

DISABILITY INSURANCE PLAN BOARD OF MANAGEMENT

Protected



ANNUAL REPORT

January 1 to December 31, 2003

NATIONAL JOINT COUNCIL

DISABILITY INSURANCE PLAN BOARD OF MANAGEMENT

In accordance with the NJC By-Laws, the undersigned submit this annual report regarding the performance and the administration of the Disability Insurance Plan during the period of January 1 to December 31, 2003.

CHAIRPERSON / PRÉSIDENTE

Louise Holmes

**EMPLOYER SIDE MEMBERS/
MEMBRES DE LA PARTIE PATRONALE**

Secrétariat du Conseil du Trésor

Kathy Jordan
Treasury Board Secretariat

Pêches et Océans Canada

Alain Corriveau
Fisheries and Oceans Canada

**BARGAINING AGENT SIDE MEMBERS/
MEMBRES DE LA PARTIE SYNDICALE**

Alliance de la Fonction publique du Canada

James Infantino
Public Service Alliance of Canada

Institut professionnel
de la fonction publique du Canada

Rudy Loiselle
Professional Institute of the Public Service of
Canada

Association des gestionnaires financiers de la
Fonction publique

Gene Szabo
Association of Public Service Financial
Administrators

Syndicat de la santé nationale et bien-être
sociale

Raymond Strike
National Health and Welfare Union

The Disability Insurance Plan Board of Management is pleased to report the following information relating to the administration of the Plan, and performance and activities of the Board for the period of January 1 to December 31, 2003.

BACKGROUND INFORMATION

The DI Plan Board of Management held its inaugural meeting in May 1996. It was created as a result of a recommendation made to the Executive Committee of the NJC by the defunct Health Insurance Programs Committee. The DI Plan provides income replacement during long-term disability, up to 70% of insured earnings. In 2003, the DI Plan delivered \$253 million in support to affected employees. The Insurer of the Plan is Sun Life Financial.

At the end of the reporting period, the insured population under this Plan was made up of 203,483 represented employees, a 2.5% increase from 2002. From March 1, 1993 to December 31, 2002, the premium rate remained the same at \$1.08 per \$1,000 of annual insurable earnings. Effective January 1, 2003, the premium rate increased by 49% from \$1.08 to \$1.61. According to the cost-sharing arrangement, employees pay 15% of that amount and the employer contributes 85%.

MEMBERSHIP AND ACTIVITIES

The Board met six (6) times during the period covered by this Report, devoting much of its time to hearing appeal cases and to overseeing the administration and financial experience of the Disability Insurance Plan.

Louise Holmes served as Chairperson of the Board for the eighth consecutive year.

The members of the Board as of the end of the 2003 reporting period were:

Glenda Blacker, Public Works and Government Services Canada

Alain Corriveau, Fisheries and Oceans Canada;

Kathy Jordan, Treasury Board Secretariat;

James Infantino, Public Service Alliance of Canada;

Rudy Loiselle, Professional Institute of the Public Service of Canada;

Raymond Strike, Public Service Alliance of Canada;

Gene Szabo, Association of Public Service Financial Administrators; and

Marthe Wright, Canada Revenue Agency

Doug Taylor's (Human Resources Development Canada) term ended during the latter part of the year and Glenda Blacker, Public Works and Government Services Canada was appointed to replace him on the Board of Management.

Maryse Bernier of the NJC Secretariat, served as Secretary to the Board for a portion of the year 2003, on behalf of Dan Butler who is Secretary of Records and General Secretary of the NJC. Dennis Dumoulin replaced her in the latter part of the summer. Dr. Johanne Lloyd-Jones of Health Canada served as Medical Consultant to the Board until September. For the one (1) remaining meeting of the year, the Board operated without the assistance of a Medical Consultant. Jocelyne Angrignon served as Appeals Coordinator.

ADMINISTRATION

The Board of Management met with the Plan Insurer on one (1) occasion to receive financial information.

In May, the Board of Management held its meeting in the Insurer's office in Montreal. This was an opportunity for the members to tour Sun Life's operations, to meet with the staff and to better understand the claims adjudication process from the Insurer's perspective.

Generally, the time required to process claims under the DI Plan is shorter than the rest of Sun Life policies because claims applications are reviewed by the employer; the DI Plan has its own dedicated claims unit; and there is a shorter elimination period (13 weeks) on the DI Plan.

