

# Long Term Disability Annual Report 2015-16

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**BC PUBLIC SERVICE AGENCY**



Where ideas work



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# Message from the Trustee

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In the competition for talent, our workforce continues to be the number one priority. This emphasis is as essential in workplace health strategies as it is in recruitment and retention initiatives. The recently approved Health 2.0 strategy aims to further develop the safety and health oriented workplace culture across the entire public service. Within this proactive culture shift, the employer's response to a work-disability can also significantly change the disability outcome and organizational performance. To build these skills in workforce leaders the BC Public Service Agency continues to focus on supervisor skill development, raising awareness and providing support for employees experiencing complicated disability absences to achieve a safe, timely and sustainable return to work.

Budget 2016 introduced legislative changes to the funding model for the Long Term Disability (LTD) Plan. Effective April 1, 2017, funding will change from a trust fund model to a special account within the Consolidated Revenue Fund. This change will reduce administrative costs and increase transparency through revenue and program expenditure disclosure in the Provincial Government Annual Estimates. With this change the plan will also experience more stability and funding certainty while sheltering it from external market variability.

While I remain the Deputy Minister of the BC Public Service Agency, and continue to lead workplace health, safety and disability practice, the conversion of the trust fund will end

my role as Trustee of the LTD fund. I would like to confirm that the terms and conditions of the LTD plan, including the manner in which LTD rates are calculated, will remain unchanged. There will also be no impact to disability benefit payments to beneficiaries or to the available rehabilitation programs and supports.

Early collaboration between Agency staff, management and supervisors continues to positively impact the plan experience with an overall reduction of total claims. The plan has 29 fewer claimants than March 31, 2015, saving the LTD fund a further estimated \$4.35 million in total liabilities based on an average \$150,000 per claim. With an aging BC Public Service workforce (typically associated with rising LTD claims and costs) this remains a notable achievement during a time when the insurance industry continues to report a rise in both of these measures.

As a reflection of the continuous efforts of the Workplace Health and Safety branch and the finance team supporting the Agency over the past year, I am pleased to provide you with this 2015/2016 Long Term Disability Annual Report.



Lori Halls,  
Deputy Minister,  
BC Public Service Agency

# The Long Term Disability Plan

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The Long Term Disability (LTD) Plan provides members with income continuation in the event that an eligible employee becomes totally disabled due to illness or injury for a period of time greater than six months.

The members of the plan consist of British Columbia Public Service employees and employees of various Crown Corporations, Agencies, Boards and Commissions as listed on page 10. As of March 31, 2016, there were approximately 32,490 members covered by the plan. This is a decrease of 230 members from March 31, 2015.

The LTD plan is 100 per cent funded by the participating employers. While the landscape in Canada is changing with respect to the ability to self-insure LTD plans, the BC Public Service Agency has adopted practices to minimize risks, including continuous funding, optimizing investment returns, establishing funding and rate-setting policies, and signing participation agreements with all participating employers.

## GOVERNANCE

Members' LTD benefits are established under the Public Service Benefits Plan Act and the Long Term Disability Plan Regulation. The Regulation sets out which employees are covered by the LTD plan, the eligibility criteria for receipt of plan benefits, the participating employers' rate, and other provisions related to the administration of LTD benefits. The plan structure attributes disability costs to each participating employer or group of participating employers.

In keeping with the BC Public Service Agency's commitment to accountability and transparency, the plan trustee also relies on a number of policies to govern the plan. These policies include, but are not limited to:

- **LTD Fund Investment Policy:** Provides BC Investment Management Corporation guidelines, policies, and direction for the investment and administration of the fund and sets performance objectives and other criteria to be used to review and evaluate the investment results.
- **LTD Plan Funding and Rate Setting Policy:** Establishes the funding objectives and guidelines to adequately fund, as assessed by the actuarial valuation, all payment obligations and set future rates that minimize large variations in contribution rates from year to year, while ensuring adequate funding continues.
- **LTD Plan Authorities Delegation Matrix:** Defines the level of financial and decision making authority for the trustee, plan administrator, and other stakeholders.

# Discussion and Analysis

## CLAIMS INFORMATION

Disabling medical conditions are grouped into 19 different diagnosis categories. Of the 430 new claims in fiscal year 2016, 36.7 per cent were mental disorders and 23.0 per cent were muscle, bone, joint and tendon conditions. These are a significant portion of claims; the breakdown of each of these conditions is illustrated below. Case management, rehabilitation and modified return to work options can shorten many of these types of claims and improve long term medical outcomes.

