ebulletin

HEALTHCARE BENEFIT TRUST

May 30, 2012

2011 Annual Report

We are pleased to share with you the 2011 Annual Report for the Healthcare Benefit Trust.

The attached report highlights:

- The Trust's funded ratio, now at 98.8 percent.
- Solid conservative investment management, resulting in positive returns through a volatile market.
- Assets exceeding $1 billion.
- Continued stability in long term disability (LTD) experience in the sectors we serve.
- Strong financial management of the Trust.

2012-2014 Service Plan Highlights & 2011 Client Survey Summary

Healthcare Benefit Trust is committed to excellence in client service and satisfaction.

2012-2014 SERVICE PLAN

The HBT 2012-2014 Service Plan is intended to align all our services with what our clients and stakeholders want from our service, systems, communications and people. The Service Plan was signed off by the Board of Trustees and sets out our strategic targets with specific deliverables for the next three years.

The Service Plan hinges on 4 key priorities:

- Make our systems easy for clients to use and all our services more accessible.
- Provide our clients and stakeholders with better information about benefits utilization, plan design and cost management opportunities.
- Ensure our service providers meet the needs of our clients, the terms of our service agreements and provisions of the benefit plans we administer.
- Provide clients with cost-effective services and more stability over time in contribution rates.

Highlights from the HBT 2012-2014 Service Plan are attached and also available on the HBT website www.hbt.ca.

2011 CLIENT SURVEY SUMMARY

To ensure HBT's Service Plan 2012-2014 is well aligned with client needs, HBT engaged Cook Public Relations to conduct a survey of our clients and stakeholders. The client survey was designed to provide participants an opportunity to share HBT-related topics that were most important to them.

In total, 81 clients participated in the survey, ranging from small organizations with two covered employees to large organizations including the Health Authorities, as well as both public and privately owned

organizations. Participants' roles and responsibilities varied as well, including Payroll Administrators, HR Specialists, Vice Presidents, Executive Directors and Chief Executive Officers. The survey also included representatives of HEABC, CSSEA and BCCPA. A summary prepared by Cook Public Relations is attached and also available on HBT's website (www.hbt.ca). The key findings are outlined below.

KEY FINDINGS FROM THE SUMMARY INCLUDE:

1. **Overall Client Sentiment and Satisfaction**
   - Many respondents acknowledge some positive change at HBT over the past two years.
   - Majority of respondents say HBT staff are courteous, friendly and helpful.
   - There was widespread appreciation for the change in timing for distribution of rate notices.

2. **Invoicing and Enrolment Processes**
   - The upcoming transition to PBC is seen as positive. Some clients are concerned HBT does not understand their invoicing needs and feel their past concerns were not addressed.
   - The LTD invoicing system does not accommodate all payroll cycles. This leads to strong dissatisfaction for some clients.

3. **Communications**
   - There was broad recognition of improvement in HBT communications. A few participants said they get too much information from HBT, but do not necessarily want HBT to cut-back on it.

4. **HBT Rehabilitation Services**
   - There seems to be low awareness of HBT rehabilitation and early intervention services. Most clients who use it, however, view it as helpful and valuable.

5. **LTD Adjudication Services**
   - Clients who have employees on LTD feel they do not have enough information on the status of claims.
   - Clients expressed dissatisfaction with LTD claims adjudication process - some said adjudication is too strict and some too lenient.

6. **HBT's Knowledge and Expertise**
   - Clients would like more sharing of information and expertise from HBT to help them manage benefit costs and plan future coverage.

7. **Exit Levy and Unfunded Liability**
   - Clients (even those who are empathetic) feel the issue of exit levy payments owed to HBT is taking too long to address and must be resolved.
   - Significant polarization and range of opinions on the rationale for exit levies and unfunded liability, and related potential resolutions.

8. **Cost of Benefits**
   - Broad concern about rates and overall trend of increasing insurance rates (even among those who have experienced short-term reductions).

Contact Elisabeth Whiting, Director, Client Service & Communications, Tel. 604.678.8739 or elisabeth.whiting@hbt.ca for more information or if you have questions or comments regarding this bulletin.

Elisabeth Whiting
Director, Client Service & Communications

2011 ANNUAL REPORT

AUDITORS' REPORT | ACTUARIAL VALUATION REPORT | ANNUAL FINANCIAL STATEMENTS

HEALTHCARE BENEFIT TRUST

HBT

BENEFIT FROM EXPERIENCE

Message from the Chair

It has been my pleasure to serve as the Chair of the Healthcare Benefit Trust Board of Trustees since 2009. All HBT Trustees have a fiduciary responsibility to the beneficiaries of the Trust to ensure the long term financial and operational viability of the Trust.

Over the past three years the Board and executive team have driven a transformation in the organization through significant changes in governance, leadership, administration, strategy, communication and client service. Despite past challenges, I believe 2011 was a critical year in positioning the Trust to meet the changing needs of clients and stakeholders in its role as the provider and administrator of health and welfare benefits for over 90,000 employees in health, community and social services sectors in BC and the Yukon.

On behalf of the HBT Board of Trustees, I would like to thank the many clients and stakeholders who participated in the 2011 Client Survey and other feedback initiatives conducted by the management team over the past year. Your candid comments provide the Trustees with a clear view of client needs and assist greatly in our role to set the strategic direction of HBT.

As such, the Trustees played an active role in the decision to expand the service agreement with Pacific Blue Cross in support of more efficient, cost-effective administrative systems and processes that will better serve clients. This is a multi-year transition of services that has already had significant impact on HBT as an organization. The board thanks all the HBT employees for their hard work and support during this year of change.

The Board also has responsibility for setting the investment and funding policies of the Trust and approves the annual contribution rates that are delivered to clients. In 2010 the Board approved new funding and rate setting policies. Combined, these policies -- which are now in full effect -- will over time allow for less fluctuation in annual contribution rates and for greater stability in the funded position of the Trust.

Another significant change occurred in 2011 when the Trustees appointed the British Columbia Investment Management Incorporation (bcIMC) as the new investment manager for HBT. This decision was made on the basis that the Trust's funds could be effectively managed using a more efficient and streamlined governance structure, competitive fees and provide comparable returns. We are very pleased to be combining the Trust's assets with the strength of bcIMC as investment manager for a number of public pension and trust funds in British Columbia.

In all of our work over the past year and in the year ahead we will maintain clear alignment with our overall goal to be a trusted benefits provider, administrator and advisor on health and welfare benefits. We are proud of our accomplishments in 2011 and confident that the structure and organization put in place in 2011 will serve our clients, stakeholders and beneficiaries well.

Ed Robinson
Chair, Board of Trustees
Healthcare Benefit Trust

Message from the Chief Executive Officer

I am pleased to present the Healthcare Benefit Trust 2011 Annual Report which includes the 2011 Financial Statements audited by KPMG, and the Valuation of the Trust prepared by HBT and our external actuaries, Morneau Shepell.

In 2011, the Trust achieved a 98.8% funded ratio and held over one billion dollars in assets, making it one of the largest Trusts of its kind in Canada. The continued improvement in the Trust's financial position since 2009 has been driven by the convergence of conservative investment management and strong returns, systematic contribution rate setting, successful deficit recovery, effective administration, and most importantly stability in long term disability (LTD) claims experience among our clients.

We are acutely aware of the resource challenges healthcare, community and social services sectors face today and look forward to working in closer partnership with our clients and stakeholders, as both benefits administrator and strategic advisor, as we all face the rising cost of benefits. We see partnership and collaboration as key to achieving our priorities of making a positive contribution to the healthcare system in BC and improving our clients' experience with HBT.

Feedback we receive from all our constituents is critical in monitoring our progress in building new and strong business relationships within the sectors we serve. I would like to thank you, our clients, for the time you have taken to share your views with us, participate in our client initiatives, and meet with various members of HBT throughout 2011. We are listening.

We are committed to providing you with the most cost-effective, self-insurance option available to administer the health and welfare benefits in accordance with eight provincial collective agreements, for 415 union and non-union groups, across 635 distinct benefit packages. In direct support of this mandate, HBT undertook several significant business initiatives and organizational changes in 2011 that I have described in more detail below.

STRONGER INVESTMENT MANAGEMENT

We moved our investment assets of almost $1 billion to BC Investment Management Corporation (bcIMC), the largest institutional investor in BC.

ALIGNMENT AND STABILITY IN CONTRIBUTION RATES

We aligned the delivery of contribution rates notices with our clients' budget cycle. In keeping with insurance industry practices, we also introduced margins in our rate setting process to provide members increased stability over time in annual rate renewals.

STEADY DEFICIT RECOVERY

We continue to focus on deficit recovery through adjusted long term disability rates, thereby contributing to a decline in the size of underfunded pools.

EXIT LEVY PAYMENT PLANS

To protect the benefits for eligible beneficiaries we are focused on recovering the full amount of the exit levy owed to the Trust through payment plan arrangements with all agencies that terminated membership with an amount owing for ongoing disability income to recipients.

IMPROVED ADMINISTRATIVE SYSTEMS

We expanded our service agreement with Pacific Blue Cross (PBC) in support of more economical and efficient administration of enrolment and billing services.

STANDARDIZED REPORTING ON BENEFITS UTILIZATION AND COSTS

We are committed to providing standardized information and reports to clients, government, associations, and unions on benefits utilization and plan design challenges and opportunities.

ENHANCED CLIENT SERVICE, COMMUNICATIONS AND COLLABORATION

Though much improved over the past two years, we will continue with a multi-channel and direct-to-client communication approach and excellence in the governance of our service providers to ensure all our clients and stakeholders have access to people, services, and information they need when they need it from HBT, Pacific Blue Cross (PBC) and Great-West Life (GWL).

Looking ahead we see opportunities for HBT to better support clients and stakeholders. These are reflected in our 2012-2014 Service Plan which is aligned with our 2011 client survey findings. We have four strategic priorities:

1. Ensure the financial stability of the Trust;
2. Make our systems easy to use;
3. Increase access to user-friendly information about benefits utilization, cost and options; and
4. Provide exceptional and cost-effective long term disability adjudication and rehabilitation services to support clients and beneficiaries.

I look forward to updating you on our progress in 2012. I encourage you to call and speak with me directly about Healthcare Benefit Trust, its performance in 2011 and goals ahead, as well as the challenges we share in managing the cost of health and welfare benefits.

