



PUBLIC EDUCATION BENEFITS TRUST



2013 Annual Report

www.pebt.ca

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Message from the Trustees

The Public Education Benefits Trust (PEBT) is pleased to present our 2013 Annual Report, which outlines the structure and activities of the Trust and performance of the program.

We would first like to thank Bryan Mix, who retired in March 2013, for his commitment and hard work during his many years serving as a Trustee of the Board. Bryan served on the Investment Committee for the entire duration of his service and was instrumental in establishing a solid foundation of policies with which the committee operates to ensure our investments continue to support the viability of the program.

In 2013, there were almost 21,000 members across the province covered under the Core Long Term Disability (LTD) program. Since inception of the Trust, as of December 31, 2013, there have been almost 27,000 Joint Early Intervention Service (JEIS) cases and 4,036 LTD claims approved with 860 plan members currently receiving LTD benefits.

Investment return for 2013 was above the benchmark for a second year in a row at 13.1% compared to the benchmark of 10.8%. As at December 31, 2013, the Trust held \$121.5 million in the investment portfolio and the actuarial liability for all benefits was \$35.5 million. As mentioned last year, this was the first full year after changing to Mawer Investment Management Ltd. in June 2012. Investment funds continue to be held with bcIMC as well.

Communication to all stakeholders about the benefits provided through the PEBT is an important objective of the Board. Some of the activities that occurred during 2013 to support this objective were:

- The PEBT held a conference on November 26th and 27th with a focus on mental health. Representatives from the PEBT, Desjardins and Morneau Shepell were in attendance to discuss the PEBT financials, as well as the new psychological standard for mental health in the workplace and Desjardins' approach to mental health claims. The JEIS committee also held a workshop to demonstrate the JEIS process. District and Union representatives were invited and had the opportunity to ask questions, discuss concerns and provide suggestions.
- A brochure for members and District Joint JEIS Committees was introduced for the first time at the conference. This brochure provides an easy-to-read summary of the benefits provided through the PEBT and directs reader to visit the website for more information. A more detailed brochure for those stakeholders interested in the financial details of the plan was also released in early December.
- Results of the JEIS program audit that was conducted in mid-2013 were presented at the conference as well. The report provided recommendations and next steps to ensure the program remains relevant and consistent across the province. Recommendations were also provided in areas such as training, gathering feedback, resource efficiency and improved reporting of JEIS metrics.

Given the ongoing commitment from the PEBT to build on successes over the past ten years and make needed changes for the future, we will be implementing several of the recommendations from the audit and look forward to sharing the improvements with all stakeholders in the future.

We appreciated the opportunity to serve during this past year and look forward to the challenges and opportunities ahead.

On Behalf of the PEBT Board of Trustees,



Elaine Smith, Board Chair



Alan Chell, Vice Chair

The PEBT

The Public Education Benefits Trust Fund (PEBT) was created in June of 2002 and is sponsored by both the British Columbia Public School Employers' Association (BCPSEA) and the Canadian Union of Public Employees (CUPE). The program is governed by a Board of Trustees representing both school districts and support staff workers in the K -12 sector. Currently, there are 59 school districts, 67 union locals, and over 20,000 Plan Members participating in the Trust.

The objective of the PEBT is to hold and administer a trust fund for the purpose of providing group health and welfare benefits for support staff Members, their eligible dependents, and beneficiaries. The primary benefits are:

- "Core" Long Term Disability (LTD)
- "Other" Long Term Disability
- Joint Early Intervention Service (JEIS)
- Extended Health Care
- Dental Care
- Group Life (including Optional benefits)
- Accidental Death and Dismemberment (including Optional benefits)

The "Core" LTD and JEIS programs are based on available funding. For all other benefits, plans are designed and funded in accordance with respective Collective Agreements.

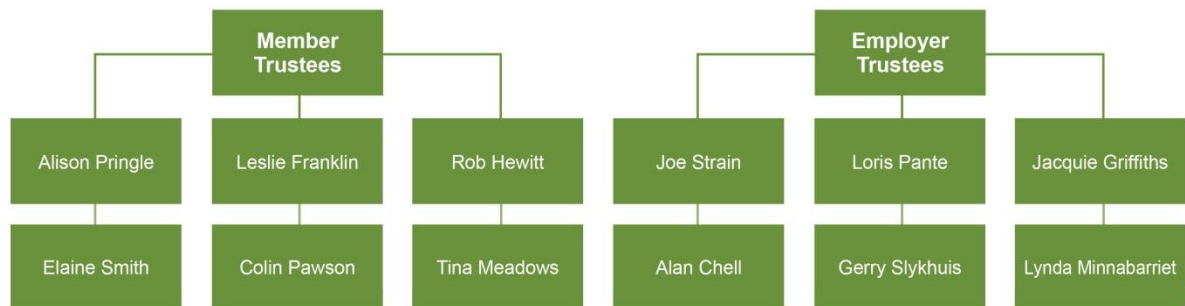
The creation of the PEBT has resulted in a number of benefits for the employers and Members within the K - 12 sector including, but not limited to, the following:

- Access for K-12 support staff to a provincial government funded LTD program.
- Improved management of disability claims with the introduction of a Joint Early Intervention Service resulting in benefits to Members and employers.
- Promoting a positive labour relations environment that encourages stakeholders to work together for a common purpose.
- Direct financial savings due to the advantages of volume purchasing.
- Improved governance resulting from the inherent characteristics of a formalized trust.
- Generation of additional income from investments of reserves used to offset administration/Trust costs.
- Modernizing and standardizing the benefits administration function.

Since the first meeting of the Board of Trustees on July 3, 2002, the Board has upheld strong governance practices. This ensures that the Board is able to act with integrity and meet obligations to its many stakeholders in a transparent manner.

Section 1 – Plan Governance

The plan sponsors, BCPSEA and CUPE, are responsible for the appointment of Trustees to provide overall strategic direction of the Trust. A total of 12 Trustees are appointed with equal representation from the Employer and Union. Each Trustee serves a three year term with staggered expiry dates to ensure continuity at the Board level. The 2013 composition of the Board was as follows:



To optimize efficiencies in the operations of the Trust, a number of committees, including the Provincial JEIS Committee, the Finance and Audit Committee, the Investment Committee and the Administration Committee, have been established to focus on the different roles and responsibilities required of the Board of Trustees. All Trustees serve on one or more committees, which meet on a regular basis and provide updates and recommendations to the full Board for discussion and formal adoption. This facilitates more efficient and less frequent full Board meetings, which reduces the Board's operating costs. The PEBT also has a number of other Committees such as Plan Design and Litigation Committees, which meet on an ad-hoc basis depending on the requirements of the Trust.

The PEBT Secretariat, which includes the Trust Secretary and Administrative Assistant provides support and advice to the Board and acts as a liaison between the Board and the various providers. They also assist in the day-to-day management of Trust activities including coordinating meetings, organizing events and preparing relevant documents.

In order to manage the operations of the Trust, the PEBT engages the services of a number of providers. Service providers presently serving the PEBT include:

SERVICES	PROVIDERS
Banking	VanCity Savings Credit Union
Custodian	RBC Investor Services
Investment Management	Mawer and bclMC
Investment Consulting	Satanove & Flood Consulting Ltd.
Actuarial, Consulting and Administration	Morneau Shepell
Legal	Davis LLP
Group Life	British Columbia Life & Casualty Company
Group Accidental Death and Dismemberment	AIG Insurance Company of Canada ¹
JEIS and LTD Benefits	Desjardins Financial Security
Extended Health and Dental Care Benefits	Pacific Blue Cross
Accounting	Goldsmith & Poulos Chartered Accountants
Audit	Ernst & Young
Trust Secretariat	Diane Moore and Lori Lofthaug

¹ Formerly Chartis Insurance Company of Canada.

Section 2 – Joint Early Intervention Service

The PEBT sponsors a confidential Joint Early Intervention Service (JEIS) as an integral part of the disability program to assist Plan Members in their return to work. The program is supported by Unions, School Districts and the PEBT and is provided through funding from the provincial government for the "Core" LTD.

Based on feedback received from stakeholders of the PEBT including Members, along with Union and Employer representatives, the JEIS has been an overwhelming success. There have been a number of salient cases that demonstrate the effectiveness of the program as well as the financial savings that are achieved by using the JEIS.

The PEBT provides an opportunity for Members to provide feedback regarding the program through a variety of channels such as conferences and surveys.

Some specific Member comments from the JEIS Evaluation Form which is sent to each Member that participated in the program include:

- *"The HCMS was very receptive, understanding and reassuring. I appreciated this highly during a difficult time."*
- *"The Specialist was caring without being intrusive."*
- *"I feel that my wellbeing is the main priority."*

Desjardins Financial Security (Desjardins), who is also the claims administrator for the PEBT LTD plan, is the provider of the JEIS program. The mission of the JEIS is to complement the LTD program by providing a pro-active and timely service to Plan Members that facilitates their return to work in a caring, safe, and timely manner.

