

DISABILITY INSURANCE PLAN BOARD OF MANAGEMENT



ANNUAL REPORT

January 1 to December 31, 2004

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, 2004.

En vertu du Règlement du CNM, les soussignés présentent ce rapport annuel sur le rendement et l'administration du Régime d'assurance invalidité pour la période allant du 1^{er} janvier au 31 décembre 2004.

CHAIRPERSON/PRÉSIDENTE

Louise Holmes

EMPLOYER SIDE MEMBERS/ MEMBRES DE LA PARTIE PATRONALE

Secrétariat du Conseil du Trésor

Kathy Jordan
Treasury Board Secretariat

Travaux publics et Services gouvernementaux
Canada

Brigitte Fortin
Public Works and Government Services
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

Ressources naturelles Canada

Syndicat de la santé nationale et bien-être
sociale

Joanne O'Byrne
Natural Resources Canada

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, 2004.

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 2004, the DI Plan delivered \$223 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 205,233 represented employees, a 0.9% increase from 2003. 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 and remains the same, at \$1.61, for this reporting year. According to the cost-sharing arrangement, employees pay 15% of that amount and the employer contributes 85%.

MEMBERSHIP AND ACTIVITIES

The Board met seven (7) 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 ninth consecutive year.

The members of the Board as of the end of the 2004 reporting period were:

Alain Corriveau, Fisheries and Oceans Canada;
Brigitte Fortin, Public Works and Government Services Canada;
James Infantino, Public Service Alliance of Canada;
Kathy Jordan, Treasury Board Secretariat;
Rudy Loiselle, Professional Institute of the Public Service of Canada;
Joanne O'Byrne, Social Development Canada;
Raymond Strike, Public Service Alliance of Canada; and
Gene Szabo, Association of Public Service Financial Administrators.

Glenda Blacker's (Public Works and Government Services Canada) term ended during the latter part of the year and Brigitte Fortin, Public Works and Government Services Canada was appointed to replace her on the Board of Management.

Joanne O'Byrne (Social Development Canada) joined the Board of Management in the latter part of the year.

Dennis Dumoulin of the NJC Secretariat, served as Secretary to the Board for the year 2004, on behalf of Dan Butler who is Secretary of Records and General Secretary of the NJC. Jocelyne Angrignon served as Appeals Coordinator. For the two (2) first meetings of the year, the Board operated without the assistance of a Medical Consultant.

Dr. Raymond Aubin of Human Resources Development Canada assumed the duties of Medical Consultant to the Board in May.

ADMINISTRATION

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

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.

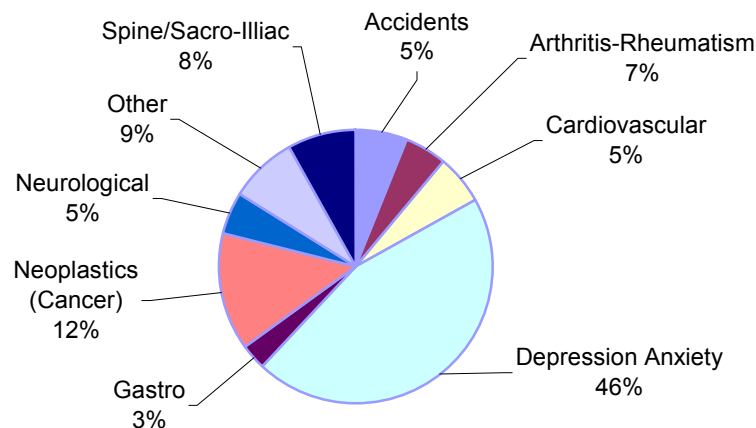
EXPERIENCE AND ISSUES

This year, the DI Plan ended the year with a Surplus increase of \$51.42 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 2004, there were 1,904 Notified claims with a year of disability of 2004, and of these, 1,700 claims were either approved in 2004 or are still pending at December 31, 2004.

