

LONG TERM DISABILITY ANNUAL REPORT 2016 – 2017



Where ideas work

-
- 3** Message from the Deputy Minister
 - 4** The Long Term Disability Plan
 - 5** Discussion and Analysis
 - Claims Information
 - Financial
 - Performance
 - Service Provider Scorecard
 - 9** How the Plan Works
 - 10** Participating Employers

Message from the Deputy Minister

As Deputy Minister and Head of the BC Public Service Agency, my role provides me with a high-level view of public sector work-disability performance, the services and programs delivered by the Agency, and the positive impact that can be achieved through collaborative work amongst the stakeholders and an employer focused on building their health and safety culture.

For the third consecutive year total Long Term Disability (LTD) claims decreased. In 2016/2017, a drop of 29 claims reduced estimated future plan liabilities by \$4.35 million. This is a notable achievement with an aging workforce that would typically be associated with rising numbers of LTD claims and increasing claim costs. The stability of our LTD plan performance stands out when the insurance industry is reporting a rise in both of these measures.

The plan has benefitted from participating organizations prioritizing health and safety and using evidence-informed best practices. As participants in a shared risk LTD plan, an improved performance in each organization will contribute to stability in corporate LTD performance.

One client, the Ministry of Children and Family Development (MCFD), led a top-down commitment to building a workplace culture that supports and inspires employees to make positive health choices and to foster proactive communications between supervisors and employees. Early collaboration and problem solving between ministry managers and Agency consulting staff removed barriers and prepared for early return to modified work opportunities.

With a renewed focus on improving their workplace health, MCFD recognized savings in short term disability costs and reduced their new LTD claims from 22 per 1,000 employees in 2012/2013, to 16 per 1,000 employees in 2016/2017. Having fewer LTD claims also allowed the ministry to retain the years of experience and knowledge these individuals have gained. This retention benefits the employer and creates a broader impact that is felt throughout the workforce.

The transition from a trust fund model to a special account within the Consolidated Revenue Fund was accomplished on April 1, 2017. As introduced in the 2016 Budget, this will increase transparency through revenue and program expenditure disclosure in the Provincial Government Annual Estimates.

As a reflection of the continuous efforts of the Workplace Health and Safety and the Financial Management Services branches supporting the Agency, I am pleased to provide you with this 2016/2017 Long Term Disability Annual Report.



LORI HALLS,
Deputy Minister,
BC Public Service Agency

The Long Term Disability Plan

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 (see list on page 10). As of March 31, 2017 there were approximately 32,600 members covered by the plan. This is an increase of 110 members from March 31, 2016.

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 Deputy Minister, BC Public Service Agency relies on a number of policies to govern the plan. These policies include, but are not limited to:

- **LTD Plan Investment Policy:** Provides BC Investment Management Corporation guidelines, policies, and direction for the investment and administration of the special account 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 Deputy Minister, BC Public Service Agency, plan administrator, and other stakeholders.

Discussion and Analysis

CLAIMS INFORMATION

Disabling medical conditions are grouped into 19 different diagnosis categories. Of the 381 new claims in fiscal year 2017, 37.0 per cent were mental disorders and 20.7 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

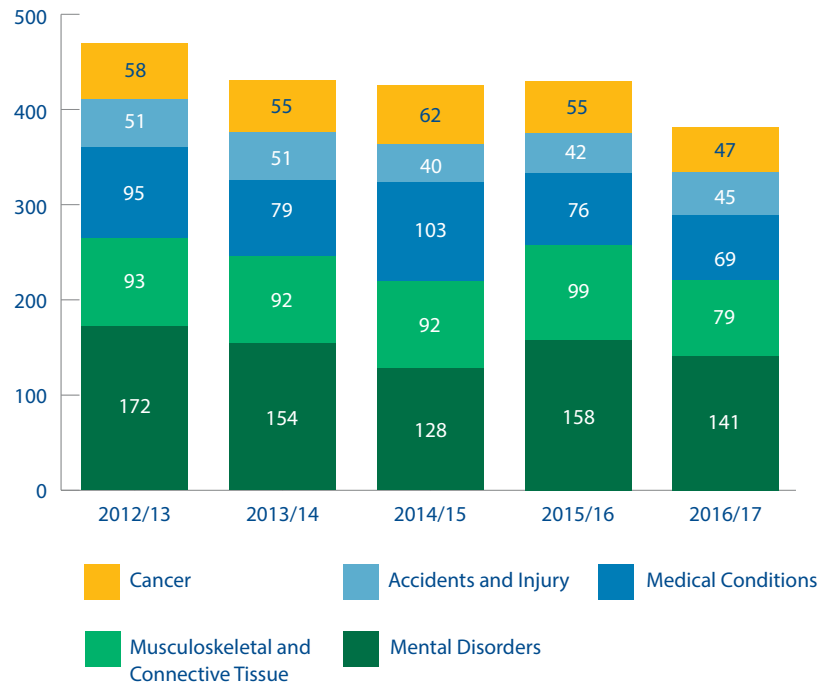
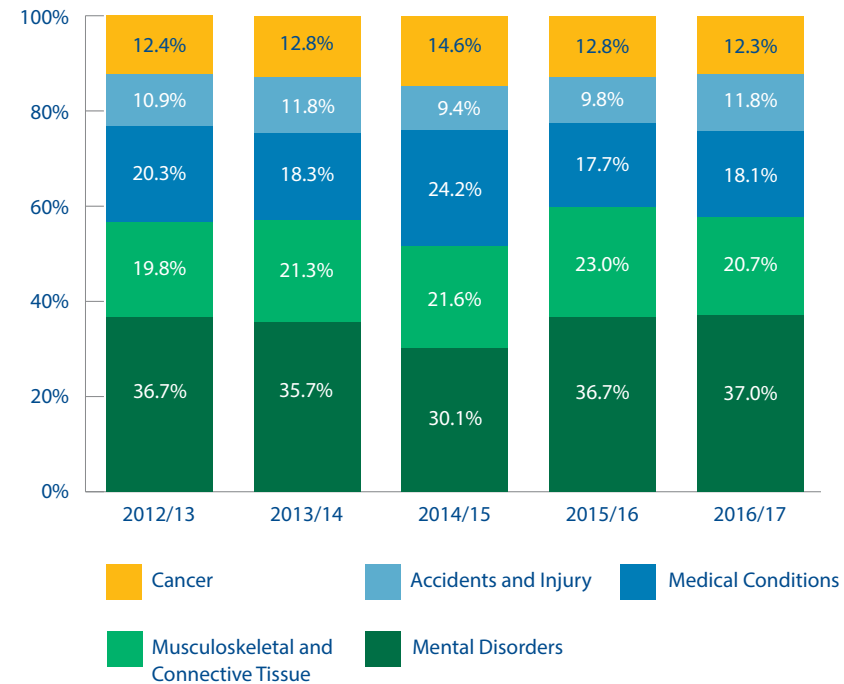


