

2023 ANNUAL REPORT

June 20, 2024



**Public Sector
Group Insurance Plan**

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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 Plan members 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 influenced by its surrounding environment. Factors such as an aging population, changes in legislation that shift costs to private healthcare plans, increased utilization of services, and rising costs (especially prescription drugs), all contribute to the increase in benefit costs. The need to raise health and dental rates is a direct result of the higher number of claims made under the benefit program, driven by both increased utilization by members and general price inflation.

Despite the increase in health and dental rates, the cost of the long-term disability plan has reduced. The Trustees have responded cautiously to these changing circumstances and have actively managed the Plan to ensure that premium rates under the PSGIP remain competitive while ensuring the Plan continues to provide valuable benefits.

Reflecting on 2023, the Trustees take pride in positive achievements despite the challenging circumstances. The Plan provided coverage for roughly 11,700 active employees and retirees, resulting in a total annual premium of \$48,915,000. The operational costs of running the Plan amounted to 8.3% of the premium, and a summary of the financial outcomes for each benefit is included in this report.

The Plan remains financially stable, with sufficient reserves on hand. The Trustees are dedicated to ensuring the long-term sustainability of the Plan, prioritizing its ability to continue providing valuable coverage into the future.

Highlights

In 2023, the Trustees accomplished the following:

- In February, we conducted and shared a recorded retiree information session;
- Throughout the year, we held five Trustee meetings;
- Reviewed and updated operational policies for the Trust;
- At the December Trustee meeting, we completed the annual group benefit renewal, resulting in an overall premium increase of 3.3% effective April 1, 2024. This increase is significantly lower than average cost increases of 7% - 10% seen in other similar plans.
 - Chronic diseases such as diabetes, rheumatoid arthritis, and skin disorders remained the top conditions;
 - Health claims saw a particular impact from an increase in Ozempic claims, which were \$647,000 higher than the previous year. Canada Life introduced a prior authorization process language to manage the use of Ozempic.

The Trustees also held a strategic planning meeting to discuss the criteria for a potential plan design review with the Parties. We reviewed plan benchmarking, analyzed market trends, and explored alternative plan designs. In January 2024, we hosted a meeting with the Parties to present the outcomes of the strategic planning session and seek guidance on the next steps. The Trustees continue to collaborate with the Parties to identify options for potential plan enhancements.

As Chair and Vice-Chair of the PSGIP, we are pleased with the results of 2023 and look forward to another successful year in 2024.

Erin Gauthier
Chair, PSGIP Trustees

Bobby Kennedy
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 governance 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 unilaterally 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 – 2023

TRUSTEE	REPRESENTING
Erin Gauthier, Chair	Employer
Bobby Kennedy, Vice-Chair	CUPE
Holly Brasky	IUOE
Jennifer Doyle	PEINU
Trevor MacKinnon	UPSE – Civil Service
Carolyn Knox	UPSE – Health
Lane Pineau	Employer
Allison Wyatt	Employer
Pamela MacEachern	Employer
Tracy Wolbaum	Employer

2023 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	Health and Dental claims payer Insures Basic Life, Dependent Life, Optional Life, Spousal Optional Life, Optional Dependent Life, Optional Critical Illness, LTD and Travel 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 All Benefits Reserve, Basic Life Reserve and LTD Reserve Funds

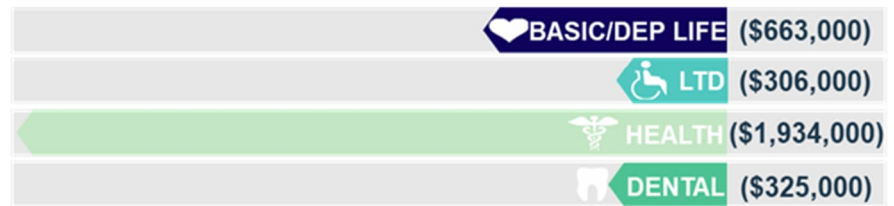
Highlights of 2023 Plan Year

GROSS PREMIUM PSGIP ACTIVE AND RETIREE



BENEFIT PLANS' 2023 FINANCIAL RESULTS

PSGIP ACTIVE AND RETIREE



LTD CASES

Current LTD Cases

The Plan had 83 new LTD claims and 74 files terminated in 2023, resulting in a net increase of 9 claims. As of December 31, 2023, the Plan had 224 active claims, which represents 3.5% of the members enrolled in LTD.