The JEIS program's primary goals include:

- Providing early identification of Member needs and active, caring treatment of Member health issues
- Facilitating a return to work of Members
- Promoting open discussion and support for the JEIS by the Local Unions and School Districts at all levels
- Ensuring the long-term viability of the "Core" LTD program

To ensure the JEIS program continues to align with these goals and meets the evolving needs of stakeholders, an audit of the program was conducted by Morneau Shepell. Results and recommendations for the program going forward were presented at the PEBT conference in November 2013. Based on the recommendations, changes will be made to the program going forward to ensure consistency of service, resource efficiencies, improved reporting and increased communication and education of the program.

The JEIS Process

The Joint Early Intervention Service (JEIS) is initiated after the School District Absence Advisor notifies Desjardins and the Union JEIS Coordinator that a Plan Member has been absent for more than six consecutive scheduled working days/shifts. The Union Representative contacts the Member first to explain the JEIS program and to let them know they will be receiving a call from the Health Care Management Specialist (HCMS) from Desjardins. The HCMS contacts the Member within 24 hours of notification to offer their assistance.

The HCMS is the individual designated by Desjardins to provide early intervention services and is responsible for:

- Making initial contact (within 24 hours of notification by the Absence Advisor) with the absent Member, unless other arrangements have been made with the District Joint JEIS Committee
- Sending out the Early Notification Package (if required)
- Explaining how the JEIS works, including the roles and responsibilities of the Member, the Local Union, the Employer and Desjardins in the program
- Arranging an initial face-to-face meeting with the Member, if appropriate
- Gathering and reviewing information about the Member's illness/injury and developing a return to work (RTW)/accommodation plan, if appropriate
- Ensuring privacy of medical information
- Communicating with the Member, Employer and Local Union representatives (when appropriate), and the attending physician throughout the Member's absence to monitor their progress and to ensure that the RTW plan is followed
- Providing the District Joint JEIS Committee and/or the PEBT JEIS Committee with a monthly status report
- Meeting with the District Joint JEIS Committee and/or PEBT JEIS Committee to discuss the status report as necessary

In addition, the HCMS is responsible for these RTW activities:

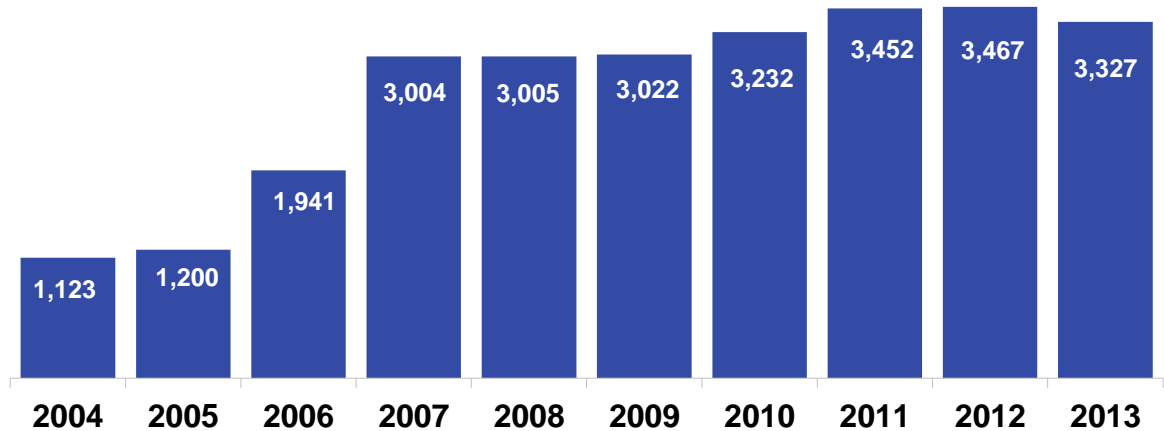
- Coordinating the RTW process
- Gathering and reviewing information about the Member's illness/injury
- Working closely with the absent Member, the Employer and Local Union in developing a safe, effective, timely RTW schedule
- Coordinating all participants in the RTW process

- Communicating with the Member, Employer and Local Union and the attending health provider throughout the Member's RTW to monitor their progress and to ensure that the plan is followed
- Providing for appropriate assessments where necessary
- Ensuring that Members are aware of their rights, obligations and the effect of specific decisions on their right to JEIS and LTD benefits
- Maintaining documentation

JEIS Utilization

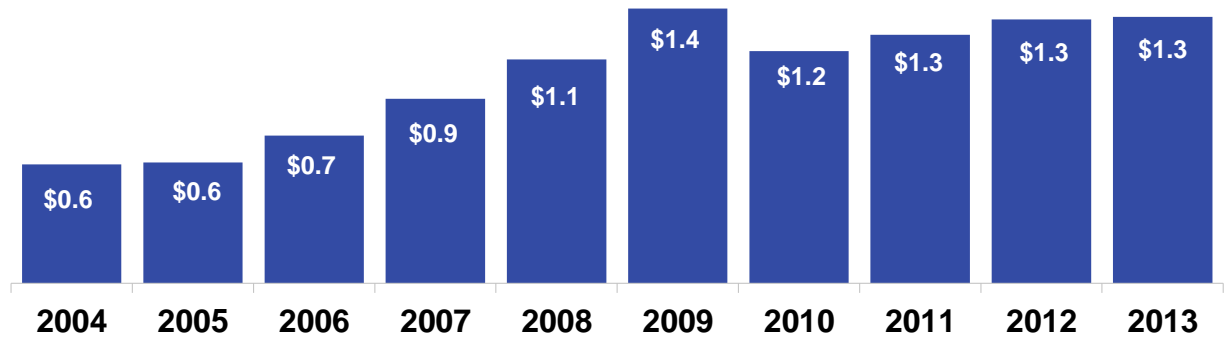
The success of the JEIS program has resulted from all stakeholders working together towards common goals as well as establishing an infrastructure to manage the demands of the program. In 2013, there were 3,327 active JEIS cases reported through the program. For reference, the following chart shows the number of active JEIS cases by year.

ACTIVE JEIS CASES



The number of JEIS cases decreased slightly in 2013 compared to the previous year, but generally, the number of cases has remained fairly consistent as the program continues to mature.

JEIS Program Costs



(Millions of Dollars)

**Figures reflect more accurate rounding compared to the chart provided in the 2012 Annual Report.*

The investment in the JEIS program has created dividends for the PEBT through quicker recovery and for Employers through potential reduction in sick leave usage and health care costs. For the most important stakeholders; Members, it has allowed them to be assisted through an absence while respectfully keeping them connected with the work place, which minimizes the chance of secondary factors that may increase the likelihood of a LTD claim. From a broader perspective it assists all parties involved to manage health related labour relations conflicts and heightens awareness of disability and workplace issues.

Section 3 –Long Term Disability

The PEBT Long Term Disability (LTD) plan provides income protection to Plan Members who become totally disabled due to illnesses or injuries that are not work related and, as a consequence, are not covered by WorkSafeBC. The benefit is payable to eligible Members who remain totally disabled after participating in the JEIS program. Desjardins follows claims management policies and processes to ensure proper payment of benefits. This includes regular follow up with members to monitor their condition and enforcement of the requirement of members to apply for other disability benefits to which they may be entitled. This protects the plan from unnecessary expenses and contributes to the plan's ongoing viability. Benefits are payable to age 65 subject to certain restrictions. A more detailed description of the plan provisions can be found on the PEBT website (<http://www.pebt.ca>).

The LTD program is made up of two components; "Core" LTD and "Other" LTD, which are both administered and/or insured by Desjardins Financial Security (Desjardins). The "Core" LTD plan is funded by contributions received from the provincial government while the "Other" is funded by school districts and/or Member contributions. The benefit level provided under the "Core" LTD is based on available funding. Based on the available funding the Board may approve a benefit adjustment as recommended by the PEBT Actuary. Changes to existing benefit levels are a function of whether there is a surplus or deficit associated with the "Core" LTD program.

The PEBT self-insures the "Core" LTD benefit for the first five years (plus elimination period) of an LTD claim. To manage risk, the PEBT purchases pooling protection whereby Desjardins assumes the financial risk should the disability continue beyond the five year limit.

The "Other" LTD is made available to those school districts that previously had a disability arrangement in place that exceeded the "Core" LTD benefit offered through the PEBT. "Other" LTD is also available to those Districts and Unions that jointly agree to add LTD coverage that exceeds the "Core" LTD benefit.

