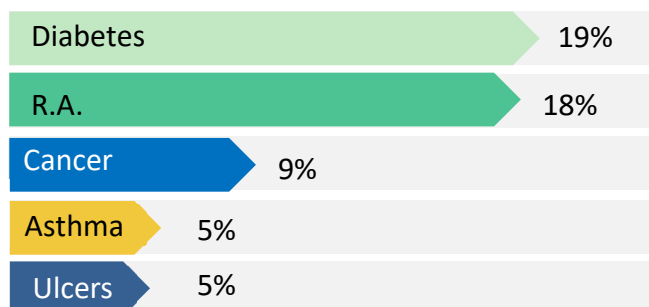
Health Plan: Prescription Drugs

The following charts illustrate the top disease states treated through prescription drugs under the PSGIP for both active employees and retirees – under and over age 65. (Note: R.A. = rheumatoid arthritis)

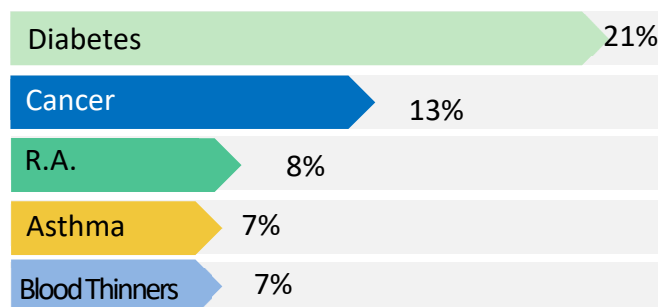
PSGIP Active Employees



Retirees Under 65

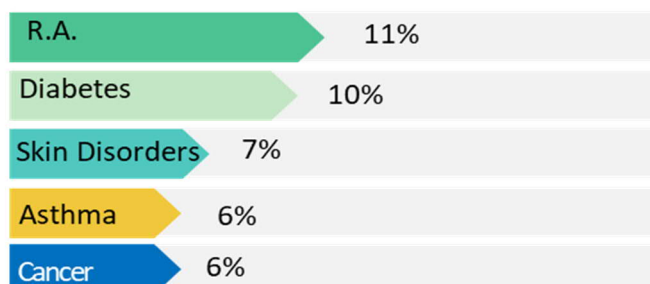


Retirees Over 65



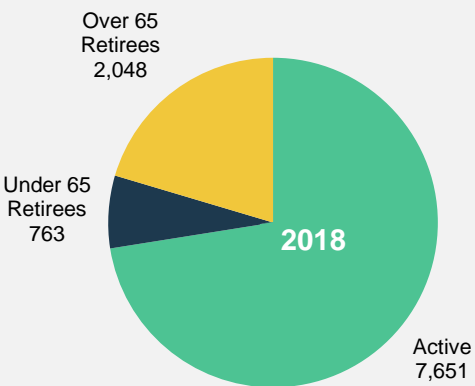
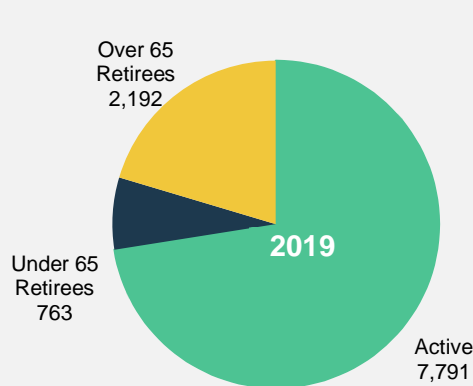
PSGIP's experience can be compared with other clients using the national results of Telus, the pharmacy benefit provider for Canada Life and other insurers. When benchmarked against Telus, the PSGIP active group has the same top 5 disease states, with claims for rheumatoid arthritis, diabetes, skin disorders and cancer exceeding the Telus results. The diabetes, rheumatoid arthritis, and cancer claims for the retiree group exceed the national results of Telus.

Telus (Pharmacy Benefit Provider)

