HEALTHCARE BENEFIT TRUST

HBT

BENEFIT FROM EXPERIENCE

ANNUAL REPORT 2015

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HEALTHCARE BENEFIT TRUST

HBT

BENEFIT FROM EXPERIENCE

Message from the Board Chair

As Chair of HBT's Board for the past 7 years, it has been a privilege to work with fellow HBT Trustees and HBT Management. The Trust continues to have the expertise and vision of a strong and committed Board. We continue to apply leading practices in our governance and are pleased to see the positive results and stronger relationships with all our constituents over the course of 2015.

HBT finished 2015 in a very solid financial position and overall was fully funded. The Trust's financial position has continued to improve since 2009. This performance has been driven by solid investment returns, effective management of administration costs and service providers as well as commitment to inform stakeholders on the management of benefits costs.

I would like to acknowledge the Trustees for their oversight and guidance through a year of significant change due to ongoing bargaining within the Health Sector, as well as planning for the incoming Health Sector Joint Trusts. I commend the employees of HBT, who stayed the course regardless of significant uncertainty and time pressures. We also welcomed the opportunity to work directly with Union representatives of each of the Health Sector Bargaining associations including the Nurses Bargaining Association, Facilities Bargaining Association, Community Bargaining Association and the Health Sciences Professionals Bargaining Association. We look forward to continued collaboration and communication in the year ahead.

HBT's mandate is to ensure beneficiaries receive benefits in accordance with negotiated provisions and plan design, and to administer benefits in a cost-effective, efficient and market competitive manner. Today we provide benefits to 90,000 public sector employees and their dependents. We also operate as a service provider to the Health Science Association Trusts and the Health Employers Association of BC. We continue to ensure the beneficiaries are well served and continue to build relations with our clients and stakeholders.

We have set our 2020 Vision to be the "partner of choice" for providing health and welfare benefits to the public sector in British Columbia. In support of this long term goal, the Board completed a strategic review of the HBT business model, its services, operations and future opportunities to leverage its expertise, competitive positioning and capacity to service incoming Joint Trusts as well as potential new clients within the public sector.

Looking ahead, we see interest within the public sector to explore new models for benefits administration and funding. We see servicing the incoming the Joint Trusts and the potential for new clients within the public sector to fundamentally change the environment we operate in by increasing the need for HBT to innovate and enhance service on all levels. We are prepared to meet these demands while ensuring the financial sustainability of the Trust.

With over 30 years of service and administration experience as a benefits provider, it is my view that HBT is uniquely positioned to support all its customers.

I look forward to the progress ahead and am proud of all HBT has accomplished in 2015.

Ed Robinson

Ed Robinson
Chair, Board of Trustees
Healthcare Benefit Trust

HEALTHCARE BENEFIT TRUST

BENEFIT FROM EXPERIENCE

Message from the Chief Executive Officer

I am pleased to present the 2015 Annual Report for the Healthcare Benefit Trust (HBT) which includes the 2015 Financial Statements audited by KPMG, and the Actuarial Valuation prepared by George & Bell and Morneau Shepell.

At December 31, 2015, HBT held $1.2 billion in cash and investments to provide benefits for nearly 90,000 public sector employees who work in Healthcare, Community and Social Service organizations across BC. In 2015, the Trust delivered solid investment returns, reductions in contribution rates, and a contribution holiday, as well as operational and service improvements to its members. Below I have highlighted a summary of claims experience in 2015 and the specific elements of the Trust's overall performance.

2015 Claims Experience

HBT experienced marked increases in extended health care (EHC) and long term disability (LTD) claims costs in 2015.

Extended Health & Dental Claims Experience

Overall extended health claims increased by 18% from 2014 to 2015. Paramedicals increased by 27% and represented 46% of the total extended health claims paid. Drugs represented 34% of overall extended health claims paid and increased by 6% compared to 2014. Within the paramedical category, massage therapy alone represented 63% of the total paramedical claims paid. In 2015, massage therapy increased by 29% followed by physiotherapy at almost 27% and psychology at 25%.

Dental claims paid increased by 4% from 2014 to 2015. Dentures & Bridges increased by 47% although this only represented 4% of the total dental claims paid. Restorative services make up 36% of the total dental claims paid followed by preventative at 25% and diagnostic at 12%.

LTD Claims Experience

Since 2011, the incidence of new LTD claims continues to increase predominately driven by increases in mental health and musculoskeletal claims. HBT's LTD claim incidence rate has increased by 16% for 2015 compared to 2014. There are many other factors that impact LTD incidence as well, the largest factor being an ageing workforce with more complex/serious medical conditions. Great-West Life, our LTD claims adjudicator, has also experienced an increase in LTD claim incidence rate across their entire book of business. This trend has also increased across the Canadian group insurance industry.

At the end of 2015, there were 6,920 open LTD claims. This represents an increase of 4.6% from open claims at the end of 2014. In 2015, claim terminations decreased by 6.2% compared to 2014.

Trust Funded Position and Contribution Holiday

The Trust maintains a system of notional pools to collect assets and fund benefits. Of these pools, seven relate to each of the Health Authorities which includes Providence Healthcare. During 2013, significant surpluses developed primarily due to investment performance. Solid investment performance continued in 2014 and with better than expected claims experience, the Trust achieved a significant surplus in its funded position. To ensure the best use of healthcare funding and to manage the Trust's funded position down to a target of 100%, the Trust's Board introduced contribution holidays effective May 2014 in alignment with its funding policies for LTD contributions. The contribution holiday was expanded in 2015 to include all benefit types of the Health Authorities to further reduce their surpluses. Overall, the Health Authorities received $443 million from the contribution holiday, with $132 million in 2014 and $311 million in 2015. As a result of the contribution holiday, the Trust achieved a funded position of 101 percent with a surplus of $8 million in 2015.

Asset Management and Investment Performance

Our investments have performed above expectations with an overall annual rate of return of 7.7 percent net of fees. We continue to work closely with British Columbia Investment Management Corporation (bcIMC) on the asset mix and allocation decisions and to maximize investment opportunities and performance on behalf of the BC Health and Community Sectors.

Deficit Management & Pool Restructuring

HBT has made significant progress in reducing large deficits and outstanding debts in the smaller employer pools over the past few years. Solutions to achieve fully funded positions for the smaller employer pools have been developed and are in final stages of implementation. As well, new underwriting models for both the Affiliate and CSSEA employers were also developed. With these changes, HBT can continue to provide current services and rate setting principles with less volatility and risk to these employer groups.

Operating Expense Performance

We continue to be committed to providing the most cost-effective, self-insurance option available to members of the Trust. In 2015 our operating expenses decreased to 5.9 percent of paid claims, compared to 6.7 percent in 2014 reflecting ongoing initiatives and service delivery improvements that were implemented over the course of 2014 and 2015. In 2015, operational changes lead to approximate annualized net savings of 6 percent with a significant reduction in the size of HBT administrative staff.

Building Strong Relationships

We continue to believe that partnership and collaboration are the most effective ways to address the challenges and opportunities we face in the provision of sustainable health and welfare benefits within the Health and Community sectors in BC.

Over the course of the year we worked with various stakeholder groups, including those supporting the incoming Health Sector Joint Trusts. Looking ahead we are committed to building stronger relationships with all our constituents and clients groups.

We are always available to address questions about HBT or our Annual Report and welcome the opportunity to review our performance and services with you. I look forward to updating you on our progress on the year ahead.

Donnie Wing
Chief Executive Officer

Financial Statements
(Expressed in thousands of dollars)

HEALTHCARE BENEFIT TRUST

Year ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Healthcare Benefit Trust

We have audited the accompanying financial statements of Healthcare Benefit Trust, which comprise the statement of financial position as at December 31, 2015, the statements of changes in net assets and changes in benefit obligations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Healthcare Benefit Trust as at December 31, 2015 and its changes in net assets and its changes in benefit obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Professional Accountants

April 7, 2016
Vancouver, Canada

HEALTHCARE BENEFIT TRUST

Statement of Financial Position
(Expressed in thousands of dollars)

December 31, 2015, with comparative information for 2014

	Notes	2015	2014
Assets			
Cash and cash equivalents	3	$ 54,698	$ 16,327
Investments	4	1,126,977	1,353,260
Accrued interest and other receivable		20	37
Contributions receivable		11,876	41,175
Underfunded actuarial benefits	5	99,470	-
Exit levies receivable		2,372	16,392
Property, equipment and intangible assets	6	622	788
		1,296,035	1,427,979
Liabilities			
Benefits and accounts payable		14,176	14,062
Overfunded actuarial benefits	5	-	203,982
Net assets available for benefits		1,281,859	1,209,935
Plan benefit obligations	7	1,274,210	1,206,197
Economic dependence	8		
Commitments	9		
Surplus		$ 7,649	$ 3,738

See accompanying notes to financial statements.

Approved on behalf of the Board of Trustees:

Ed Robinson Trustee

Trustee

HEALTHCARE BENEFIT TRUST

Statement of Changes in Net Assets
(Expressed in thousands of dollars)

Year ended December 31, 2015, with comparative information for 2014

	Notes	2015	2014
Surplus, beginning of year		$ 3,738	$ 56,222
Contributions and income:			
Change in overfunded actuarial benefits and exit levies receivable		304,109	(14,659)
Contributions	10	130,746	338,984
Investment income	11	91,788	98,780
Changes in unrealized gain on investments		3,911	41,644
Interest on overfunded actuarial benefits		(3,759)	(2,970)
		526,795	461,779
Disbursements and expenses:			
Benefits paid	12	429,165	405,931
Net changes in plan benefit obligations		68,013	80,837
Operating expenses	13	25,500	27,034
Bad debt expense		206	461
		522,884	514,263
Contributions and income less disbursements and expenses		3,911	(52,484)
Surplus, end of year		$ 7,649	$ 3,738

See accompanying notes to financial statements.

HEALTHCARE BENEFIT TRUST

Statement of Changes in Benefit Obligations
(Expressed in thousands of dollars)

Year ended December 31, 2015, with comparative information for 2014

	Notes	2015	2014
Plan benefit obligations, beginning of year		$ 1,206,197	$ 1,125,361
Benefits accrued		402,665	431,280
Experience gains		101,564	(18,521)
Interest accrued		50,748	53,977
Waiver reserve		(289)	5,374
Changes in actuarial assumptions		(31,834)	42,152
Benefits and operating expenses paid		(454,841)	(433,426)
Plan benefit obligations, end of year	7	$ 1,274,210	$ 1,206,197

See accompanying notes to financial statements.

