

Government of Yukon Financial Report

For the Period April 1, 2022 to
March 31, 2023

19 September 2023

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Section 1

Executive Summary

The purpose of this report is to summarize the financial results of the Government of Yukon's group insurance plan with Canada Life for the period of April 1, 2022 to March 31, 2023 (the "current period" or "current financial year") and provide comments based on our review of these results.

The following table summarizes the benefits covered in this report and the corresponding underwriting arrangement.

Benefit	Underwriting Arrangement
Basic life	Non-Refund
Accidental death and dismemberment ("AD&D")	Non-Refund
Optional life	Non-Refund
Dependent life	Non-Refund
Dependent accidental death and dismemberment	Non-Refund
Global medical assistance	Non-Refund
Long term disability	Refund accounting with durational pooling
Extended health care	Administrative Services Only
Dental care	Administrative Services Only

Highlights

The highlights of the current period include the following:

- Basic life claims totalled \$322,375 (representing three employee death claims). There was also one dependent life claim for \$5,000.
- The refund long term disability benefit plan resulted in a plan year surplus of \$186,470. The surplus was transferred to the Refund Deposit Account ("RDA").
- As at March 31, 2023, the closing balance in the refund Claims Fluctuation Reserve ("CFR") is \$1,154,353 and it is 100% funded.
- As at March 31, 2023 the RDA had a balance of \$3,502,885.
- Extended health claims (net of pooled claims), plus expenses and taxes totalled \$14,577,257 and the Government of Yukon paid \$13,045,819 in extended health deposits for current period. As a result, the ending balance as at March 31, 2023 was a deficit of \$1,531,438. For your information, \$541,018 of extended health claims were pooled during this period.

- Dental claims, expenses and taxes totalled \$5,649,387 and the Government of Yukon paid \$4,864,228 in dental care deposits. As a result, the ending balance as at March 31, 2023 was a deficit of \$785,160.
- A deficit under the ASO extended health and dental benefits was expected as the Government implemented rate adjustments lower than recommended at the April 1, 2022 renewal in order to use some of the ASO surplus funds, but the deficit was more than expected primarily due to higher extended health claims trend.

Balance of Report

No formal financial accounting is prepared for the benefits underwritten on a non-refund basis. However, for your information, we have included paid premium and claims information for these benefits in Section 2.

Section 3 of this report summarizes the financial results of the long term disability (“LTD”) benefit, which is underwritten on a refund accounting basis. Canada Life prepared a formal financial accounting covering the period of April 1, 2022 to March 31, 2023 based on the terms outlined in the Government of Yukon’s Financial Agreement with Canada Life. Based on our review, we found that Canada Life’s financial accounting report accurately reflects the financial position of the long term disability plan as at March 31, 2023.

For the Administrative Services Only (“ASO”) benefits, we completed a financial reconciliation of the extended health and dental plans for the current financial period. This reconciliation is provided in Section 4 along with a summary of the Government of Yukon’s claiming trends over the last 10 plan years.

Next Steps

We will meet with the Government of Yukon on September 26, 2023 to discuss the results of this financial report in detail.

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Section 2

Non-Refund Benefits

The basic life, accidental death and dismemberment (“AD&D”), optional life, Global Medical Assistance (“GMA”), dependent life and dependent AD&D benefits are underwritten on a non-refund basis. A non-refund arrangement is fully insured and there is no formal accounting of premium and claims. The insurer assumes the full risk that actual claims may exceed premium. On the other hand, no refunds are available if premium exceeds claims.

Although Canada Life does not prepare a formal financial reconciliation of the non-refund benefits, the following table summarizes paid premium and claims experience reported by Canada Life for the period of April 1, 2022 to March 31, 2023:

Insured Benefit	Premium	Claims
Basic life ¹	\$607,777	\$322,375
Accidental death and dismemberment	\$78,065	\$0
Optional life	\$132,222	\$118,000
Dependent life	\$24,236	\$5,000
Global Medical Assistance (GMA)	\$43,216	\$105,591
Total	\$885,516	\$550,966

Rounding applies.

