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2011 Annual Report of the Board of Trustees of the PSMIP

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pour les cadres de gestion de la fonction publique (RACGFP)

2011 Annual Report of the Board of Trustees of the Public Service Management Insurance Plan (PSMIP)

What is the PSMIP (Public Service Management Insurance Plan)?

The PSMIP (Public Service Management Insurance Plan) is a group insurance plan established by the Treasury Board of Canada. It provides Long-term Disability (LTD (Long-term Disability)), Life, Accidental Death and Dismemberment (AD&D (Accidental Death & Dismemberment)), and Dependents' Insurance for federal employees who are excluded from collective bargaining because they are working in managerial or confidential capacities. Executives, parliamentarians, and judges are also covered by the Plan and have distinct benefits. The PSMIP (Public Service Management Insurance Plan) is insured through Industrial Alliance Insurance and Financial Services.

Board of Trustees

A Board of Trustees, appointed by the President of the Treasury Board, monitors the financial operations of the Plan and oversees its administration. The members of the Board on December 31, 2011 were:

The Chairperson, Ms. Suzanne Vinet, President, Economic Development Agency of Canada for the Regions of Quebec

Michael Wernick, Deputy Minister, Aboriginal Affairs and Northern Development Canada

Andrew Treusch, Associate Deputy Minister, Public Works and Government Services Canada

Maria Barrados, President, Public Service Commission of Canada

Patricia Hassard, Deputy Secretary, Privy Council Office

George Da Pont, President, Canadian Food Inspection Agency

Scope of the Plan

In 2011 all benefits paid under the plan totalled \$70.5 million. Of this amount, benefits paid to Long Term Disability claimants totalled almost \$56.6 million. Life insurance benefits amounted to \$13.9 million, and \$250,000 was paid out for Accidental Death and Dismemberment.

In 2011, approximately 52,896 members were covered under the Plan including 36,870 employees excluded from collective bargaining, 8,016 from the executive group and equivalent, 1,087 judges, 407 members of parliament and 6,516 members under Post-retirement life insurance. In addition to Dependants' Insurance, members were insured as estimated below:

Volume of Insurance	Amount
Basic Life	\$4,648,220
Supplementary Life	\$2,065,822

Volume of Insurance	Amount
Accidental Death and Dismemberment (AD&D (Accidental Death & Dismemberment))	\$6,955,554
Long-term Disability (LTD (Long-term Disability))	\$4,284,973
Post-retirement Life (PRLIP (Post-retirement Life))	\$ 260,021

Premiums and Benefits

Premiums paid into the Plan during 2011 are shown in the following table and are compared with the amount paid out to claimants or set aside as reserves.

Line of Insurance	Premiums	Claims (and Increases to Reserves)	Ratio of Claims to Premiums
Basic Life	\$11,474,902	\$9,642,241	19.0%
Supplementary Life	\$3,512,802	\$3,220,695	9.1%
Members' AD&D (Accidental Death & Dismemberment)	\$921,566	\$310,019	197.3%
Dependants' Life and AD&D (Accidental Death & Dismemberment)	\$329,540	\$198,395	66.1%
LTD (Long-term Disability)	\$72,211,288	\$53,215,015	35.7%
PRLIP (Post-retirement Life)	\$6,596,529	\$3,425,872	92.6%
Total	\$95,046,627	\$70,012,237	35.8%

Reserves

When a disability claim is received, sufficient funds are set aside to pay all future monthly benefit installments to the claimant. These funds are referred to as "reserves." As of December 31, 2011 plan reserves totalled \$343.1 million.

Surplus/Deficit

Most of the lines of insurance under the Plan were in a surplus position at year-end. The Plan, as a whole, had a surplus of \$89.5 million at year end.

Plan Disbursements

The total amount paid out of the plan during the year was \$70 million. Of this amount, 94.3% was paid in the form of benefits to plan members and their families, 3.3% was for expenses, and 2.4% was for premium taxes.

Value of Plan to Member

During 2011, employer costs averaged \$1,221 per plan member for disability insurance premiums, \$2,238 for Executive life and disability insurance, and \$2,656 for Members of Parliament's life and disability. The following table illustrates the 2011 average employer costs per plan member for Long-Term Disability Insurance, Basic Life, Accidental Death and Dismemberment, Dependents, and Post-Retirement Life Insurance.

Lines of Insurance	Employees Excluded from Collective Bargaining		Executives	Members of Parliament	Judges
	Main Plan		100%		
	Employee's share	Employer's share	Employer-paid	100% Government-paid	
LTD (Long-term Disability)	\$215 (15%)	\$1,221 (85%)	\$2,238	\$2,656	Coverage not available
Basic Life, AD&D (Accidental Death & Dismemberment) and Dependants	\$222	\$0	\$565	\$2,246	\$2,438
Supplementary Life	\$166	\$0	Employee paid ¹	Employee paid ¹	Employee paid ¹
Total	\$603	\$1,221	\$2,803	\$4,902	\$2,438
PRLIP (Post-retirement Life)	Coverage not available	\$824	\$1,339	\$4,497	\$4,497

¹ Available data does not permit calculation of a representative average.

Recommendations Approved by Treasury Board

There are 17 lines of insurance under the PSMIP (Public Service Management Insurance Plan) which are experience-rated separately and reviewed each year between Industrial Alliance (IA (Industrial Alliance)), Treasury Board Secretariat

(TBS (Treasury Board Secretariat)) and Office of the Superintendent of Financial Institutions (OSFI (Office of the Superintendent of Financial Institutions)). If a surplus occurs, rate action may be taken which could result in a premium holiday, premium reduction or both. Deficits in the plan would be addressed through increased premium rates. A joint recommendation from IA (Industrial Alliance), TBS (Treasury Board Secretariat) and OSFI (Office of the Superintendent of Financial Institutions) is presented to the Board of Trustees for its review and support. Subsequently, TBS (Treasury Board Secretariat) forwards the recommendation to the President of the Treasury Board for approval.

The President of the Treasury Board approved the following premium decisions to be effective January 1, 2012 :

- 12-month premium holiday for Basic Life under the Executive Plan;
- 12-month premium holiday for Basic Life under the Members of Parliament Plan;
- 12-month premium holiday for Basic Life under the Judges' Plan;
- 12-month premium holiday for Dependants' insurance under the Main Plan;
- 12-month premium holiday for Accidental Death & Dismemberment under the Executive Plan;
- 12-month premium holiday for Dependants' insurance under the Executive Plan;
- 12-month premium holiday for Accidental Death & Dismemberment under the Members' of Parliament Plan.

Further Information

If you have questions about your coverage under the Plan or need general information about the benefits available, please contact your compensation advisor or consult the [Public Service Management Insurance Plan on the Treasury Board of Canada Secretariat's Web site](#)

You may also find additional information about your coverage under the Plan in [Your Public Service Pension and Benefits Web Portal](#). This is a one-stop shop for your pension and benefits information.

If you would like to have further information on the general experience and operations of the Plan, please contact:

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