HEALTHCARE BENEFIT TRUST

1. Description of the Trust:

The Healthcare Benefit Trust (the Trust) was created to receive contributions forwarded by participating employers and to make investments for the purpose of funding future health and welfare benefits, excluding pension benefits, in accordance with the Healthcare Benefit Trust Plan (the Plan). The Plan provides Long-term Disability (LTD), Group Life, Dependent Life, Extended Health Care (EHC), Dental and Accidental Death & Dismemberment (AD&D) coverage. Adjudication and administration of coverage is provided through third party administrators. Participating employers' plans conform to collectively bargained benefit packages where appropriate*.*

The Trust was established in 1979 through the Agreement and Declaration of Trust (the Trust Agreement). The Trust Agreement describes the composition, appointment, power, function, and duties of the Board of Trustees. The Board of Trustees is responsible for the governance of the Plan.

Public healthcare services in British Columbia are provided through organizations known as Health Authorities, which are set for each of five geographic regions of the province plus one overall region. Providence Healthcare Society, a society organized for managing certain healthcare facilities, is grouped in the Health Authority category for purposes of these financial statements only. The Trust provides benefits for employees of the Health Authorities, other participating health employers (who are present or past members of the Health Employers Association of BC), community society services sector employers (who are present or past members of the Community Social Services Employers' Association) and other permitted employers.

The Trust's capital is comprised of its net assets. The Trust's objective for managing capital, including member contributions, is to ensure that the assets of the Trust are invested soundly and effectively to meet the future obligations of the Plan.

The Healthcare Benefit Trust is a trust that is exclusively dedicated to providing certain employee benefits and services related to those benefits. The Trust is not an insurance company and the benefits it provides are not insured by an insurance company. The Trust is not subject to regulation under the British Columbia Financial Institutions Act.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with the Canadian Accounting Standards for Pension Plans. For accounting policies that are not related to the Trust's investments or benefit obligations, the Trust has complied with International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the Board of Trustees on April 7, 2016.

2. Significant accounting policies (continued):

(b) Financial instruments:

(*i*) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand, bank balances and investments in money market instruments with original maturities of three months or less.

(*ii*) Non-derivative financial instruments:

Investments are recorded at fair value and are comprised of units of pooled funds. Pooled fund units are valued based on closing net asset values at the date of the statement of net assets. Changes in fair value of investments are recognized in the statement of changes in net assets as unrealized gains or losses on investments.

Cash and cash equivalents, accrued interest and other receivables, contributions receivable, underfunded actuarial benefits and exit levies receivable are classified as loans and receivables and are measured at amortized cost. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Benefits and accounts payable and overfunded actuarial benefits are classified as other financial liabilities and are measured at amortized cost.

Such assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these assets and liabilities are measured at amortized cost using the effective interest method, and, where applicable for financial assets, less any impairment losses.

At each reporting date, management considers whether there is objective evidence that its financial assets are impaired. If there is objective evidence that a loss in value has occurred, the financial asset is written down. When a subsequent event causes the amount of impairment loss to decrease in impairment loss is reversed in that period.

(c) Property, equipment, and intangible assets:

Property, equipment and intangible assets are recorded at historical cost and amortized using the straight-line method over their estimated useful lives, commencing when they are put into use, as follows:

Asset	Estimated useful lives
Computer hardware	3 years
Leasehold improvements	Over term of lease
Other property and equipment	5 to 8 years
Computer software	5 to 7 years

2. Significant accounting policies (continued):

(c) Property, equipment, and intangible assets (continued):

The Trust reviews the carrying value of property, equipment and intangible assets for impairment annually, and whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment is recognized if and to the extent the recoverable amount is less than the carrying value.

(d) Plan benefit obligations:

Liabilities are recorded for future benefit payments on claims reported prior to the fiscal year end and on claims that have been incurred prior to the fiscal year end but not reported by that time. These liabilities are actuarially determined based on historical claims experience, current and expected future rates of investment return, and the time value of money. The liabilities include a provision for the future cost of investigation and settlement of those claims incurred prior to the fiscal year end.

Changes to these liabilities based on changes to the underlying actuarial assumptions are recorded in the period during which the change is made.

The provision for Plan benefits and claims are estimates subject to variability because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Estimates may vary because of receipt of additional claim information and significant changes from historical trends in severity and/or frequency of claims.

(e) Revenue recognition:

Investment income is recognized on an accrual basis.

(f) Taxation:

The Trust is a Health and Welfare Trust, which is subject to income tax pursuant to subsections 104(2) and 122(1) of the *Income Tax Act (Canada)*. The Trust, in determining its income subject to tax, may deduct certain expenses and benefits paid, to the extent of its gross trust income. Generally, it is unlikely that the Trust will have taxable income in a taxation year as it is expected that the Trust’s deductible expenses and benefits paid will far exceed its gross trust income in any given taxation year. Accordingly, the Trust does not record income taxes.

2. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements in accordance with Canadian Accounting Standards for Pension Plans requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and contributions and disbursements and expenses during the reporting period. Areas of significant estimation include plan benefit obligations, which are further described in note 7. Actual results could differ from these estimates as additional information becomes available in the future.

(i) Standards and interpretations issued but not yet effective:

At December 31, 2015, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. Those which may be relevant to the Trust's financial statements are set out below:

IFRS 4 - *Insurance Contracts*:

IFRS 4 changes the basis for measuring insurance contracts. The standard is not expected to affect the Company until 2020 at the earliest. IFRS 4, *Insurance Contracts*, will impact the classification and measurement of insurance liabilities. The Trust has not yet assessed the impact of this standard.

IFRS 9 - *Financial Instruments:*

IFRS 9 deals with recognition, derecognition, classification and measurement of financial instruments and its requirements and represent a significant change from the existing requirements in IAS 39, *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

This standard is effective for years beginning January 1, 2018, but early adoption is permitted. The Trust is currently in the process of evaluating the potential effect of this standard.

IFRS 16 - *Leases*:

On January 13, 2016 the IASB issued IFRS 16, *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17, *Leases*.

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

2. Significant accounting policies (continued):

(i) Standards and interpretations issued but not yet effective (continued):

IFRS 16 - *Leases (continued)*:

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessor. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The extent of the impact of the adoption of the standard has not yet been determined by the Trust.

3. Restricted cash:

Included in cash and cash equivalents is restricted cash held for a separate Trust and for monthly benefit payments of employees under a separate agreement. Restricted cash at December 31, 2015 was $1,436,589 (2014 - $1,111,501).

4. Investments:

As at December 31, the investments of the Trust were comprised as follows:

	2015	2014
Pooled investment vehicles:		
Canadian pooled fixed income funds	$ 469,664	$ 584,096
Canadian pooled equity funds	168,835	209,450
Global pooled equity fund	412,014	457,956
Infrastructure pooled funds	8,441	4,148
Real estate limited partnership	68,159	97,514
Foreign currency contracts	(136)	96
	$ 1,126,977	$ 1,353,260

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(Tabular amounts, excluding percentages, expressed in thousands of dollars)

5. Underfunded/overfunded actuarial benefits:

The Trust maintains 10 notional LTD pools, one for each of the seven Health Authorities and three Non-Health Authority Pools. Two of these non-Health Authority Pools are made up of a large number of smaller employers, which share claims experience amongst all employers in their respective pool. The Non-Health Authority Pools are:

- CSSEA (present or past members of the Community Social Services Employers' Association);
- Non-HEABC (permitted employers who are not members of an employers association); and
- Employee paid.

The Health Authorities are responsible for their own pools, included in which are their proportionate share of affiliates that were previously contained in a separate pool. Other entities are amalgamated into pools with other like agencies. As the entities are effectively self-insured through the Trust, if an underfunded actuarial benefit exists, participating employers are liable for this amount. Health Authorities are invoiced annually for their share of any underfunded actuarial benefits receivable to bring them to 100% funded. The funding policy of the Trust requires that the Health Authorities make minimum monthly payments in respect of these amounts over 15 to 20 years. This policy was approved by all participating Health Authorities. Invoiced amounts are charged interest at an effective annual rate equal to the annual discount rate used for determining the actuarial liability for Plan benefit obligations. If a Health Authorities' respective pool is in a surplus at year end the Trust recognizes a liability to the respective Health Authorities which is reduced over 15 to 20 years ("overfunded actuarial benefits"). Health Authorities have the option of having the liability settled net of contributions receivable or can elect not to receive a credit. Alternatively, a contribution holiday has been implemented to reduce the liability (as discussed in note 10).

The portion of the underfunded actuarial benefits not related to a Health Authority is not invoiced annually. Recovery of the liability for these groups is through deficit recovery rates applied to long-term disability contributions and through an exit levy for terminating groups. Exit levies are obligations borne by departing employers in respect of their share of any underfunded actuarial benefits that exists at the date of termination of participation in the Trust.

6. Property, equipment and intangible assets:

	2015	2014
Property and equipment	$ 185	$ 328
Intangible assets	437	460
	$ 622	$ 788

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

6. Property, equipment and intangible assets (continued):

(a) Property and equipment:

	Computer hardware	Leasehold improvements	Other property and equipment	Total
Cost:				
Balance, December 31, 2013	$ 2,605	$ 776	$ 1,186	$ 4,567
Additions	52	75	-	127
Disposals	(1,801)	(531)	(798)	(3,130)
Balance, December 31, 2014	856	320	388	1,564
Additions	10	-	-	10
Disposals	(5)	-	-	(5)
Balance, December 31, 2015	$ 861	$ 320	$ 388	$ 1,569

	Computer hardware	Leasehold improvements	Other property and equipment	Total
Amortization:				
Balance, December 31, 2013	$ 2,385	$ 421	$ 1,015	$ 3,821
Amortization	120	58	57	235
Disposals	(1,800)	(311)	(709)	(2,820)
Balance, December 31, 2014	705	168	363	1,236
Amortization	85	46	21	152
Disposals	(4)	-	-	(4)
Balance, December 31, 2015	$ 786	$ 214	$ 384	$ 1,384
Carrying amounts:				
December 31, 2014	$ 151	$ 152	$ 25	$ 328
December 31, 2015	75	106	4	185

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

6. Property, equipment and intangible assets (continued):

(b) Intangible assets - software:

Balance, December 31, 2013	$	25,751
Additions		286
Disposals		(25,326)
Balance, December 31, 2014		711
Additions		116
Disposals		-
Balance, December 31, 2015	$	827

Balance, December 31, 2013	$	25,477
Amortization for the year		100
Disposal		(25,326)
Balance, December 31, 2014		251
Amortization for the year		139
Disposal		-
Balance, December 31, 2015	$	390
Carrying amounts:		
December 31, 2014	$	460
December 31, 2015		437

7. Actuarial liabilities for Plan benefit obligations:

	2015	2014
Long-term disability:		
Admitted claims	$ 976,493	$ 946,948
Incurred but not reported claims	143,477	140,083
Group life, accidental death and dismemberment, dental and extended healthcare:		
Disabled extended healthcare	77,273	51,049
Disabled dental	22,287	17,141
Disabled group life/accidental death and dismemberment	35,378	33,009
Incurred but not reported claims	19,302	17,967
	$ 1,274,210	$ 1,206,197

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

7. Actuarial liabilities for plan benefit obligations (continued):

Actuarial liabilities represent the present value of future benefit payments payable by the Trust. The actuarial valuation is performed annually by George & Bell Consulting and Morneau Shepell Inc., with the effective date being consistent with the year-end reporting date. The actuarial liabilities were determined using accepted actuarial practices in accordance with the standard of practice established by the Canadian Institute of Actuaries. Liabilities primarily cover benefits payable to claimants on LTD, including both reported and unreported claims at December 31, 2015.