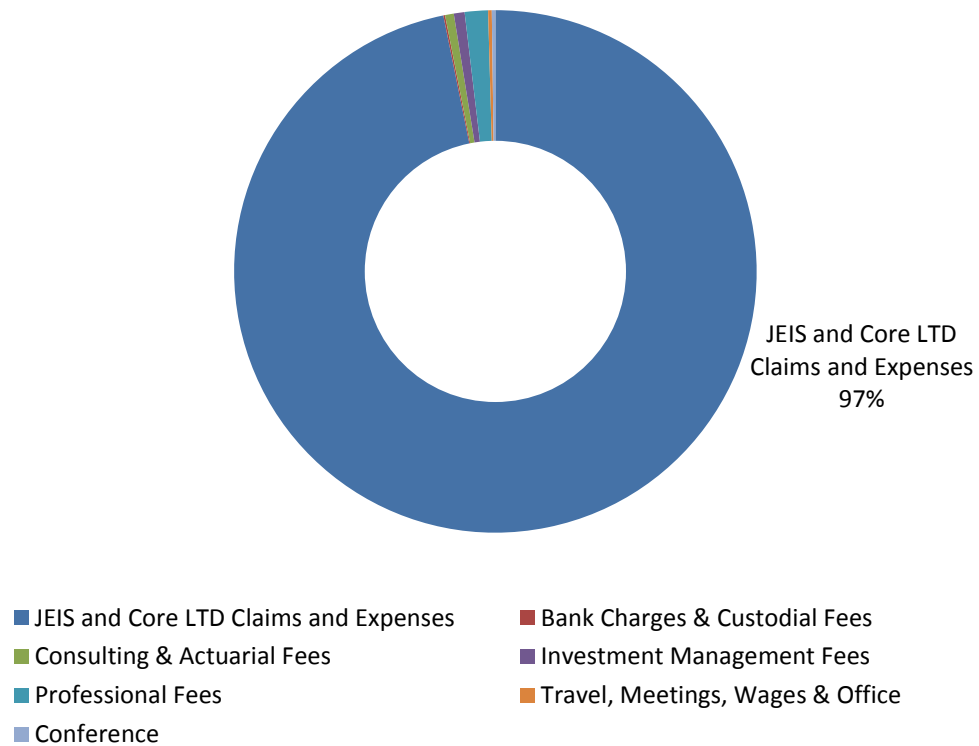
Plan Performance

The number of new, approved LTD claims decreased marginally from 462 new claims in 2012 to 453 in 2013. As at December 31, 2013, there were approximately 20,877 active Members (74% female and 26% male) and 597² Members were still disabled with claims less than five years in duration which is a slight increase when compared to 578 disabled Members at the end of 2012. As of December 31, 2013, 4,036 LTD claims have been approved since the inception of the Trust.

² As of December 31, 2013 there were 263 disabled Plan Members with claims over five years in duration.

For reference, the costs associated with the “Core” LTD plan are illustrated on the chart below:

Core LTD Program Expenses 2013

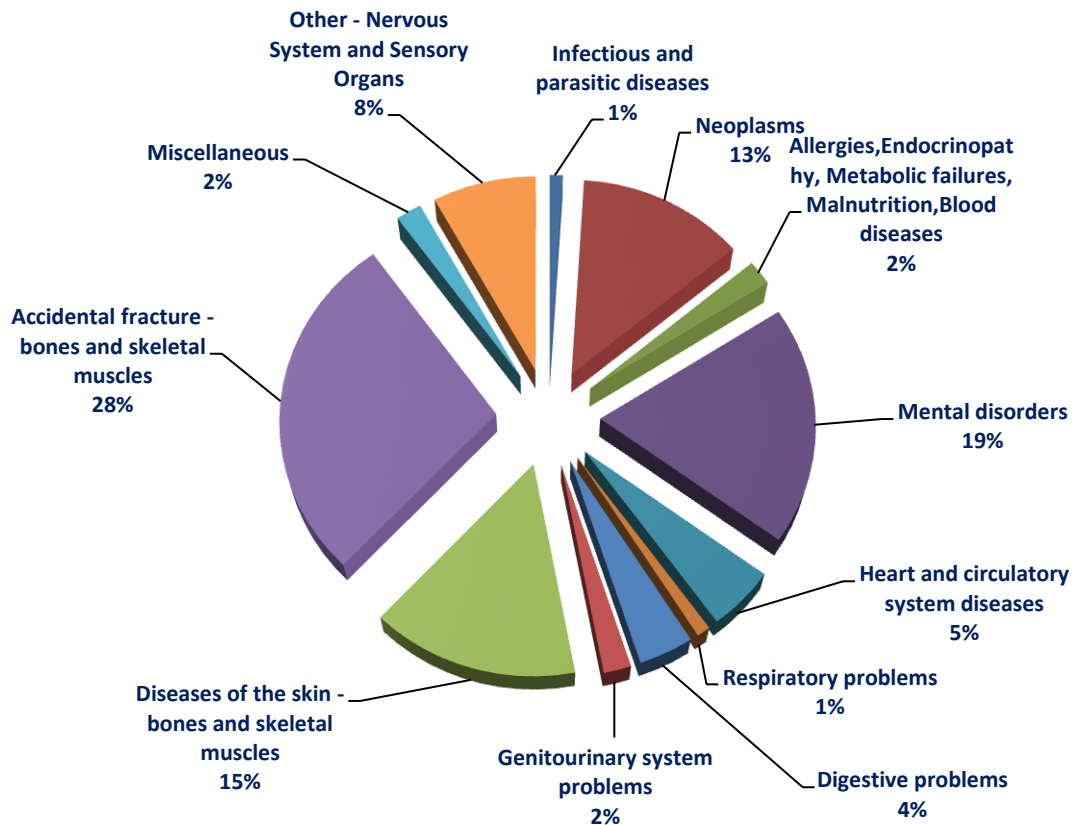


Detailed financial information can be found in the audited financial statements in Section 5 of this report.

Causes of Disability

The chart below shows the causes of disability for both active and terminated LTD claims based on receipt of the full benefit (i.e. excluding Plan Members receiving the \$50 minimum benefit). There have been no significant changes in disability causes compared to 2012.

PEBT CAUSES OF DISABILITY - FULL BENEFIT CLAIMS



Section 4 – Other Benefits

The Other Benefits include Group Life (including Optional benefits), Group Accident (including Optional benefits), Extended Health Care (including Medical Referral and Travel, where applicable), and Dental Care. These benefits are designed and funded in accordance with the Collective Agreements negotiated between the Unions representing Plan Members and the respective Districts.

The PEBT is a conduit through which many economies of scale are achieved in the delivery of these benefits. This includes negotiating reduced expense charges with the benefits providers, managing appropriate claims risk (which also minimizes insurance costs), and achieving favourable investment returns on claims reserves. As well, the PEBT incorporates a shared services delivery approach with respect to benefits administration by having a common administration system for all participating Districts, which generates further efficiencies for the sector.

Other Benefits provided through the PEBT are underwritten as follows:

Underwriting Approach for Other Benefits

	UNDERWRITING	STOP-LOSS
Benefits		
Basic Life:		
Death Benefit	Insured Cost Plus	Catastrophic coverage
Waiver of Premium	Administrative Services Only	
Optional and Dependent Life ³	Fully Pooled	N/A
Basic and Optional AD&D	Fully Pooled	N/A
Extended Health Care ⁴	Administrative Services Only	\$25,000 per individual ⁵
Dental Care	Administrative Services Only	\$11,000 per individual ⁶

The Waiver of Premium Reserve is determined by the PEBT Actuary for the Basic Life benefit and by BC Life for Optional and Dependent Life benefits. The reserve makes it possible for coverage to continue while a Member is disabled and not contributing premiums towards the benefit. Supplementing the Extended Health Care policy is a Stop Loss policy which limits the PEBT's exposure to risk by transferring the cost of large claims exceeding \$25,000 (per year, per individual) back to the insurance carrier. For Dental, a stop-loss provision of \$11,000 per person was added at a cost of 0.15% of annual dental claims effective October 1, 2010 to avoid GST charged on plans that do not have an insured component. However, given changes made to policy structure, GST is no longer charged on dental administration fees and this provision has terminated effective April 1, 2014.

³ Including optional dependent and retiree life.

⁴ Includes Medical Referral Travel Benefit (MRTB), if applicable

⁵ Per an individual's total claims in a year (excluding MRTB).

⁶ \$11,000 pooling limit terminated as of April 1, 2014

Basic Life

The Basic Life benefit (death claims only) is underwritten on an insured cost plus basis with BC Life and Casualty (BC Life). However, from the individual school district perspective, the benefit is pooled with other school districts in the program. As such, claims by a particular school district within the framework of the pool have a minimal effect on the overall premium rate charged to that school district.