Jan K. Grude
Chief Executive Officer
Healthcare Benefit Trust

Financial Statements of

HEALTHCARE BENEFIT TRUST

Years ended December 31, 2011 and 2010

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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 statements of net assets as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of changes in net assets and changes in benefit obligations for the years ended December 31, 2011 and December 31, 2010, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 in our audits 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, 2011, December 31, 2010 and January 1, 2010 and the changes in net assets and changes in benefit obligations for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Accountants

April 19, 2012
Vancouver, Canada

HEALTHCARE BENEFIT TRUST

Statements of Net Assets
(Expressed in thousands of dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Cash and cash equivalents (note 3)	$ 29,865	$ 24,572	$ 24,412
Investments (note 4)	902,299	814,018	639,463
Accrued interest and other receivables	732	1,940	1,588
Contributions receivable	28,296	20,557	17,413
Underfunded actuarial liability receivable (note 5)	93,114	117,735	99,165
Property, equipment and intangible assets (note 6)	2,561	3,229	4,263
	1,056,867	982,051	786,304
Liabilities			
Benefits and accounts payable	15,131	14,602	8,843
Net assets available for benefits	1,041,736	967,449	777,461
Plan benefit obligations (note 7)	1,054,051	996,273	886,377
Deficit	$ (12,315)	$ (28,824)	$ (108,916)

Economic dependence (note 8)
Commitments (note 9)

See accompanying notes to financial statements.

Approved on behalf of the Board of Trustees:

Trustee

Trustee

HEALTHCARE BENEFIT TRUST

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

Years ended December 31, 2011 and 2010

	2011	2010
Deficit, beginning of year:	$ (28,824)	$ (108,916)
Income and contributions:		
Contributions (note 10)	445,860	440,796
Investment income (note 11)	31,268	31,684
Changes in unrealized gain (loss) on investments	(39,019)	31,036
Realized gain (loss) on the sale of investments	35,263	4,946
Interest on underfunded actuarial liability receivable	3,777	3,559
Change in underfunded actuarial liability receivable, net of payments received during the year	3,308	86,396
	480,457	598,417
Disbursements and expenses:		
Benefits (note 12)	374,200	377,024
Net changes in Plan benefit obligations (note 7)	57,779	109,896
Bad debt expense	3,858	3,349
Operating expenses (note 13)	28,111	28,056
	463,948	518,325
Income and contributions less disbursements and expenses	16,509	80,092
Deficit, end of year	$ (12,315)	$ (28,824)

See accompanying notes to financial statements.

HEALTHCARE BENEFIT TRUST

Statements of Changes in Plan Benefit Obligations
(Expressed in thousands of dollars)

Years ended December 31, 2011 and 2010

	2011	2010
Plan benefit obligations, beginning of year	$ 996,273	$ 886,377
Changes in actuarial assumptions	50,800	43,956
Interest accrued	60,384	56,093
Experience gains	(73,673)	(120,646)
Amendments to the Plan	-	108,257
Benefits accrued	422,578	427,316
Benefits and operating expenses paid	(402,311)	(405,080)
Plan benefit obligations, end of year	$ 1,054,051	$ 996,273

See accompanying notes to financial statements.

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 is a Health and Welfare Trust taxable pursuant to Section 122 of the *Income Tax Act*.

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.

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). These are the Trust's first financial statements prepared in accordance with Section 4600, *Pension Plans,* and in addition to the requirements set forth in Section 4600, IFRS 1 *First time Adoption of International Financial Reporting Standards*, has been applied. An explanation of how the transition to the new financial reporting framework has affected the statement of net assets and statement of changes in net assets of the Trust is provided in note 18. The financial statements were authorized for issue by the Board of Trustees on April 19, 2012.

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 maturities of three months or less.

(ii) Non-derivative financial instruments:

Investments are recorded at fair value based on the quoted bid prices for equity and bond securities at the date of the statement of net assets. Pooled fund units are valued based on closing net asset values at the date of the statement of net assets.

Cash and cash equivalents, accrued interest and other receivables, contributions receivable and underfunded actuarial liability 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 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 for financial assets also 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 through changes in net assets. 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	Rate
Computer hardware	3 years
Leasehold improvements	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:

Contributions, investment income, interest and the net change in underfunded actuarial liability recoverable are recognized on an accrual basis.

(f) 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. Actual results could differ from these estimates as additional information becomes available in the future.

3. Restricted cash:

Included in cash and cash equivalents is restricted cash held solely for the payment of supplemental monthly benefit payments of employees under the Community Subsector Agreement. Restricted cash at December 31, 2011 was $1,378,809 (2010 - $1,491,279).

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

4. Investments:

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

	2011	2010
Canadian bonds:		
Federal government	$ -	$ 21,445
Provincial government	-	87,798
Convertible corporate	-	389
	-	109,632
Canadian mortgages	-	17,808
Pooled funds:		
Canadian pooled fixed income funds	475,231	308,709
Canadian pooled equity fund	182,745	51,272
United States pooled equity fund	54,606	40,910
Global pooled equity fund	189,717	163,771
	902,299	564,662
Shares:		
Canadian shares	-	121,547
United States shares	-	369
	-	121,916
	$ 902,299	$ 814,018

See note 17 for additional disclosure of the risk profile of investments.

5. Underfunded actuarial liability receivable:

The Trust maintains 11 notional pools, one for each of the seven Health Authorities and four Non-Health Authority Pools. Three 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:

- HEABC (present or past members of the Health Employers Association of BC);
- 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. Other entities are amalgamated into pools with other like agencies. As the entities are effectively self-insured through the Trust, if an underfunded actuarial liability exists, participating employers are liable for this amount.

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

5. Underfunded actuarial liability receivable (continued):

Health Authorities are invoiced annually for their share of any underfunded actuarial liability 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 20 years. This policy was approved by all participating Health Authorities. In 2009, all outstanding underfunded actuarial liabilities invoiced in prior years were amalgamated by Health Authority. 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.

The portion of the underfunded actuarial liability 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 liability that exists at the date of termination of participation in the Trust. These amounts are included in the underfunded actuarial liability receivable balance.

6. Property, equipment and intangible assets:

		2011		2010
Property and equipment	$	1,023	$	1,113
Intangible assets		1,538		2,116
	$	2,561	$	3,229

(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, January 1, 2010	$ 2,153	$ 881	$ 1,339	$ 4,373
Additions	85	-	4	89
Disposals	-	(147)	(180)	(327)
Balance, December 31, 2010	2,238	734	1,163	4,135
Additions	168	13	5	186
Disposals	-	-	-	-
Balance, December 31, 2011	$ 2406	$ 747	$ 1,168	$ 4,321
Amortization:				
Balance, January 1, 2010	$ 2,022	$ 267	$ 650	$ 2,939
Amortization	129	73	167	369
Disposals	-	(147)	(139)	(286)
Balance, December 31, 2010	2,151	193	678	3,022
Amortization	39	75	162	276
Disposals	-	-	-	-
Balance, December 31, 2011	$ 2,190	$ 268	$ 840	$ 3,298
Carrying amounts:				
January 1, 2010	$ 131	$ 614	$ 689	$ 1,434
December 31, 2010	87	541	485	1,113
December 31, 2011	216	479	328	1,023

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

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

(b) Intangible assets - software:

Cost:	
Balance, January 1, 2010	$ 25,154
Additions	213
Balance, December 31, 2010	25,367
Additions	151
Balance, December 31, 2011	$ 25,518
Amortization:	
Balance, January 1, 2010	$ 22,325
Amortization for the year	926
Balance, December 31, 2010	23,251
Amortization for the year	729
Balance, December 31, 2011	$ 23,980
Carrying amounts:	
January 1, 2010	$ 2,829
December 31, 2010	2,116
December 31, 2011	1,538

7. Actuarial liabilities for Plan benefit obligations:

	2011	2010
Long-term disability:		
Admitted and pending claims	$ 810,144	$ 782,521
Incurred but not reported claims	91,605	76,596
Group life, accidental death and dismemberment, dental and extended healthcare:		
Disabled medical services plan	11,994	10,795
Disabled extended healthcare	80,861	71,392
Disabled dental	13,272	11,971
Disabled Group Life/accidental death and dismemberment	28,742	24,894
Incurred but not reported claims	17,433	18,104
	$ 1,054,051	$ 996,273

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 Morneau Shepell Inc. (Morneau Shepell), 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, 2011.

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.
- Incurred but not reported claims of the Health Authorities' disabled claimants for EHC, Dental, Group Life and AD&D and medical services plan (MSP) (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.

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

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

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

	2011	2010
Discount rate	5.0%	6.0%
Expense assumption (rate varies by benefit product)	4.0-15.0%	4.0-10.0%
IBNR assumption:		
Group Life	$ 1,500	$ 1,500
AD&D	500	500
LTD[1.]	165%	150%
Dental[2.]	15/365	15/365
EHC[2.]	40/365	45/365
Disabled non-income benefits[1]	165%	150%
Indexing rates:		
Nurses	3.0%	3.0%
Communities	0.5%	0.5%
Professional Association of Residents of BC	0.5%	0.5%
Facilities	0.5%	0.5%
Paramedical	0.5%	0.5%
Community Social Services Employers' Association	0.5%	0.5%

1. Percentage of liabilities incurred in previous 12 months.
2. Fraction of payments and expenses in previous 12 months.

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

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 5.5%, reduced by 0.5% to reflect the implementation of a margin for adverse deviation. The resulting assumption used was 5.0%. Should the discount rate increase or decrease by 1.0% this would impact the actuarial liability by ($53,368,000) or $59,489,000, respectively (2010 - ($48,790,000) or $54,214,000).

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

- Rate of terminations of active claims: a study was performed by Morneau Shepell on actual claims terminations. The resulting assumption is the best estimate without margins and incorporates actual experience to June 30, 2011. The termination assumption utilizes a single termination table provided by the Canadian Institute of Actuaries (CIA) for females. A risk could arise that the Trust's termination experience may not be reflective of standard termination experience. This risk has been mitigated by the application of 42 months of the Trust's actual experience to the existing CIA table.
- Canadian Pension Plan (CPP) approval rate: a study was performed by Morneau Shepell 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, 2011. The CPP approval rate assumption is based on age and duration since disability. There is a risk that the Trust's experience may not be reflective of standard CPP approval experience. 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, 2011. This assumption further assumes application for the CPP benefit on the part of claimants, which is out of the Trust's control.

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 insurance 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 the third party administrators to cover claims costs in excess of predetermined level 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.

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.

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

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

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 currently billed for their deficiencies in claims experience for LTD, 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 receives approximately 84% (2010 - 82%) of its participant contributions revenue from the Health Authorities and is dependent upon the ability of the Health Authorities to meet future contribution rate payments and underfunded actuarial liability receivable billings.