Premium and claims were obtained from Canada Life

¹: Includes premium and claims paid for the post-retirement life benefit

As of March 31, 2023, there were 31 life waiver of premium claims approved (an additional four waiver claims were listed during the period, but had closed as at end of March). The waiver of premium reserves established for the 31 claims totalled \$756,551 as at March 31, 2023. The basic life benefit transitioned to Canada Life from Sun Life effective November 1, 2013. Claimants disabled prior to this date remain the liability of Sun Life until the claimant terminates or returns to work. As such, they are not included on Canada Life’s waiver of premium listing. In addition, there are fewer life waiver of premium claims than there are open long term disability claims given that Division 1 (YEU) does not have basic life coverage under this plan.

Section 3

Long Term Disability Benefit

Underwriting Arrangement

The long term disability (“LTD”) benefit is underwritten on a refund accounting basis. As noted with basic life coverage, effective November 1, 2013, the LTD benefit transitioned to Canada Life from Sun Life. Any claimants disabled before November 1, 2013 remain the liability of Sun Life after plan termination. This financial accounting report addresses the financial results and claimants with Canada Life only.

Under a refund arrangement, a formal financial accounting is completed at plan year-end and the Government of Yukon shares in the financial results with Canada Life. Premiums are compared to plan costs, which include incurred claims, disabled life reserves (“DLR”) and expenses. If premiums are less than plan costs, a deficit is declared and is carried forward to be offset by future surpluses. If premiums exceed plan costs, a surplus is declared and is used to offset any deficit carried forward, fund any required reserves, such as the claims fluctuation reserve (“CFR”), or is available for refund to the plan sponsor. If the plan terminates, the insurer remains liable for claims incurred prior to the termination date and also remains responsible for any deficit that has been carried forward (i.e., the insurer will not attempt to recover any deficit from the plan sponsor after the plan termination date). However, any surplus that exists when the final accounting is completed is refunded to the plan sponsor.

Under the refund pooling agreement with Canada Life, a five-year durational pooling arrangement applies to claimants with a date of disability on or after November 1, 2013. The durational pooling arrangement limits the Government of Yukon’s risk by limiting the period of time (five years in this case) that incurred claims (paid claims and reserves) are included in the annual financial accounting. Once the five-year time period has passed, the claim is fully pooled and is not included in the Government of Yukon’s financial accounting. As a result, the financial accounting for the current period includes claims incurred between April 1, 2018 to March 31, 2023. As at March 31, 2023, 31 open LTD claims have reached the five-year benefit duration with pooled claims totalling \$1,384,625 in the current financial year.

Financial Review Methodology

We reviewed Canada Life's financial report for the current financial period to validate the following:

- Opening balance of reserves and deposit funds;
- Total premium paid compared to the monthly payment information provided by the Government of Yukon;
- Expenses charged against the plan are calculated according to the Financial Agreement;
- Reserves for incurred but not reported claims, as well as reserves for current disabled employees, are calculated according to the Financial Agreement; and
- Interest rates used and interest calculated are in accordance with the Financial Agreement.

We reviewed Canada Life's financial report based on the terms outlined in the Government of Yukon's current Financial Agreement with Canada Life and found that Canada Life's financial accounting report accurately reflects the financial position of the LTD plan as at March 31, 2023.