FIG 2: PERCENTAGE OF NEW CLAIMS BY MEDICAL CONDITION



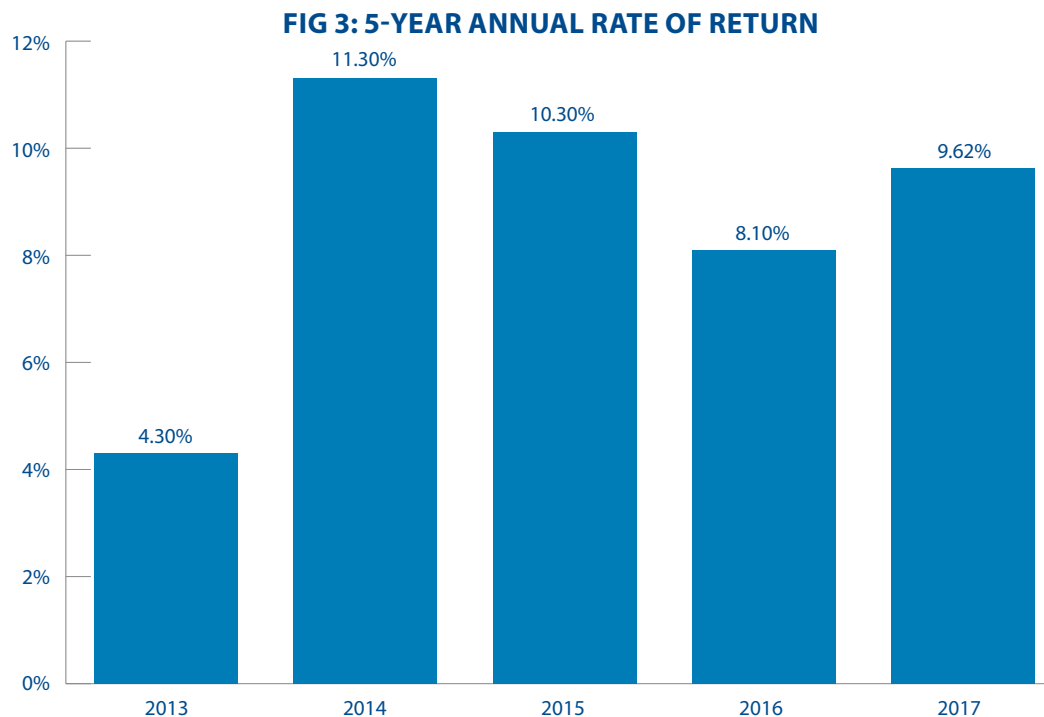
Discussion and Analysis

FINANCIAL

The funds were 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.

The LTD Fund was moved to a special account within the Consolidated Revenue Fund as at April 1, 2017, which transferred investments from the plan to the province effective April 1, 2017.

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.



Discussion and Analysis

PERFORMANCE

TABLE 1: PLAN PARTICIPATION AND COMPARISON

	2012/13	2013/14	2014/15	2015/16	2016/17
Active Claims as at April 1	1878	1944	1923	1889	1860
Approved/Re-opened Claims	498	453	508	493	496
Resolved Claims	432	474	542	522	525
Active Claims as at March 31	1944	1923	1889	1860	1831

The LTD plan approved or re-opened 496 claims in 2016/2017. The overall participation rate decreased 1.56 per cent from March 31, 2016 to March 31, 2017.