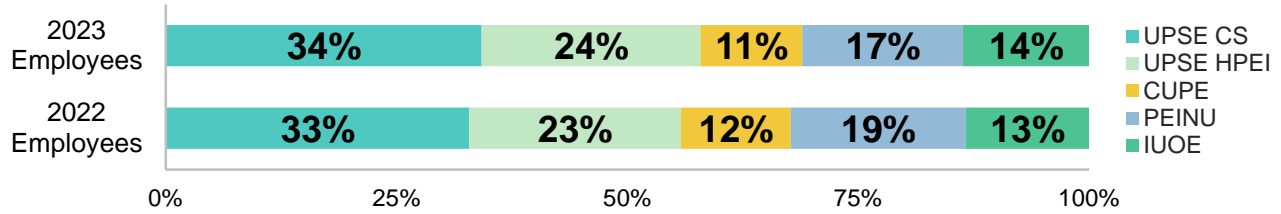
	HEALTH PEI	CIVIL SERVICE	TOTAL	HEALTH PEI	CIVIL SERVICE	TOTAL
	2022			2023		
January 1	139	58	197	155	60	215
• Terminations* / **	(42)	(13)	(55)	(59)	(15)	(74)
• Additions	58	15	73	67	16	83
December 31	155	60	215	163	61	224

* 2022 – 14 due to reaching max age and 1 due to death

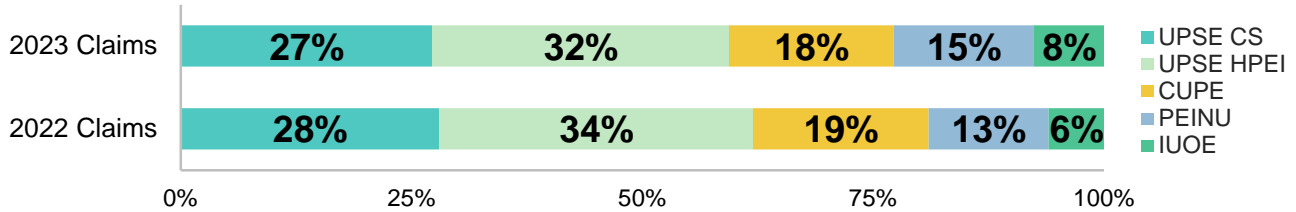
** 2023 – 17 due to reaching max age and 3 due to death

Open LTD Claims

% of Employees Enrolled in LTD by Union Group



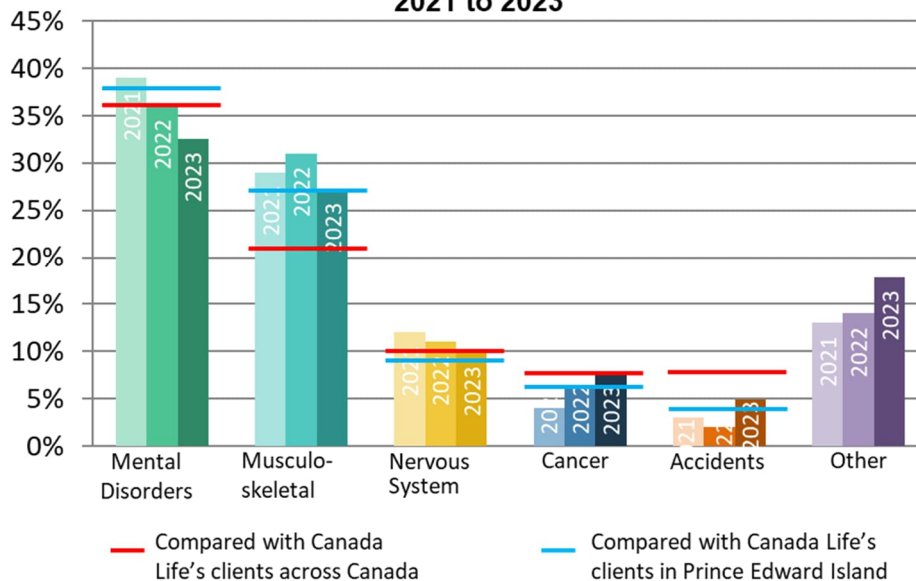
% of Open LTD Claims by Union Group



LTD Disease States

The following chart illustrates the top disease categories for PSGIP's 224 active LTD claimants, with a comparison to Canada Life's block of business.

PSGIP LTD Cases by Disease State 2021 to 2023

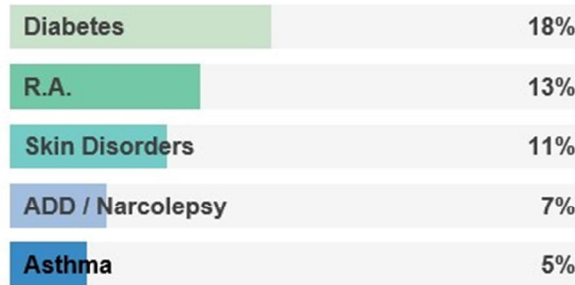


TOP DISEASE STATES 2023

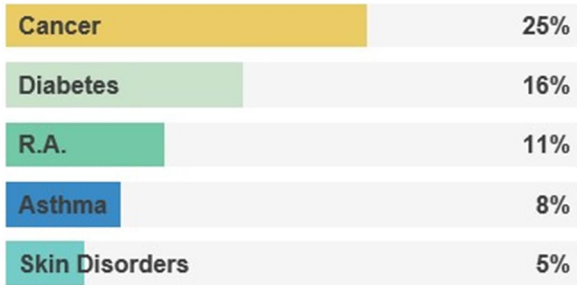
Health Plan: Prescription Drugs

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 and ADD = attention deficit disorder)