Effective July 1, 2007 the pooling arrangement was changed to catastrophic coverage which provides protection in an event where three or more insured Members succumb as a result of the same accident or incident. In this scenario, BC Life assumes the liability for claims in excess of \$250,000 to a maximum of \$20,000,000.

The life rate is reviewed at each renewal to reflect the performance of the overall PEBT claims experience. When evaluating the performance, the ratio of claims to premiums for all participating districts is considered (up to five years) as well as the reserves held to fund life waivers for disabled Members. The level of the required life waiver of premium reserve is set by the plan Actuary and varies depending on the disabled employee's age, gender, the duration of disability, amount insured, and retirement date.

While each District maintains their own plan design, there is one common contribution rate for the Basic Life benefit as Districts enter into the PEBT program. The rate may change should a District subsequently modify their plan design.

Plan Performance

Over the 2013 year, 39 Basic Life claims were paid totaling \$2,405,261. As at December 31, 2013, the plan was holding a total Life Waiver of Premium Reserve of \$6,120,000, an Unreported Waiver of Premium Reserve of \$1,392,000 and an Unreported Death Claims Reserve of \$569,000.

Accidental Death and Dismemberment Benefits (AD&D)

The AD&D benefit (including optional benefits) is fully pooled within the insurer's block of similar business and is underwritten by AIG Insurance Company of Canada. Accordingly, claims incurred by school districts have no direct impact on the premium rate levels charged.

The AD&D premium rates are negotiated at each renewal to reflect the performance of the overall PEBT claims experience. There are common premium rates for school districts and Members participating in the AD&D benefits being offered.

Plan Performance

Over the past year, there were no basic or optional AD&D claims. Last year, there was one Optional AD&D claim for \$200,000 and no Basic AD&D claims.

Extended Health Care (including Medical Referral and Travel)⁷ and Dental Benefits

The Extended Health (including Medical Referral and Travel⁷, if applicable) and Dental Care benefits are underwritten on an Administrative Services Only (ASO) basis with Pacific Blue Cross (PBC). However, small to medium sized school districts (i.e. less than 200 Plan Members) were given a one-time option of participating in the PEBT Extended Health Care (EHC) and Dental “Pool”. Under this approach, future rates are based on a District’s past claims experience, up to a certain degree, depending on the size of the group. This is the most appropriate method for Districts of a smaller size, or those not able to assume the risk of potentially volatile claims experience. Districts with more than 200 Plan Members are required to participate on a “stand-alone” basis whereby the district assumes full responsibility for its claims experience, with the exception of any claims in excess of the stop-loss level.

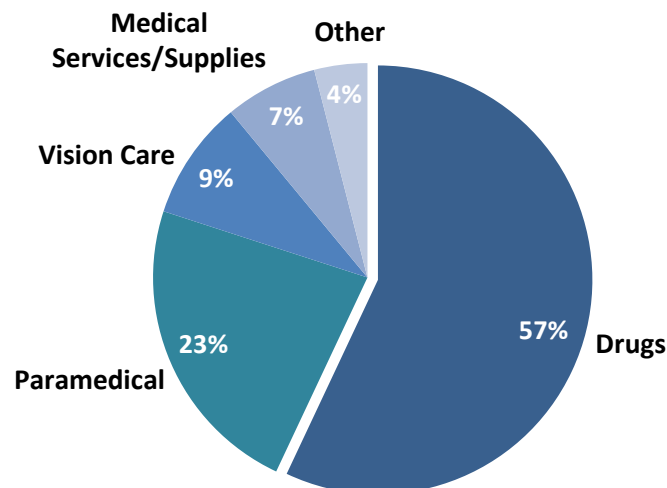
Plan Performance – EHC

Since inception, \$137,099,000 in claims has been paid through the EHC plan of which \$19,973,000 was paid in 2012 and \$20,149,000 in 2013. As at December 31, 2013, there were approximately 21,732 Plan Members participating in the EHC benefit, which is a slight increase from 2012.

EHC claims costs increased by 0.9% between 2012 and 2013, which is much lower than expected when compared to industry standard trend factors of approximately 9 – 12% used to project future claims costs.

For reference, the charts below show a breakdown of claims for the PEBT EHC plan as a percentage of overall cost:

PEBT EHC Claims – 2013



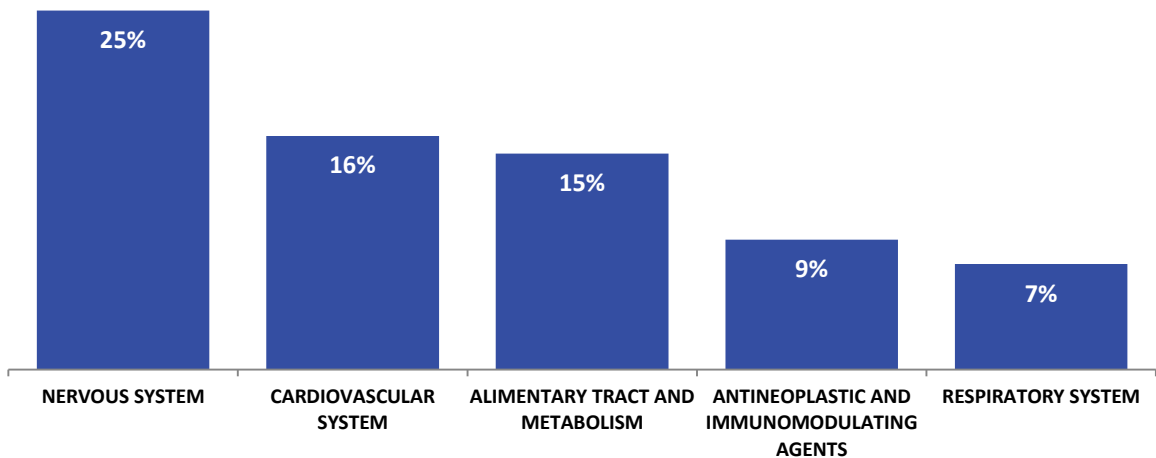
⁷ A small number of Districts have a Medical Referral and Travel Benefit (MRTB). This benefit is in place to reimburse Plan Members who incur expenses due to their distance from necessary medical resources.

Looking at claims as a percentage of annual costs over the previous two years, the percentage of dollars spent in each category has remained relatively unchanged.

As shown in the previous chart, drugs represent the highest percentage of extended health care claims for the PEBT.

Top 5 Drugs by Category as a Percentage of Total Paid Drug Claims

January-December 2013



Common uses for each of these five categories are as follows:

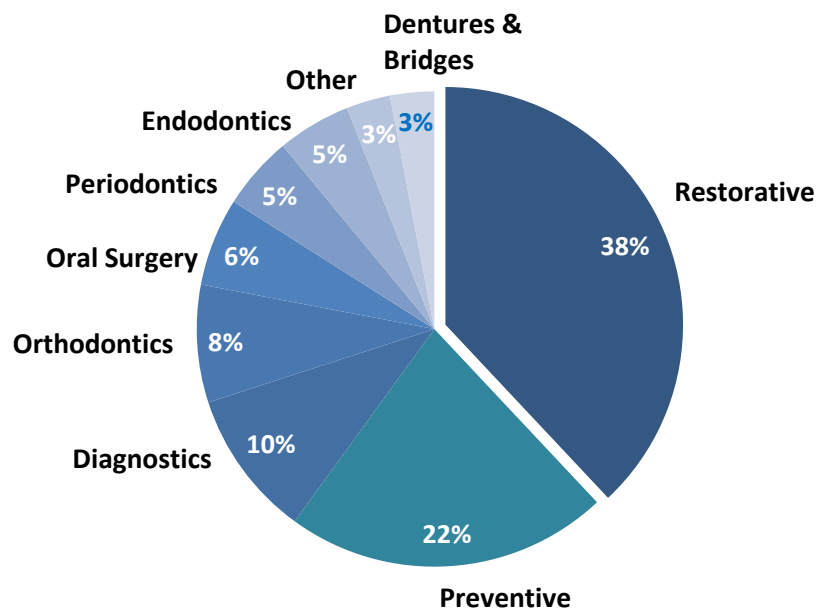
Drug Category	Common Usages
Nervous System	Mental health, Epilepsy treatment
Cardiovascular Drugs	Hypertension, Angina, Congestive Heart Failure, Arrhythmia
Alimentary Tract and Metabolism (<i>Gastrointestinal</i>)	Diabetes, acid reflux, ulcers
Antineoplastic and Immunomodulating Agents	Rheumatoid Arthritis, Multiple Sclerosis, Cancer
Respiratory System	Asthma, Chronic Obstructive Pulmonary Disease (COPD)

Plan Performance – Dental Care

Since inception, \$172,937,000 in claims has been paid through the Dental plan of which \$23,121,000 was paid in 2012 and \$23,655,000 was paid in 2013. As at December 31, 2013, there were approximately 21,817 active Plan Members participating in the Dental Care benefit. This represents a slight increase in participation from 2012. During this period there has been a 2.3% increase in claims costs which, like extended health care, is lower than expected when compared to industry standard trend factors of approximately 7-9% used to project future claims costs.

