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2013 Annual Report of the Board of Trustees of the PSMIP

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

2013 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, 2013 were:

- **Suzanne Vinet (Chairperson), Deputy Minister, Agriculture and Agri-Food Canada**
- **Michael Wernick, Deputy Minister, Aboriginal Affairs and Northern Development**
- **George Da Pont, President, Canadian Food Inspection Agency**
- **Louise Levonian, Associate Deputy Minister, Finance Canada**
- **Krista Outhwaite, ADM, Public Health Agency of Canada**
- **Anne-Marie Robinson, President, Public Service Commission**

Scope of the Plan

In 2013, all benefits paid under the plan amounted to \$63.4 million, which is \$900,000 less than in 2012. Of this amount, benefits paid to LTD claimants totaled just over \$50 million down from \$51.9 million in 2012. Accidental Death & Dismemberment benefits totaled \$357,500 up from \$255,000 in 2012. Life insurance benefits amounted to \$13 million in 2013, an increase of \$882,000 compared to a year earlier.

In 2013, approximately 52,294 members were covered under the Plan including 36,203 employees excluded from collective bargaining, 7,442 from the executive group and equivalent, 1,072 judges, 404 members of parliament and 7,173 members under Post-retirement life insurance. In addition to Dependants' Insurance, members were insured as estimated below:

Volume of Insurance	Amount
Basic Life	\$4,609,329
Supplementary Life	\$2,051,143
Accidental Death and Dismemberment (AD&D)	\$6,551,193
Long-term Disability (LTD)	\$4,293,106
Post-retirement Life (PRLIP)	\$303,242

Premiums and Benefits

Premiums paid into the Plan during 2013 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	\$11,310,012	\$12,002,654	0.9%
Supplementary Life	\$3,559,894	\$2,420,897	1.5%
Members' AD&D	\$847,927	\$355,895	2.4%
Dependants' Life and AD&D	\$332,739	\$147,391	2.3%
LTD	\$72,594,059	\$58,813,535	1.2%
PRLIP	\$8,316,664	\$3,245,963	2.6%
Total	\$96,961,295	\$76,986,335	1.3%

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, 2013 plan reserves totaled \$320 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 \$256 million at year end.

Plan Disbursements

The total amount disbursed by the plan during the year was \$66.2 million. Of this amount, 95.8% was paid in the form of benefits to plan members and their families, 3.6% was for expenses, and 0.6% was for premium taxes.

Value of Plan to Member

During 2013, employer costs averaged \$1,258 per plan member for disability insurance premiums, \$2,339 for Executive disability insurance, and \$2,775 for Members of Parliament's disability. The following table illustrates the 2013 average employer costs per plan member for LTD Insurance, Basic Life, Accidental Death and Dismemberment, Dependents, and Post-Retirement Life Insurance.

	Employees Excluded from Collective Bargaining		Executives	Members of Parliament	Judges
Lines of Insurance	Main Plan		100% Employer-paid	100% Government-paid	
	Employee's share	Employer's share			
LTD	\$222 (15%)	\$1,258 (85%)	\$2,339	\$2,775	N/A
Basic Life, AD&D and Dependants	\$227	\$0	\$573	\$2,274	\$2,608
Supplementary Life	\$177	\$0	Employee paid ¹	Employee paid ¹	Employee paid ¹
Total	\$626	\$1,258	\$2,912	\$4,796	\$2,608
PRLIP	Coverage not available		\$944	\$1,394	\$5,378

Note: Does not include any premium holidays, if applicable.

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, 2014:

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

The President of the Treasury Board approved the following premiums decisions effective February 1, 2014:

- 11- month premium holiday under the Supplementary Life Plan;
- 11 - month premium holiday for Accidental Death & Dismemberment under the Main 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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