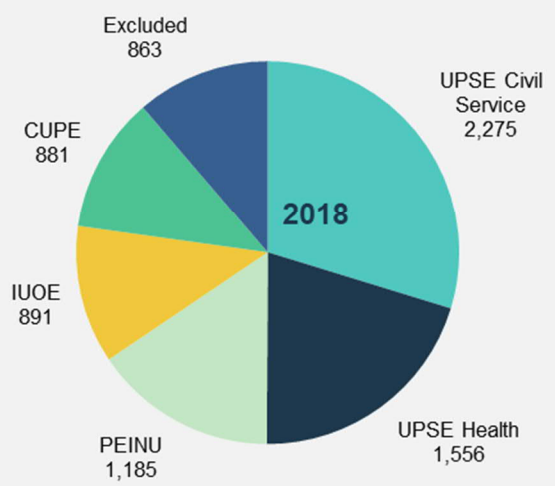
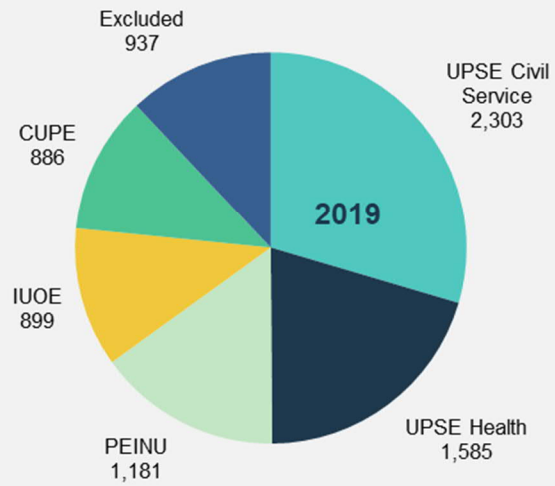


PLAN MEMBERSHIP AND UNDERWRITING

Active Employees & Retirees



Active Employees by Union Group



Plan Underwriting

Basic/Dependent Life & Long-term Disability

The basic life insurance and long-term disability benefits are underwritten on a refund accounting basis. Under this approach, PSGIP shares the risk in the financial results with the insurer. The annual financial reconciliation compares the claims incurred, plus expenses, against the premiums paid. If the total of paid claims, reserve charges, the insurer's administration expenses, and interest is greater than the total paid premiums, a deficit is generated under the Plan. The insurer will carry this deficit forward, recovering it from future surpluses generated under the Plan. If the level of the accumulated deficit under a Plan is very high, the insurer may also include a margin in the renewal premium rates, called a "deficit recovery" margin, in order to fund recovery of the deficit.

If the total of paid claims, reserve charges, the insurer's administration expenses, and interest is less than the total paid premiums, a surplus is generated. If the financial accounting indicates that the Plan has operated in a surplus position, such surplus is first applied to offset any deficit carried forward from previous Plan years. Any balance is then used to fund the claims fluctuation reserve. The remaining surplus is then refunded to the Plan sponsor or left on deposit with the insurer in an interest earning refund deposit account.

Health and Dental

The health and dental benefits for PSGIP are underwritten on an Administrative Services Only (ASO) basis. The difference between the deposits paid during the course of the year and the claims and expenses incurred by the Plan is either refunded to PSGIP or held on deposit with Canada Life if the results are positive. If a negative result occurs, the deficit must be paid via surplus funds held on deposit or through a deficit recovery component built into renewal rates.

Fully Insured Benefits (Optional Life, AD&D and Travel)

The optional life and travel benefits are underwritten on a non-refund accounting basis with Canada Life and the accidental death and dismemberment benefits are underwritten on a non-refund accounting basis with Chubb (formerly known as ACE INA). There is no formal accounting provided for these benefits. PSGIP's liability is limited to the payment of premium. Canada Life and Chubb are responsible for paying eligible claims incurred while assuming any losses that occur if the incurred claims plus expenses for these benefits exceed the premium paid. Canada Life and Chubb also retain any surpluses that occur when the premiums received exceed incurred claims plus expenses.

2019 Plan Financials

PREMIUM BY BENEFIT

Gross Premium Collected By Benefit

	2019	2018
AD&D	\$310,000	\$304,000
Optional Life	\$671,000	\$690,000
Basic/Dependent Life	\$2,241,000	\$2,166,000
Dental	\$7,125,000	\$6,999,000
LTD	\$8,926,000	\$7,434,000
Health/Travel	\$20,380,000	\$19,604,000
Total	\$39,653,000	\$37,197,000

COSTS TO RUN THE PROGRAM

	2019	2018
Insurer's Retention		
Health/Dental	\$1,037,000	\$983,000
Life/LTD	\$1,079,000	\$1,018,000
Service Providers		
Plan Administration : Johnsons	\$705,000	\$689,000
Consulting: Mercer	\$397,000	\$372,000
Trustee Co-ordinator	\$109,000	\$107,000
Grand Total	\$3,327,000	\$3,169,000
% of Premium	8.4%	8.5%

2019 INSURER FINANCIAL SUMMARY

	INSURER PREMIUM/ DEPOSITS	POLICY CHARGES	2019 SURPLUS/ (DEFICIT)
Basic/Dep Life	\$2,187,000	\$1,542,000	\$645,000
Optional Life	\$657,000	\$220,000	N/A
LTD	\$8,726,000	(\$9,279,000)	(\$553,000)
Basic AD&D	\$248,000	\$0	N/A
Voluntary AD&D	\$55,000	\$0	N/A
Health	\$19,438,000	\$19,192,000	\$246,000
Dental	\$6,971,000	\$6,780,000	\$191,000
Travel	\$502,000	\$296,000	N/A