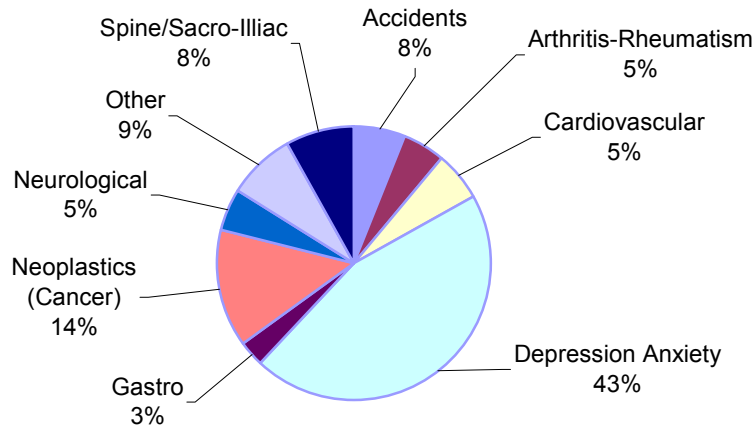
EXPERIENCE AND ISSUES

This year, the DI Plan ended the year with a Surplus increase of \$9.48 million. The full amount of the Surplus was transferred to the Claims Fluctuation Reserve (CFR), which still remains under the target funding level of 25% of annual premiums.

The annual report prepared by the Insurer includes a broad overview of Plan data, which was also reviewed by the Board. As of year-end 2003, there were 1,822 Notified claims with a year of disability of 2003, and of these, 1,611 claims were either approved in 2003 or are still pending at December 31, 2003.

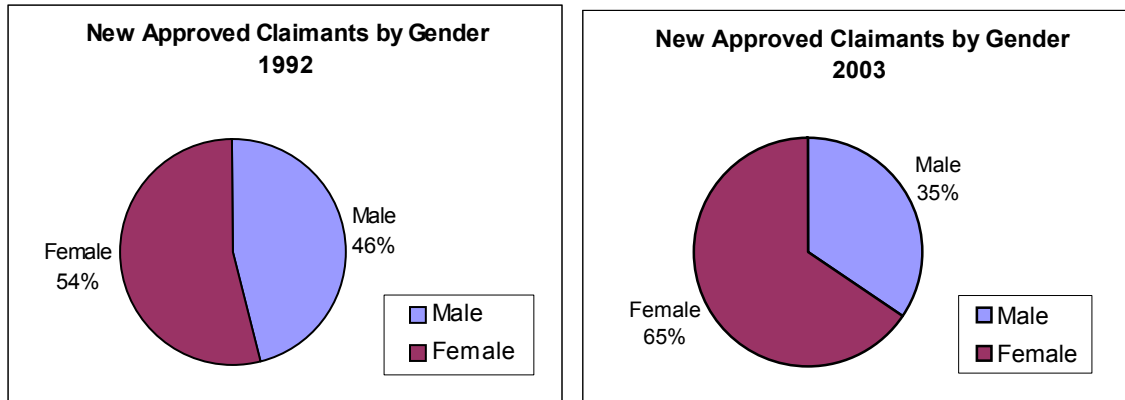
Psychological conditions including depression and anxiety remained the major cause of disability for new claims in 2003 as it has in the last 12 years. Increasingly, cases presented deal less with objective verifiable medical data and more with the challenges that are posed by the difficulty in diagnosing these illnesses.

The distribution of other causes of disability for approval year 2003 is illustrated in the chart seen below:



In 2003, 64% of approved claims came from individuals between the ages of 40 and 54, the average age being 45.4 for women and 48.0 for men.

The gap between men and women was quite significant, and the charts below show the evolution of that gap between 1992 and 2003:



APPEAL CASES

The terms of reference for the Board include the duty to examine appeals against membership and claims decisions by the Insurer and to make recommendations to the Insurer and, in certain circumstances, to employing departments and agencies.

During the period covered by this report, the Board reviewed eighteen (18) appeals. On two (2) occasions, the Board requested additional information from either the appellant or the Insurer before making a recommendation. In two (2) cases, the Board could not agree with Sun Life’s decision and in fourteen (14) cases, the Board could find no reason to disagree with Sun Life’s decision.

OTHER DEVELOPMENTS

❑ MEDICAL CONSULTANT

In the latter part of 2003, Dr. Johanne Lloyd-Jones announced her resignation from the Board of Management. For the one (1) remaining meeting of the year, the Board operated without the assistance of a Medical Consultant. At a special meeting convened by the Board, the members agreed that a Medical Consultant was necessary to help them clarify conditions and illnesses during the review of appeals. A resolution to this dilemma was expected by the early part of 2004. Consequently, this became the most pressing issue for the Board to address.