Financial Results

For the current period, there was an in-year surplus of \$186,470, which was entirely transferred to the RDA. The table below outlines the financial results of the LTD benefit for the current period:

LTD Benefit - Financial Results for the period of April 1, 2022 to March 31, 2023		
A. Premium		
Total billed premium*	\$9,534,954	
Pooling charge	\$4,767,477	
Refund billed premium		\$4,767,477
B. Claims		
Paid claims	\$5,986,515	
Pooled claims	\$1,384,625	
Experience-rated claims		\$4,601,890
C. Experience-rated Incurred But Not Reported (IBNR) reserve		
Beginning reserves	\$1,764,679	
Ending reserves	\$1,671,777	
Change in IBNR reserve		(\$92,902)
D. Experience-rated Disabled Life Reserves (DLR)		
Beginning reserves	\$8,139,290	
Ending reserves	\$7,793,722	
Change in DLR		(\$345,568)
E. Total experience-rated claims charge (B + C + D)	\$4,163,419	
F. Expenses		\$536,832
G. Interest		
Interest on reserves	\$86,448	
Interest on cash flow	\$32,796	
Net interest		\$119,244
H. Plan year surplus/(deficit) (A – E – F + G)		\$186,470

LTD Benefit - Financial Results for the period of April 1, 2022 to March 31, 2023

I.	Closing balance		
	Plan-year surplus (H)	\$186,470	
	Transfer to Claims Fluctuation Reserve	\$0	
	Transfer to Refund Deposit Account	(\$186,470)	
	Closing balance at March 31, 2023		\$0
J.	Claims Fluctuation Reserve (CFR)		
	Beginning balance at April 1, 2022	\$1,262,519	
	Transfer to RDA	(\$122,054)	
	Interest	\$13,888	
	Transfer In	\$0	
	Closing Balance at March 31, 2023		\$1,154,353
K.	Refund Deposit Account (RDA)		
	Beginning balance at April 1, 2022	\$4,493,338	
	Monthly RDA Withdrawals	(\$1,335,493)	
	Interest	\$36,517	
	Deposits from CFR	\$122,054	
	Transfer from plan year surplus	\$186,470	
	Closing balance at March 31, 2023		\$3,502,885

Rounding applies.

* As reported by Canada Life in the 2022/2023 financial accounting

A. Premium

Canada Life reported \$9,534,954 in total paid premium during the financial period of April 1, 2022 to March 31, 2023 including the premium withdrawn from the refund deposit account (RDA). At the April 1, 2022 renewal, the Government of Yukon decreased the negotiated LTD rate of \$3.103 per \$100 of benefit by 14.0% to \$2.669 per \$100 benefit. The difference between the negotiated LTD rate and the lowered LTD rate was covered by monthly withdrawals from the RDA. During the 2022/2023 financial period, RDA withdrawals totalled \$1,335,493 to top up premium payment.

The total premium amount includes the pooling charge of 50% of total premium. In exchange for this pooling charge, Canada Life pools LTD claims that exceed 60 monthly payments or five years in duration.

The refund billed premium, which equals the total premium net of pooling charges, was \$4,767,477 for the 12-month financial period.

B. Claims

Paid claims during the current period reflect payments for 203 claimants (including those with negative adjustments). Under the current durational pooling arrangement, disability claims incurred more than five years ago are pooled by Canada Life and not charged against the plan's experience. The total of \$4,601,890 in experience rated claims in the current period compares to \$3,674,962 total paid claims in the 2021/2022 financial year for 145 claimants (including those with negative adjustments).

C. Incurred But Not Reported (IBNR) Claim Reserve

An incurred but not reported ("IBNR") claim reserve is established by Canada Life to account for claims that have been incurred but not yet submitted. Canada Life's required experience-rated IBNR level is calculated as the refund billed premium for the last month of the policy year, annualized, multiplied by a factor. As defined in the Financial Agreement, this IBNR factor is calculated to be approximately 0.33, based on the elimination period under the plan.

The full IBNR reserve was included in the Government of Yukon's first financial accounting with Canada Life. In subsequent years, only changes in the reserve are reflected. This year, the change in the IBNR was a reduction of \$92,202.