In addition to LTD benefits, actuarial liabilities also provide for the following:

- Incurred but not reported claims of active employees for EHC, dental, group life and AD&D.
- Future costs for EHC, dental, group life and AD&D for existing Health Authorities' disabled claimants (collectively, disabled non-income benefits).

These liabilities are only recognized in respect of certain types of participating employees.

In determining the liabilities of the Trust, the cost of claims, future changes in claims costs, the time value of money (to discount future claims to present value) and expenses to administer the benefits, are included in the calculations. These liabilities are dependent on economic and demographic experience. To determine the liabilities, assumptions about future economic and demographic experience are necessary.

Demographic assumptions are largely derived based on past experience. Economic assumptions, on the other hand, are based more on current market conditions than experience. Demographic and economic assumptions will change over time. It is possible that such changes could cause a material change in the actuarial present value of future benefit payments.

The following long-term assumptions were used in the actuarial valuation:

	2015	2014
Discount rate[1]	4.3%	4.3%
Expense assumption (rate varies by benefit product)	4.0 - 10.0%	4.0 - 10.0%
IBNR assumption:		
Group Life and AD&D	$ 1,500	$ 2,000
LTD[2]	160%	170%
Dental[3]	17 / 365	17 / 365
EHC[4]	38 / 365	38 / 365
Disabled non-income benefits[2]	160%	170%
Assumed Indexing rates[5]	1.5% or 2.5%	2.5% or 3.5%

1. Non-taxable claims are valued using an annual discount rate of 3.3% and CSSEA Pool claims using rate of 5.3%.
2. Percentage of liabilities incurred in previous 12 months.
3. Fraction of payments and expenses in previous 12 months.
4. Fraction of payments and expenses in previous 3 months annualized for full year.
5. Community Social Services agreements assumed 1.5% (2014 - 2.5%) indexed wages rate increases, all others assume 2.5% (2014 - 3,5%).

7. Actuarial liabilities for plan benefit obligations (continued):

The rate of terminations of active claims and the Canadian Pension Plan approval rate are also critical assumptions used in the actuarial valuation.

Long-term economic and actuarial assumptions and methods are reviewed periodically. Management believes that the valuation methods and assumptions are, in aggregate, appropriate for the valuation.

The actuarial valuation involves making assumptions about the future. Actuarial assumptions are approved by the Board of Trustees. The rationales for key assumptions are:

- Discount rate: this has been set equal to the Trust's best estimate of investment return of 5.3% (2014 - 5.3%), reduced by 1.0% (2014 - 1.0%) to reflect a margin for adverse deviation. The resulting assumption used was 4.3% for all claims excluding the non-taxable and CSSEA Pool claims. A discount rate of 3.3% was used for all non-taxable claims and 5.3% for the CSSEA Pool. Should the discount rate increase or decrease by 1% this would impact the actuarial liability by $(77,400,000) or $68,800,000, respectively (2014 - $(66,300,000) or $74,800,000 respectively).
- Rate of terminations of active claims: a study was performed by Morneau Shepell Inc. on actual claims terminations in November 2015. The termination assumption utilizes a single termination table provided by the Canadian Institute of Actuaries (CIA) which has been modified by 54 months of the Trust's actual experience to June 30, 2015. A risk could arise that the Trust's future termination experience is worse than the assumed termination rates.
- Canadian Pension Plan (CPP) approval rate: a study was performed by Morneau Shepell Inc. in November 2015 on actual approvals of CPP disability claims by active claimants. The resulting assumption is the best estimate without margins and incorporates actual experience to June 30, 2015. The CPP approval rate assumption is based on age and duration since disability. A risk could arise that the Trust's future CPP approval experience is worse than the assumed CPP approval rates. To mitigate this risk, the assumption was based on a study of CPP approval rates for the Trust's block of business using data up to June 30, 2015.

The Trust accepts insurance risk through its provision of health and welfare benefits for participating employees, and is exposed to uncertainty surrounding the timing, frequency, and severity of claims. The Trust manages its insurance risk within an overall risk management framework and through annual review of contribution rates.

The Trust further reduces exposure to insurance risk through stop loss insurance in respect of its dental, EHC and group life products. The Trust pays stop loss insurance to third party administrators to cover claims costs in excess of predetermined levels each year. The stop loss insurance provides a maximum ceiling of uncertainty for incurred claims. To further tighten the insurance risk, the Trust has reinsurance in place on extended health to insure against large individual losses.

7. Actuarial liabilities for plan benefit obligations (continued):

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims costs can only be ascertained once all claims are closed. Changes in key assumptions used to value insurance contracts would result in increases or decreases to the benefit obligations recorded, with corresponding decreases or increases, respectively to the change in net assets and deficit.

The Trust is exposed to a risk that actual claims experience will differ from the assumptions used in the rate setting process. As rates are set every year, based on the past experience and assumptions as to future events, this risk is mitigated through adjustments to the following year's rates. Any deficiencies are factored into the rate setting assumptions and will be recovered in future years. The Fund also has the ability to recover any deficit related to its plan benefit obligations. The Trust's participating employers are segregated into pools whereby each pool bears the risk of LTD claims experience. The Health Authorities are billed for their deficiencies in claims experience for LTD, if any, as discussed in note 5, whereas the deficiencies incurred by the non-Health Authority employers' are recovered through deficit recoveries built into their rates. In addition, non-Health Authority employers that wish to leave the Trust are billed an exit levy that covers any deficiencies arising from excess claims experience.

The Trust is also exposed to concentration risk within its insurance activities with its operating exposure being primarily within BC and with a high percentage of participating employees working for a limited number of employers. Significant risks could potentially arise from epidemics, natural disasters and other catastrophes. However, the Trust's stop loss insurance would limit their exposure to losses that would arise from health related catastrophes.

8. Economic dependence:

The Trust received approximately 60% (2014 - 82%) of its participant contributions from the Health Authorities and is dependent upon the ability of the Health Authorities to meet future contribution rate payments.

9. Commitments:

The Trust has entered into a lease agreement for the head office location, expiring March 2018, and the Kelowna location, expiring February 2023, covering office premises used in operations. The Kelowna location has been sublet from 2014 until 2019.

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

9. Commitments (continued):

The aggregate rentals and operating costs payable for the remaining terms of the leases are as follows:

2016	$ 355
2017	362
2018	121
2019	23
2020	67
2021 - 2023	151
	$ 1,079

10. Contributions:

	2015	2014
LTD	$ 57,048	$ 89,142
EHC	34,113	117,024
Dental	36,499	121,807
AD&D/Group Life	3,086	11,011
	$ 130,746	$ 338,984

The Health Authorities were provided a contribution holiday for their LTD, EHC, Dental, AD&D, Group Life and Dependent Life contributions effective from May 2014. The contribution holiday is a mechanism to reduce the Health Authorities' surplus as represented in their overfunded actuarial benefits in previous years. As a result of the contribution holiday, the Health Authorities reduced their overall contributions by $312,314,000.

11. Investment income:

	2015	2014
Interest from cash and cash equivalents	$ 317	$ 292
Income from pooled investment vehicles	94,237	101,314
Investment expenses	(1,404)	(1,367)
Withholding taxes	(1,362)	(1,459)
	$ 91,788	$ 98,780

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

12. Benefits paid:

	2015	2014
LTD:		
Active LTD	$ 170,727	$ 163,452
Early Retirement Incentive Benefit	2,689	11,975
Internal EIP/Rehab Costs	501	1,843
GWL Rehab Costs	5,322	3,402
Other	11	544
EHC	125,009	106,622
Dental	115,334	110,598
AD&D/Group Life	9,572	7,495
	$ 429,165	$ 405,931

13. Operating expenses:

	Notes	2015	2014
Staff costs	14,15	$ 3,192	$ 4,565
Trustee operations		148	148
Actuarial fees		341	319
Audit fees		120	105
Other professional services		628	1,092
Claims adjudication and administration		19,951	17,769
Amortization		291	335
Office expenses and other	14	829	2,701
		$ 25,500	$ 27,034

14. Related party transactions:

As per the Trust Agreement, the administration of the applicable health and welfare plan document requires direction from the Health Employers Association of BC. Therefore, the Health Employers Association of BC provides the Trust with administrative services, on a services incurred basis, in this regard, no fees were paid in 2015 (2014 - $3,200). These costs in 2014 are included in office expenses as reflected in note 13.

These transactions are in the normal course of operations and are measured at the exchange value being the amount of consideration established and agreed to by the related parties.

The Health Employers Association of BC appoints the trustees of the Trust.

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

14. Related party transactions (continued):

Key management personnel include senior executive officers of the Trust and members of the Board of Trustees. During the year, compensation of key management personnel, which is included in staff costs as set out in note 13, was as follows:

		2015		2014
Compensation and short-term employee benefits	$	1,060	$	1,302
Long-term employee benefits		143		137
	$	1,203	$	1,439

Short-term employee benefits include: EHC, dental, and MSP. Long-term employee benefits include: Group life, LTD, AD&D, and Dependent life and contributions to a post-employment defined benefit plan.

15. Employee benefit plans:

The Trust and its employees contribute to the Municipal Pension Plan (the MPP), a jointly trusteed pension plan. A Board of Trustees of the MPP, representing plan members and employers, is responsible for overseeing the management of the MPP, including investment of the assets and administration of the benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The MPP serves more than 299,000 active, inactive and retired plan members and more than 900 plan employers.

Every three years an actuarial valuation is performed to assess the financial position of the MPP and the adequacy of plan funding. The most recent valuation available as at the date of this report was December 31, 2012. The MPP's actuary does not attribute portions of the unfunded liability to individual employers. The Trust paid $232,963 (2014 - $334,317) for employer contributions to the MPP in the year ended December 31, 2015.

In addition, the Trust itself is a participating employer in Healthcare Benefit Trust and its employees are covered for long-term disability and group life claims on the same basis as employees of other participating non-Health Authority employers. The Trust expensed $92,696 (2014 - $135,822) for employer contributions for these non-pension benefits in the year ended December 31, 2015. The costs related to these employee benefit plans is included in staff costs as set out in note 13.