FIG 1: NEW LTD CASE COUNT

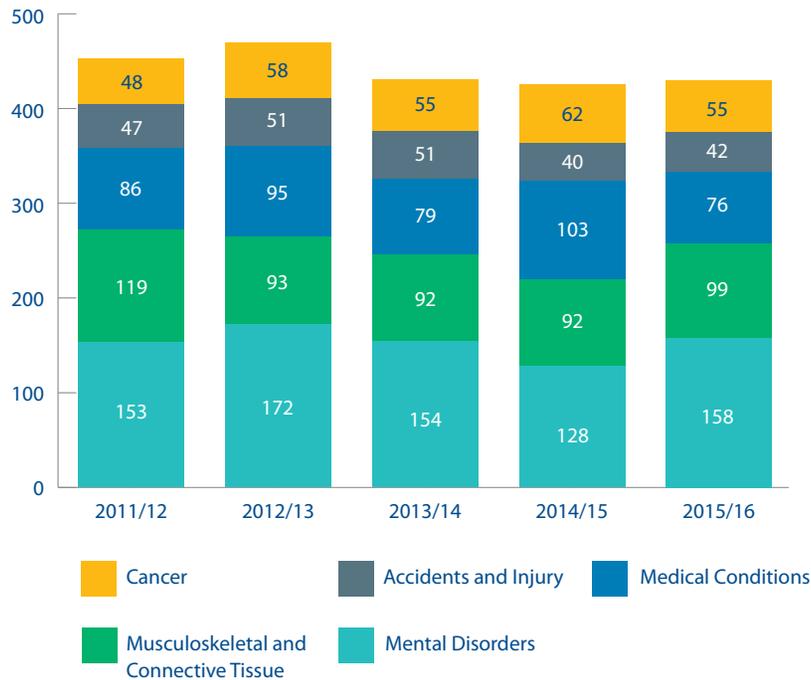
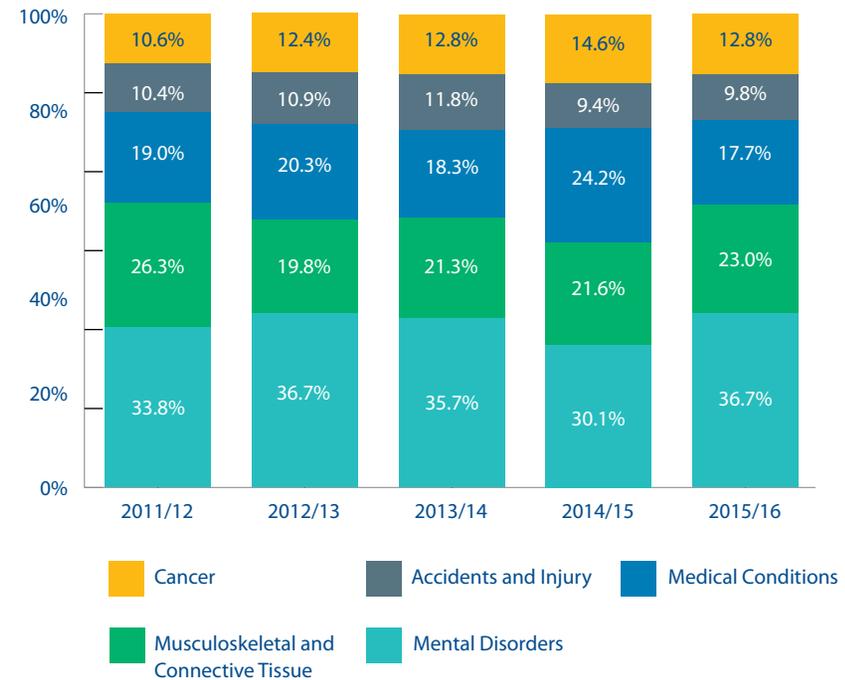