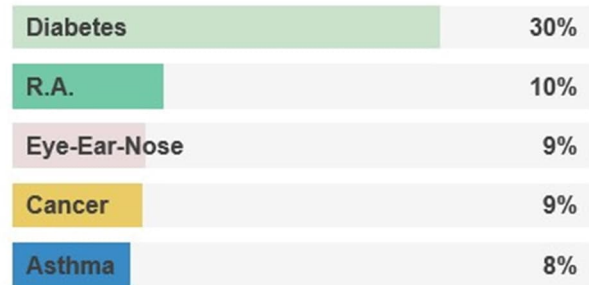
Active Employees



Retirees Under 65



Retirees Over 65



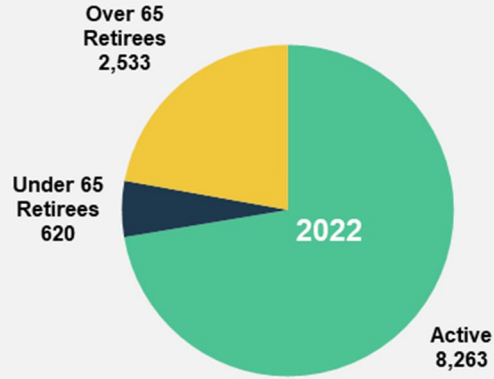
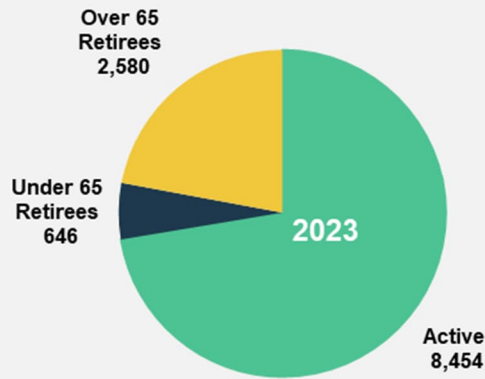
PSGIP’s experience can be compared with other clients using the national results of Telus, the pharmacy benefit provider for Canada Life and other insurers. According to the benchmark comparison with Telus, the PSGIP active group has three common top disease states: diabetes, rheumatoid arthritis, and skin disorders. The number of claims for these conditions exceeds the results from Telus. Among retirees under the age of 65, cancer is the top disease state, while diabetes is the top disease state for retirees over the age of 65. Both of these conditions also have higher rates compared to Telus.

Telus (Pharmacy Benefit Provider)

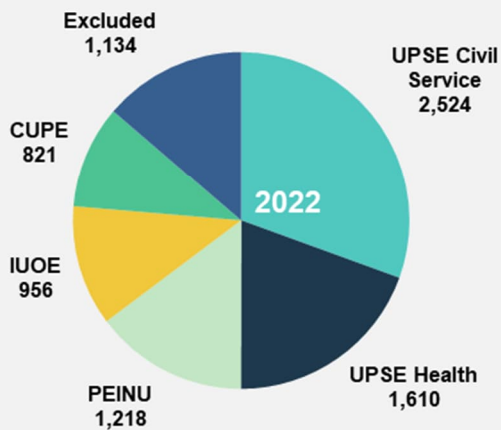
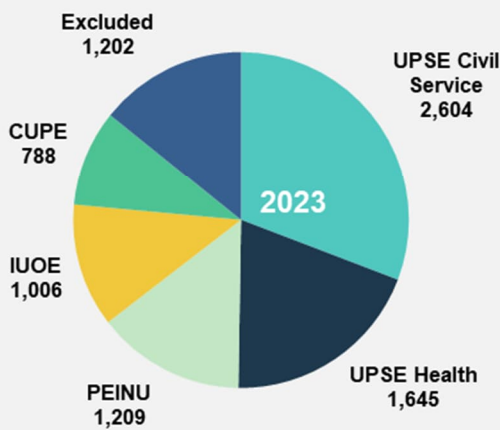


PLAN MEMBERSHIP AND UNDERWRITING

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. The insurer will carry this deficit forward, recovering it from any 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, if any, 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, Optional Critical Illness, AD&D and Travel)

The optional life, optional critical illness 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. 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.