D. Disabled Life Reserves (DLR)

Disabled Life Reserves are established by Canada Life to cover expected future benefit payments to long term disability claimants in the event of plan termination. The reserves are calculated using actuarial assumptions and the demographics of specific claimants. Canada Life will use the reserve to make benefits payments for claims incurred before the plan termination date until the claimant recovers or reaches the termination age. A 5.0% expense factor is also applied to the reserve to account for Canada Life's expenses to adjudicate these claims after termination.

Overall, Canada Life is holding a DLR totalling \$39,258,905 (\$7,793,722 experience rated DLR and \$31,465,183 pooled DLR) as at March 31, 2023. For the purpose of the refund financial accounting, only the experience-rated DLR is taken into consideration. The experience-rated DLR represents reserves for the remainder of each claimant's first five years of payments (with an actuarial factor for potential recovery from disability and death during that period). The remainder of the DLR is the pooled reserves that Canada Life is holding to potentially pay claims until the claimant reaches age 65.

Similar to the IBNR reserve, the full DLR was included in the Government of Yukon's first financial accounting with Canada Life and only changes in the reserve are reflected in subsequent years. This year, the experience-rated DLR represents 84 claimants and is a decrease of \$345,568 over the prior period (89 claimants).

E. Total Experience-Rated Claims Charge

Paid claims, plus the changes in the experience-rated IBNR reserves and experience-rated DLR represent the total experience-rated claims charge assessed by Canada Life.

F. Expenses

Canada Life's expense charges for administering the long term disability benefit are negotiated on an annual basis. The charges for the current period are as follows:

Expense	Formula	Amount
General administration	<ul style="list-style-type: none"> 0.45% of refund billed premium 	\$21,454
Claims administration	<ul style="list-style-type: none"> \$1,200 per new claim 	\$61,200
	<ul style="list-style-type: none"> \$650 per declined claim 	\$18,200
	<ul style="list-style-type: none"> \$550 per ongoing claim 	\$43,450
Profit	<ul style="list-style-type: none"> 0.40% of refund billed premium¹ 	\$19,070
Risk	<ul style="list-style-type: none"> 0.80% of refund billed premium² 	\$38,140
Premium tax	<ul style="list-style-type: none"> Varies by province³ 	\$182,347
Rehabilitation and other costs (as incurred)	<ul style="list-style-type: none"> Amendments 	\$0
	<ul style="list-style-type: none"> Medical Vouchers 	\$2,630
	<ul style="list-style-type: none"> Internal Rehabilitation 	\$30,139
	<ul style="list-style-type: none"> External Rehabilitation 	\$51,495
	<ul style="list-style-type: none"> Internal Medical Coordination 	\$4,743
	<ul style="list-style-type: none"> External Medical Coordination 	\$29,661
	<ul style="list-style-type: none"> Independent Medical Exams 	\$7,340
	<ul style="list-style-type: none"> Functional Capacity Evaluation 	\$0
	<ul style="list-style-type: none"> Legal Internal 	\$15,434
	<ul style="list-style-type: none"> Legal External 	\$11,530
Total		\$536,832

Rounding applies

¹ Profit charge is based on level of CFR funding at the beginning of the plan year; range for this financial year is 0.4% to 0.7% of refund billed premium – the lowest charge applies given the fully funded CFR

² Risk charge is based on level of CFR funding at the beginning of the plan year; range for this financial year is 0.8% to 2.65% of refund billed premium – the lowest charge applies given the fully funded CFR

³ For this financial year, the average premium tax is 3.9805%

This financial year's expenses represent a decrease of approximately \$54,400 compared to the prior period. The increase is primarily driven by the decrease in legal charges, medical exam, and medical coordination charges.

G. Interest

Interest on Reserves

Canada Life credits interest on the experience-rated long term disability claims reserves at the beginning of the financial period. The IBNR reserve at April 1, 2022 was \$1,764,679 and interest earned was \$16,694 based on a rate of 0.946%. The DLR was \$8,139,290 at April 1, 2022 and the interest earned was \$69,754 based on a rate of 0.857%.