FIG 2: PERCENTAGE OF NEW CLAIMS BY MEDICAL CONDITION



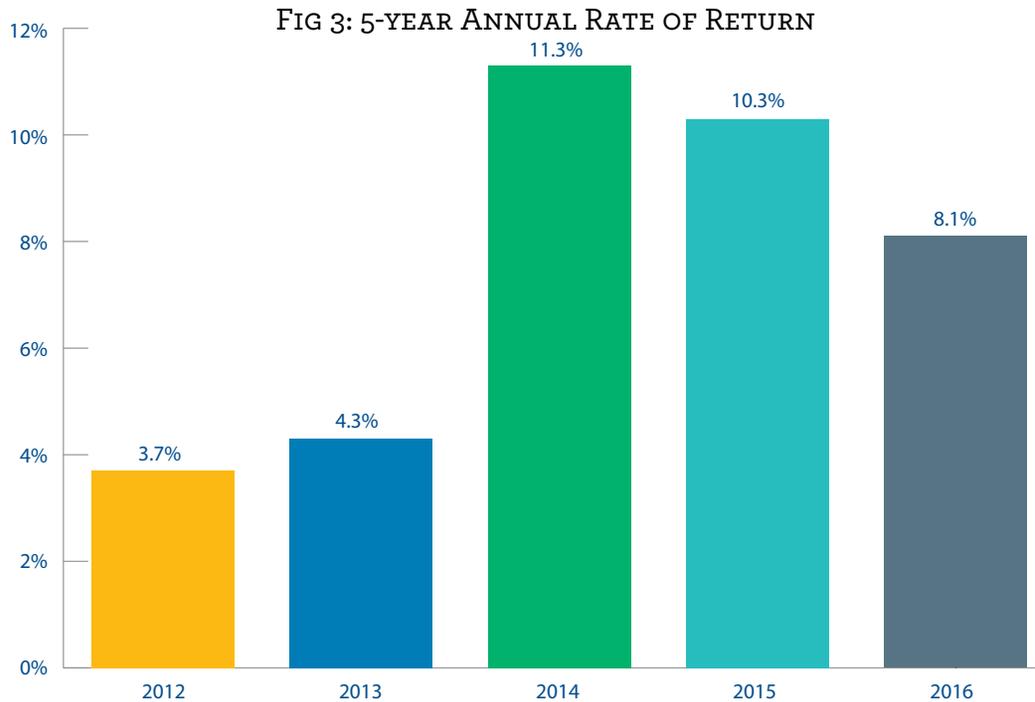
# Discussion and Analysis

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## FINANCIAL

The funds are managed by the BC Investment Management Corporation, which is one of Canada's largest institutional fund managers. Its investment activities help to finance the LTD plan.

As the chart illustrates, due to variable economic conditions, the 5-year annual rate of return can fluctuate considerably from year to year. This is one of many considerations undertaken by the company Morneau Shepell when performing the full actuarial valuations twice a year.



Reference: BCIMC Public Service Long Term Disability Fund: Performance Report, March 31, 2016

Note: Audited financial statements (statement of operations and changes in net financial position and statement of financial position) are available upon request.

# Discussion and Analysis

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## PERFORMANCE

TABLE 1: PLAN PARTICIPATION AND COMPARISON

	2011/12	2012/13	2013/14	2014/15	2015/16
Active Claims as at April 1	1839	1878	1944	1923	1889
Approved/Re-opened Claims	524	498	453	508	493
Resolved Claims	485	432	474	542	522
Active Claims as at March 31	1878	1944	1923	1889	1860

The LTD plan approved or re-opened 493 claims in 2015/2016. The overall participation rate decreased 1.53 per cent from March 31, 2015 to March 31, 2016.

An active focus on rehabilitation and return to work continues to be a key component in reducing LTD plan costs. In our plan, approximately half of resolved claims are a result of LTD claimants returning to work. In addition, the vocational rehabilitation services continue to be very effective in assisting individuals on prolonged claims (more than three years). The program endeavours to increase claimants work capacity with the ultimate goal of achieving employability. This year saw an additional three individuals become job ready at a cost of \$16,450 with an estimated savings of \$885,372 had they remained on LTD until retirement.

# Discussion and Analysis

## SERVICE PROVIDER SCORECARD

Claims administration of the LTD plan is provided by the BC Public Service Agency's Workplace Health and Safety branch, in conjunction with claims adjudication and claims paying agent services that have been contracted from the Great-West Life Assurance Company. The service provider contract established in fiscal year 2013 with Great-West Life Assurance Company contains customer-centric service standards. The information below illustrates the continued efforts to meet these high standards and indicates how these goals were met in 2015/2016.