Claims Fluctuation Reserve (CFR) with Canada Life

The claims fluctuation reserve is established from surpluses produced during years of favourable claims experience (*i.e.*, when premiums paid exceed claims incurred and expenses assessed) and is used to offset deficits when claims exceed expected levels. The CFR objective is calculated at a level of 25% of the paid premium. A funded CFR lessens the insurer's risk of having to cover losses incurred on the Plan when terminating in a deficit position. When the CFR is fully funded, the expense charges for the next accounting period are reduced by the insurer. Therefore, to fully fund the 2020 Basic Life CFR objective, \$10,000 was transferred from the current year Basic Life surplus. In June 2020, money will be transferred from the PSGIP LTD Reserve Fund held with Industrial Alliance to Canada Life to meet the 2020 Objective for the LTD CFR.

BENEFIT	AS AT DEC 31, 2019	2020 OBJECTIVE
Basic Life	\$447,000	\$447,000
Long Term Disability	\$1,202,000	\$2,157,000

Accumulated Surplus/ Deficit with Canada Life

BENEFIT	AS AT DEC 31, 2019
Active Group Health/Dental	\$1,722,000
Retiree Group Health/Dental	\$272,000

2019 PSGIP RESERVE SUMMARY

Reserves – December 31, 2019

Held by Johnson Inc. and Industrial Alliance

RESERVE TYPE	AMOUNT
All Benefits Reserve Fund	\$824,000
Retiree Life Reserve Fund	\$166,000
Basic Life Reserve Fund	\$1,861,000
Long-term Disability Reserve Fund	\$2,786,000

The All Benefits Reserve is built up from a fixed charge within the rates. The reserve pays for the PSGIP's expenses for things such as Trustee meetings, Trustee education or conferences, and auditor fees.

Retiree death claims are paid from the Retiree Life Reserve Fund. The Province is legally responsible to provide Retiree life insurance payments.

The Basic Life reserve comes from surplus funds under the Basic Life insurance policy. The Basic Life Reserve Account represents an additional source of funds that can be drawn upon if necessitated by unfavourable life claims experience. There is an excess of \$635,000 under the Basic Life Canada Life Policy, which will be transferred to the Basic Life Reserve Fund with Industrial Alliance in June 2020.

The LTD Reserve Account was created in 2016 to hold excess funds beyond the Claims Fluctuation Reserve for the Long-Term Disability Program. These excess funds are available to help stabilize the premiums for the LTD insurance program in years with unfavourable claims experience. In order to fully fund the Long-term Disability Claims Fluctuation Reserve Fund with Canada Life and pay the accumulated deficit, a transfer of \$956,000 will be made from the Long-term Disability Reserve Fund with Industrial Alliance in June 2020.

RENEWAL RATE ACTION (% CHANGE)

BENEFIT	APRIL 1, 2019	APRIL 1, 2020
Basic/Dependent Life	No Change	-15.0%
Accidental Death & Dismemberment	No Change	No Change
Optional Life	No Change	No Change
Long-term Disability	18%*	No Change
Active Health	+2.9%	+4.9%
Active Dental	No Change	No Change
Active Travel	+2.0%	+3.8%
Under 65 Retiree Health	+2.4%	Opts 1 & 2: +1.5% Opt 2: No Change Opt 4: +15.0%
Over 65 Retiree Health	+6.1% (except Option 4 was +2.4%)	Opts 1 & 2: +5.3% Opts 3 & 4: +15.0%
Retiree Dental	No Change	No Change
Retiree Travel	+0.3%	+0.6%

* Effective Jan 1, 2019, the LTD termination age increased from age 60 to age 62 to align with changes to the Civil Service Superannuation Fund

In analyzing and negotiating renewal rates for the Plan, the Trustees and their advisors rely on a number of external sources and benchmarks to ensure the competitiveness of employee group insurance premiums and insurer expense factors. In particular, Mercer (Canada) Limited maintains comprehensive Canadian databases and surveys that cover plan design, pooling charges, retention and other expense factors, as well as detailed information on insurer capabilities and service offerings. By using these tools and sources of information, the Trustees are able to compare PSGIP offerings and pricing against other comparable plans, providing an evidence-based platform for negotiation of cost-effective and sustainable renewal rates.

For More Information

You can view the PSGIP website at www.mybenefitplan.ca.

If you have questions concerning the PSGIP, please contact the Public Sector Group Insurance Plan:

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By email: psgiptrustees@hratlantic.ca

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Charlottetown, PEI C1A 4J6