9. Commitments:

The Trust has entered into a lease agreement, expiring March 2018, covering office premises used in operations. The aggregate rentals and operating costs payable for the remaining term of the lease are as follows:

Year		Amount
2012	$	863
2013		889
2014		915
2015		924
2016		933
2017 - 2018		1,180
	$	5,704

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

10. Contributions:

	2011	2010
LTD	$ 198,183	$ 199,932
EHC	120,294	117,833
Dental	116,599	110,523
AD&D/Group Life	10,784	12,508
	$ 445,860	$ 440,796

11. Investment income:

	2011	2010
Interest:		
Cash and cash equivalents	$ 360	$ 167
Canadian bonds	8,839	25,801
Canadian mortgages	214	931
	9,413	26,899
Dividends	1,195	6,768
Income from pooled funds	22,377	-
Custodial and investment management fees	(1,717)	(1,983)
	$ 31,268	$ 31,684

12. Benefits paid:

	2011	2010
LTD:		
Active LTD	$ 140,853	$ 145,322
Early Retirement Incentive Benefit	4,112	8,509
MSP	1,660	1,687
Internal EIP/Rehab Costs	3,735	4,312
GWL Rehab Costs	2,008	2,695
Other	(58)	131
EHC	109,662	104,205
Dental	102,637	101,714
AD&D/Group Life	9,591	8,449
	$ 374,200	$ 377,024

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

13. Schedule of operating expenses:

	2011	2010
Staff costs (note 14)	$ 8,582	$ 8,939
Trustee operations	221	215
Actuarial fees	157	175
Audit fees	134	92
Other professional services	1,118	887
Claims adjudication and administration	14,659	14,446
Amortization	1,006	1,337
Office expenses (note 14)	1,848	1,893
Other	386	72
	$ 28,111	$ 28,056

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 in this regard at an annual cost of $250,000 (2010 - $250,000).

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.

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 was as follows:

	2011	2010
Salaries and short-term employee benefits	$ 1,817	$ 1,562
Long-term employee benefits	179	155
	$ 1,996	$ 1,717

The number of compensated Trustees and full-time equivalent senior executive officers of the Trust increased from 2010 to 2011. Short-term employee benefits include: EHC, dental, and MSP. Long-term employee benefits include: group life, LTD, AD&D, and dependent life. In addition to their salaries, the Trust contributes to a post-employment defined benefit plan (note 15) on behalf of the staff and the cost is included in long-term employee benefits.

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 has approximately 163,000 active members, 30,000 inactive members and approximately 60,000 retired members.

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, 2009. The next valuation will be as at December 31, 2012 with results available in the Plan's December 31, 2013 Annual Report. The MPP's actuary does not attribute portions of the unfunded liability to individual employers. The Trust paid $600,894 for employer contributions to the MPP in the year ended December 31, 2011 (2010 - $586,502).

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. As is noted elsewhere in these financial statements, the pools of these employers are in a deficit position. As the unfunded liability not related to the Health Authorities is not attributed to individual employers, the Trust's share of the unfunded actuarial liability is reflected in the reported deficit. Such deficit will be recovered through deficit recovery rates on the same basis as other individual non-Health Authority employers. The Trust expensed $222,162 for employer contributions for these non-pension benefits in the year ended December 31, 2011 (2010 - $223,180).

16. Fair value of financial instruments:

The Trust's financial instruments consist of cash and cash equivalents, investments, underfunded actuarial liability receivable, contributions receivable, accrued interest and other receivables and benefits and accounts payable.

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 contributions receivable, accrued interest and other receivables, and benefits and accounts payable approximates fair value due to their short-term to maturity. The fair value of the underfunded actuarial liability receivable is considered by management to equal to its carrying value as the interest charged against outstanding amounts is periodically adjusted to market rates.

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

16. Fair value of financial instruments (continued):

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, 2011	Level 1	Level 2	Level 3	Total
Investments:				
Canadian pooled fixed income funds	$ -	$ 475,231	$ -	$ 475,231
Canadian pooled equity fund	-	182,745	-	182,745
United States pooled equity fund	-	54,606	-	54,606
Global pooled equity fund	-	189,717	-	189,717
	$ -	$ 902,299	$ -	$ 902,299

	Valuation technique			
December 31, 2010	Level 1	Level 2	Level 3	Total
Investments:				
Canadian bonds	$ -	$ 109,632	$ -	$ 109,632
Canadian mortgages	-	17,808	-	17,808
Pooled funds	-	564,662	-	564,662
Shares	121,916	-	-	121,916
	$ 121,916	$ 692,102	$ -	$ 814,018

There were no transfers into or out of Level 1 or 2 during the years ended December 31, 2011 and 2010.

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, 2011 and 2010 to financial instruments outstanding on that date.

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

17. Financial risk management (continued):

(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:

	2011	2010
Cash and cash equivalents	$ 29,865	$ 24,572
Investments (fixed income)	475,231	436,148
Accrued interest and other receivables	732	1,940
Contributions receivable	28,296	20,557
Underfunded actuarial liability receivable	93,114	117,735
	$ 627,238	$ 600,952

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 ensure that the investments of these funds meet the Trust's investment policy.

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.

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

17. Financial risk management (continued):

(a) Credit risk (continued):

Contributions and other receivables (continued)*:*

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 contributions receivable, accrued interest and other receivables, and underfunded actuarial liabilities receivable net of allowances for doubtful accounts:

	2011	2010
Current	$ 114,239	$ 132,640
30 - 60 days past billing date	1,148	1,441
61 - 90 days past billing date	342	328
Greater than 90 days past billing date	13,552	9,200
	129,281	143,609
Allowance for doubtful accounts	(7,139)	(3,377)
	$ 122,142	$ 140,232

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.

	2011	2010
Balance, beginning of year	$ 3,377	$ 137
Receivables written off during the year as uncollectible	(9)	(61)
Net changes to the provision	3,771	3,301
Balance, end of year	$ 7,139	$ 3,377

In addition, in 2011 $87,000 of contributions receivable were written off, for which no provision had been set up previously (2010 - $48,000).

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

17. Financial risk management (continued):

(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.

(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.

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.

Maturity position - December 31, 2011:

	Demand	Less than twelve months	One to five years	Over five years	Total
Cash and cash equivalents	$ 29,865	$ -	$ -	$ -	$ 29,865
Pooled fixed income funds underlying investments	-	23,145	192,122	259,964	475,231
	$ 29,865	$ 23,145	$ 192,122	$ 259,964	$ 505,096

(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, 2010:

	Demand	Less than twelve months	One to five years	Over five years	Total
Cash and cash equivalents	$ 24,572	$ -	$ -	$ -	$ 24,572
Bonds	-	-	851	108,781	109,632
Pooled fixed income fund underlying investments	3,187	9,850	167,889	127,783	308,709
Mortgages	1,076	908	8,954	6,870	17,808
	$ 28,835	$ 10,758	$ 177,694	$ 243,434	$ 460,721

The weighted average yield of these financial instruments is 2.41% at December 31, 2011 (2010 - 3.40%). The weighted average term to maturity of interest bearing investments is 112 months (2010 - 106 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 ($78,492,000) or $96,051,000 (2010 - ($68,977,000) or $80,260,000).

(*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.

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.

At December 31, 2011, the Trust had $239,019,000 (2010 - $199,802,000) of investments denominated in foreign currencies. 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 $4,780,000 (2010 - $3,996,000).

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

17. Financial risk management (continued):

(c) Market risks (continued):

(*ii*) Currency risk (continued):

The underlying foreign currencies in which investments are denominated are:

	2011	2010
United States	$ 155,423	$ 111,929
Japan	18,877	16,823
European Union	17,676	21,036
Switzerland	13,209	10,656
United Kingdom	11,540	12,997
Hong Kong	7,276	6,415
Singapore	6,172	-
China	-	1,276
Other	8,846	18,670
	$ 239,019	$ 199,802

(*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.

The investment policy for index pooled funds provides for an asset mix of 55% (+/-5%) fixed income investments and 45% (+/-5%) equities, which is rebalanced on a quarterly basis. Risk and volatility of investment returns are mitigated through diversification of investments in different countries, business sectors, and corporation sizes.

At December 31, 2011, the Trust's total exposure to other price risk is $427,068,000 (2010 - $377,870,000) and excludes pooled fixed income funds, which are considered fixed income investments. The Trustee's best estimate of the effect on net assets as at December 31, 2011, of a reasonably possible increase or decrease of 10% in the equity markets, with all other variables held constant, would amount to an increase or decrease of approximately $42,707,000 (2010 - $37,787,000), respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

17. Financial risk management (continued):

(d) Sensitivity analyses:

The sensitivity analyses included in this note 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.

18. Explanation of transition to Canadian Accounting Standards for Pension Plans:

As stated in note 2(a), these are the Trust's first financial statements prepared in accordance with Canadian Accounting Standards for Pension Plans.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening statement of net assets at January 1, 2010 (the Trust's date of transition).

As a result of transition to Canadian Accounting Standards for Pension Plans, the Trust did not require any adjustments to either its opening statement of net assets, or its comparative statements of net assets as at January 1, 2010 and December 31, 2010, respectively, or to its comparative statement of changes in net assets for the year-ended December 31, 2010. All changes as a result of the transition relate to presentation and disclosure only, which have been incorporated throughout these financial statements.

HEALTHCARE BENEFIT TRUST

HBT

BENEFIT FROM EXPERIENCE

Healthcare Benefit Trust
Actuarial Valuation

PREPARED BY

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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, 2011. The next calculation date is set to be March 31, 2012.

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, 2011.

References to assets, deficits or funded positions in this report exclude future contributions to relieve past deficits.

Financial Position of the Trust

The financial position of the Trust has improved since December 31, 2010. At December 31, 2010, the Trust's liabilities exceeded assets by $146,519,000. At December 31, 2011, the Trust's liabilities exceeded assets by $105,430,000. This represents an improvement in the funding position of $41,089,000 over the year.

The major reasons for this improvement were:

- Significant special payments to relieve deficits made during the twelve month period. *These amounted to an approximate $52 million gain in the period.*

- Reserves for claimants from the December 31, 2010 valuation are lower now than they were expected to be at the time. The primary reason was termination experience. At December 31, 2010, there were 6,371 active and pending claimants in the valuation. At the time, the valuation projected that 5,354 of these would still be on claim at December 31, 2011. Only 5,158 of these remain at December 31, 2010. *This gain was approximately $41 million over the period.*

- New claims have been lower 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 lower frequency than anticipated. And, liabilities for claims incurred but not yet reported increased only slightly over the twelve month period. *The result of these two factors was an approximate gain of $17 million.*

- The CPP approval rate assumption was changed based on a study of HBT's block of business, where previously the assumption was based on a general study. *This resulted in a gain of $7 million*.