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

16. Fair value of financial instruments:

(a) Fair value hierarchy:

The Trust's financial instruments consist of cash and cash equivalents, investments, accrued interest and other receivables, contributions receivable, exit levies receivable, benefits and accounts payable and under/overfunded actuarial benefits.

The fair value of a financial instrument is the estimated amount that the Trust would receive or pay to settle a financial asset or financial liability as at the reporting date. Investments are carried at fair value in the financial statements. The carrying value of cash and cash equivalents, accrued interest and other receivables, contributions receivable, exit levies receivables and benefits and accounts payable approximates fair value due to their short-term to maturity. The fair value of the under/overfunded actuarial benefits is considered by management to equal to its carrying value as the interest charged against outstanding amounts is periodically adjusted to market rates.

The Trust has categorized the inputs used to value its financial instruments held at fair value into a three-tier fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets (Level 1).
- Inputs other than quoted prices included in Level 1 that are observable either directly (i.e., prices) or indirectly (i.e., derived from prices) (Level 2).
- Inputs that are not based on observable market data (unobservable inputs) (Level 3).

	Valuation technique			
December 31, 2015	Level 1	Level 2	Level 3	Total
Investments:				
Canadian pooled fixed income funds	$ 78,443	$ 391,221	$ -	$ 469,664
Canadian pooled equity funds	-	168,835	-	168,835
Global pooled equity funds	-	412,014	-	412,014
Infrastructure pooled funds	-	-	8,441	8,441
Real estate limited partnership	-	-	68,159	68,159
Foreign currency contracts	-	(136)	-	(136)
	$ 78,443	$ 971,934	$ 76,600	$ 1,126,977

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

16. Fair value of financial instruments (continued):

(a) Fair value hierarchy (continued):

December 31, 2014	Valuation technique Level 1	Level 2	Level 3	Total
Investments:				
Canadian pooled fixed income funds	$ 147,212	$ 436,884	$ -	$ 584,096
Canadian pooled equity funds	-	209,450	-	209,450
Global pooled equity funds	-	457,956	-	457,956
Infrastructure pooled funds	-	-	4,148	4,148
Real estate limited partnership	-	-	97,514	97,514
Foreign currency contracts	-	96	-	96
	$ 147,212	$ 1,104,386	$ 101,662	$ 1,353,260

There were no transfers into or out of Level 1 or 2 during the years ended December 31, 2015 and 2014.

The following table reconciles the Trust's Level 3 fair value measurements:

	2015	2014
Opening balance, January 1, 2015	$ 101,662	$ 2,653
Purchases	3,167	101,939
Settlements	(29,800)	(8,702)
Realized gain	1,851	358
Unrealized gain (loss)	(280)	5,414
Closing balance, December 31, 2015	$ 76,600	$ 101,662

Level 3 investments are comprised of private market infrastructure pooled funds and a real estate limited partnership. Level 3 investments are valued based on the respective pooled investment vehicles' net asset value, which is determined annually in accordance with the valuation policies established by the Trust's investment managers, and according to generally accepted industry practices. The change in unrealized gain (loss) recognized in the Trust's statement of changes in net assets related to Level 3 investments is ($280,000) (2014 - $5,414,000).

The Trust's other financial assets and liabilities, which are measured at amortized cost, are considered Level 2 because while observable prices are available, the instruments are not traded in an active market.

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

16. Fair value of financial instruments (continued):

(b) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used at year-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

December 31, 2015

Description	Fair value	Valuation technique	Unobservable input	Amount	Sensitivity to change in significant unobservable input
Pooled investment vehicles	$ 76,600	Net asset value	Net asset value	$ 76,600	The estimated fair value would increase (decrease) if the net asset value was higher (lower)

December 31, 2014

Description	Fair value	Valuation technique	Unobservable input	Amount	Sensitivity to change in significant unobservable input
Pooled investment vehicles	$ 101,662	Net asset value	Net asset value	$ 101,662	The estimated fair value would increase (decrease) if the net asset value was higher (lower)

Although the Trust believes that its estimates of fair value are appropriate, the use of an unobservable input in determining fair value leads to greater subjectivity in the fair value derived. If the net asset value of the pooled investment vehicles were to increase or decrease by 10% as at December 31, 2015, the fair value of these investments would increase or decrease, respectively, by $7,660,000 (2014 - $10,166,000).

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

17. Financial risk management:

The Trust has exposure to financial risks associated with its financial instruments and benefit obligations. Analysis of sensitivity to specified risks is provided where there may be an effect on the financial position. These financial risks include credit risk, liquidity risk and market risks (currency, interest rate and other price risk). Sensitivity analysis is performed by relating the reasonably possible changes in the risk variables at December 31, 2015 to financial instruments outstanding on that date.

(a) Credit risk:

The Trust is exposed to credit risk resulting from:

- The possibility that parties may default on their financial obligations;
- If there is a concentration of transactions carried out with the same party; and
- If there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Trust does not directly hold any collateral as security for financial obligations.

The maximum exposure of the Trust to credit risk at December 31 is as follows:

	2015	2014
Cash and cash equivalents	$ 54,698	$ 16,327
Investments (fixed income)	469,664	584,096
Accrued interest and other receivables	21	37
Contributions receivable	11,876	41,175
Underfunded actuarial benefits	99,470	-
Exit levies receivable	2,372	16,392
	$ 638,101	$ 658,027

Cash and investments:

Credit risk associated with cash and cash equivalents and fixed income investments is minimized substantially by ensuring that these assets are invested in financial obligations of: governments; major financial institutions that have been accorded investment grade ratings by a primary rating agency; and/or other creditworthy parties. The Trust's investment policy requires that a majority of fixed income investments are rated BBB or better. The Trust's investments in pooled fixed income funds are similar to equity instruments. While the Trust has no direct credit risk arising from its investments in pooled fixed income funds, the Trust is exposed to the credit risks of these funds' underlying investments. The manager of these funds ensures that the investments of these funds meet the Trust's investment policy.

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

17. Financial risk management (continued):

(a) Credit risk (continued):

Contributions and other receivables:

The Trustees believe credit risk with respect to receivables is limited due to the credit quality of the parties extended credit. Credit risk associated with amounts receivable from the Health Authorities, which represent the Trust's largest receivables, is minimal as the Health Authorities form part of the government reporting entity of the Province of British Columbia.

The Trust maintains allowances for potential credit losses, and any such losses to date have been within the Trustees' expectations. The following table presents an analysis of the age of amounts outstanding at the year-end in respect of accrued interest and other receivables, contributions receivable, underfunded actuarial benefits and exit levies receivable net of allowances for doubtful accounts:

	2015	2014
Current	$ 109,934	$ 39,671
30 - 60 days past billing date	274	321
61 - 90 days past billing date	208	108
Greater than 90 days past billing date	10,778	18,747
	121,194	58,847
Allowance for doubtful accounts	(7,456)	(1,243)
	$ 113,738	$ 57,604

The Trust must make estimates in respect of the allowance for doubtful accounts. Current economic conditions, historical information, reasons for the accounts being past due and line of business from which the receivable arose are all considered in the determination of when to allow for past due accounts; the same factors are considered when determining whether to write off amounts receivable as a charge to the allowance account. The following table presents a summary of the activity related to the Trust's allowances for doubtful accounts.

	2015	2014
Balance, beginning of year	$ 1,243	$ 1,216
Receivables written off during the year as uncollectible	6,207	(219)
Changes to the provision, net of recoveries	6	246
Balance, end of year	$ 7,456	$ 1,243

17. Financial risk management (continued):

(a) Credit risk (continued):

In 2015, $13,700 (2014 - $430,650) of contributions receivable and $6,732,433 (2014 - $497,851) of exit levies receivable were written off, for which no provision had been set up previously.

(b) Liquidity risk:

Liquidity risk is the risk that the Trust will not be able to meet its obligations as they come due.

The Trust meets its liquidity requirements by holding assets that can be readily converted into cash and preparing annual cash flow budgets, including capital expenditure budgets, which are monitored and updated as required.

The Trust's benefits and accounts payable liabilities are due within one year of the Trust's year-end. The nature of the overfunded actuarial benefit liability is described in note 5.

(c) Market risks:

The Trust is exposed to market risks through the fluctuation of financial instrument fair values or cash flows due to changes in market factors. The significant market risks to which the Trust is exposed are interest rate risk, currency risk, and other price risk.

(*i*) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the Trust arises from its interest bearing assets and its fixed income investments including bonds and mortgages, which are held indirectly through pooled investment vehicles

The Trust's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Trust manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining sufficient liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Trust's results of operations.

The primary objective of the Trust with respect to its investments in fixed income investments is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return.

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

17. Financial risk management (continued):

(c) Market risks (continued):

(*i*) Interest rate risk (continued):

Maturity position - December 31, 2015:

	Demand	Less than twelve months	One to five years	Over five years	Total
Cash and cash equivalents	$ 54,698	$ -	$ -	$ -	$ 54,698
Underlying fixed income investments held through pooled investment vehicles	-	30,201	143,838	295,625	469,664
	$ 54,698	$ 30,201	$ 148,838	$ 295,625	$ 524,362

Maturity position - December 31, 2014:

	Demand	Less than twelve months	One to five years	Over five years	Total
Cash and cash equivalents	$ 16,327	$ -	$ -	$ -	$ 16,327
Underlying fixed income investments held through pooled investment vehicles	-	178,222	127,174	278,700	584,096
	$ 16,327	$ 178,222	$ 127,174	$ 278,700	$ 600,423

The weighted average yield of these financial instruments is 1.99% at December 31, 2015 (2014 - 2.09%). The weighted average term to maturity of interest bearing investments is 104 months (2014 - 95 months). Should prevailing market interest rates increase or decrease by 2%, with all other variables held constant, this would decrease or increase, respectively, the December 31 carrying value of the Trust's investments by ($72,466,008) or $87,553,120 (2014 - ($83,292,415) or $99,221,933).

(*ii*) Currency risk:

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

(Tabular amounts, excluding percentages, expressed in thousands of dollars)

17. Financial risk management (continued):

(c) Market risks (continued):

(*ii*) Currency risk (continued):

The functional currency of the Trust is the Canadian dollar. The Trust infrequently transacts in U.S. dollars due to certain operating costs being denominated in U.S. dollars.

The Trust's investment manager monitors the Trust's foreign currency exposure and manages this risk through diversification and consideration of global asset mix.

At December 31, 2015, the Trust had $420,116,000 (2014 - $459,877,000) of investments denominated in foreign currencies held indirectly through pooled investment vehicles. If the Canadian dollar had appreciated or depreciated by 2% against the underlying foreign currencies of these investments at that date, with all other variables held constant, the fair value of the investments would have decreased or increased, respectively, by $8,402,000 (2014 - $9,198,000).