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, for a few cases per year, 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 one individual became job ready at a cost of \$2,430 with an estimated savings of \$502,361 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 two of these goals were met in 2016/2017. Although one service standard for the year was missed, the conditions that caused it have been remediated and quarterly monitoring is showing a positive trend.

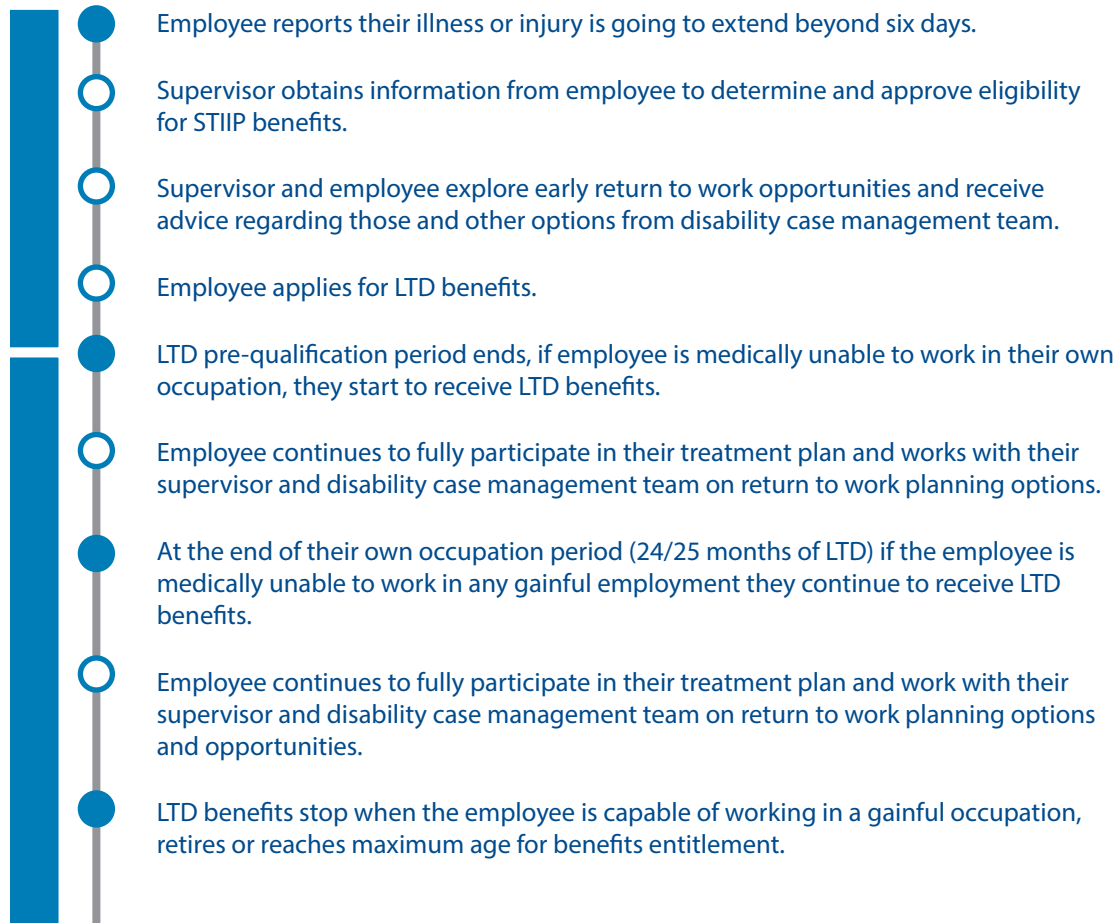
SERVICE STANDARD	GOAL	ACHIEVED	MET STANDARD
Claim responsiveness: Will respond to requests within 14 days.	90% of the time	89% of the time	Missed target
Claim responsiveness: Decisions will be communicated within 40 days of receiving a complete application.	90% of the time	100% of the time	Exceeds
Claims payment: Accurate and timely payment of monthly benefit within 30 days of eligibility.	90% of the time	97.4% of the time	Exceeds

In addition to challenging service standards we also measure effectiveness through annual audits. Below is an excerpt from the 2015/2016 audit report indicating the success rate of two major indicators: overall claims management and financial claims management.

AUDIT REPORT	GOAL	ACHIEVED	ANNUAL CHANGE
Overall claims management: Accuracy, quality responsiveness and correct decision making confirmed through an audit of 25 claims.	90% of the time	100% of the time	No change
Financial claims management: Accuracy and timeliness of LTD payments confirmed through an audit of 10% of all claims.	100% of the time	97.8% of the time	0.3% reduction

How the Plan Works

FIG 4: HOW THE PLAN WORKS



Participating Employers

- 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
- Community Living BC
- Conflict of Interest Commissioner
- Constituency Assistants
- Consumer Protection BC
- Elections BC
- 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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