- The assumption for future wage rate increases for collectively bargained agreements was changed based on direction from HEABC for the relevant agreements. *This resulted in a gain of $17 million.*

- Contributions for active extended health, dental, life and accidental death and dismemberment exceeded claims, expenses and changes in reserves over the period. *This resulted in a gain of $17 million.*

Major items offsetting this improvement were the following:

- The termination assumption was strengthened based on recent experience. *This resulted in a loss of $25 million*.

- The discount rate assumption was strengthened due to a combination of decreasing bond yields and the introduction of a 0.5% margin. *This resulted in a loss of $54 million*.

- The Trust's liabilities exceeded assets throughout the year. *The interest on the funded position resulted in a loss of $7 million.*

- Investment performance for the twelve months ending December 31, 2011 was poor. The net investment return was 3.05% versus last year's discount rate assumption of 6.0%. *This resulted in a loss of $26 million*.

Particularly as it relates to claims experience, the experience over the twelve month period is encouraging. Sustained improved claims experience – along the lines of experience over the twelve month period ending December 31, 2010 and the twelve month period ending December 31, 2011 – would go a long way toward improving the financial position of the Trust and thus the contributions of the Trust's participants.

The remainder of this report covers:

- Data and assumptions underlying this report
- Financial position as at December 31, 2011
- 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 Great West Life and Pacific Blue Cross. In addition, we used some internal data supplied by the Trust.

LTD Claimant Data

Great West Life provides us with LTD Claimant information. For the valuation data, Great West Life's actuarial team reviewed and revised the raw claims data from their system. Great West Life performs a series of tests on the valuation data prior to providing it to us to ensure that it is reasonable, complete and accurate for the purposes of our valuation.

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 data is 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.

Plan Provisions

The plan provisions are varied, with different provisions by labour agreement and employer group.

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

- There is a 5 month qualification period (must be disabled 5 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 with 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); and
- The definition of disability typically changes from own occupation to any occupation at 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, 2010, except:

- The LTD Disability IBNR is assumed to be 165% of active liabilities reported in the previous 12 month period. In the December 31, 2010 valuation this was assumed to be 150% of active and pending liabilities. This change was performed in two steps:
    - The LTD Disability IBNR was set at 145% of active and pending liabilities.
    - When the pending liabilities were removed, the LTD Disability IBNR was set at 165% of active liabilities.

- The Extended Health IBNR assumption has been set as 40/365ths of the Extended Health payments and expenses from the previous 12 months. This is based on a study of the run off of claims from Pacific Blue Cross from the previous 24 months. In the December 31, 2010 valuation this was assumed to be 45/365ths.

- The Disabled Non-income benefits IBNR is set as a percentage of the corresponding liability for reported claims. This percentage is set to be the same as for the LTD IBNR, which has changed to 165% of active liabilities reported in the previous 12 month period. In the December 31, 2010 valuation this was assumed to be 150% of active and pending liabilities.

- A termination study based on the experience over the 42 month period ending June 30, 2011 was performed. The termination assumption for the December 31, 2011 valuation is based upon this study, which is more conservative than the termination assumption used in the December 31, 2010 valuation. A comparison of the current assumption to the December 31, 2010 assumption can be seen in Appendix C.

- A CPP approval rate study based on HBT's experience was performed. The CPP approval rate assumption for the December 31, 2011 valuation is based upon this study, whereas the December 31, 2010 valuation assumption was based on a general study. A comparison of the current assumption to the December 31, 2010 assumption can be seen in Appendix D.

- For claims that are indexed to wage rate increases, these increases are assumed to be 2% per annum from April 1, 2012 onwards. This is based on direction from HEABC for the collectively bargained agreements that incorporate wage rate indexing. In the December 31, 2010 valuation healthcare collectively bargained wages were assumed to increase at 2.5% per annum from April 1, 2012.

- The assumption for future expenses as a percentage of claims payments has changed based on the latest expense allocation study for HBT. The assumption for the December 31, 2011 valuation compared to the December 31, 2010 valuation is shown below:

	December 31, 2011	December 31, 2010
Disability Income	5%	5%
Extended Health	5%	5%
Dental	4%	4%
Life	15%	10%
MSP	No expenses	No expenses

- MSP payments are assumed to increase from their 2011 levels by 6% in the first year with a reduction in the increase of 0.5% per annum until reaching the ultimate increase rate of 2%. This is based on the announced increase for 2012 of 6% and an assumption that a linear reduction of 0.5% per annum to a final level of 2% is more likely than an immediate return to CPI-like increases. In the December 31, 2010 valuation MSP payments were assumed to increase from their 2010 levels by 6% in the first year and then by 2% per annum thereafter.

- Extended Health costs for disabled employees are assumed to increase by 8% in the first year and decrease by 0.5% per year until reaching the ultimate escalation rate of 5% per annum. The increase for the next year and ultimate escalation rate are based on the 2011 Morneau Shepell Survey of Economic Assumptions. In the December 31, 2010 valuation extended health costs for disabled employees were assumed to increase by 7.5% in the first year and decrease by 0.5% per year until reaching the ultimate escalation rate of 5% per annum.

- The discount rate assumption in the December 31, 2011 valuation has been set at 5% (except non-taxable claims which are valued using an annual discount rate of 4%). The best estimate return for HBT's asset mix, after fees, is expected to be 5.5%. A resulting 0.5% margin has been applied to the assumption in arriving at the 5% discount rate. In the December 31, 2010 valuation a discount rate of 6% was used for all claims.

- The assumption for late reported terminations has been eliminated. This assumption was deemed to be unnecessary as explicit provision for late reported terminations will be captured in the LTD IBNR going forwards. In the December 31, 2010 valuation the LTD liability was decreased by 0.5% to account for late reported terminations.

- The assumption for pending claims approval rates and the subsequent reported liability has been eliminated. This assumption was deemed to be unnecessary as explicit provision for pending claims will be captured in the LTD IBNR going forwards. In the December 31, 2010 valuation it was assumed that 70% of pending claims would be accepted.

The resulting assumptions are best estimate assumptions, not incorporating provisions for adverse deviations, with the exception of the discount rate which explicitly incorporates a 0.5% margin.

Assumptions are summarized in the attached Appendix D.

SECTION 2 – FINANCIAL POSITION AT DECEMBER 31, 2011

This section shows the financial positions as at December 31, 2011 and December 31, 2010.

Trust Financial Positions

The following table shows the financial positions of the Trust at December 31, 2011 and December 31, 2010:

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

	December 31, 2011	December 31, 2010
Assets	**$948.6**	**$849.8**
Active Group Life and AD&D (IBNR)	$2.0	$2.0
Active Dental (IBNR)	$4.2	$4.2
Active Extended Health (IBNR)	$11.2	$11.9
Long-term Disability (IBNR)	$91.6	$76.6
Admitted/Pending[1] LTD Claims (Reported)	$810.1	$782.5
MSP for Disabled Claimants	$12.0	$10.8
Extended Health for Disabled Claimants	$80.9	$71.4
Dental for Disabled Claimants	$13.3	$12.0
Group Life and AD&D for Disabled Claimants	$28.7	$24.9
Total Liability[2]	**$1,054.1**	**$996.3**
Surplus/(Deficit)[3]	**($105.4)**	**($146.5)**

[1] For Dec 31, 2010 valuation only. Pending claims assumption eliminated for December 31, 2011 valuation

[2] May not equal sum of components due to rounding.

[3] May not equal sum of components due to rounding.

The financial position improved in the year ending December 31, 2011. The $146.5 million deficit at December 31, 2010 decreased to $105.4 million at December 31, 2011. This represents an improvement of $41.1 million over the period. This improvement is detailed in the following section.

SECTION 3 – ANALYSIS OF CHANGE IN FINANCIAL POSITION

As important as the financial position of the Trust is the understanding of how the financial position developed.

In this section, we cover the change in financial position of the Trust. We provide detailed commentary on the Trust's financial position changes.

Trust Analysis of Change in Financial Position

The Trust had a deficit of $146.5 million at December 31, 2010. At December 31, 2011, this deficit was now $105.4 million. The following table reconciles the $41.1 million improvement in financial position over the twelve month period:

Table 2
Trust Reconciliation of Financial Positions

	$000,000s
Financial Position at 12.31.2010	**($146.5)**
Contributions Different than Base Contributions	$51.7
Interest on Funded Position	($7.2)
Investment Return Different than Expected	($26.2)
LTD - Existing Claims (Terminations and Demographics)	$41.2
LTD - New Claims	$17.0
Active EHC/Dental/Life/AD&D Experience	$16.8
Disabled EHC/Dental/Life/AD&D/MSP Experience	($0.6)
Change of Assumptions	($50.8)
Financial Position at 12.31.2011[4]	**($105.4)**

[4] May not equal sum of components due to rounding.

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 serve to improve the financial position of the Trust. During the year to December 31, 2011, these amounted to significant contributions, approximately $51.7 million dollars.

Interest on Funded Position
The plan was underfunded at December 31, 2010 and remains underfunded. If the plan were fully funded, investment income would be assumed to grow at the same rate as the liability. As invested assets are missing relative to the liability, even assuming assets growing at the same rate as liabilities, asset growth fails to cover liability growth.

The $7.2 million loss is calculated as the discount rate on the starting funded position and ½ of the discount rate on the contribution in excess of base contributions (offsetting the loss somewhat).

Investment Return Different than Expected
In the December 31, 2010 valuation the discount rate assumption was 6% per annum. This means that future payments were brought back to the present day using a discount rate of 6%. 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, losses develop. And, at a faster rate, gains develop.

During the year to December 31, 2011, assets gained value at a rate of 3.05% after investment management fees. If they had grown at the discount rate, they would have grown by 6% over this period. The difference in these two figures represents the loss on investments. In dollars, this amounted to a loss of $26.2 million over the period.

LTD – Existing Claims (Terminations and Demographics)
At December 31, 2010, the reserve in respect of reported claimants for disability income was $782.5 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 ran the December 31, 2010 valuation again as part of this report to identify the reserve and number of claimants expected to be on claim at December 31, 2011. We had the following results:

- The anticipated reserve at December 31, 2011 for those on claim at December 31, 2010 was: $705.0 million.

- The anticipated number of claimants at December 31, 2011 that were on claim at December 31, 2010 was 5,354.