The interest rate applicable to the IBNR reserves is the average monthly declared valuation rate for the prior financial year. The valuation rate is determined based on the average asset yield that can be earned on the portfolio of fixed income assets backing the liabilities of the disability claims. The interest rate applicable to IBNR reserves is declared to be 2.496% for the next financial year (i.e., April 1, 2023 to March 31, 2024).

The interest rate applicable to the DLR is the average reserve weighted valuation rate (ARWVR) as defined in the Agreement. This rate is declared to be 1.35% for the next financial year.

Interest on Cash Flow

Canada Life credits interest on premium and charges interest on claims, expenses and premium taxes.

The interest rate applicable to the premiums is the average monthly declared valuation rate for the current financial year. For the current financial period, the applicable interest rate on premiums is declared to be 2.496%.

The interest rate applicable to the claims and retention charges is the average reserve weighted valuation rate (ARWVR) as defined in the Agreement. The applicable interest rate on retention charges for the current financial period is 0.857%.

Interest was credited and charged as follows:

Cash Flow	Interest Credit / (Charge)
Premium	\$55,488
Claims	(\$20,392)
Retention (including premium taxes)	(\$2,300)
Total	\$32,796

*Rounding applies.

Net Interest

Net interest is the sum of interest on reserves (credit of \$86,448) and on cash flow (credit of \$32,796). The net interest for the period is a credit of \$119,244.

H. Plan Year Balance

The plan year balance is the result of the refund billed premium and net interest credited less total experience-rated claims charges and expenses. The balance for the period is a surplus of \$186,470. This is a decrease of \$324,983 from last year's surplus of \$511,453.

I. Closing Balance

As the CFR was already fully funded, the in-year plan year surplus of \$186,470 was transferred to the refund deposit account.

J. Claims Fluctuation Reserve (CFR)

The CFR is funded by plan year surpluses over time and the target CFR level is 25% of annual refund billed premium. Using the refund billed premium for the current period and adjusting for interest earned on the opening balance, the target CFR level is \$1,154,353. At the beginning of the period, the CFR had a balance of \$1,262,519.

Canada Life credited interest of \$13,888 on the opening CFR balance, using the one-year standard rate of 1.10%. The target one-year rate is the average one-year GIC rates from the five major banks, less a provision for Canada Life's tax obligations.

As the beginning balance of the CFR on April 1, 2022 exceeded the target CFR as at March 31, \$122,054 was transferred from the CFR to the RDA.

K. Refund Deposit Account (RDA)

Once the CFR is 100% funded, any remaining surplus is transferred into the RDA. At the beginning of the period, the RDA had a balance of \$4,493,338. Canada Life paid \$36,517 in interest on this amount. At the April 1, 2022 renewal, the Government of Yukon elected to suppress the negotiated premium rate by 14.0% and the balance of the premium owing each month was withdrawn from the funds in the RDA. Withdrawals during the year totalled \$1,335,493. As the CFR balance exceeded the target level, the amount of \$122,054 was transferred to the RDA. In addition, the current in-year surplus of \$186,470 was transferred into the RDA. The closing balance of the RDA as at March 31, 2023 is \$3,502,885, which is a reduction of \$990,452.

As part of the April 1, 2023 renewal, Canada Life estimated that the LTD refund plan for 2022/2023 financial period was going to generate a plan year surplus of approximately \$267,000 (based on the 9-month experience between April 1 and December 31, 2022). Given the amount of funds expected to be in the RDA, at the April 1, 2023 renewal the Joint Management Committee (JMC) made a decision to continue to suppress the negotiated LTD premium rate by approximately 14% (from \$3.103 per \$100 of benefit to \$2.669 per \$100 of benefit) and use the lower LTD rate to pay Canada Life. The remaining portion of the premium owing, expected to be approximately \$1,295,800 over the year, will be withdrawn from the RDA each month. As such, the balance of the RDA as at March 31, 2024 is expected to be approximately \$2,207,085 (before interest).