The claims costs per category as a percentage of the overall dental cost have remained stable, however, we note that while most categories experienced an increase in claims costs, the claims for dentures and bridges decreased by approximately 54% compared to the previous year. Bearing in mind that the PEBT Dental plans are negotiated at the school district level and coverage levels vary as a result, the charts below show Dental categories as a percentage of overall cost:

PEBT Dental Claims – 2013



Section 5 – Financial Summary

Audited Financial Statements

The assets of the Trust are consolidated for investment purposes; however, a continual accounting of the assets of the Trust is maintained for each benefit for the purpose of monitoring the financial position of each benefit. Expenses that can be reasonably identified as a function of a particular benefit are also allocated to that benefit.

The Finance and Audit Committee meets regularly to oversee the financial operations of the Trust and reviews the annual audited financial statements. The Auditors' Report to the Board and the accompanying financial statements for the year ending 2013 follow this page.

Financial Statements

Public Education Benefits Trust Fund
December 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Trustees of the
Public Education Benefits Trust Fund

We have audited the accompanying financial statements of the **Public Education Benefits Trust Fund**, which comprise the statement of financial position as at December 31, 2013, and the statements of changes in net assets available for benefits and changes in actuarial obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial statements

The Trustees are 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 the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the auditors 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 the Trustees, as well as evaluating the overall presentation of the financial statements.

- 2 -

We believe that the audit evidence we have obtained in our audit 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 the **Public Education Benefits Trust Fund** as at December 31, 2013, and changes in net assets available for benefits and changes in actuarial obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Vancouver, Canada,
June 13, 2014.

Chartered Accountants

Public Education Benefits Trust Fund

STATEMENT OF FINANCIAL POSITION

As at December 31

	Core LTD program \$	Other LTD benefits \$	Return to work program \$	Extended health \$	Dental \$	AD&D \$	Optional AD&D \$	Life \$	Optional life \$	2013 Total \$	2012 Total \$
ASSETS											
Cash <i>[note 4]</i>	(10,722,654)	(132,857)	—	18,273,346	12,027,794	168,188	(3,324)	12,883,380	(17,681)	32,476,192	18,564,938
Investments <i>[note 5]</i>	121,463,921	—	—	—	—	—	—	—	—	121,463,921	115,708,257
Contributions receivable	—	3,627	—	543,978	627,644	2,807	5,973	127,618	3,023	1,314,670	1,802,090
Claims fluctuation account <i>[note 7]</i>	299,107	—	—	—	—	—	—	—	—	299,107	436,485
	111,040,374	(129,230)	—	18,817,324	12,655,438	170,995	2,649	13,010,998	(14,658)	155,553,890	136,511,770
LIABILITIES											
Accounts payable and accrued liabilities	435,404	1,133	—	—	—	—	—	—	—	436,537	333,810
Benefit and premium costs payable	2,854,504	(154,760)	—	283,879	71,944	15,914	—	279,358	—	3,350,839	3,124,568
Deferred contributions <i>[note 6]</i>	—	1,150	—	34,798	39,577	268	160	11,942	709	88,604	106,571
Provision for claim reserves <i>[note 8]</i>	22,167,000	—	—	4,042,000	1,236,000	—	—	8,081,000	—	35,526,000	31,793,000
	25,456,908	(152,477)	—	4,360,677	1,347,521	16,182	160	8,372,300	709	39,401,980	35,357,949
Net assets (deficit) available for benefits	85,583,466	23,247	—	14,456,647	11,307,917	154,813	2,489	4,638,698	(15,367)	116,151,910	101,153,821

See accompanying notes

On behalf of the Board:

Trustee

Trustee

Public Education Benefits Trust Fund

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31

	Core LTD programs \$	Other LTD benefits \$	Return to work program \$	Extended health \$	Dental \$	AD&D \$	Optional AD&D \$	Life \$	Optional life \$	2013 Total \$	2012 Total \$
INCREASE IN ASSETS											
Contributions											
Province of British Columbia	19,428,240	—	—	—	—	—	—	—	—	19,428,240	19,428,240
School Districts	—	812,685	—	24,064,184	25,846,488	150,423	98,897	4,870,387	181,672	56,024,736	56,273,474
Investment income											
Interest and dividends	4,300,423	5,631	—	84,804	90,516	892	—	16,971	—	4,499,237	2,957,042
Realized gains (losses)	4,399,361	—	—	—	—	—	—	—	—	4,399,361	(103,817)
Unrealized gains (losses)	6,297,640	—	—	—	—	—	—	—	—	6,297,640	6,196,639
Total increase in net assets	34,425,664	818,316	—	24,148,988	25,937,004	151,315	98,897	4,887,358	181,672	90,649,214	84,751,578
DECREASE IN ASSETS											
Benefits costs											
Change in claim reserves	4,033,000	—	—	(346,000)	(59,000)	—	—	105,000	—	3,733,000	(49,000)
Claims paid	12,432,970	—	—	20,148,525	23,655,069	—	—	—	—	56,236,564	50,825,475
Insurance premiums											
Durational pooling	4,509,543	—	—	—	—	—	—	—	—	4,509,543	4,309,750
Other	—	831,896	—	—	—	127,231	95,705	2,825,514	185,718	4,066,064	5,498,737
Administration	1,473,559	18,693	1,097,568	1,039,014	1,138,619	3,310	—	64,435	—	4,835,198	4,711,666
Medical reports and other	952,635	—	243,110	—	—	—	—	—	—	1,195,745	1,152,185
Operating costs											
Bank charges	1,224	—	—	—	—	—	—	—	—	1,224	1,235
Conference	56,361	—	—	—	—	—	—	—	—	56,361	17,413
Consulting and actuarial fees <i>[note 9]</i>	137,895	6,405	—	110,670	117,920	1,134	—	22,081	—	396,105	398,168
Custodial fees	26,001	—	—	—	—	—	—	—	—	26,001	19,430
Investment management fees	170,514	—	—	—	—	—	—	—	—	170,514	160,107
Office	1,954	—	—	—	—	—	—	—	—	1,954	3,785
Professional fees <i>[note 9]</i>	367,288	—	—	—	—	—	—	—	—	367,288	380,227
Trustee costs											
Trustee travel and meetings	43,777	—	—	—	—	—	—	—	—	43,777	45,965
Wages and benefits	11,787	—	—	—	—	—	—	—	—	11,787	11,857
Total decrease in net assets	24,218,508	856,994	1,340,678	20,952,209	24,852,608	131,675	95,705	3,017,030	185,718	75,651,125	67,487,000

Public Education Benefits Trust Fund

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31

	Core LTD program \$	Other LTD benefits \$	Return to work program \$	Extended health \$	Dental \$	AD&D \$	Optional AD&D \$	Life \$	Optional life \$	2013 Total \$	2012 Total \$
Net excess (deficiency) before undernoted	10,207,156	(38,678)	(1,340,678)	3,196,779	1,084,396	19,640	3,192	1,870,328	(4,046)	14,998,089	17,264,578
Transfers	(1,340,678)	—	1,340,678	—	—	—	—	—	—	—	—
Increase (decrease) in net assets available for benefits	8,866,478	(38,678)	—	3,196,779	1,084,396	19,640	3,192	1,870,328	(4,046)	14,998,089	17,264,578
Net assets (deficit) available for benefits, beginning of year	76,716,988	61,925	—	11,259,868	10,223,521	135,173	(703)	2,768,370	(11,321)	101,153,821	83,889,243
Net assets (deficit) available for benefits, end of year	85,583,466	23,247	—	14,456,647	11,307,917	154,813	2,489	4,638,698	(15,367)	116,151,910	101,153,821