We identified those individuals who remained on claim at December 31, 2011. There were 5,158 of these individuals. The reserves at December 31, 2011 for these individuals, was $660.2 million. This gain of $44.8 million represents:

- a lower level of reserve due to a higher level of terminations of claims than anticipated which resulted in a gain of $17.8 million,

- changes to the amount of offsets which resulted in a gain of $20.3 million, and

- reserve savings due to the Early retirement Incentive Benefit (ERIB) program of $6.5 million.

The reserve savings due to the ERIB program were offset by $3.6 million of lump sum payments, which reduces the overall gain from existing claims to $41.2 million.

LTD – New Claims

At the December 31, 2010 valuation, a reserve of $76.6 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 amounted to $174.9 million over the period. These contributions are set to be equal to the cost of accruing benefits and expenses.

Put together, about $251.5 million was available to fund future benefits during the twelve month period.

Some of this liability didn't develop. The two main components that developed, with the same valuation basis as was used at December 31, 2010, were:

- December 31, 2011 reserve for reported claims that didn't exist at December 31, 2010: $130.4 million.

- December 31, 2011 reserve for claims incurred but not yet reported: $80.5 million.

Between these two main components, the reserve for claims that didn't exist at December 31, 2010 was $210.9 million at December 31, 2011. Other miscellaneous costs associated with new claimants are: benefit payments during the year and additional expenses attributed to new claimants versus existing claimants.

Overall, the resulting gain for new claims was $17.0 million.

Active EHC/Dental/Life/AD&D

Contributions collected in respect of these benefits exceeded claims plus expenses and any changes to incurred but not reported claims. This amounted to a gain of $16.0 million.

Disabled EHC/Dental/Life/AD&D/MSP

Contributions collected in respect of these benefits exceeded claims plus expenses and any changes to incurred but not reported claims. This amounted to a gain of ($0.6) million.

Change of Assumptions

As discussed previously, various assumptions changed from the December 31, 2010 valuation to this valuation. All assumptions were reviewed and set by the Trust's Finance and Audit Committee in November based on a review performed with assistance from Morneau Shepell.

The primary four changes are:

- Change of discount rate from 6% for all claims to 5% for all taxable claims and 4% for non-taxable claims, which resulted in a loss of $52.3 million,

- Change of CPP approval rates table based on HBT's block of business which resulted in a gain of $7.0 million,

- Change of future wage rate increases assumption to reflect latest guidance which resulted in a gain of $17.0 million, and

- Change of termination table from one single table to two tables (one for claimants aged 40 and below, one for claimants aged above 40) and updating of termination experience to the most recent 42 month period. This resulted in a loss of $24.4 million.

Overall, the change of assumptions resulted in a loss of $50.8 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

	Gain / (Loss) $000,000s
LTD/Non-income benefits IBNR to 145% of Active and Pending Liabilities	$3.2
Active EHC IBNR	$1.4
Termination from Disability	($24.9)
CPP Approval	$7.0
Benefit Indexing – Indexing to Wage Increases	$17.1
Life Expense	($1.2)
MSP and EHC cost escalation	($1.9)
Discount Rate	($53.5)
Late Reported Terminations	($5.3)
Pending Claims (and IBNR Change to 165% of Active Liabilities)	$7.6
Discount Rate for EE paid	($0.2)
Total[5]	**($50.8)**

[5] May not equal sum of components due to rounding.

SECTION 4 – ACTUARIES' OPINIONS

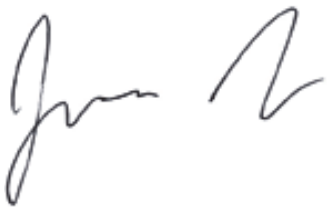
In our opinions, the membership and financial data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

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, 2011.

Table 4
Count of Disabled Employees as at December 31, 2011

Duration of Disability	Age at Disability					
	Under Age 30	30-39	40-49	50-59	Age 60 and Over	Total
< 1 year	9	54	113	231	55	462
1 to 2 years	19	77	214	352	72	734
2 to 3 years	15	53	132	269	56	525
3 to 5 years	20	103	310	571	56	1,060
5 to 10 years	25	214	744	928	0	1,911
> 10 years	79	473	734	179	0	1,465
Total	**167**	**974**	**2,247**	**2,530**	**239**	**6,157**

Table 5
Net Monthly Benefits after assumed CPP approval of Disabled Employees as at December 31, 2011 ($000s)

Duration of Disability	Age at Disability					
	Under Age 30	30-39	40-49	50-59	Age 60 and Over	Total
< 1 year	$24.6	$132.2	$283.9	$532.6	$123.3	**$1,096.6**
1 to 2 years	$39.8	$170.0	$466.1	$768.5	$159.3	**$1,603.7**
2 to 3 years	$34.1	$108.4	$254.2	$503.8	$101.8	**$1,002.2**
3 to 5 years	$36.1	$179.7	$556.5	$1,061.0	$105.2	**$1,938.6**
5 to 10 years	$46.3	$380.7	$1,249.3	$1,558.9	$0.0	**$3,235.2**
> 10 years	$86.5	$650.7	$1,167.5	$311.1	$0.0	**$2,215.7**
Total	**$267.5**	**$1,621.7**	**$3,977.5**	**$4,736.0**	**$489.6**	**$11,092.2**

Table 6
Actuarial Liability of Disabled Employees – Reported – as at December 31, 2011 ($000,000s)

Duration of Disability	Age at Disability					
	Under Age 30	30-39	40-49	50-59	Age 60 and Over	Total
< 1 year	$1.4	$8.3	$16.1	$27.0	$2.7	**$55.4**
1 to 2 years	$2.6	$12.3	$30.4	$39.2	$2.8	**$87.3**
2 to 3 years	$3.4	$12.0	$23.2	$27.9	$1.3	**$67.7**
3 to 5 years	$5.7	$26.8	$64.5	$61.1	$0.8	**$158.8**
5 to 10 years	$8.5	$60.4	$131.6	$63.4	$0.0	**$264.0**
> 10 years	$12.2	$76.1	$82.0	$6.7	$0.0	**$177.0**
Total	**$33.8**	**$195.7**	**$347.8**	**$225.2**	**$7.6**	**$810.1**

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), and excludes future contributions to relieve past deficits. The Trust's Financial Statements are prepared in accordance with Canadian accounting standards for pension plans.

The table below shows the development of these assets from December 31, 2010 to December 31, 2011.

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

Assets – 12.31.10	**$849.8**
Regular Contributions	$418.3
Deficit Recovery Contributions	$51.7
Disabled Employee Contributions (Extended Health and Dental)	$4.2
Investment Return (net of investment expenses)	$27.0
Benefit Payments	
- Disability Income	($150.6)
- Disabled Extended Health, Dental, Life, AD&D and MSP	($23.2)
- Active Extended Health, Dental, Life and AD&D	($200.3)
Non-Investment Expenses	($28.1)
Assets – 12.31.11	**$948.4**

Calculation of Asset Position

The following table shows the calculation of the asset position as at December 31, 2010 and December 31, 2011.

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

	December 31, 2011	December 31, 2010
Cash and cash equivalents	$30.0	$24.6
Investments	$902.2	$814.0
Accrued interest and other receivables	$0.7	$1.9
Contributions receivable	$28.3	$20.6
Property, equipment and intangible assets	$2.6	$3.2
Benefits and accounts payable	($15.1)	($14.6)
Asset Position[6]	**$948.4**	**$849.8**

Invested Asset Mix

The invested asset mix at December 31, 2011 of the Trust is broken down by category as follows:

Asset	Percentage
Bonds	52%
Canadian Equities	21%
U.S. Equities	6%
Global Equities	21%

Asset Valuation

Reliance is placed on the provided Financial Statements for the appropriate valuation of the assets as well as the benefits and accounts payable balance.

[6] May not equal sum of components due to rounding.

APPENDIX C – PLAN PROVISIONS

Summary of Plan Provisions

The Healthcare Benefit Trust covers approximately 2,500 different plan provisions within 600 different benefit packages in accordance with over 18 collective agreements. The primary benefits are Life Insurance, Accidental Death and Dismemberment (AD&D), Long Term Disability (LTD), Dental and Extended Health Care (EHC).

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

LTD Provision	Typical Provisions
Qualification Period	Generally 5 or 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 24 months (12 months for CSSEA) of disability, 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. (For dates of disability after April 1, 2010, the 24 month period is reduced to 19 months for two provincial agreements.)

LTD Provision	Typical Provisions
Gross Benefit Amount	66 2/3% to 70% of pre-disability gross earnings, if taxable; 85% of pre-disability net earnings, if non-taxable. Maximum monthly benefits may apply.
Indexation	For plans with indexation, the benefit will increase at the rate of wage increases. The increases will occur either annually or every 4 years after the date of qualification.
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	$1,500,000
Accidental Death and Dismemberment (AD&D)	$500,000
Long Term Disability	165% of LTD liabilities for reported active disability claims incurred in the previous 12 month period.
Active Dental	Calculated as 15/365ths of the dental payments and expenses from the last 12 months.
Active Extended Health	Calculated as 40/365ths of the extended health care payments and expenses from the last 12 months.
Disabled Non-income Benefits (Extended Health, Dental, MSP, Life)	165% 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	5.0% compounded annually.
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): 2011 Flat CPP monthly amount: $445.50 2011 Maximum Variable CPP monthly amount: $740.00 2011 Yearly Maximum Pensionable Earnings: $49,900 Table is provided at the end of this appendix for more details.

Assumption	Basis
Benefit Indexing	***Indexing to Wage Increases*** Annual wage increases of 2.0% are assumed as at April 1 from April 1, 2012 onwards. ***Indexing to CPI*** Future CPI increases are assumed to be 2%. ***Red-Circling*** Benefits are never reduced below their original disability benefit.
Expenses	**Disability Income:** Expenses at 5%.[7] **Extended Health:** Expenses at 5%. **Dental:** Expenses at 4%. **Life:** Expenses at 15% **MSP:** No expenses.
MSP Payments	MSP payments are assumed to increase from their 2011 levels by 6% next year, with the increase reducing by 0.5% per annum until reaching the ultimate increase rate of 2%.
Extended Health Escalation	Extended health costs for disabled employees are assumed to increase by 8% in the first year and decreasing by 0.5% per year until reaching the ultimate escalation rate of 5% per annum.
Dental Escalation	Dental costs for disabled employees are assumed to increase by 2% per annum.
Death from Disability	Assumed to be in accordance with CIA 88-94 Mortality Tables for Males and Females.

[7] 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.

Assumption	Basis
Provision for Adverse Deviations	The Trust's liabilities have been calculated with a 0.5% margin with regards to the discount rate.