The underlying foreign currencies in which investments are denominated are:

	2015	2014
United States	$ 235,740	$ 261,183
Japan	36,245	36,239
European Union	57,452	56,657
Switzerland	15,423	16,150
United Kingdom	31,133	36,164
Hong Kong	10,387	11,300
Singapore	3,313	3,889
China	135	675
Other	30,288	37,620
	$ 420,116	$ 459,877

(*iii*) Other price risk:

Other price risk refers to the risk that the fair value of financial instruments or cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Trust is exposed to other price risk through its investment in equities, infrastructure and real estate.

The long-term investment policy provides for an asset mix at the end of 2015 of 44.5% fixed income investments, 45% equities, and 10.5% private market investments, which includes infrastructure and real estate (2014 - 45.5% fixed income investment, 45% equities, and 9.5% private market investments). Risk and volatility of investment returns are mitigated through diversification of investments in different countries, business sectors, and corporation sizes.

17. Financial risk management (continued):

(c) Market risks (continued):

(*iii*) Other price risk (continued):

At December 31, 2015, the Trust's total investments exposed to other price risk is $657,313,000 (2014 - $769,164,000) and excludes pooled fixed income funds, which are otherwise subject to interest rate risk. The Trustee's best estimate of the effect on net assets as at December 31, 2015, of a reasonably possible increase or decrease of 10% in the equity and private markets, with all other variables held constant, would amount to an increase or decrease of approximately $65,731,300 (2014 - $76,916,400), respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(d) Sensitivity analyses:

The sensitivity analyses included herein should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analyses, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may either magnify or counteract the effect on the fair value of the financial instrument.

Healthcare Benefit Trust
Actuarial Valuation

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March 2016

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EXECUTIVE SUMMARY

This report represents the results of the actuarial valuation of the Healthcare Benefit Trust (the "Trust"), as of December 31, 2015. The next calculation date is set to be December 31, 2016.

The principal purposes of this report are:

- To provide a summary of the results of the actuarial valuation of the Trust's financial position to the Trustees, and
- To review the financial experience of the Trust in the year ending December 31, 2015.

Unless specifically stated, references to assets, deficits or funded positions in this report exclude Unfunded Actuarial Liability (UAL)/Unfunded Liability (UFL) Receivables.

Financial Position of the Trust

The financial position of the Trust has reduced since December 31, 2014. At December 31, 2014, the Trust's assets exceeded liabilities by $191,300,000. At December 31, 2015, the Trust's liabilities exceeded assets by $94,200,000. This represents a reduction in the funding position of $285,500,000 over the year.

The major reasons for this reduction were:

- Health Authorities and Providence Healthcare did not make LTD contributions for all of or part of 2015, as part of an agreed upon contribution holiday. *This resulted in a loss of $285 million.*

- New claims have been higher than expected. Contributions for current coverage are collected to fund benefits for new claimants and changes in reserve for claims incurred but not yet reported. New claimants have arrived with higher frequency than anticipated. *This resulted in a loss of $66 million*.

- Claims, expenses and changes in reserves for disabled extended health, dental, life and accidental death and dismemberment exceeded contributions over the period. *This resulted in a loss of $44 million.*

- The termination assumption was changed based on recent experience. *This resulted in a loss of $31 million*.

- Claims, expenses and changes in reserves for active extended health, dental, life and accidental death and dismemberment exceeded contributions over the period. *This resulted in a loss of $8 million.*

Major items offsetting this reduction were the following:

- The Benefit Indexing assumption was changed based on long-term wage rate increase expectations provided by the Community Social Services Employers' Association and the Health Employers Association of BC. *This resulted in a gain of $44 million.*

- Investment performance for the twelve months ending December 31, 2015 was good. The net investment return was 7.7% versus last year's discount rate assumption of 4.3%. *This resulted in a gain of $42 million*.

- Special payments to relieve deficits were made during the year. *These amounted to an approximate $24 million gain in the period*

- Reserves for claimants from the December 31, 2014 valuation are lower at December 31, 2015 than they were expected to be. The primary reason was termination experience and savings related to the ERIB program. *The combined gain was approximately $16 million over the period.*

- Wage increase assumptions were replaced with bargained wage increases where known and CPP thresholds were updated. *This resulted in a gain of $11 million.*

- The LTD and Life/AD&D IBNR assumption was changed based on recent experience. *This resulted in a gain of $11 million.*

The remainder of this report covers:

- Data and assumptions underlying this report
- Contribution holidays and impact on Joint Trusts
- Financial position as at December 31, 2015
- Analysis of change in financial position
- Actuaries' Opinions

In addition, data, plan details and valuation assumptions are covered in the attached appendices.

SECTION 1 – DATA, PLAN PROVISIONS AND ASSUMPTIONS

This section discusses the data, plan provisions and assumptions applied in performing the actuarial valuation. More detail is provided in the attached appendices.

Data

Data for this valuation was provided by the Trust.

LTD Claimant Data

Great-West Life provides the Trust with LTD Claimant information. For the valuation data, the Trust's Benefits, Design and Reporting Department provides the claims listing based on the data provided by Great West Life. We performed a series of tests on the valuation data to ensure that it is reasonable, complete and accurate for the purposes of the valuation. The data provided was revised as necessary based upon the results of these tests.

Other Claims Data

Aside from LTD, the actuarial valuation does not require individual claim data to perform the valuation. Reserves held are based on either the aggregate payments in recent periods – for extended health and dental – or are held constant – for life and accidental death and dismemberment.

Aggregate claims and contribution data are collected from the Trust's Financial Services Department where checks and validation occur on receipt. The data is provided to the Financial Services Department by Pacific Blue Cross and Great-West Life, depending on benefit type. In this valuation, we rely on this data.

Asset Data

In performing this valuation, we use asset data and financial statements provided to us by the Trust's Financial Services Department. The calculation of the asset position of the Trust within this report is detailed in Appendix B.

Key Data is summarized in the attached Appendix A.

These data tests performed will not capture all possible deficiencies in the data and reliance is also placed on the certification of the plan administrator as to the quality of the data. Plan administrator's certification is found in Appendix G.

Plan Provisions

The plan provisions are varied, with different provisions by labour agreement and employer group. Summaries of the plan provisions have been provided by the Trust's Benefits, Design and Reporting Department.

For most of the LTD plans, the key provisions are:

- There is a 4, 5 or 6-month qualification period depending on agreement (must be disabled 4, 5 or 6 months before LTD benefits commence);

- Benefits are 70% of earnings up to a specified amount and 50% of the excess earnings, subject to a minimum of 66 2/3% of earnings;

- Benefits are offset by CPP, WCB, and rehabilitation earnings;

- For disabilities occurring after April 1998, benefits are indexed on the quadrennial anniversaries of the commencement of benefits. Indexing is done according to the collectively bargained wage increases for the particular union agreement (when indexing is calculated the CPP offset is revised to the current CPP benefit). Special cases can exist within a collective agreement where annual indexing or no indexing is applied; and

- The definition of disability typically changes from own occupation to any occupation at 12, 19 or 24 months depending on agreement.

Plan Provisions are summarized in Appendix C.

Assumptions

The assumptions underlying this report are the same as those used at the previous valuation at December 31, 2014, except:

- A termination study based on the experience over the 54-month period ending June 30, 2015 was performed (36 month period ending June 30, 2015 for durations 4 years and less due to recent plan design changes). The termination assumption for the December 31, 2015 valuation is based upon this study, which is, in general, more conservative than the termination assumption used in the December 31, 2014 valuation. A comparison of the current assumption to the December 31, 2014 assumption can be seen in Appendix D.

- The discount rate assumption in the December 31, 2015 valuation has been set at 4.3% (except non-taxable claims which are valued using an annual discount rate of 3.3% and CSSEA Pool claims which are valued using a 5.3% discount rate). The best estimate return after fees is expected to be 5.3%. A 1.0% margin has been applied to the assumption in arriving at the 4.3% discount rate. In the December 31, 2014 valuation a discount rate of 4.3% was used for all claims (except non-taxable claims which were valued using an annual discount rate of 3.3%), which included a 1.0% margin.

- A CPP approval rate study based on HBT's experience was performed. As a result, the CPP approval assumption was changed at December 31, 2015. A comparison of the current assumption to the December 31, 2014 assumption can be seen in Appendix D.

- The assumption for future expenses as a percentage of claims payments has changed based on the latest expense allocation study from HBT. A comparison of the current assumption to the December 31, 2014 assumption can be seen in Appendix D.

The resulting assumptions are best estimate assumptions, not incorporating provisions for adverse deviations, with the exception of:

- The discount rate, which explicitly incorporates a 1.0% margin.

- The wage increase for indexed claims, which explicitly incorporates a 1.0% margin.

The resulting assumptions for the CSSEA Pool are best estimate assumptions, not incorporating provisions for adverse deviations.

Assumptions are summarized in the attached Appendix D.

Rounding

The sum of components may not equal the total within tables due to rounding.

SECTION 2 – CONTRIBUTION HOLIDAYS AND IMPACT OF JOINT TRUSTS

The information within this section has been communicated to us by HBT.

Background

Since November 2013, the following bargaining associations have agreed to introduce joint trusts to provide health and welfare benefits starting on April 1, 2016:

- Health Science Professional Bargaining Association (HSPBA);
- Communities Bargaining Association (CBA); and
- Facilities Bargaining Association (FBA).

Together, these bargaining associations represent approximately 51% of the LTD covered lives within the Trust.

Once joint trusts are introduced, employers will cease to participate in the Trust on a similar basis going forward for an appreciable proportion of their employees. For these employees, contributions and incurred claims costs after April 1, 2016 will flow through the joint trusts.

Health Authorities and Providence Contribution Holiday

The Trust maintains a system of notional pools to collect assets and fund benefits. Of these pools, 7 relate to each of the Health Authorities and Providence Healthcare (Providence). During 2013 significant surpluses developed. As a result, in 2014, the Trust's Board introduced contribution holidays for Health Authorities and Providence as follows:

- LTD contributions effective May 2014; and
- All non-LTD contributions effective January 2015.

During 2015 some of the Health Authorities started to contribute again. Of those that started to contribute, all apart from Provincial Health Services Authority ceased contributing by December 31, 2015. Contributions will resume for the remaining Health Authorities and Providence by April 1, 2016 at the latest.

Post March 31, 2016

From April 1, 2016:

- Contributions relating to the bargaining associations mentioned previously will flow through each respective joint trust;
- Claims payments for claims incurred from April 1, 2016 will flow through each respective joint trust;
- Claims payments for claims incurred prior to April 1, 2016 will flow through the Trust; and
- All other contributions and claims related to the Trust will flow through the Trust.