Canada Life credits interest on the RDA based on the balance at the beginning of the year. The interest rate applicable to the RDA is the short term interest rate as defined in the Agreement. The declared interest rate for this year is 0.25%.

Canada Life has confirmed that the interest rate on LTD RDA as of April 1, 2023 will be 1.10% less 0.85% on the withdrawn portion of the opening balance.

Options for Utilization of the RDA

There are a number of options for the Government of Yukon to consider to utilize the funds in the RDA including maintain a balance, make a withdrawal, take a premium holiday, supplement reduced monthly premium payments or a combination of these. The Government of Yukon usually considers how to use the RDA funds as part of the April 1 annual renewal, most recently at the April 1, 2023 renewal.

Maintain Balance

The financial results for the 2023/2024 plan year are unknown at this time. If the year ends in a deficit, Canada Life will use funds in the CFR to pay the deficit. If funds in the CFR are not sufficient to fully re-pay a deficit, Canada Life charges interest on the remaining deficit. The Government of Yukon can transfer funds from the RDA to pay a remaining deficit.

As noted above, Canada Life has lower profit and risk charges when the CFR is fully funded and if CFR funds are used to pay a deficit, the Government of Yukon can transfer funds in the RDA to fully fund the CFR.

Withdrawal

As per the financial agreement, the funds in the RDA are available to the Government of Yukon for withdrawal. If funds are withdrawn, the Government of Yukon should consider that a portion of the RDA includes employee contributions. The Government of Yukon may want to consider using contributions to fund special projects that employees would benefit from such as mental health training or well-being etc. In our experience, plan sponsors rarely refund surplus to employees given the communication and other challenges.

We also note that there may be potential implications when funds are withdrawn. This is because employers typically receive tax deductions/credits for paying employee benefit premium. If an adjustment is not made when funds are transferred in to an RDA, the necessary adjustments need to be made when funds are withdrawn from the RDA and not used to pay premium. We suggest that you discuss the impact of any refund withdrawals with your tax advisor and/or finance department.

Premium Holiday

The projected March 31, 2024 RDA balance of \$2,207,085 (after monthly withdrawals in 2023/2024 are accounted for) represents approximately 2.5 months of premium for the LTD benefit, based on July 2023 benefit volumes and negotiated premium rate at the April 1, 2023 renewal. If a premium holiday were implemented for two months, this would utilize approximately \$1.63 million of the funds in the refund deposit account. If the Government of Yukon is considering this option for the 2024/2025 plan year, we can update the values based on updated volumes and the outcome of the April 1, 2024 renewal.

Administratively, the Government of Yukon would need to determine the volume of LTD coverage during the months when the premium holiday is taken, and instruct Canada Life to withdraw the applicable premium (both the employer and employee portions) from the refund

deposit account. The Government of Yukon would also need to communicate to employees and adjust payroll to stop their contributions during the holiday period.

Supplement Reduced Monthly Premium Payments

The Government of Yukon could continue to suppress the negotiated LTD premium rate at the next renewal, April 1, 2024, which is what the Government of Yukon has elected to do historically. Administratively, the suppressed rate is used to calculate the employer and employee portions of the premium each month and would be paid to Canada Life. The difference between this rate and the negotiated rate is used to calculate the amount that Canada Life should withdraw from the refund deposit account each month to supplement the premium payment. Alternatively, we can discuss with Canada Life if they would agree to a retrospective rate agreement where the difference between the negotiated rate and the suppressed rate is paid at the end of the year when the financial position is known.

