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2012 Annual Report of the Board of Trustees of the PSMIP

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

2012 Annual Report of the Board of Trustees of the Public Service Management Insurance Plan (PSMIP)

What is the PSMIP?

The PSMIP is a group insurance plan established by the Treasury Board of Canada. It provides Long-term Disability (LTD), Life, Accidental Death and Dismemberment (AD&D), and Dependants' 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 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, 2012 were:

The Chairperson, Ms. Suzanne Vinet, Deputy Minister, Agriculture and Agri-Food Canada

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

George Da Pont, President, Canadian Food Inspection Agency

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

Louise Levonian, Associate Deputy Minister, Finance Canada

Patricia Hassard, Deputy Secretary, Privy Council Office

Scope of the Plan

In 2012, incurred claims under the plan amounted to \$27.6 million (\$64.3 million in cash claims minus \$36.7 million in reserve releases). Of this amount, incurred claims to LTD claimants totalled almost \$18.2 million (\$51.9 million in cash claims minus \$33.7 million in reserve releases). Life insurance amounted to \$9.1 million, and \$250,000 was paid out for Accidental Death and Dismemberment.

In 2012, approximately 53,016 members were covered under the Plan including 36,874 employees excluded from collective bargaining, 7,865 from the executive group and equivalent, 1,082 judges, 405 members of parliament and 6,790 members under Post-retirement life insurance. In addition to Dependents' Insurance, members were insured as estimated below:

Volume of Insurance	Amount
Basic Life	\$4,692,032
Supplementary Life	\$2,067,358
Accidental Death and Dismemberment (AD&D (Accidental Death and Dismemberment))	\$6,846,402
Long-term Disability (LTD (Long-term Disability))	\$4,318,010
Post-retirement Life (PRLIP (Post-retirement Life))	\$265,073

Premiums and Benefits

Premiums paid into the Plan during 2012 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	\$11,409,589	\$4,742,115	2.4
Supplementary Life	\$3,578,902	\$1,413,407	2.5
Members' AD&D (Accidental Death and Dismemberment)	\$880,488	\$219,651	4.0
Dependants' Life and AD&D (Accidental Death and Dismemberment)	\$325,709	\$119,670	2.7
LTD (Long-term Disability)	\$72,946,747	\$18,169,260	4.0
PRLIP (Post-retirement Life)	\$7,108,449	\$2,890,720	2.5
Total	\$96,249,884	\$27,554,823	3.5

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, 2012 plan reserves totalled \$306.4 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 \$225 million at year end.

Plan Disbursements

The total amount disbursed by the plan during the year was \$68 million. Of this amount, 94.6% was paid in the form of benefits to plan members and their families, 3.2% was for expenses, and 2.2% was for premium taxes.

Value of Plan to Member

During 2012, employer costs averaged \$1,231 per plan member for disability insurance premiums, \$2,293 for Executive disability insurance, and \$2,745 for Members of Parliament's disability. The following table illustrates the 2012 average employer costs per plan member for LTD Insurance, Basic Life, Accidental Death and Dismemberment, Dependents, and Post-Retirement Life Insurance.

Lines of Insurance	Employees Excluded from Collective Bargaining - Main Plan		Executives	Members of Parliament	Judges
	Employee's share	Employer's share	100% Employer-paid	100% Government-paid	
LTD (Long-term Disability)	\$217 (15%)	\$1,231 (85%)	\$2,293	\$2,745	Coverage not available
Basic Life, AD&D (Accidental Death and Dismemberment) and Dependents	\$221	\$0	\$561	\$2,265	\$2,550

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

Lines of Insurance	Employees Excluded from Collective Bargaining - Main Plan		Executives	Members of Parliament	Judges
	Employee's share	Employer's share	100% Employer-paid	100% Government-paid	
Supplementary Life	\$170	\$0	Employee paid ¹	Employee paid ¹	Employee paid ¹
Total	\$608	\$1,231	\$2,854	\$5,010	\$2,550
PRLIP (Post-retirement Life)	Coverage not available		\$844	\$1,500	\$4,731

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 which are experience-rated separately and reviewed each year between Industrial Alliance (IA), Treasury Board of Canada Secretariat (TBS) and Office of the Superintendent of Financial Institutions (OSFI). 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, TBS and OSFI is presented to the Board of Trustees for its review and support. Subsequently, TBS forwards the recommendation to the President of the Treasury Board for approval.

The President of the Treasury Board approved the following premium decisions effective January 1, 2013:

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

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 group benefit information.

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

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