Following the introduction of the joint trusts, the Trust's assets and liabilities will start to steadily decrease due to the payment of claims incurred prior to April 1, 2016.

Invested Asset Mix

The Trust's invested asset mix and long-term policy is shown within Appendix B. The long-term policy was set without the knowledge that the joint trusts would be introduced. With regards to the valuation, we have been instructed by the Trust's staff to assume that the current asset mix will transition to the long-term policy over time. We note that proposed changes to the asset mix are currently being contemplated by the Trustees and have not been accounted for in this valuation.

Impacts on December 31, 2015 Valuation

There were no changes in the valuation methodology for the contribution holidays, other than identifying the impact of the contribution holidays during 2015.

At December 31, 2014 we assumed that 15% of the Trust remained as a going concern, based on the bargained Joint Trusts and the assumption that there would be a Nurses Bargaining Association (NBA) Joint Trust in the near future. This resulted in a weighted investment horizon of 10 years, and a discount rate of 5.3%.

At December 31, 2015 we have assumed a 50% likelihood of prospective NBA coverage outside of the Trust and a 50% likelihood that the NBA will continue to participate in the Trust. This results in a 50% likelihood of a weighted investment horizon of 10 years and a 50% likelihood of a weighted investment horizon of 15 years. The result of weighting these various scenarios is a discount rate of 5.3%.

SECTION 3 – VALUATION METHODOLOGY

The actuarial valuation of the Trust is calculated as at December 31, 2015.

The LTD Claimant census data used in this actuarial valuation is at December 31, 2015. The asset data used in this actuarial valuation is at December 31, 2015. The benefit claims data and LTD Claimant contribution data used in this actuarial valuation was taken from the period of January 1, 2015 to December 31, 2015.

Liabilities with respect to LTD income, extended health claims, dental claims, group life and AD&D claims for LTD claimants are calculated on an event-driven basis. These liabilities are equal to the actuarial present value of projected benefits for LTD Claimants as at December 31, 2015. The actuarial present value is calculated by applying the probability of termination from disability to the projected benefit claim costs at future ages for each LTD Claimant, and further discounted by the interest rate assumption to the calculation date. For extended health and dental claims of LTD claimants, the liabilities are calculated by taking the difference between the benefit claims and employee contributions from January 1, 2015 to December 31, 2015 for all LTD Claimants and multiplying by the average annuity factors for all LTD Claimants. Annuity factors are calculated for each LTD Claimant for extended health and dental benefits applying the appropriate future benefit cost escalation factors.

Incurred But Not Reported ("IBNR") liabilities are calculated using assumptions described in Appendix D.

The assets used in this actuarial valuation are based on their market value as at December 31, 2015.

There are no subsequent events of which the actuary is aware that would impact the results of this valuation.

SECTION 4 – FINANCIAL POSITION AT DECEMBER 31, 2015

The following table shows the financial positions of the Trust at December 31, 2015 and December 31, 2014:

Table 1 –Trust Financial Positions ($000,000s)

	December 31, 2015	December 31, 2014
Assets (excluding UAL / UFL Receivables)	**$1,180.0**	**$1,397.5**
Assets (including UAL / UFL Receivables)	**$1,279.1**	**$1,209.9**
Active Group Life and AD&D (IBNR)	$1.5	$2.0
Active Dental (IBNR)	$5.3	$5.1
Active Extended Health (IBNR)	$12.5	$10.8
Long-term Disability (IBNR)	$143.5	$140.1
Admitted LTD Claims (Reported)	$976.5	$946.9
Extended Health for Disabled Claimants	$77.3	$51.0
Dental for Disabled Claimants	$22.3	$17.1
Group Life and AD&D for Disabled Claimants	$35.4	$33.0
Total Liability	**$1,274.2**	**$1,206.2**
Surplus/(Deficit) (excluding UAL / UFL Receivables)	**($94.2)**	**$191.3**
Surplus/(Deficit) (including UAL / UFL Receivables)	**$4.9**	**$3.7**

The financial position reduced in the year ending December 31, 2015. The $191.3 million surplus at December 31, 2014 became a $94.2 million deficit at December 31, 2015. This represents a reduction of $285.5 million over the period. Including UAL/UFL Receivables, the $3.7 million surplus at December 31, 2014 became a $4.9 million surplus at December 31, 2015. This represents an increase of $1.2 million over the period.

SECTION 5 – ANALYSIS OF CHANGE IN FINANCIAL POSITION EXCLUDING UAL / UFL RECEIVABLES

In this section, we cover the change in financial position of the Trust.

Trust Analysis of Change in Financial Position

The Trust had a surplus of $191.3 million at December 31, 2014. At December 31, 2015 the Trust had a deficit of $94.2 million. Table 2 reconciles the $285.5 million reduction in financial position over the period:

Table 2 – Trust Reconciliation of Financial Positions

	$000,000s
Financial Position at December 31, 2014	**$191.3**
Contributions Different than Base Contributions	$24.2
Base Contribution Holiday	($285.3)
Interest on Funded Position	$2.7
Investment Return Different than Expected	$42.3
LTD – Existing Claims (Non-ERIB Terminations)	$8.3
LTD – Existing Claims (ERIB Terminations)	$1.6
LTD – Existing Claims (Demographics)	$6.1
LTD – New Claims	($66.1)
Active EHC/Dental/Life/AD&D Experience	($7.6)
Disabled EHC/Dental/MSP/Life/AD&D Experience	($43.9)
Change in Assumptions	$20.7
CSS Indexing Change	($1.4)
CBA ODI Indexing	($2.3)
CSSEA Pool to Best Estimate	$3.9
Update to CPP thresholds / Bargained Wage Rates	$11.1
Miscellaneous	($0.1)
Financial Position at December 31, 2015	**($94.2)**

We now comment on the major components of the reconciliation of financial position:

Contributions Different than Base Contributions
Every dollar collected in excess of the contributions necessary for current coverage serves to improve the financial position of the Trust. During the year to December 31, 2015, these amounted to approximately $24.2 million dollars.

Base Contribution Holiday
Health Authorities and Providence Healthcare did not make LTD contributions for all of or part of 2015. The expected base contributions not made in 2015 were approximately $285.3 million.

Interest on Funded Position
The plan was overfunded at December 31, 2014 and underfunded as at December 31, 2015. If invested assets were equal to the liability, investment income would be assumed to grow at the same rate as the liability. As invested assets were not equal to the liability during the year, even assuming assets growing at the same rate as liabilities, asset growth is not equal to liability growth.

The $2.7 million gain is calculated as the discount rate on the starting funded position and ½ of the discount rate on the base contribution holiday plus contributions in excess of base contributions.

Investment Return Different than Expected
In the December 31, 2014 valuation the discount rate assumption was 4.3% per annum. This means that future payments were brought back to the present day using a discount rate of 4.3%. For a funded plan, like the Trust, if assets are equal to liabilities, then the assets need to grow at the discount rate to keep pace with the growth in liabilities. If assets grow at a slower rate, then losses develop, and at a faster rate gains develop.

During the year to December 31, 2015, assets returned 7.7% after investment management fees. If they had grown at the discount rate, they would have grown by 4.3% over this period. The difference in these two figures represents the gain on investments. In dollars, this amounted to a gain of $42.3 million over the period.

LTD – Existing Claims (Terminations and Demographics)

At December 31, 2014, the reserve in respect of reported claimants for disability income was $946.9 million. Underlying the calculation of this reserve are a number of assumptions. Key among them are:

- The rate that claimants terminate claim, return to work, no longer satisfy disability provisions, die or retire, and
- The amount of expected offset in the future.

We calculated the expected December 31, 2015 reserve based on the December 31, 2014 valuation and claims payments (including ERIB) during 2015 as part of this report to identify the reserve and number of claimants expected to be on claim at December 31, 2015. We had the following results:

- The anticipated reserve at December 31, 2015 for those on claim at December 31, 2014 was: $833.6 million.
- The anticipated number of claimants at December 31, 2015 that were on claim at December 31, 2014 was 5,477.

We identified those individuals who remained on claim at December 31, 2015. There were 5,481of these individuals. The reserve at December 31, 2015 for these individuals, was $817.5 million. This gain of $16.0 million represents:

- a lower level of reserve due to termination of claims with proportionately high reserves which resulted in a gain of $8.3 million,
- changes to the amount of offsets which resulted in a gain of $6.1 million, and
- reserve savings due to the Early Retirement Incentive Benefit (ERIB) program of $4.0 million. These reserve savings were offset by lump sum payments of $2.4 million for a net savings of $1.6 million.

LTD – New Claims

At the December 31, 2014 valuation, a reserve of $140.1 million was set aside for claims that had been incurred but not yet reported. By their very nature, these claims are unknowable, a provision is made based on past experience; but there is significant doubt until experience actually develops.

In addition, contributions in respect of current coverage for long-term disability were expected to be $161.6 million over the period, before taking into account the contribution holiday. These contributions are set to be equal to the cost of accruing benefits and expenses.

Put together, approximately $301.7 million of LTD liability was expected to develop during the twelve-month period. When adjusted for timing to December 31, 2015, this amount increased to $311.2 million.

The main components that developed, with the same valuation basis as was used at December 31, 2014, were:

- Claims costs in 2015 for claims that didn't exist at December 31, 2014: $38.5 million.

- 2015 LTD expenses allocated to claims that didn't exist at December 31, 2014: $2.5 million.

- Unallocated LTD expenses in 2015: $2.7 million

- Reserve for reported claims that didn't exist at December 31, 2014 as at December 31, 2015: $179.7 million

- Incurred but not yet reported reserve as at December 31, 2015: $153.7 million

Between these components, $377.2 million was required for claims incurred during 2015. Overall, the resulting loss for new claims was $66.1 million.

Active EHC/Dental/Life/AD&D

Contributions collected in respect of these benefits were exceeded by claims plus expenses and any changes to incurred but not reported claims. This amounted to a loss of $7.6 million.

Disabled EHC/Dental/Life/AD&D
Claims plus expenses and any changes to incurred but not reported claims exceeded contributions collected in respect of these benefits. This amounted to a loss of $43.9 million. The increase in the Extended Health Liability for Disabled Claimants from $51.0 million to $77.3 million was primarily due to an increase in the reported claims for disabled members.

Change of Assumptions
As discussed previously, various assumptions changed from the December 31, 2014 valuation to this valuation.