HBT LTD Valuation assumptions - Termination Rates

The table below shows the December 31, 2011 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, 2010 valuation assumptions expressed as a percentage of the same CIA table. In addition, the table shows the Trust's actual termination experience for the 42 month period ending June 30, 2011 expressed as a percentage of the same CIA table.

Months since Disability	Dec 31, 2010 Assumption	Dec 31, 2011 Assumption - To age 40	Dec 31, 2011 Assumption - After age 40	Actual Experience to June 30, 2011 – To age 40	Actual Experience to June 30, 2011 – After age 40
4-12	50%	35%	50%	35%	52%
13-24	105%	85%	105%	86%	108%
25	85%	95%	105%	69%	114%
26	85%	95%	105%	74%	133%
27	85%	95%	105%	144%	79%
28	115%	65%	60%	66%	60%
29	635%	450%	600%	459%	633%
30	335%	155%	175%	155%	175%
31	120%	85%	85%	81%	81%
32	110%	85%	127%	78%	170%
33	65%	85%	127%	144%	80%
34	65%	85%	127%	95%	95%
35	65%	85%	127%	38%	184%
36	65%	85%	127%	59%	109%
37-48	105%	105%	105%	119%	104%
49-60	125%	125%	125%	133%	115%
61-72	105%	105%	105%	191%	106%
73-84	105%	105%	105%	152%	116%
85-96	105%	105%	105%	163%	180%
97-108	105%	105%	105%	248%	122%
109+	105%	105%	105%	227%	89%

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.

Duration of claim (months)	Age at Disability		
	< 55	55-60	> 60
Less than 12	25.0%	45.0%	55.0%
13-24	30.0%	55.0%	55.0%
24-36	35.0%	60.0%	45.0%
37-48	50.0%	50.0%	50.0%
49-60	50.0%	50.0%	50.0%
60+	0.0%	0.0%	0.0%

For comparison purposes the table below shows the assumed probabilities of eventual CPP qualification that was used for the December 31, 2010 valuation.

Duration of claim (months)	Age at Disability		
	< 55	55-60	> 60
Less than 12	25.0%	40.0%	40.0%
13-24	27.5%	40.0%	40.0%
24-36	30.0%	40.0%	40.0%
37-48	40.0%	50.0%	50.0%
49-60	50.0%	50.0%	50.0%
60+	0.0%	0.0%	0.0%

APPENDIX E – CLAIMS MOVEMENT

The table below shows the movement of active LTD claims from December 31, 2010 to December 31, 2011 by notional pool within the Trust. Active LTD Claims and termination rate by pool.

Table 9 – Movement of active LTD claims

Notional Pool	Claims as at Dec 31, 2010	Termination Reasons					New Entrants	Claims as at Dec 31, 2011
		New claims in period	Age 65	Death	Return to Work	Other		
Fraser	1,154	(55)	(36)	(14)	(71)	(97)	264	**1,145**
Coastal	772	(25)	(16)	(17)	(33)	(85)	168	**764**
Island	891	(35)	(20)	(7)	(29)	(87)	211	**924**
Interior	1,074	(49)	(33)	(12)	(52)	(119)	223	**1,032**
Northern	311	(12)	(16)	(3)	(19)	(42)	67	**286**
Provincial	212	(9)	(5)	(7)	(10)	(23)	44	**202**
Providence	265	(9)	(8)	(3)	(13)	(24)	37	**245**
Affiliates	1,055	(26)	(62)	(10)	(26)	(62)	189	**1,058**
CSSEA	417	(4)	(14)	(4)	(8)	(25)	46	**408**
Non-HEABC	38	(4)	(3)	-	(3)	(2)	13	**39**
Non-taxable	51	(3)	(4)	(1)	-	(1)	12	**54**
Total	**6,240**	**(231)**	**(217)**	**(78)**	**(264)**	**(567)**	**1,274**	**6,157**

APPENDIX F – SENSITIVITY ANALYSIS

Discount Rate

The discount rate used within the valuation is 5% for all taxable claims and 4% for non-taxable claims, compounded annually. The effect on the total actuarial liability of a 1% increase and 1% decrease to the discount rate is shown in the following table:

Table 9 – Discount Rate sensitivity analysis

Discount Rate Change	Liability (000,000's)	Original Liability (000,000's)	Difference (000,000's)
-1%	$1,113.5	$1,054.1	$59.4
+1%	$1,000.7	$1,054.1	($53.4)

ANNUAL REPORT 2011

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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*.

Service Plan
HIGHLIGHTS

2012-2014

HEALTHCARE BENEFIT TRUST

HBT

BENEFIT FROM EXPERIENCE

Contents

Mandate

Healthcare Benefit Trust (HBT) provides group health and welfare benefits on behalf of participating employers for eligible employees, their eligible dependents and beneficiaries. The primary benefits provided by HBT are:

- Group Life
- Accidental Death & Dismemberment (AD&D)
- Dependent Life
- Long Term Disability (LTD)
- Dental
- Extended Health

HBT has more than 438 member organizations including the Health Authorities of BC, acute care hospitals, long term care facilities, community and social service agencies and other organizations within the health care and community sectors throughout British Columbia and the Yukon, representing approximately 90,000 employees.

HBT is responsible for ensuring the:

- beneficiaries of the Trust receive benefits in accordance with negotiated provisions and plan design
- administration of all benefits is cost-effective, efficient and competitive within the market.

In practice this involves the administration of 635 benefit packages for 8 provincial collective agreements and 415 union and non-union groups.

HBT has 82 employees. Of these, 35 are members of the HBT Rehabilitation Services team.

Purpose of the Service Plan

HBT is committed to excellence in benefits administration and client service.

The HBT 2012-2014 Service Plan is intended to align everything we do to meet the needs of our clients and stakeholders, while maintaining the financial stability of the Trust. The Service Plan spans our services, systems, communications, operations and employees.

The 2012-2014 Service Plan outlines HBT's overall strategic framework which is approved by HBT's Board of Trustees and also identifies the major initiatives HBT will undertake over the next three years.

We have provided a summary of these initiatives in this document and highlight below our 4 key priorities:

1. Make our systems easy for clients to use and all our services more accessible.

2. Provide our clients and stakeholders with better information about benefits utilization, plan design and cost management opportunities.

3. Ensure our service providers meet the needs of our clients, the terms of our service agreements and comply with the provisions of the benefit plans.

4. Provide clients with cost-effective services and more stability over time in contribution rates.

The following is a summary of our services, accountabilities and 2012-2014 Service Plan.

If you have questions or concerns regarding the Service Plan please contact:

Elisabeth Whiting
Director, Client Service & Communications
elisabeth.whiting@hbt.ca
604.678.8739

Services

HBT has 3 pillars of service that support the delivery of health and welfare benefits.

1. TRUST MANAGEMENT

a) Benefits administration ensuring equitable coverage and payment based on eligibility and plan design.
- *Legal Counsel: Lawson Lundell and Harris & Company*

b) Financial administration and operation of the Trust.
- *Auditors: KPMG*

c) Actuarial services.
- *External actuarial services: Morneau Shepell*

d) Management of service provider performance, contractual obligations and fee structure negotiation, and payment for services.
- *Investment Manager: British Columbia Investment Management Corporation (bcIMC)*
- *Claims adjudication and payment of Group Life, Accidental Death & Dismemberment, Dependent Life and Long-Term Disability: Great-West Life*
- *Claims adjudication and payment for Dental and Extended Health benefits: Pacific Blue Cross*
- *Administration of billing and enrolment for all benefits: HBT and Pacific Blue Cross*

e) Set annual contribution rates and rate setting policies for all benefits:
- *Group Life, Accidental Death & Dismemberment, Dependent Life and Long-Term Disability*
- *Dental and Extended Health*

f) Coordination of the LTD Early Retirement Incentive Benefit (ERIB).

g) Coordination of the LTD Claims Review Committee process.

2. BENEFITS DESIGN AND REPORTING

a) Internal Benefits Design and Reporting (BD&R) supports the data and information needs of HBT and its members.
- *Trend and comparative cost analyses in benefit plan design for health and welfare benefits.*
- *Information and reports on system-wide and organization level benefits utilization and cost management opportunities and challenges.*

3. REHABILITATION SERVICES

a) HBT's in-house Rehabilitation Consultants support employees, employers and Great-West Life in "Stay at Work" and "Return To Employability" efforts. This specialised service involves rehabilitation plan development, case management and service coordination to identify all vocational and medical barriers to employability. It includes:

- *Early access to medical services*
- *Psychological support and counselling*
- *Diagnostic testing, assessment and treatment plans*
- *Work conditioning and functional testing*
- *Return to employment planning, training and job search assistance*

b) Services are aligned with the Early Intervention Program and Enhanced Disability Management Program in support of an employee's stay at work and/or a return to gainful employment plan.

Executive Team & Accountabilities

The following chart highlights HBT's core business areas and the responsibilities and accountabilities.

Chief Executive Officer, *Jan K. Grude*			
EXECUTIVE MANAGEMENT TEAM			
Finance *Sarah Hoffman* *Chief Financial Officer* sarah.hoffman@hbt.ca *604.678.8519* > Accounting and Finance Services > Billing Management > Financial Reporting > Information Technology Services	**Operational Governance** *Odette Lavoie* *Vice-President* odette.lavoie@hbt.ca *604.678.8515* > Operational Excellence > Governance of Service Providers *(Pacific Blue Cross and Great-West Life)* > Group Benefits and Claims Administration Services	**Actuarial and Investments** *Jeremy Bell* *Chief Consulting Actuary* jeremy.bell@hbt.ca *604.678.6429* > Actuarial Reviews and Rate Setting > Investment Management > Funding Policy Management	**Rehabilitation Services** *Iris Lama* *Senior Director* iris.lama@hbt.ca *604.678.8510* > Rehabilitation Services > Early Intervention Program Support > Enhanced Disability Management Program Support
Benefits Design & Reporting *Maria Howard* *Senior Director* maria.howard@hbt.ca *604.630.1468* > Benefits Plan Design Analyses and Comparison > Benefits Utilization, Trends and Cost Analyses > Bargaining Support	**Client Service & Communications** *Elisabeth Whiting* *Director* elisabeth.whiting@hbt.ca *604.678.8739* > Client Service > Communications > Stakeholder Relations > Public Affairs	**Legal Affairs** *Leslie Ward* *Chief Knowledge Officer* leslie.ward@hbt.ca *604.678.8789* > Legal Affairs Management > Historical Knowledge > Privacy	**Human Resources (HR)** *Joan Quintin* *Director* joan.quintin@hbt.ca *604.678.8102* > HR Planning and Staffing > Performance Management and Employee Development > Compensation and Benefits > Employee Relations

2012-2014 Priorities & Initiatives

The following are brief descriptions of the priorities and initiatives we will be focussing on over the next 3 years.