2023 Plan Financials

PREMIUM BY BENEFIT

Gross Premium Collected By Benefit

	2023	2022
AD&D	\$369,000	\$352,000
Optional Life	\$584,000	\$607,000
Optional Critical Illness	\$170,000	\$96,000
Basic/Dependent Life	\$2,043,000	\$2,145,000
Dental	\$7,879,000	\$7,666,000
LTD	\$13,737,000	\$12,665,000
Health/Travel	\$24,133,000	\$24,149,000
Total	\$48,915,000	\$47,680,000

COSTS TO RUN THE PROGRAM

	2023	2022
Insurer's Retention		
Health/Dental	\$1,131,000	\$1,038,000
Life/LTD	\$1,565,000	\$1,445,000
Service Providers		
Plan Administration: Johnsons	\$763,000	\$747,000
Consulting: Mercer	\$489,000	\$477,000
Trustee Co-ordinator: HR Atlantic	\$118,000	\$117,000
Grand Total	\$4,066,000	\$3,824,000
% of Premium	8.3%	8.0%

2023 INSURER FINANCIAL SUMMARY

	INSURER PREMIUM/ DEPOSITS	POLICY CHARGES	2023 SURPLUS/ (DEFICIT)
Basic/Dep Life	\$2,005,000	\$2,668,000	(\$663,000)
Optional Life	\$572,000	\$554,000	N/A
Optional Critical Illness	\$167,000	\$0	N/A
LTD	\$13,437,000	\$13,743,000	(\$306,000)
Basic AD&D	\$310,000	\$328,000	N/A
Voluntary AD&D	\$52,000	\$227,000	N/A
Health	\$23,067,000	\$25,001,000	(\$1,934,000)
Dental	\$7,727,000	\$8,052,000	(\$325,000)
Travel	\$599,000	\$321,000	N/A

Claims Fluctuation Reserve with Canada Life

The claims fluctuation reserve (CFR) 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 funding objective is 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 – so having a funded CFR saves the Plan money. In June 2024, funds will be transferred from the PSGIP Basic Life and Long Term Disability (LTD) Reserve Funds held with Industrial Alliance to Canada Life. This transfer is necessary to fulfill the 2024 objective for the Basic Life and LTD CFRs.

BENEFIT	AS AT DEC 31, 2023	2024 OBJECTIVE
Basic Life	\$0	\$406,000
Long Term Disability	\$2,781,000	\$3,230,000

Accumulated Surplus/ Deficit with Canada Life

BENEFIT	AS AT DEC 31, 2023
Active Group Health/Dental	\$2,706,000
Retiree Group Health/Dental	\$850,000

2023 PSGIP RESERVE SUMMARY

Reserves – December 31, 2023

Held by Johnson Inc. and Industrial Alliance

RESERVE TYPE	AMOUNT
All Benefits Reserve Fund	\$1,873,000
Retiree Life Reserve Fund	\$53,000
Basic Life Reserve Fund	\$3,860,000
Long-term Disability Reserve Fund	\$789,000

The All Benefits Reserve is accumulated 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, legal fees, auditor fees, project work and website revisions.

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

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. In order to pay the remaining current year deficit and fully fund the Basic Life Claims Fluctuation Reserve Fund with Canada Life, a transfer of \$675,478 will be made from the Basic Life Reserve Fund with Industrial Alliance in June 2024.

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, a transfer of \$448,416 will be made from the Long-term Disability Reserve Fund with Industrial Alliance in June 2024.

RENEWAL RATE ACTION (% CHANGE)

BENEFIT	APRIL 1, 2023	APRIL 1, 2024
Basic Life	-10.0%	No Change
Dependent Life	-10.0%	No Change
Accidental Death & Dismemberment	No Change	No Change
Optional Life	No Change	No Change
Optional Critical Illness	No Change	No Change
Long-term Disability	No Change	-10.2%
Active Health	-4.0%	+12.0%
Active Dental	Basic: -2.0% Basic/Major/Ortho: No Change	Basic: +12.0% Basic/Major/Ortho: +9.0%
Active Travel	+6.6%	+16.2%
Under 65 Retiree Health	Opts 1 – 4: +7.4%	Opts 1 -3: +9.5% Opt 4:+5.0%
Over 65 Retiree Health	Opts 1 – 3: +2.1% Opt 4: +7.4%	Opts 1 -3: +1.9% Opt 4:+5.0%
Retiree Dental	Basic: No change Basic/Major: No change	Basic: +8.8% Basic/Major: +7.7%
Retiree Travel	+7.7%	+19.3%

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, our benefits consultant 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:

By phone: (902) 626-2500

By email: psgiptrustees@hratlantic.ca

By mail: 20 Great George Street, Suite 201
Charlottetown, PEI C1A 4J6