The changes are:

- Updating the Disabled and Life/AD&D IBNR assumptions based on the latest HBT LTD and Life/AD&D IBNR experience study. This resulted in a gain of $10.6 million.
- Updating the EHC escalation rate based on the EHC select and ultimate escalations used in the Morneau Shepell survey of economic assumptions. This resulted in a gain of $2.5 million.
- Updating the Benefit Indexing assumption based on long-term wage rate increase expectations provided by the Community Social Services Employers' Association and the Health Employers Association of BC. This resulted in a gain of $44.2 million.
- Updating of termination experience to the most recent 54-month period (36 months for durations of 4 years and less). This resulted in a loss of $30.9 million.
- Updating the CPP approval rates based on a revised study of HBT's block of business. This resulted in a loss of $2.2 million.
- Updating the future expense assumptions based on the latest expense allocation study from HBT. This resulted in a loss of $5.5 million.

Overall, the change of assumptions resulted in a gain of $20.7 million.

The following table lists all of the assumptions that have changed and the resulting gain or loss:

Table 3 – Impact of change in Assumptions ($000,000s)

	Gain / (Loss)
Disabled IBNR	$10.1
Life/AD&D IBNR	$0.5
EHC escalation	$2.5
Wage rate index	$44.2
Termination from Disability	($30.9)
CPP Approval	($2.2)
Expenses	($5.5)
Compounding Impact	$2.0
Total Impact	**$20.7**

CSS Indexing Calculation Changes

Based on direction from CSSEA, General Services Agreement (+6.9%) and Aboriginal Services Agreement (+37.6%) claims will experience a one-off indexing adjustment. The adjustment will be in addition to negotiated wage rate increases, and will be applied to the affected claims at their date of next indexing. Applying this one-off adjustment to the December 31, 2015 valuation resulted in a loss of $1.4 million.

CBA Other Disability Income (ODI) Indexing Change

Based on direction from HEABC, ODI income is not to be indexed for certain CBA class codes. Current ODI offsets for certain CBA claims will be adjusted following a recalculation performed by GWL. The impact of these adjustments on the valuation will be calculated when the adjusted offsets are present in the LTD claims data provided monthly by GWL. Removing ODI indexing for the affected CBA claims resulted in a loss of $2.3 million.

CSSEA Pool Valuation Basis
As part of a discussion with the Government on resolution of the past and future exit levies in the CSSEA Pool, the HBT Board elected to revise the basis used for recognizing the liability in the CSSEA Pool to a best estimate basis. Recognizing the CSSEA Pool liabilities on a best estimate basis resulted in a gain of $3.9 million.

Update to CPP thresholds / Wage increases
The CPP thresholds used for assumed CPP offsets were changed to reflect the amounts effective January 1, 2016.

In the December 31, 2014 valuation assumptions were made around unknown wage increases relating to both past and future years. During 2015 a number of collective bargaining agreements were ratified. The December 31, 2015 valuation includes the ratified wage increases from these agreements, including the application of wage rate increases for nurses in accordance with bargaining pattern.

Combined, these changes amounted to a gain of $11.1 million.

SECTION 6 – ACTUARIES' OPINIONS

In our opinions, the membership and financial data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

In our opinions, the assumptions are appropriate for the purpose of the valuation.

In our opinions, the methods employed in the valuation are appropriate for the purpose of the valuation.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

Respectfully submitted,

Jeremy Bell, Fellow of the Canadian Institute of Actuaries

Ian Leznoff, Fellow of the Canadian Institute of Actuaries

APPENDIX A – SUMMARY OF LTD CLAIMS DATA

In the following three tables we summarize the composition of LTD claimants, their benefits and their reserves at December 31, 2015

Table 4 – Count of Disabled Employees as at December 31, 2015

Duration of Disability	Age at Disability					
	Under Age 30	30–39	40–49	50–59	Age 60 and Over	Total
< 1 year	37	106	193	322	76	734
1 to 2 years	33	149	267	483	114	1,046
2 to 3 years	25	80	175	330	69	679
3 to 5 years	16	109	280	524	52	981
5 to 10 years	32	206	618	753		1,609
> 10 years	88	545	991	234		1,858
Total	231	1,195	2,524	2,646	311	6,907

Table 5 – Net Monthly LTD Income Benefits after assumed CPP approval of Disabled Employees as at December 31, 2015 ($000s)

Duration of Disability	Age at Disability					
	Under Age 30	30-39	40-49	50-59	Age 60 and Over	Total
< 1 year	$88.1	$237.2	$490.3	$746.4	$195.8	**$1,757.8**
1 to 2 years	$83.1	$339.7	$561.0	$1,043.6	$247.9	**$2,275.3**
2 to 3 years	$46.6	$166.6	$360.7	$627.7	$142.2	**$1,343.8**
3 to 5 years	$31.8	$215.7	$526.6	$1,025.8	$103.4	**$1,903.2**
5 to 10 years	$67.9	$403.9	$1,177.0	$1,422.4	$0.0	**$3,071.2**
> 10 years	$107.3	$864.8	$1,685.9	$402.5	$0.0	**$3,060.4**
Total	**$424.8**	**$2,227.8**	**$4,801.6**	**$5,268.3**	**$689.3**	**$13,411.8**

Table 6 – Benefit Claims, Expenses and LTD Claimant Contributions from January 1, 2015 to December 31, 2015

Claims, Expenses and Contributions	January 1, 2015 to December 31, 2015
Active Dental Claims and Expenses	$113,828,000
Active Extended Health Claims and Expenses	$118,763,000
LTD Claimant Dental Claims and Expenses	$5,556,000
LTD Claimant Dental Employee Contributions[1]	$2,307,000
LTD Claimant Extended Health Claims and Expenses	$12,546,000
LTD Claimant Extended Health Employee Contributions[2]	2,227,000

[1] Assuming contribution holiday was not in effect
[2] Assuming contribution holiday was not in effect

APPENDIX B – ASSET POSITION

Trust Financial Statements

The asset position is calculated from the Trust's financial statements (as provided by the Trust's Finance department. The Trust's Financial Statements are prepared in accordance with International Financial Reporting Standards.

The table below shows the development of these assets from December 31, 2014 to December 31, 2015.

Table 7 – Calculation of Asset position ($000,000s)

Assets – December 31, 2014	**$1,397.5**
Regular Contributions	$117.4
Deficit Recovery Contributions	$24.2
Investment Return (net of investment expenses)	$95.7
Benefit Payments	($429.3)
Non-Investment Expenses	($25.5)
Assets – December 31, 2015	**$1,180.0**

Calculation of Asset Position

The following table shows the calculation of the asset position as at December 31, 2014 and December 31, 2015.

Table 8 – Calculation of Asset position ($000,000s)

	December 31, 2015	December 31, 2014
Cash and cash equivalents	$54.7	$16.3
Investments	$1,127.0	$1,353.3
Contributions receivable	$11.9	$41.2
Property, equipment and intangible assets	$0.6	$0.8
Benefits and accounts payable	–$14.2	–$14.0
Asset Position (excluding UAL/UFL Receivables)	**$1,180.0**	**$1,397.5**
UAL/UFL Receivables	**$99.0**	**–$187.6**
Asset Position (including UAL/UFL Receivables)	**$1,279.1**	**$1,209.9**

Invested Asset Mix

The invested asset mix at December 31, 2015 of the Trust is broken down by category as follows:

Asset	**Actual**	**Long-term policy**
Fixed Income	42.3%	42.5%
Equities	50.2%	45.0%
Real Estate and Infrastructure	7.5%	12.5%

The Trust is in the process of implementing an allocation to infrastructure.

Asset Valuation

The asset position is taken as the market value at December 31, 2015. Reliance is placed on the provided Financial Statements for the appropriate valuation of the assets as well as the benefits and accounts payable balance.

APPENDIX C – PLAN PROVISIONS

Summary of Plan Provisions

The primary benefits provided by the Trust are Life Insurance, Accidental Death and Dismemberment (AD&D), Long Term Disability (LTD), Dental and Extended Health Care (EHC). The following summaries were provided to us by the Trust and capture the major plan provisions in effect as at December 31, 2015.

Although benefit provisions do vary by benefit package, a number of the typical LTD benefit provisions have been summarized below by the major collective agreements. This is not an exhaustive list and some benefit packages may have provisions which differ from those shown in the table.

Table 9 – Summary of Typical LTD Benefit Provisions

Provision	Community	Facilities	Nurses	Health Science Professionals	Community Social Services
Qualification Period	5 months after the date of disability	5 months after the date of disability	4 months after the date of disability	5 months after the date of disability	6 months after the date of disability
Eligibility for Benefits	After the Qualification Period has elapsed; the claimant is eligible for benefits if they continue to meet the Definition of Disability criteria				
Definition of Disability	During the qualification period and for the subsequent own occupation period, the claimant is unable to perform each of the essential duties of their own occupation due to injury or sickness. After this period, the claimant is prevented from performing each of the essential duties of any occupation for which they are or may become reasonably qualified by education, training or experience.				
Own Occupation Period[3]	19 months	19 months	24 months	24 months	12 months
Gross Benefit Amount	70% of basic monthly earnings to a limit[4] and 50% of the excess or 66-2/3% of basic monthly earnings, whichever is greater				

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[3] A common termination assumption is used for the Trust without adjustment for different own occupation periods by agreement.

[4] adjusted annually for new claims based on increases in the weighted average wage rate

Provision	Community	Facilities	Nurses	Health Science Professionals	Community Social Services
Limit for Gross Benefit Amount	$3,575 as at April 1, 2015	$3,575 as at April 1, 2015	$6,199 as at April 1, 2013	$5,922 as at April 1, 2014	$3,152 for the Community Living Services agreement, $3,370 for the General Services agreement and $4,367 for the Aboriginal Services agreement as at April 1, 2015
Indexation	Adjustments every 4 years after the date of qualification based on weighted average wage rate				
Offsets	The Gross Benefit Amount will be reduced by other sources of income including CPP Disability, rehabilitation and Workers' Compensation benefits				
Benefit End Date	Benefits cease the earlier of recovery, failure to provide proof of continuing disability, death, retirement or the attainment of age 65				

APPENDIX D – ASSUMPTIONS

We summarize the key assumptions in this appendix.

Incurred But Not Reported Liabilities

Benefit	Basis
Life Insurance and Accidental Death and Dismemberment (AD&D)	$1,500,000
Long Term Disability	160% of LTD liabilities for reported active disability claims incurred in the previous 12-month period.
Active Dental	Calculated as 17/365ths of the dental payments and expenses from the last 12 months.
Active Extended Health	Calculated as 38/365ths of the annualized extended health care payments and expenses from the last 12 months.
Disabled Non-income Benefits (Extended Health, Dental, Life)	160% of corresponding liability for reported active LTD claims with dates of disability in the previous 12-month period.