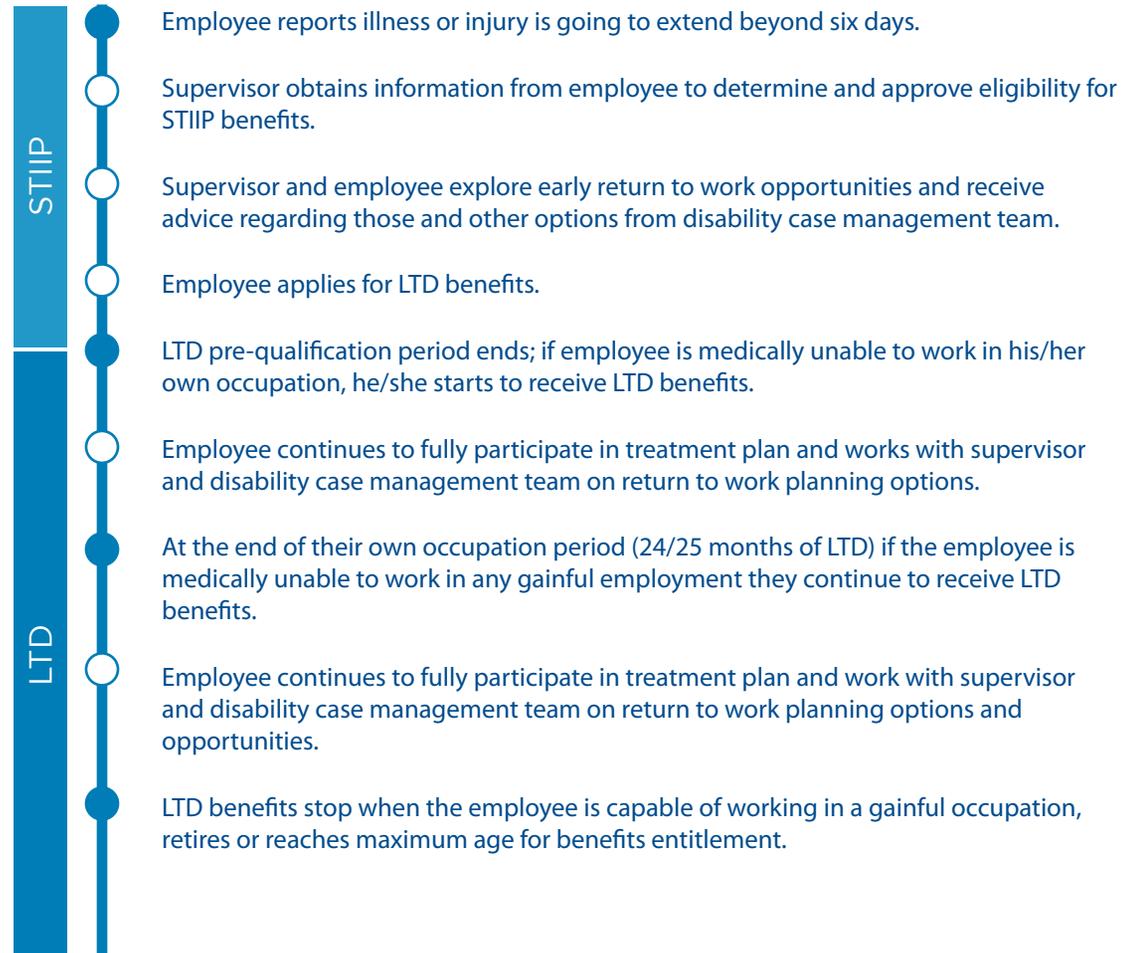
Service Standard	Goal	Achieved	Met Standard
<b>Claim responsiveness:</b> Will respond to requests within 14 days.	90% of the time	93% of the time	Exceeds
<b>Claim responsiveness:</b> Decisions will be communicated within 40 days of receiving a complete application.	90% of the time	100% of the time	Exceeds
<b>Claims payment:</b> Accurate and timely payment of monthly benefit within 30 days of eligibility.	90% of the time	98% of the time	Exceeds

In addition to challenging service standards we also measure effectiveness through annual audits. Below is an excerpt from the 2014/2015 audit report indicating the success rate of two major indicators: overall claims management and financial claims management.

Audit Report	Goal	Achieved	Annual Change
<b>Overall claims management:</b> Accuracy, quality responsiveness and correct decision making confirmed through an audit of 25 claims.	90% of the time	100% of the time	1.3% improvement
<b>Financial claims management:</b> Accuracy and timeliness of LTD payments confirmed through an audit of 10% of all claims.	100% of the time	98.1% of the time	0.3% reduction

# How the Plan Works

FIG 4: HOW THE PLAN WORKS



# Participating Employers

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BC Excluded Employees' Association  
BC Ferry Services Inc.  
BC Innovation Council  
BC Investment Management Corporation  
BC Oil and Gas Commission  
BC Pension Corporation  
BC Provincial Government regular employees  
BC Securities Commission  
BC Treaty Commission  
BC Utilities Commission  
Broadmead Care Society  
Community Living BC  
Conflict of Interest Commissioner  
Constituency Assistants  
Consumer Protection BC  
Elections BC  
Emergency Health Services Commission  
First Peoples' Heritage, Language and Cultural Council  
Forest Practices Board

Freshwater Fisheries Society of BC  
Government House  
Habitat Conservation Trust Foundation  
Information and Privacy Commissioner  
Islands Trust Council  
Judges and Masters of the Supreme Court of BC  
Labour Relations Board/Chair/Associate Chair  
Legislative Assembly of BC  
Liquor Distribution Branch  
Office of the Auditor General of BC  
Office of the Merit Commissioner  
Office of the Ombudsperson  
Partnerships BC  
Police Complaint Commissioner  
Professional Employees Association  
Representative for Children and Youth  
Royal BC Museum  
Transportation Investment Corporation  
Workers' Compensation Appeal Tribunal



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