Section 4

Administrative Services Only Benefits

The extended health care (“EHC”) and dental care benefits are underwritten on an Administrative Services Only (“ASO”) basis. This is a non-insured arrangement where the Government of Yukon assumes full financial liability for eligible claims incurred under the EHC (up to the pooling level) and dental care plans and pays a fee to Canada Life to provide claim adjudication and payment services and a pooling charge to reduce claims exposure. The expense charges for these services are reviewed each year at the annual renewal.

Extended Health Care

Financial Results

The following table provides a detailed summary of the activity of the EHC ASO plan for the current financial period:

EHC – April 1, 2022 to March 31, 2023	
Paid deposits*	\$13,045,819
Paid claims net of pooled claims	(\$12,916,314)
Canada Life expenses	
General administration	(\$83,956)
Claims administration	(\$443,844)
Profit charge	(\$59,415)
Pooling charge	(\$1,070,112)
Miscellaneous Expenses**	(\$3,621)
Total expenses	(\$1,660,948)
Tax	(\$7,237)
Total disbursements (Paid claims + Expenses + Tax)	(\$14,584,499)
Balance at March 31, 2023	(\$1,538,680)

Rounding applies.

* Paid deposits are net of GMA

** Miscellaneous expenses reflect cost of amendments and drug cards

For your information, \$541,018 of health claims were pooled during the period. \$540,012 of the pooled claim amount was for prescription drugs, while the remaining amount of \$1,006 was for other health expenses. Pooled claims are higher than the 2021 / 2022 total of \$421,504, due to an increase in pooled drug claims.

A deficit generated this year was expected given that the Government elected to implement lower health and dental deposit rates at the April 1, 2022 renewal, but the amount was more than projected. The following rate adjustments were implemented at the April 1, 2022 renewal:

- Health: -8% vs. -3.9% calculated
- Dental: 0% vs. +25.3% calculated

In addition, the Government of Yukon made the following extended health plan design changes effective April 1, 2022 with no adjustments to the rates:

- Increase the psychology annual maximum from \$1,000 to \$1,200
- Remove requirement for a prescription from a licensed physician for massage therapy

As a result, extended health was expected to incur a deficit of \$623,500 (based on headcount at the April 1, 2022 renewal), which is lower than the \$1,538,680 deficit that actually resulted. The main reason for this is that a trend factor of 6% was used to set the deposit rates for the 2022/2023 plan year, but the actual claims trend factor was higher (see page 16).

Canada Life Expenses

The following table summarizes the extended health pooling charge and other ASO expense charges for the current period.

EHC Expense	April 1, 2022 to March 31, 2023
General administration	0.65% of paid claims net of pooled claims
Claims handling (healthcare and vision)	3.50% of paid claims net of pooled claims
Claims handling (drugs)	3.40% of paid claims net of pooled claims
Profit	0.46% of paid claims net of pooled claims
Pooling charge	8.81% of paid claims net of pooled claims not applicable to vision claims

Pooling

The EHC plan has a pooling arrangement where extended health claims (including prescription drugs and out-of-country medical claims, but excluding vision claims) greater than \$50,000 per person per year are pooled and not charged against the plan. In exchange for pooling protection, Canada Life charges a fee based on a percentage of the paid claims. The specific pooling charge for the financial period under review is detailed in the table above.

There was \$541,018 in pooled claims during in the current period compared to \$421,504 during the last financial period. We note that in the current period approximately 41% of the paid pooled claims are for retirees, but retirees make up 26% of plan members (active and retirees combined) covered for extended health.