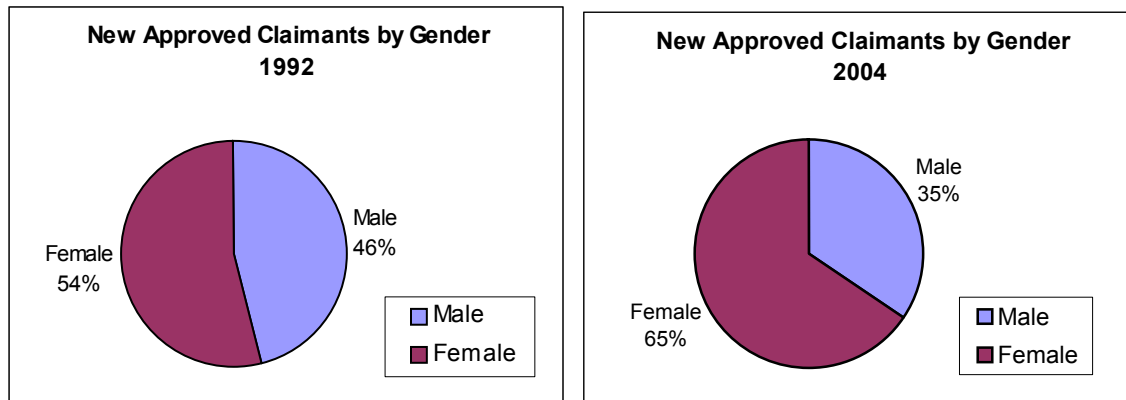
Psychological conditions including depression and anxiety remained the major cause of disability for new claims in 2004 as it has in the last thirteen (13) years. Increasingly, cases presented deal less with objective verifiable medical data verified by traditional diagnostic protocols and more with the challenges that are posed by the difficulty of diagnosing these illnesses.

The distribution of other causes of disability for approval year 2004 is illustrated in the chart seen below:



In 2004, 62% of approved claims came from individuals between the ages of 40 and 54, the average age being 45.4 for women and 48.2 for men.

The gap between men and women was quite significant, and the charts below show the evolution of that gap between 1992 and 2004:



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 twelve (12) appeals. In one (1) case, the Board could not agree with Sun Life's decision and in eleven (11) 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 several meetings, the Board operated without the assistance of a Medical Consultant. This dilemma was however resolved in the early part of 2004.

□ TERMS OF REFERENCE OF THE DI PLAN BOARD OF MANAGEMENT

Further to the developments cited in last year's Annual Report, the special working group provided a final draft document to all Board members for review and final recommendations to the Executive Committee were submitted by mid year. As a result, the Executive Committee agreed that the Bargaining Agent Side members of the Executive Committee would undertake to name representatives to continue work with the special working group with a view to defining a comprehensive approach to the Plan governance and other related issues such as the negotiation process. Refinement of the Terms of Reference will await this work.

❑ EXPENDITURE PROPOSALS

The Board in discussing fiscal year expenditure proposals noted that when training, seminars and conferences are located outside the National Capital Region (NCR), the DI Plan Board of Management expenditures currently covers only the cost of members' registration fee, but no travel expenses. Therefore, all travel expenses must be paid for by the respective organizations. Department representatives have not been able to participate in training outside of the NCR due to lack of available funds.

Consequently, the DI Plan Board of Management agreed to refer the matter to the Executive Committee.

The Executive Committee having considered the above-cited issue agreed to maintain the existing approach regarding training requests (i.e., only registration fees would be covered from Plan funds, not travel expenses). However, the Employer Side members of the Executive Committee reported that it would undertake to facilitate coverage of travel expenses for employer representatives when issues arise in departments.

❑ PROCEDURE OF APPEALS

The Board, during the reporting year, received a request to examine three (3) separate cases that had been closed without being reviewed. The three (3) employees in question having consulted with their attending physicians were advised that there was no further medical information available, in regards to their claim for federal disability insurance benefits. Consequently, the employees requested that the files be reopened and the appeals be allowed to proceed to the Board of Management for review.

The Board did not support the view that the existing process should be short-circuited and recommended that Sun Life review the above-cited files with the existing information at each of its internal levels and if there was deemed to be no change in the outcome; the cases should then be referred to the Board of Management.

The Board, as a result of meetings with Sun Life and the concerns they raised, agreed to re-visit its initial recommendation and recommended that its original decision to review the three (3) files with the existing information at each of its internal levels be overturned. The Board of Management also recommended that the three (3) files, presently being held in abeyance, proceed through their normal course.

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.

In 2004, Sun Life made a presentation on the internal appeal process. It was also decided to create a sub-committee whose task is to review the brochure describing the appeal process.

TRAINING

In 2004, 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 2005 financial experience on the 2004 reserve basis has resulted in an increase in surplus of \$18.8 million over the first four (4) months. Several factors contributed to this outcome. For one, the premium income from the new rate implemented on January 1, 2003 is more in line with the current claims incidence. Also, the number of retroactive salary adjustments processed has reached a level where only a few remaining cases are being processed with a minimal financial impact to the plan. In addition, the number of notified claims in the first four (4) months of 2005 is 8% lower than the same period in 2004. We will continue to monitor this trend for the remainder of the year.

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 Glenda Blacker for her valuable contribution as a member. Ms. Blacker's term ended during the latter part of the year.

The Board would also like to thank Jocelyne 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 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.