PRIORITY 1

Make our systems easy for clients to use and all our services more accessible.

2012-2014 INITIATIVES

» **Administration:** Transfer all enrolment and billing activities, for all benefits provided by HBT, to Pacific Blue Cross. This will provide clients with more efficient systems, streamlined processes and more flexibility for earnings reporting.

» **Rehabilitation:** Implement collaborative rehabilitation case management and communication programs with clients and key stakeholders to identify areas to improve services and increase awareness on barriers to employability.

» **Access:** Meet the "on-demand" information needs of our clients by implementing new web technology, better communication vehicles, paperless initiatives and electronic file transfer.

» **Communications:** Simplify all our communications.

PRIORITY 2

Provide our clients and stakeholders with better information about benefits utilization, plan design and cost management opportunities.

2012-2014 INITIATIVES

» **Information:** Provide clients with an HBT annual statement of their contribution rates and a summary of rate changes, benefits utilization trends and costs, as well as related financial information such as investment performance and pool funded position.

» **Reporting:** Provide both clients and stakeholders with annual trend publications and standardized reports and analyses on system-wide benefits utilization, plan design and the impact on cost and utilization.

PRIORITY 3

Ensure our service providers meet the needs of our clients, the terms of our service agreements and comply with the provisions of the benefit plans.

2012-2014 INITIATIVES

» **Satisfaction:** Implement formal satisfaction surveys to measure and track employer and beneficiary satisfaction with services provided by each of our service providers, HBT Rehabilitation Services as well as HBT.

» **Performance:** Implement additional components into our operational governance and contract management programs to enhance overall service provider performance and monitor compliance.

» **Metrics:** Develop improved and consistent performance metrics to ensure HBT Rehabilitation Services, Great-West Life, and Pacific Blue Cross meet expected service standards in quality, efficiency, and productivity.

PRIORITY 4

Provide clients with cost-effective services and more stability over time in contribution rates.

2012-2014 INITIATIVES

» **Financial Management:** Maintain HBT's annual operating budget which includes the claims administration and adjudication expenses from both our service providers, currently Great-West Life and Pacific Blue Cross, as well as all HBT operating expenses.

» **Governance:** Tender the Group Life, Accidental Death & Dismemberment, Dependent Life and Long-Term Disability claims adjudication and payment services to ensure clients receive effective services and competitive pricing.

» **Investments:** Review and confirm HBT's investment portfolio with our investment manager, British Columbia Investment Management Corporation (bcIMC) to ensure market opportunity and volatility are well-managed.

» **Contribution Rates:** Implement the new provisions within the HBT funding policy, including the introduction of margins, which over time provide for more stability in contribution rates.

Strategic Framework

GUIDING PRINCIPLES

» **Collaboration …**	… with our clients, stakeholders and business partners
» **Transparency …**	… in everything we do
» **Pro-activity …**	… in addressing client needs and identifying opportunities
» **Strong Governance …**	… internally and with our Service Providers

STRATEGIC GOALS

» **Client Focus …**	Be recognized as a highly valued collaborative partner supporting our client needs.
» **Financial Sustainability …**	Ensure financial sustainability through cost-effective service delivery and sound investment management.
» **Operational Excellence …**	Deliver exceptional, consistent and cost-effective services to all clients and beneficiaries.
» **Engaged Team …**	Create a workplace culture and environment that fosters and engages a healthy and highly productive workforce.

2012-2014 Performance Indicators

CLIENT FOCUS

Key Performance Indicators		Baseline	Target 2012	Target 2013	Target 2014
KPI 1	Satisfaction of member organizations as per survey results (2yr cycle)	2011 survey results	N/A	Improved results on "Top 3" Issues from 2011 survey	N/A
KPI 2	Satisfaction of employers and beneficiaries as per survey results (done through Pacific Blue Cross/Great-West Life)	PBC 75% GWL 85%	PBC 78% GWL 86%	PBC 80% GWL 88%	PBC 85% GWL 90%
KPI 3	Overall satisfaction of stakeholders as per survey results (2yr cycle)	2011 survey results	N/A	Improved results on "Top 3" Issues from 2011 survey	N/A

FINANCIAL SUSTAINABILITY

Key Performance Indicators		Baseline	Target 2012	Target 2013	Target 2014
KPI 4	Improve funding ratio year over year	96% (Q3 2011)	98%	99%	100%
KPI 5	Meet the approved budget for administration expenses	$28.4M	$27.5M	$27.5M	$27.5M
KPI 6	Improve ROI (annual return after fees)	-0.4% (Q3 2011)	Benchmark or better	Benchmark or better	Benchmark or better

OPERATIONAL EXCELLENCE

Key Performance Indicators		Baseline	Target 2012	Target 2013	Target 2014
KPI 7	Improve operating costs (per covered lives)	2011	-8%	-8%	-8%
KPI 8	Improve client-facing processes	2011 processes	+50%	Additional 10%	Additional 10%
KPI 9	Improve governance of Third Party Service Providers (program compliance)	N/A	Framework in place	75% alignment	85% alignment

ENGAGED TEAM

Key Performance Indicators		Baseline	Target 2012	Target 2013	Target 2014
KPI 10	Improve employee retention ratio	82.6%	85%	85%	85%
KPI 11	Improve employee engagement level	64%	65%	68%	70%

Trust Agreement

Healthcare Benefit Trust ("HBT" or "the Trust") was established by an Agreement and Declaration of Trust in 1979 by the Health Labour Relations Association (HLRA). The Trust Agreement was reconstituted on December 1, 1993 between the Health Employers Association of BC and the Trustees.

The Health Employers Association of BC (HEABC) and the Trustees of Healthcare Benefit Trust (HBT) are signatory to the Healthcare Benefit Trust Agreement and Declaration of Trust (the "Trust Agreement") that was established for the specific purpose of providing health and welfare benefits to employees in the health care sector. The HBT Trust Agreement provides for a minimum of five and a maximum of 12 Trustees, with the actual number of Trustees to be determined and appointed by HEABC.

Participating employers of HBT are required to sign a participation agreement and agree to be bound by the terms of the Trust Agreement which may be amended from time to time.

HBT Governance

The HBT Board of Trustees is responsible for ensuring the long term operational, financial and actuarial viability of the Trust, and for ensuring that the Trust operates within generally acceptable accounting principles and actuarial practice guidelines and in a manner consistent with Canada Revenue Agency (CRA) guidelines and trust law.

The Board has overall fiduciary responsibility as follows:

- Acting for the benefit of the beneficiaries.
- Administering HBT in accordance with the terms of the Trust Agreement.

The HBT Board of Trustees is comprised of individuals who are selected based on their knowledge and expertise in fields relevant to the effective governance and oversight of HBT including insurance, finance, investments, actuarial practice and government experience as well as knowledge of the health care and not-for-profit sectors.

The Board of Trustees discharges these responsibilities both directly and through delegating certain authority to senior management of the Trust and to three committees including: Finance and Audit Committee; Planning and Performance Committee and the Governance and Stakeholder Relations Committee.

HBT Board of Trustees

HBT BOARD OF TRUSTEES		BOARD COMMITTEES		
		Finance & Audit Committee (FAC)	Governance & Stakeholder Relations Committee (GSRC)	Planning & Performance Committee (PPC)
•	**Ed Robinson** HBT Board Chair	•	•	•
•	**Zulie Sachedina** HBT Board Secretary VP HR & General Counsel, Providence Health		•	
•	**Bill Boomer** Vice President & CFO VIHA	•		
•	**Alan Cooke** Actuary	•	•	
•	**Michael Costello** Chair, Governance & Stakeholder Relations Committee Director, HEABC Board Director, VIHA Board	•	•	
•	**Tom Crump** General Manager Bethshan Gardens			•
•	**Terry Duggan** Actuary	•		•
•	**Carol Metz Murray** Executive Director Tri-City Transitions		•	•
•	**Bob Smith** Actuary and former interim CEO, HBT	•	•	
•	**Glenn Sutherland** Chair, Planning & Performance Committee Director, HEABC Board Director, IHA Board Sutherland & Associates, Financial Services			•
•	**Donnie Wing** Chair, Finance & Audit Committee Senior VP Corporate Affairs, ICBC	•		

COOK Public Relations

Healthcare Benefit Trust

2011 Client Survey Summary

May 16, 2012

Healthcare Benefit Trust Client Survey

Summary of Findings

OVERVIEW

Healthcare Benefit Trust (HBT) is committed to excellence in client service and satisfaction. To ensure HBT's Service Plan 2012-2014 is aligned with client needs, HBT engaged Cook Public Relations to conduct a survey of its clients and stakeholders. The survey was developed to be flexible, allowing participants an opportunity to share HBT-related topics that were top of mind and most important to them, including clients' awareness of HBT's recent initiatives, improvements in client service and processes, communications effectiveness and current client sentiment.

A thorough report on all interviews, findings and related recommendations was reviewed with HBT's executive team in early 2012 and was provided to the Board of Trustees in April 2012. HBT has integrated the findings on areas for improvement and new opportunities to incorporate results into its ongoing strategic planning.

METHODOLOGY

Target Number & Client Group Representation

A specific number of interviews for each client group was targeted to ensure the findings would be reliably representative of each group's sentiments. The total number targeted was 60, broken out as follows:

Health Authorities	10	(completed 17)
Stakeholders	5	(completed 5)
HEABC	16	(completed 26)
Non-HEABC	10	(completed 10)
CSSEA	13	(completed 15)
Ex-CSSEA	6	(completed 8)

VEHICLE AND TIMELINE

Research was conducted by phone between October 13 and December 8, 2011.

Clients were initially contacted by phone and, if not immediately available, were left a voicemail explaining the research purpose and inviting them to participate. A week later, if there was no response a second call was placed but no additional voicemail left. If there was no answer on the second call, an email was sent to notify the client of the research invitation in writing and refer to the previous voicemail. No further outreach was initiated when the client did not respond to the third invitation.

OUTREACH & INVITATION TO PARTICIPATE

- HBT clients in the Healthcare and Community groups were contacted on a randomized basis.
- HBT provided a list of key contacts within the Health Authorities, though the interviewer was often referred to alternate contacts for this survey.
- HBT also provided a list of key stakeholder contacts to be targeted in this research.
- HBT also announced that a survey was being conducted and invited members to participate via Trust Matters and Business Updates.