Reported Liabilities

Assumption	Basis
Termination from Disability	Assumed based on adjustments for the plan's experience applied to the table of actual to expected ratios for females all elimination periods combined as published in Appendix 1 of the Canadian Institute of Actuaries Report entitled "Canadian Group Long-Term Disability Termination experience 1988-1994" dated May 1998. The adjustments are split into two tables for those below and above 40, which are provided with this appendix.
Discount Rate	4.3% compounded annually for taxable claims. 3.3% compounded annually for non-taxable claims. 5.3% compounded annually for CSSEA Pool.
CPP	CPP approval rates are based on age and duration since disability. Where CPP is assumed, retroactive CPP to a maximum of 18 months is assumed. Potential CPP benefits are calculated based on the following information (as set by the Canada Pension plan): 2016 Flat CPP monthly amount: $471.43 2016 Maximum CPP monthly amount: $1,290.81 Table is provided at the end of this appendix for more details.

Assumption	Basis
Benefit Indexing	Indexing to Wage Increases Annual wage increases of 2.5% are assumed for all non-Community Social Services agreements, except where negotiated wage increases are known. Where negotiated wage increases are known, these apply. Annual wage increases of 1.5% are assumed for all Community Social Services, except where negotiated wage increases are known. Where negotiated wage increases are known, these negotiated wage increases apply. Indexing to CPI Future CPI increases are assumed to be 2%. Red-Circling Benefits are never reduced below their original disability benefit.
Extended Health Escalation	Extended health costs for disabled employees are assumed to increase by 6.5% in the first year and decreasing by 0.5% per year until reaching the ultimate escalation rate of 4.5% per annum.
Dental Escalation	Dental costs for disabled employees are assumed to increase by 4.5% per annum.
Death from Disability	Assumed to be in accordance with CIA 88-94 Mortality Tables for Males and Females.
Provision for Adverse Deviations	The Trust's liabilities have been calculated with a 1.0% margin with regards to the discount rate and a 1.0% margin with regards to wage increases (except for the CSSEA Pool, which is on a best estimate discount rate and wage increase basis).

HBT LTD Valuation assumptions – Termination Rates

The table below shows the December 31, 2015 valuation assumption as a percent of the 1988-1994 Canadian Institute of Actuaries (CIA) study of Disability Termination experience. The table also provides the December 31, 2014 valuation assumptions expressed as a percentage of the same CIA table.

Table 10 – Termination Rates as percent of CIA Disability study

Months since Disability	Dec 31, 2014 Assumption – To age 40	Dec 31, 2014 Assumption – After age 40	Dec 31, 2015 Assumption – To age 40	Dec 31, 2015 Assumption – After age 40
4-12	45%	60%	50%	65%
13-24	95%	130%	115%	145%
25	110%	115%	90%	150%
26	110%	115%	90%	125%
27	110%	115%	90%	65%
28	50%	65%	105%	125%
29	560%	750%	415%	400%
30	65%	95%	40%	60%
31	85%	60%	55%	60%
32	85%	95%	55%	85%
33	85%	95%	55%	85%
34	85%	95%	55%	85%
35	85%	95%	55%	85%
36	85%	95%	55%	85%
37-48	100%	90%	95%	80%
49-60	130%	135%	130%	140%
61-72	130%	170%	120%	165%
73-84	130%	170%	120%	165%
85-96	130%	170%	120%	165%
97-108	130%	170%	120%	165%
109-120	130%	170%	120%	165%
120+	105%	105%	105%	105%

These termination assumptions are developed in aggregate and are intended solely for the purpose of the actuarial valuation of HBT's 2015 year-end long-term disability liabilities in aggregate. Due to differences in plan design and experience between employee groups, valuation of any subset of the aggregate HBT active disability claimants requires separate analysis and a unique set of assumptions.

HBT LTD Valuation assumptions – CPP Qualification Rates

The table below shows the assumed probabilities of eventual CPP qualification. The rates differ by duration of claim and age at the date of disability.

Table 11 – CPP Qualification Rates for December 31, 2015 Valuation

Duration of claim (months)	Age at Disability		
	< 55	55-60	> 60
Less than 12	40%	60%	60%
13-24	40%	55%	50%
24-36	40%	50%	50%
37-48	40%	50%	50%
49-60	40%	50%	50%
60+	0%	0%	0%

For comparison purposes the table below shows the assumed probabilities of eventual CPP qualification that was used for the December 31, 2014 valuation.

Table 12 – CPP Qualification Rates for December 31, 2014 Valuation

Duration of claim (months)	Age at Disability		
	< 55	55-60	> 60
Less than 12	40%	60%	60%
13-24	40%	60%	60%
24-36	40%	55%	45%
37-48	45%	55%	50%
49-60	40%	50%	50%
60+	0%	0%	0%

HBT LTD Valuation assumptions – Expenses

The table below shows the assumption for future expenses as a percentage of claims payments. The table also provides the December 31, 2014 valuation assumptions.

Table 13 – HBT Expense Assumptions

	December 31, 2015	December 31, 2014
Disability Income[5]	7.0%	6.5%
Extended Health	6.0%	6.0%
Dental	4.0%	4.0%
Life	10.0%	10.0%

[5] Assumed disability expenses aren't intended to cover all disability expenses. The majority of disability expenses are incurred at the beginning of a claim and are covered with contributions, but not incorporated in reserves.

APPENDIX E – DETAILED RESULTS AND CLAIMS MOVEMENT

The table below shows the results of the LTD Income (Reported) liability by duration of disability and age at disability.

Table 14 – Actuarial Liability of Disabled Employees – Reported – as at December 31, 2015 ($000,000s)

Duration of Disability	Age at Disability					
	Under Age 30	30–39	40–49	50–59	Age 60 and Over	Total
< 1 year	$5.1	$15.4	$27.9	$36.9	$4.4	**$89.7**
1 to 2 years	$6.5	$27.6	$39.6	$56.0	$4.2	**$133.9**
2 to 3 years	$5.5	$20.3	$35.7	$37.5	$2.3	**$101.4**
3 to 5 years	$5.5	$33.5	$60.1	$59.4	$0.7	**$159.2**
5 to 10 years	$13.9	$68.3	$124.1	$57.2	$0.0	**$263.5**
> 10 years	$15.8	$101.8	$103.8	$7.3	$0.0	**$228.8**
Total	**$52.4**	**$266.9**	**$391.2**	**$254.4**	**$11.6**	**$976.5**

The table below shows the movement of active LTD claims by notional pool within the Trust.

Table 15 – Movement of active LTD claims

Notional Pool	Claims as at Dec 31, 2014	Termination Reasons							New Entrants	Claims as at Dec 31, 2015
		Age 65	Death	Return to Work	ERIB	Change of Definition	Retired / Resigned	Other		
Fraser	1,198	(39)	(7)	(151)	(6)	(60)	(24)	(26)	402	1,287
Coastal	866	(29)	(11)	(121)	(9)	(41)	(18)	(3)	263	897
Island	1,018	(32)	(14)	(126)	(11)	(46)	(24)	(19)	292	1,038
Interior	1,085	(13)	(16)	(133)	(6)	(46)	(15)	(35)	375	1,196
Northern	340	(7)	(5)	(47)		(24)	(8)	(2)	118	365
Provincial	311	(9)	(11)	(49)	(1)	(15)	(5)	(4)	154	371
Providence	273	(8)	(2)	(38)	(1)	(4)	(3)	(1)	64	280
Affiliates	1,045	(45)	(14)	(41)	(5)	(39)	(11)	(14)	148	1,024
CSSEA	390	(28)	(6)	(11)		(12)	(2)	(3)	51	379
Non-HEABC	34	(2)		(3)		(2)	(1)		6	32
Non-taxable	42	(4)	(1)	(6)		(3)			10	38
Total	6,602	(216)	(87)	(726)	(39)	(292)	(111)	(107)	1,883	6,907

APPENDIX F – SENSITIVITY ANALYSIS

Discount Rate

The discount rate used within the valuation is 3.3% for all non-taxable claims, 5.3% for the CSSEA Pool and 4.3% for all other claims, compounded annually. The effect on the total actuarial liability of a 1% decrease to the discount rate is shown in the following table:

Table 16 – Discount Rate sensitivity analysis

Discount Rate Change	Liability (000,000's)	Original Liability (000,000's)	Gain / (Loss) (000,000's)
-1%	$1,351.6	$1,274.2	($77.4)

EHC and Dental Escalation Rate

The EHC Escalation rate used within the valuation is 6.5% in the next year decreasing by 0.5% per year to an ultimate escalation rate of 4.5% per annum. The Dental Escalation rate used within the valuation is 4.5% per annum. The effect on the total actuarial liability of a 1% increase in the EHC and Dental escalation rates is shown in the following table:

Table 17 – Escalation Rate sensitivity analysis

EHC and Dental Escalation Rate Change	Liability (000,000's)	Original Liability (000,000's)	Gain / (Loss) (000,000's)
+1%	$1,281.0	$1,274.2	($6.8)

APPENDIX G – ADMINISTRATOR REPRESENTATION

With respect to the information used within this report, I hereby confirm that to the best of my knowledge and belief:

- The LTD claimant data provided to the actuaries and summarized in Appendix A and Appendix E are a complete and accurate description of all individuals meeting the definition of disability under the Plan;
- The financial data provided to the actuaries and summarized in Appendix B are a complete and accurate representation of the contributions, claims and expenses by benefit line and notional pool;
- The plan provisions summarized in Appendix C are an accurate description of the provincial collective agreement disability related plan provisions in effect at the valuation date; and
- There have been no events subsequent to the valuation date that would materially change the December 31, 2015 valuation results or the Plan's financial position or cost.

Karen White Interim Chief Financial Officer	Elisabeth Whiting Executive Director, Client Service & Stakeholder Relations

APPENDIX H – BEST ESTIMATE RECONCILIATION

Margin

Both the discount rate and the wage increase assumptions include a 1% margin (except for the CSSEA Pool). The best estimate liability and the impact of these margins are shown in the following table:

Table 18 – Liability as at December 31, 2015 ($000,000s)

	Best Estimate	Impact of wage increase margin	Impact of discount rate margin	Liability with margin
Active Group Life and AD&D (IBNR)	$1.5	$0.0	$0.0	$1.5
Active Dental (IBNR)	$5.3	$0.0	$0.0	$5.3
Active Extended Health (IBNR)	$12.5	$0.0	$0.0	$12.5
Long-term Disability (IBNR)	$131.9	$3.8	$7.8	$143.5
Admitted LTD Claims (Reported)	$902.5	$23.0	$51.0	$976.5
Extended Health for Disabled Claimants	$72.5	$0.0	$4.8	$77.3
Dental for Disabled Claimants	$20.9	$0.0	$1.4	$22.3
Group Life and AD&D for Disabled Claimants	$33.8	$0.0	$1.5	$35.4
Total Liability	**$1,181.0**	**$26.7**	**$66.5**	**$1,274.2**

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