See accompanying notes

Public Education Benefits Trust Fund

STATEMENT OF CHANGES IN ACTUARIAL OBLIGATIONS

Year ended December 31

	Core LTD program \$	Other LTD benefits \$	Return to work program \$	Extended health \$	Dental \$	AD&D \$	Optional AD&D \$	Life \$	Optional life \$	2013 Total \$	2012 Total \$
Changes in actuarial obligations											
Benefits accrued	9,644,000	—	—	—	—	—	—	2,784,000	—	12,428,000	12,982,000
Benefits plus expenses paid	(9,603,720)	—	—	—	—	—	—	(2,249,114)	—	(11,852,834)	(12,182,467)
Interest accrued on benefits	533,285	—	—	—	—	—	—	248,578	—	781,863	784,191
Effect of experience gain or loss	(573,565)	—	—	—	—	—	—	(783,464)	—	(1,357,029)	(1,187,724)
Effect of demographic changes	2,503,000	—	—	—	—	—	—	433,000	—	2,936,000	—
Effect of change in valuation basis	45,000	—	—	—	—	—	—	(260,000)	—	(215,000)	(342,000)
Total increase (decrease) in actuarial obligation	2,548,000	—	—	—	—	—	—	173,000	—	2,721,000	54,000
Actuarial obligation, beginning of year	13,312,000	—	—	—	—	—	—	5,947,000	—	19,259,000	19,205,000
Actuarial obligation, end of year	15,860,000	—	—	—	—	—	—	6,120,000	—	21,980,000	19,259,000
Incurred but not reported component of claim reserves	6,307,000	—	—	4,042,000	1,236,000	—	—	1,961,000	—	13,546,000	12,534,000
Provision for claim reserves, end of year	22,167,000	—	—	4,042,000	1,236,000	—	—	8,081,000	—	35,526,000	31,793,000

See accompanying notes

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. DESCRIPTION OF TRUST

The following description of the Public Education Benefits Trust Fund [the “Trust” or “Plan”] is a summary only. For more complete information, reference should be made to the Trust Agreement, the Plan Text and the relevant collective agreements.

General

The Trust was created by a Trust Agreement on June 28, 2002. The Trust provides health and welfare benefits for certain employees of School Boards of British Columbia and their dependents who are members of the support staff union. The Trust was created in accordance with the recommendations issued by the Industrial Inquiry Commission appointed by the British Columbia Minister of Labour.

The intention of the Trust is to provide the following health and welfare benefits:

- [a] long-term disability [“LTD”] benefits;
- [b] early return to work benefits;
- [c] hospital, surgical, medical, dental, eyeglass, pharmaceutical, anaesthetic, diagnostic, and other private health service benefits;
- [d] accidental death and dismemberment benefits [“AD&D”]; and
- [e] group life benefits.

Participating School Board employers are required to participate in the Trust’s Core LTD program and if they also provide other benefits to their employees then these must be provided through the Trust’s other benefits programs.

Under the Trust Agreement, cash balances of the Trust are commingled for investment purposes, but a continual accounting of the assets of the Trust is maintained for each benefit for the purpose of monitoring the actuarial experience of each benefit. Interest income is allocated to each benefit program based on the specified percentages approved by the Trustees.

Expenses that can be reasonably identified as pertaining to a particular benefit are allocated to that benefit program. All other expenses are allocated to the Core LTD program.

Where the actuary identifies an actuarial surplus attributable to the Core LTD program, the Trust Agreement allows the use of the portion of such surplus attributable to investment income to reduce or eliminate implementation costs attributable to other benefits.

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Where the actuary identifies an actuarial deficit attributable to other benefits such as the other LTD benefits program, the Trust Agreement requires that, on the actuary's advice, the level of contributions be increased in an amount actuarially determined to be necessary to eliminate such a deficit.

Funding policy

Under the terms of the Trust Agreement, the Trust is funded by the Province of British Columbia [the "Province"] for the Core LTD program and by contributions from employers and/or employees for other programs. Early return to work program expenses are paid out of government LTD funding for Core LTD benefits.

In accordance with the Trust Agreement and the May 2006 collective bargaining agreement, the Province contributes \$19,428,240 to the Trust annually for the purpose of funding the Core LTD program for certain employees of School Boards of British Columbia who are members of the support staff union.

There were no changes to the funding policy during the period.

Income tax status

The Trust is registered with the Canada Revenue Agency and as such the Trust is subject to income taxes on investment income after deducting the expenses in relation to the operations of the Trust. The resulting calculation of this method of taxation has resulted in the Trust paying zero income taxes in 2012 and 2013.

2. BASIS OF PRESENTATION

These financial statements have been prepared on a going concern basis and in accordance with Part IV of the CPA Canada Handbook Section 4600 – *Accounting Standards for Pension Plans*.

In accordance with Section 4600, accounting policies of the Trust that do not relate to its investment portfolio and provision for claim reserves comply on a consistent basis with Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook to the extent that those standards do not conflict with the requirements of Section 4600.

To satisfy the fair value measurement requirements in Section 4600 for the investment portfolio, the Trust has early adopted International Financial Reporting Standards 13, *Fair Value Measurement*, effective January 1, 2010, on a prospective basis.

These financial statements are prepared using the accrual basis of accounting.

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. All financial assets are classified as either fair-value-through-profit-and-loss ["FVTPL"], held-to-maturity ["HTM"] investments, available-for-sale ["AFS"] or loans and receivables. Financial liabilities are classified as either FVTPL or other financial liabilities.

Financial assets include cash and investments, which are classified as FVTPL and are measured at fair value. Loans and receivables include interest receivable and contributions receivable and are measured at amortized cost. Other financial liabilities include accounts payable and accrued liabilities and benefit and premium costs payable, which are measured at amortized cost.

Transaction costs are expensed as incurred.

Investments

Investment transactions are recorded as of the trade date. Investments are designated as FVTPL and measured at fair value. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. The fair value of investment assets held in units of pooled funds are valued based on fair value information provided by the fund administrators. Interest income is recorded on the accrual basis, recognizing interest as it is earned. The net change in fair value of investments for the year is reflected in investment income in the statement of changes in net assets available for benefits. When pooled investments are charged investment management fees, the Trust's portion of the expense is added to the direct investment management fees charged by the Trust's investment managers. For the year ended December 31, 2013, such indirect fees included were \$26,001 [2012 - \$19,430].

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Revenue recognition

Contributions

Contributions are recognized on the accrual basis of accounting.

Realized investment income

Realized investment income consists of interest, dividends and gain on sale of securities. Interest income is recognized as it accrues. Dividend income is recognized at the ex-dividend date. Gain on sale of securities is recognized on a trade date basis.

Unrealized investment income

The Trust records unrealized investment income as the difference between the fair value and book value of investments in successive years. Fair value is the quoted market price of a financial instrument traded in an active and liquid market. For financial instruments not traded in an active market, the fair value is determined using appropriate and reliable valuation techniques. Such techniques may include recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; and discounted cash flow analysis or other valuation models.

Plan benefits

Benefits received by members under the terms of collective agreements are paid under insured contracts and administrative services only contracts. The Core LTD program, return to work program, extended health, and dental benefits are provided under administrative services only contracts. Other LTD, life, and AD&D are provided under insured contracts. Group life is administered on a cost recovery basis.

Subject to underwriting agreements, the Trust has entered into risk sharing arrangements with insurance carriers. The Trust has entered into a pooling arrangement with Desjardins Financial Security Life Assurance Company for Core LTD benefits, whereby the Trust pays for the first 60 months of benefits, and the insurance carrier pays for any amounts beyond 60 months.

The Trust has catastrophic insurance coverage under the life benefits.

Claims fluctuation account and unrestricted deposit account

The Trust is required to fund the claim fluctuation reserve account under basic life benefits. Excess over the required amount, if any, is transferred to the unrestricted deposit account. The Trust has full access to the amount outstanding in the unrestricted deposit account.

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Provision for claim reserves

The provision for claim reserves is prepared by the Trust's actuary and comprises the following:

- [a] an estimated amount of claims to be submitted for services rendered and benefits incurred prior to December 31, 2013;
- [b] an estimated amount of the future costs of providing long-term disability for claims approved and expected claims to be approved relating to claims incurred prior to December 31, 2013 and not yet reported; and
- [c] an estimated amount of disability waiver premiums and claims for employees who are on disability leave and for whom premiums are not paid to the benefit providers.

The process of estimating claim reserves involves an estimate of future claims based on prior claim history. The actual amounts of claims expenses cannot be determined until all claims have been submitted and processed.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. In particular, significant estimates are required in the determination of the provision for claim reserves. Actual results could differ from those estimates.

4. CASH

Cash consists of cash balances held in accounts with a Canadian financial institution. Included in the cash balance is \$18,164,079 [2012 - \$13,319,116] which has been received from the school districts and held for payments of future claims made for extended health and dental coverage.