DISCUSSION GUIDE FOR INTERVIEWS

The survey was qualitative in nature to provide actionable insights into client concerns, perceptions and interests. The pre-approved discussion guide was developed in consultation with HBT. The interviewer's priority was to allow participants an opportunity to share whatever HBT-related topics were top of mind and most important to them within the 15 to 20 minutes allotted for each interview. As a result not all participants were asked all questions outlined in the discussion during the course of the interview.

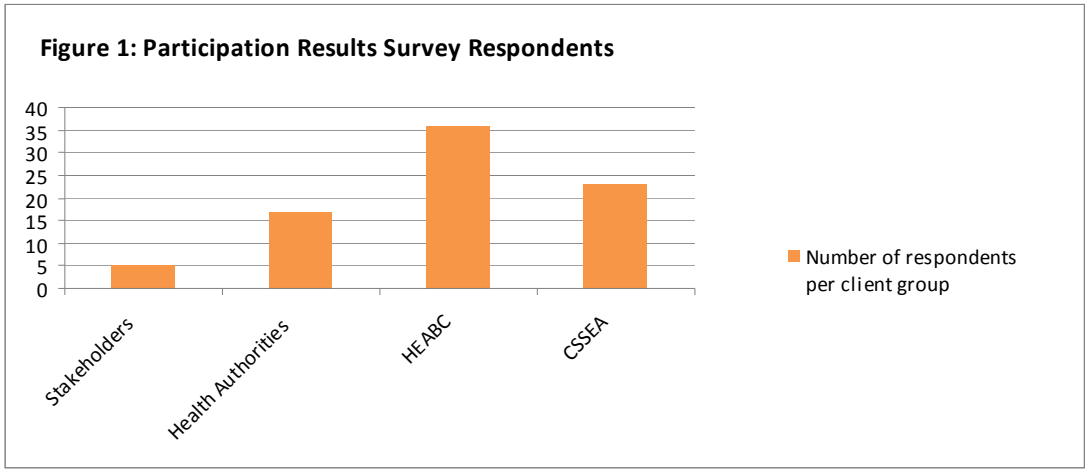
PARTICIPATION RESULTS

Target Numbers

- Target numbers for each group were achieved and often exceeded.
- 81 interviews were completed.
- The final total exceeded the goal because several Health Authority contacts were interested in participating, and other clients returned phone calls or otherwise expressed interest in participating even after the required number of interviews for their group had been completed. To expand the scope and depth of our research all clients and stakeholders who were interested in participating in this survey were included.

Participation Rate

- Cook Public Relations contacted 138 client organizations (excluding Health Authorities and Stakeholders).
- Overall response rate of 40% (demonstrating a high interest in participating).
- Interview length was 10 to 20 minutes in duration.
- Total number of participants by client group are reported in Figure 1.



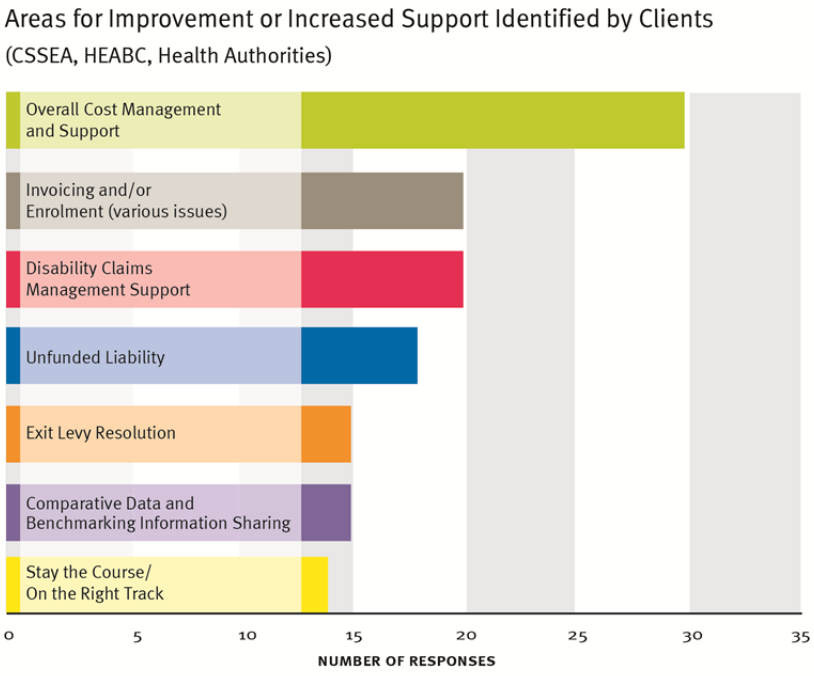
Key Findings

Key findings that are most relevant to the overall survey objectives and HBT's strategic goal to improve client service and satisfaction are provided below.

It is important to keep in mind when reading findings and themes in this survey that participation was voluntary and proactive. Research targets who are dissatisfied in some way are far more likely to take action to participate or express their views than those who are satisfied and therefore tend to be passive. The latter is supported by research theory. As a result, this type of survey can have a negative bias creating a false impression that the perceptions of the entire population are somewhat more negative than they actually are.

Areas for Improvement or Increased Support Identified by Clients

The following represents various client groups unaided responses and list all topics identified by >10 participants in total. Again, some participants cited more than one topic while others responded with other insights.



Overall Client Sentiment and Satisfaction

1) Many respondents acknowledge some positive change at HBT over the past two years.

Participants were asked whether or not they were aware of any recent changes at HBT. Some cited specifics such as new management, the upcoming transition to Pacific Blue Cross or changes in various processes; while others commented that they had noticed a general improvement in accountability or openness. Many referred, generally, to being aware of various issues or challenges in the past and a sense that HBT is heading the right direction. Some indicated they were not aware of any changes or had seen no improvement.

Some participants responded to this question by sharing their specific concerns about HBT or improvements they felt HBT had made. These are discussed below as part of the key findings.

2) Majority of respondents say HBT staff are courteous, friendly and helpful.

The strength most frequently cited was the competency and courtesy shown by HBT's staff.

Invoicing and Enrolment Processes

3) Upcoming transition to PBC is seen as positive, but some clients are concerned HBT doesn't understand their invoicing needs and feel their past concerns were not addressed.

Almost all participants who will be affected by the transition of invoicing and enrolment to PBC indicated they thought it was the right move and expressed optimism that it would improve processes and make benefits administration more efficient.

Some clients expressed concern that they wanted to be engaged in the decision-making process because they were not sure that HBT or PBC really understand their needs. A few indicated that they had expressed their concerns in the past and felt that their feedback had been disregarded.

4) Widespread appreciation for earlier rate information

Many participants said they appreciated receiving their rate information early in their budget cycles.

5) LTD invoicing system doesn't accommodate all payroll cycles – leading to concern and strong dissatisfaction.

A number of participants have bi-weekly payroll cycles that don't sync with HBT's monthly billing cycle and expressed frustration about the amount of extra work and confusion this creates for them. Some of those affected see this as inflexibility on the part of HBT and a lack of respect and recognition of their unique needs and situations.

Communications

6) Many clients expressed broad recognition of improvement in communications; accolades from many respondents.

A significant number of participants indicated they had seen a positive change in HBT's communications. This was linked to the number of vehicles HBT now uses to communicate with clients, a more open approach to information-sharing, more frequent contact and clearer information.

7) A few participants said they get too much information from HBT, but don't want HBT to cutback on it.

Some participants felt they get too many communications from HBT and can't keep up. Some felt that many of the emails or materials they receive from HBT are not relevant to their needs or interests. At the same time, many of these individuals indicated that they accept that this is necessary on the part of HBT to be thorough, and that they did not necessarily want HBT to cut back on communications.

Early Intervention Program/Enhanced Disability Management Program /Long Term Disability Adjudication Services

8) There seems to be some low awareness of rehabilitation and early intervention services. Most clients who use it, however, view it as helpful and valuable.

Some participants find HBT's rehabilitation consultants highly skilled and helpful with disability management files. Others were not familiar with the program, found it confusing or indicated they had discovered it on their own.

9) Clients who have employees on LTD regularly feel they do not have enough information on the status of claims.

Many clients who have employees on LTD or on early intervention would like more information on the employee's status, whether or not they are receiving support, and particularly on the implications for the employer. Most who cited this concern see it as HBT's, rather than Great-West Life's, responsibility. This perceived lack of information led to questions about the efficiency and oversight of claims management, particularly as it relates to the costs borne by employers.

10) Client expressed dissatisfaction with LTD claims adjudication process: some clients say LTD adjudication too strict and some too lenient.

Clients who have employees on LTD had polarized views on the adjudication process: some indicated they believed their legitimately deserving employees had been unfairly declined while others felt the system allowed employees to take unfair advantage of LTD resulting in long-term costs that they could not influence or manage.

HBT's Knowledge and Expertise

11) Clients would like more sharing of information and expertise from HBT to help them manage costs and plan future coverage.

Many clients expressed a desire for more access to data to help them understand how their organization is performing relative to other similar organizations. Participants felt that more information sharing about best practices, employee usage and other information could help them manage costs, improve efficiencies and plan for future trends and needs. There was widespread recognition that HBT could be a valuable resource for benchmarking and best practices information.

Exit Levy and Unfunded Liability

12) Clients (even those who are empathetic) feel the issue of past exit levy payments owed to HBT is taking too long to address and must be resolved.

Regardless of whether participants believed the levy is fair or unfair, all those who mentioned the exit levy want to see the situation resolved and feel that the uncertainty is a negative for everyone associated with HBT and for the Trust itself. This was more prevalent among CSSEA and ex-CSSEA members than others.

13) Significant polarization and range of opinions on the rationale for exit levies and unfunded liability, and related potential resolutions.

While some cited the exit levies as being extremely unfair and unreasonable, others felt that those who wish to leave should be required to pay. Similarly, some felt government should intervene to resolve the issue while others felt it was the responsibility of the members.

14) A notable number of respondents are so angry over the unfunded liability issue that nothing HBT can do in the future will regain their trust or rebuild the relationship.

A small number of participants indicated there is nothing HBT can do to satisfy or re-engage them, regardless of how this situation is ultimately resolved.

Cost of Benefits

15) Broad concern about trend of increasing cost of benefits and insurance rates (even among those who have experienced short-term reductions).

Many participants expressed concern about the rising cost of benefits, whether or not they felt HBT was responsible (most saw it as a global trend). Many felt that there may be a role for HBT in helping to identify opportunities to manage costs, given their unique perspective and access to information and performance data. This was the mostly commonly cited area that participants felt HBT leadership should focus on in the coming two to three years.