❑ TERMS OF REFERENCE OF THE DI PLAN BOARD OF MANAGEMENT

In 2001, during a discussion on surplus, the question as to the Board's role regarding financial issues was raised again. The Board agreed to review its terms of reference to ensure the Board can study this issue. A sub-committee was then struck and undertook the review of the terms of reference in 2002. However, in late fall 2002, after the sub-committee had done a full examination of the terms of reference, the NJC Executive Committee made the decision to mandate a special working group to review the terms of reference of both Disability and Public Service Dental Care Plan Boards of Management and to provide recommendations directly to the NJC Executive Committee by the Spring of 2003.

In the Spring of 2003, the Chairperson of the Board of Management met with the special working group and had occasion to express her views and opinions on the governance of the Board. By the Fall, the special working group had provided a final draft document to all Board members for review. Final recommendations to the Executive Committee are expected by the Spring of 2004.

❑ CPP/QPP BENEFITS

In past reports, the effect of the change in approval policy with respect to CPP/QPP disability benefits was a matter of discussion. The change occurred in 1995 so the majority of current DI claims have been adjudicated under the new rules. At this point, this issue is no longer relevant to the plan.

❑ INTEGRATION OF THE DISABILITY PROVISIONS OF THE PUBLIC SERVICE SUPERANNUATION ACT WITH THE FEDERAL DISABILITY INSURANCE PROGRAMS

The Board of Management reviewed the advantages and disadvantages of an integrated approach and noted that two (2) provinces had adopted this practice. Additional information was requested on medical retirement issues in order to gain a better understanding of the issue and discussions were likely to continue in 2003.

Due to the incomplete resolution on the Board of Management's terms of reference, it was decided to postpone further clarification or talks on this issue.

□ CLAIM PROCESSING

The Board of Management was made aware of claim processing delays in the Government's processing unit located in Shediac, New Brunswick. The Shediac office receives and reviews DI claims to ensure that each file is complete and conforms to the eligibility criteria before forwarding them to Sun Life for medical review. At the end of 2002, the Board of Management was in the process of determining the reasons for delays and a TBS representative contacted the Shediac office to discover what measures had been taken to remedy the situation.

The situation appears to have been resolved because no further complaints have been received.

COMMUNICATION

In 2001, a working group was established identifying communications with departments as a first priority. The working group consulted with the Association of Compensation Managers (ACM) and Public Works and Government Services Canada (PWGSC) to discover existing problems with the claims application process as well as common questions and areas of confusion. Inconclusive responses were received, thus, the Board decided to explore other venues of communication. In the Summer of 2003, the Chairperson made a presentation to the NJC on plan data and Board challenges. The working group resumed its discussions and agreed to contact Sun Life to establish the level of breakdown of disabilities per department. Work has been delayed due to the focus on the issue of Medical Consultant.

In February of 2003, the various Committee chairpersons met with the Executive Committee to obtain information on the work of other committees and to establish relationships. This consequently afforded an opportunity for the Board to increase its visibility and role.

TRAINING

In 2003, the Board continued to support training for its members. In accordance with its mandate, the Board paid registration for funds to cover registration costs of conferences. Several Board members attended conferences presented by the International Foundation of Employee Benefits Plans.

LOOKING AHEAD

The 2004 financial experience on the 2003 reserve basis has resulted in an increase in surplus of \$9.81 million over the first three months. The main factors that contributed to this outcome were the 49% premium rate increase that was implemented on January 1, 2003 and a reduction in the number of retroactive salary adjustments processed thus far in 2003.

The Board of Management is following the work of the joint study group reviewing the terms of reference of both boards of management (Disability and Public Service Dental Care Plan) with much anticipation, and has cooperated with the members of the group.

CONCLUSION

The Board would like to thank Dr. Lloyd-Jones for her invaluable assistance in interpreting the medical aspects of the appeal cases and to Ms. Angrignon who coordinated the presentation of the appeal cases to the Board and who provided Board members with the details of each case during its examination of the appeal.

The Board would also like to thank Doug Taylor. His extensive knowledge of CPP Disability provided a valuable contribution as a member. Mr. Taylor's term ended during the latter part of the year.

The DI Plan Board of Management would also like to take this opportunity to thank Sun Life for working so closely with the Board on recommended insertions and improvements to the Insurer's annual report.

On the whole, the Board has noted that Sun Life has handled the complexity of disability insurance cases with skill and empathy. It has also appreciated Sun Life's continued support throughout another difficult year.

