ASEBP Trustees' Report

Volume 33-25 No. 04 April 2025

Highlights of the April 17, 2025, Trustees' Meeting

1. STRATEGY

- The ASEBP Trustees participated in a strategy readiness session.
- A new five-year strategy will be communicated to stakeholders in the coming months.
- ASEBP remains committed to ensuring that Alberta's public education sector has a benefits plan that meets their evolving needs, supports covered member health and well-being, and ensures long-term sustainability.

2. STATEMENT OF INVESTMENT POLICIES – SECOND READING

- The ASEBP Trustees gave **final approval** (second reading) to minor changes to the Statement of Investment Policies, effective May 1, 2025, in an effort to improve clarity and accuracy.

3. RESERVES

- Each fiscal year end (December 31), ASEBP must establish regular reserves to:
  - Ensure that promised benefits will be paid in the event of an interruption of premiums or a partial wind-up of a benefit plan; and
  - Reflect the impact of claims in the year in which they occurred.
- The ASEBP Trustees approved the recommended reserve levels from the plan actuary, which total approximately $473M ($476M in the prior year). Liabilities have decreased primarily due to favourable experience in the Extended Disability Benefits (EDB) Plan.
- Most reserves relate to future payments of EDB claims, as ASEBP must set aside enough money to pay each claim for as long as required, sometimes until the covered member turns 65. Since the bulk of this money will be paid out at some point in the future, reserves have an opportunity to earn investment income. The expected investment income is also factored in when determining reserve requirements. As at December 31, 2024, the reserves were fully funded and invested with a variety of investment managers.

4. FINANCIAL HEALTH

- ASEBP measures its financial health through the use of ratios under its Capital Adequacy Policy and the related Capital Adequacy Reserve. The intent of this reserve is to provide financial stability during unusual times.

- ASEBP's Capital Adequacy Policy identifies how much capital ASEBP reasonably requires under unusual circumstances. The Policy is based on the premise that capital adequacy is more than simply being able to meet day-to-day expenses or being solvent—ASEBP has a number of measures in place to protect the Plan from risks associated with regular operations. These include having reserves for future disability payments, analyzing past claims experience, and projecting expected changes including margins to account for some degree of fluctuation, etc. The Capital Adequacy Reserve is in addition to all regular reserves.
- The financial framework captured in the Capital Adequacy Policy strives to establish an appropriate balance between assets and liabilities, thus helping the ASEBP Trustees determine when ASEBP has sufficient financial resources to meet specific risks that may impact overall financial performance during unusual times. These risks are related to asset, reserve, and claims variability:
    - Asset variability takes into account the market value of investments and other assets held by ASEBP, which can be subject to significant variation.
    - Reserve variability takes into account the impact of changes to the number of EDB claims on related reserves, which make up nearly 80% of ASEBP liabilities.
    - Claims variability takes into account the possibility of an unusual fluctuation in claims.

  A factor of financial risk has been assessed for each of these areas of variability to determine total capital requirements. The greatest amount of potential variability for ASEBP typically comes from assets, followed by reserves, then in-year claims.
- The funded ratio of the Plan is the ratio of total available assets recognized on the balance sheet divided by the total liabilities. This captures the extent that the total Plan is funded or unfunded. For example, a funded ratio of 110% would indicate the Plan has 10% more assets than liabilities, whereas a funded ratio of 90% would indicate that the Plan assets are 10% lower than the Plan liabilities. Pension plans and many other self-funded disability plans and trusts consider their funded ratio when looking at the overall funding levels of the Plan.
- In addition to the funded ratio, there is a target funded ratio, which is the funding level that would be calculated if both the Plan's liabilities and Capital Adequacy Reserve were fully funded.
- The plan actuary calculated that, as of December 31, 2024, the funded ratio was 127% while the target funded ratio was 126%. As these ratios are calculated at a point in time, it is important to note that they are subject to change. Overall, ASEBP's financial health continues to be good.

Allendale Centre East • Suite 301, 6104-104 Street NW • Edmonton, AB T6H 2K7
Phone: 780-438-5300 • Email: trustees@asebp.ca • Website: asebp.ca