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

5. INVESTMENTS AND REALIZED INVESTMENT INCOME

[a] Summary by type of investment

	2013 \$	2012 \$
Canadian equity pooled funds	19,251,655	18,956,701
American equity pooled funds	9,406,856	7,480,945
Emerging market equity pooled funds	3,261,831	—
International equity pooled funds	25,119,804	27,724,097
Fixed income pooled funds	58,396,569	61,546,514
Canadian short-term investments	6,027,206	—
	121,463,921	115,708,257

[b] Realized investment income (loss) by type

	2013 \$	2012 \$
Cash	414,573	336,144
Canadian equity pooled funds	2,669,346	(152,815)
American equity pooled funds	756,827	1,775,183
International equity pooled funds	2,955,967	(1,525,816)
Fixed income pooled funds	2,101,885	2,420,529
	8,898,598	2,853,225
Disclosed as		
Interest and dividends	4,499,237	2,957,042
Realized gains and losses	4,399,361	(103,817)
	8,898,598	2,853,225

6. DEFERRED CONTRIBUTIONS

In December 2013, the Trust received nil [2012 - nil] from the Province and \$88,604 [2012 - \$106,571] from school districts as contribution payments for 2014.

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

7. LIFE CLAIMS FLUCTUATION ACCOUNT

	2013 \$	2012 \$
Balance, beginning of year	436,485	410,355
(Payments) required funding for the year	(137,378)	26,130
Balance, end of year	299,107	436,485

8. PROVISION FOR CLAIM RESERVES

The provision for claim reserves by status of claim is as follows:

	2013 \$	2012 \$
Claims in progress/ongoing	15,860,000	13,312,000
Group life waiver of premiums	6,120,000	5,947,000
	21,980,000	19,259,000
Incurred but not reported claims	13,546,000	12,534,000
	35,526,000	31,793,000

9. OPERATING EXPENSES

	2013 \$	2012 \$
Consulting and actuarial fees		
Morneau Shepell Inc.	362,385	368,816
Other	33,720	29,352
	396,105	398,168

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

	2013 \$	2012 \$
Professional fees		
Davis & Company	40,971	69,889
Ernst & Young LLP	47,365	39,200
Goldsmith & Poulos LLP	47,178	46,269
Trust secretariat	215,037	223,962
Other	16,737	907
	367,288	380,227

10. FAIR VALUE MEASUREMENT

A fair value hierarchy is presented below that distinguishes the significance of the inputs used in determining the fair value measurements of the Trust's financial instruments. The hierarchy has the following levels:

Level 1 - quoted [unadjusted] prices in active markets for identical assets and liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, or assets with quoted prices in a less active market; and

Level 3 - inputs for the asset or liability that are not based on observable market data.

	2013			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Cash	32,476,192	—	—	32,476,192
Canadian equity pooled funds	—	19,251,655	—	19,251,655
American equity pooled funds	—	9,406,856	—	9,406,856
International equity pooled funds	—	25,119,804	—	25,119,804
Emerging market equity pooled funds	—	3,261,831	—	3,261,831
Fixed income pooled funds	—	58,396,569	—	58,396,569
Canadian money market pooled funds	—	6,027,206	—	6,027,206
	32,476,192	121,463,921	—	153,940,113

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

	2012		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	18,564,938	—	—
Canadian equity pooled funds	—	18,956,701	—
American equity pooled funds	—	7,480,945	—
International equity pooled funds	—	27,724,097	—
Fixed income pooled funds	—	61,546,514	—
	18,564,938	115,708,257	—
			134,273,195

There were no transfers of investments between the levels during the years ended December 31, 2013 and 2012.

11. FINANCIAL RISKS AND RISK MANAGEMENT

The Trust's financial instruments consist of cash, investments, contributions receivable, accounts payable and accrued liabilities, and benefit and premium costs payable. The Trust is largely exposed to financial instrument risk on its investments, which are recorded at fair values.

The Trust's investment portfolio is subject to a variety of financial instrument risks that could adversely affect its financial position, income and changes in net assets available for benefits. These risks are categorized as market risk, credit risk and liquidity risk as detailed below.

Managing financial risk

The Trustees manage the Trust's financial instrument risks through the approval of the Trust's Statement of Investment Policies and Procedures ["SIPP"]. The SIPP sets out the Trust's investment objectives and risk framework, requires diversification of investments within asset classes, sets guidelines on investment categories, and limits the exposure to individual investments and counterparties. The Trustees also regularly monitor investment performance against a variety of criteria including compliance with the SIPP and investment manager performance against agreed upon benchmarks.

The Trust invests in pooled funds that are in turn invested in government and government guaranteed bonds, corporate bonds, debentures, mortgage-backed securities, and equities. The investment managers must adhere to the SIPP.

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Market risk

The Trust's investments are susceptible to market risk, which is defined as the risk that the fair value or future cash flows of an investment will fluctuate as a result of changes in market prices. Market risk comprises foreign currency risk, interest rate risk, and other price risk. Market risk is managed through asset class diversification, diversification within each class, and credit quality constraints on investments.

Foreign currency risk is the risk that the value of the Trust's financial instruments will fluctuate due to changes in foreign exchange rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Trust invests in units of pooled funds, which in turn invest in a diversified portfolio of assets. While underlying investments of the Trust are susceptible to both currency and interest rate risks, the risk of the Trust is indirect in nature. Given that the Trust does not directly hold any investments denominated in a foreign currency or any interest sensitive securities, the Trust believes it has no direct exposure to foreign currency or interest risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices [other than those arising from foreign currency risk or interest rate risk] whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market.

The investments of the Trust are directly exposed to other price risk. If the unit price of the pooled funds were to increase or decrease by 10%, with all other variables being held constant, the impact on the net assets available for benefits would be approximately \$12,146,392 [2012 - \$11,570,826].

Credit risk

Credit risk is the risk that loss may occur from the failure of another party to perform according to the terms of a contract. The Trust is indirectly susceptible to credit risk through investments in pooled funds and cash holdings. The Trust does not consider the risk in this area to be significant.

Liquidity risk

Liquidity risk is the risk of not being able to meet the Trust's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at a reasonable price. The Trust forecasts its cash requirements over the near and long term to determine whether sufficient funds are available. The Trust's primary source of liquidity is income generated from the Trust's investments and contributions. The Trust limits liquidity risk as the Trust primarily invests in securities that are traded in active markets and can be readily sold.

Public Education Benefits Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

12. ACTUARIAL VALUATION

Actuarial valuations are required annually under the Trust Agreement. The latest actuarial valuation was performed at December 31, 2013 by Morneau Shepell Inc. Amounts reported in these financial statements are based on going concern results of this valuation. The actuarial assumptions used in determining the provision for claim reserves which were approved by the Trustees are set out in detail in the December 31, 2013 actuarial valuation. The primary assumptions for core LTD benefits include the claim CPP approval rate, funding interest rate, claim related expense rate and claim termination rates based on modifications to the 1988-1994 CIA study of disability termination experience based on Plan experience. The primary assumptions for group life benefits include rates of mortality and recovery, based on the CIA November 2001 report *Group Life Waiver Study*, funding interest rate and claim related expense rate.

13. RELATED PARTY TRANSACTIONS

Related parties of the Trust include members of the Board of Trustees ["Trustees"]. For the year ended December 31, 2013, the Trust paid administrative expenses of \$55,564 [2012 - \$57,822] in support of Trustee meetings and training. All transactions with related parties are recorded at the exchange amount agreed upon by the parties.

14. CAPITAL MANAGEMENT

Capital of the Trust is defined as the net assets available for benefits and is not subject to external restriction. The Trustees' primary objective when managing the net assets of the Trust is to safeguard its ability to continue providing benefits to members at current levels in the future.

The Trustees set the amount of the net asset balance taking into consideration anticipated changes in economic and investment conditions, benefit costs and actuarial determination. The Trustees have the ability to enhance or reduce benefits and to increase contributions as part of their management of the net assets of the Plan.

Actuary Report

TOTAL PLAN LIABILITY - COMPARISON BETWEEN 2012 AND 2013

Benefits	As of December 31, 2013	As of December 31, 2012
Long Term Disability		
Open Claims	\$15,860,000	\$13,312,000
LTD IBNR Reserve	<u>\$6,307,000</u>	<u>\$4,822,000</u>
Total LTD Actuarial Liability	\$22,167,000	\$18,134,000
Extended Health & Dental Benefits		
EHB IBNR Reserve	\$4,042,000	\$4,388,000
Dental IBNR Reserve	<u>\$1,236,000</u>	<u>\$1,295,000</u>
Total EHB & Dental Actuarial Liabilities	\$5,278,000	\$5,683,000
Group Disabled Member Life Waiver of Premium Benefit		
Open Waiver of Premium Reserve	\$6,120,000	\$5,947,000
Unreported Waiver of Premium Reserve	\$1,392,000	\$1,451,000
Unreported Death Claims Reserve	<u>\$569,000</u>	<u>\$578,000</u>
Total Reserve	\$8,081,000	\$7,976,000
TOTAL ACTUARIAL LIABILITY	\$35,526,000	\$31,793,000

In respect of the PEBT Plan, I state that in my opinion:

- (a) *the data on which the valuation is based are sufficient for the purpose of the valuation;*
- (b) *the assumptions made for the purpose of the valuation are, in aggregate, adequate and appropriate for the purpose of this report at the time the report was prepared; and*
- (c) *the valuation methods employed are consistent with sound actuarial principles and appropriate for the purposes of this report.*

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

The undersigned is available to respond to any comments or questions regarding this report.

Respectfully submitted,
Morneau Shepell



May 6, 2014

Ian Leznoff, F.S.A., F.C.I.A.

Principal

Date

Section 6 – Investment Summary

The PEBT invests their assets to earn additional income to fund future benefits for “Core” LTD and subsidize operating expenses incurred to manage the Trust. As at December 31, 2013, the Trust held \$121.5 million in their investment portfolio representing a net increase of \$5.8 million from the amount held by the Trust on December 31, 2012.

The management of the portfolio is outlined in the PEBT’s Statement of Investment Policy and Procedures (SIPP). The SIPP applies only to the PEBT investment accounts held with bclMC and Mawer, not to cash or other assets in use or reserves for the day-to-day operation of the Fund, nor to any assets held by an insurer in respect of any benefits that may be payable by the insurer.

The PEBT also has an arrangement with the Vancouver City Savings Credit Union (VanCity) who provide a preferred interest rate on the assets held on deposit on a daily basis by the Fund. These interest returns also subsidize the operating expenses of the Trust.

The PEBT Investment Committee monitors the performance of the investment portfolio with the assistance and advice of their Investment Consultant. The powers and duties of the Investment Committee are contained in the Terms of Reference of the Investment Committee, as adopted by the Board and amended from time to time.

The Investment Committee reviews the SIPP at least once each year or at any time when any legislative or economic factors may affect the investment of the assets, and recommends to the Board any changes they feel are necessary. The Committee also reports to the Board each calendar quarter on its activities.

Investment Objectives

The PEBT SIPP was developed with two investment objectives. The primary objective is to generate investment earnings on average each year over a rolling 5-year period, equal to at least 4.0%. The second investment objective was to reduce the probability that there may be a loss of capital in any year (i.e. risk objective).

A Benchmark Portfolio is the set of asset classes, in combination, that is expected to have the greatest likelihood of achieving the above investment objectives.

The Board currently utilizes the following Benchmark Portfolio for their investments:

Asset Class	Benchmark Index	Benchmark Asset Mix as of December 31, 2013
Canadian Equities	S&P / TSX Total Return	17%
Global Equities	Morgan Stanley (MSCI) World ex-Canada Total Return (\$Can)	25.5%
Canadian Bonds	DEX Universe Bonds	50%
Short-Term Bonds	DEX Short-Term Government Bonds	5%
Emerging Market Equities	Morgan Stanley Capital International (MSCI) Emerging Markets Net Index	2.5%

The assets in the investment portfolio may be invested only in permitted categories of investments as stated in the PEBT SIPP. This includes, but is not limited to, equities, debt securities (i.e. bonds), interest-bearing cash or cash equivalents, and pooled funds.

Current Investments

The performance of the PEBT investment portfolio for each of the pooled funds is monitored quarterly by the investment consultant with the Investment Committee. The investment return for the PEBT portfolio in 2013 was 13.1% which was above the benchmark rate of return of 10.8%.

Over the course of the past three years, the dollar value of PEBT Investments at Fair Value is summarized as follows:

INVESTMENTS – AT FAIR VALUE			
Fund	2013	2012	2011
Canadian equity pooled funds	\$19,252,000	\$18,955,000	\$17,452,000
Global equity pooled funds	\$34,527,000	\$35,205,000	\$31,187,000
Emerging market equities	\$3,262,000		
Universe bonds	\$58,394,000		
Short-term bonds	\$6,027,000		
Fixed income pooled funds		\$61,143,000	\$54,374,000
Money market and cash	\$2,000	\$405,000	
Total Portfolio	\$121,464,000	\$115,708,000	\$103,013,000

The PEBT continues to explore opportunities to ensure their investment objectives are met which includes methods to minimize risk and reviewing alternative investments options.

Appendix A – List of Participants

District Name	School District Number	Union Local	Core LTD Plan Participation Date
Southeast Kootenay	05	CUPE Local 4165	March 1, 2003
Rocky Mountain	06	CUPE Local 440	November 1, 2006
Kootenay Lake	08	CUPE Local 748	April 1, 2003
Arrow Lakes	10	CUPE Local 2450	August 1, 2003
Revelstoke	19	CUPE Local 5150	March 1, 2003
Kootenay-Columbia	20	CUPE Local 1285	March 1, 2003
Vernon	22	CUPE Local 5523	March 1, 2003
Central Okanagan	23	CUPE Local 3523	March 1, 2003
Cariboo-Chilcotin	27	IUOE Local 959	November 1, 2006
Quesnel	28	CUPE Local 4990	November 1, 2006
Chilliwack	33	CUPE Local 411	November 1, 2006
Langley	35	CUPE Local 1260	March 1, 2003
Langley	35	CUPE Local 1851	March 1, 2003
Surrey	36	CUPE Local 728	November 1, 2006
Delta	37	CUPE Local 1091	March 1, 2003
Richmond	38	CUPE Local 716	March 1, 2003
Vancouver	39	CUPE Local 407	March 1, 2003
Vancouver	39	CUPE Local 15	November 1, 2006
Vancouver	39	IUOE Local 963	November 1, 2006
New Westminster	40	CUPE Local 409	March 1, 2003
Burnaby	41	CUPE Local 379	March 1, 2003
Maple Ridge/Pitt meadows	42	CUPE Local 703	March 1, 2003
Coquitlam	43	CUPE Local 561	November 1, 2006
North Vancouver	44	CUPE Local 389	March 1, 2003
West Vancouver	45	WVMEA	November 1, 2006
Sunshine Coast	46	CUPE Local 801	March 1, 2003
Powell River	47	CUPE Local 476	March 1, 2003
Howe Sound	48	CUPE Local 779	March 1, 2003
Central Coast	49	NTSA	November 1, 2006
Queen Charlotte/Haida Gwaii	50	CUPE Local 2020	March 1, 2003
Boundary	51	CUPE Local 2098	March 1, 2003
Prince Rupert	52	IUOE Local 882B	November 1, 2006
Okanagan/Similkameen	53	CUPE Local 523	March 1, 2003
Bulkley Valley	54	CUPE Local 2145	March 1, 2003
Prince George	57	CUPE Local 3742	March 1, 2003
Prince George	57	CUPE Local 4991	November 1, 2006
Nicola Similkameen	58	CUPE Local 847	March 1, 2003
Peace River South	59	BCGEU Local 710	November 1, 2006
Peace River South	59	Teamsters Local 31	November 1, 2006
Peace River South	59	CUPE Local 4992	November 1, 2006

Peace River North	60	CUPE Local 4653	November 1, 2006
Greater Victoria	61	CUPE Local 382	March 1, 2003
Greater Victoria	61	CUPE Local 947	March 1, 2003
Sooke	62	CUPE Local 459	March 1, 2003
Saanich	63	CUPE Local 441	March 1, 2003
Gulf Islands	64	CUPE Local 788	March 1, 2003
Okanagan Skaha	67	CUPE Local 523	March 1, 2003
Nanaimo - Ladysmith	68	CUPE Local 606	March 1, 2003
Qualicum	69	CUPE Local 3570	March 1, 2003
Alberni	70	CUPE Local 727	March 1, 2003
Comox Valley	71	CUPE Local 439	March 1, 2003
Campbell River	72	CUPE Local 723	November 1, 2006
Kamloops/Thompson	73	CUPE Local 3500	March 1, 2003
Gold Trail	74	CUPE Local 173	March 1, 2003
Mission	75	CUPE Local 593	March 1, 2003
Fraser-Cascade	78	CMAW Local 2423	November 1, 2006
Cowichan Valley	79	CUPE Local 606	March 1, 2003
Cowichan Valley	79	USW 180	November 1, 2006
Fort Nelson	81	BCGEU Local 710	November 1, 2006
Coast Mountains Regular Employees	82	CUPE Local 2052	March 1, 2003
North Okanagan-Shuswap	83	CUPE Local 523	March 1, 2003
Vancouver Island West	84	CUPE Local 2769	March 1, 2003
Vancouver Island North	85	CUPE Local 401	March 1, 2003
Stikine	87	CUPE Local 3234	March 1, 2003
Nechako Lakes	91	CUPE Local 4177	March 1, 2003
Nisga'a	92	CUPE Local 2298	March 1, 2003
Conseil Scolaire Francophone	93	CUPE Local 4227	November 1, 2006

The background of the entire page is a dark blue color with a subtle, lighter blue pattern of stylized leaves and branches. The leaves are of various shapes, some oval, some more pointed, and the branches are thin and angular. The pattern is dense and covers the entire area.

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