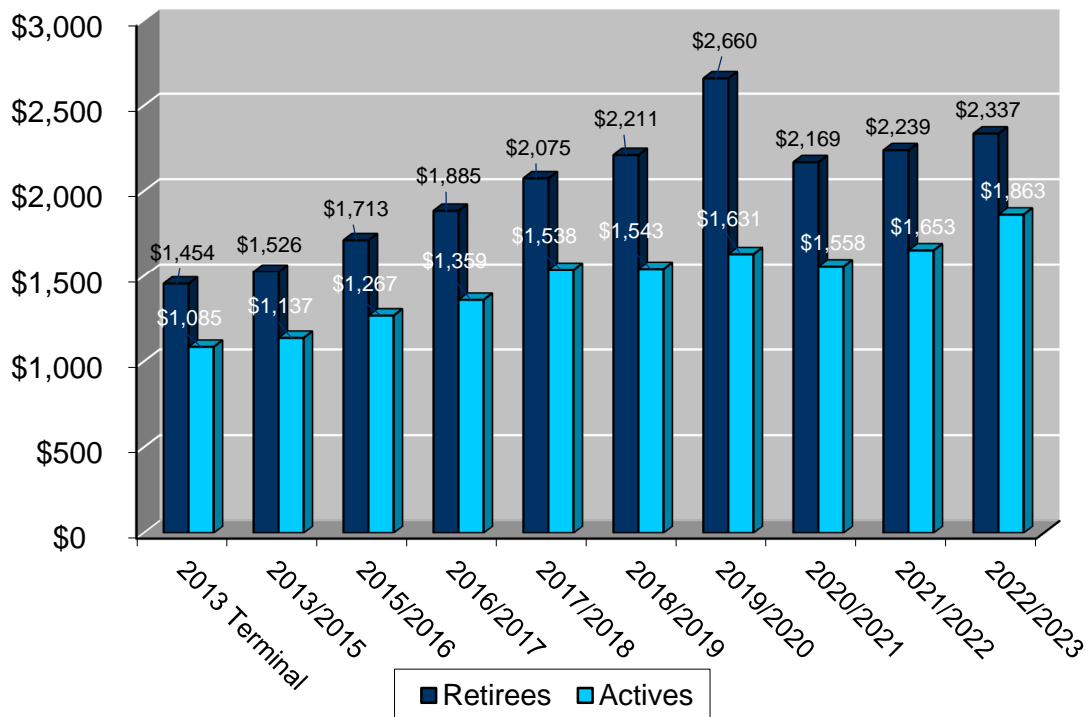
Tax

The following table outlines the premium tax and sales tax applicable to self-insured extended health plans in the provinces of Newfoundland, Ontario and Quebec. Self-insured extended health plans in other provinces are not subject to these taxes. These taxes are only applied to claims incurred by the residents of these provinces.

Province	Premium Tax	Sales Tax
Newfoundland	5.00%	N/A
Ontario	2.00%	8.0%
Quebec	3.30%	9.0%

Trend

The average extended health claims per retiree increased by approximately 4% from \$2,239 to \$2,337 from the previous financial period while the average extended health claims per active employee increased approximately 13% from \$1,653 to \$1,863. Note, these figures include pooled claims. The chart below summarizes the claiming trend over the past 10 financial periods, for both active employees and retirees.



When we look at the average cost trend excluding pooled claims, the average cost in 2022/2023 per active employee was \$1,798 (up 12.5% compared to \$1,598 last period) and per retiree was \$2,214 (up 3% compared to \$2,151 last period). Overall, the trend is at the high end of what we would typically expect in a given year for extended health care in the market (8% to 12%), but lower than we typically see for retirees.

The trend was higher than we observed in the Government of Yukon's health benefit previously, even accounting for the impact of Covid-19 in the 2019/2020 plan year and higher than the trend used to set the deposit rates for the year (6%). The higher trend this year was driven by prescription drugs and paramedical claims.

Dental Care

Financial Results

The following table provides a detailed summary of the financial activity of the dental care ASO plan for the current financial year:

Dental Care – April 1, 2022 to March 31, 2023*	
Paid deposits	\$4,864,228
Paid claims	(\$5,449,604)
Canada Life expenses	
General administration	(\$35,422)
Claims administration	(\$136,240)
Profit charge	(\$25,068)
Total expenses	(\$196,731)
Tax	(\$3,053)
Total disbursements (Paid claims + Expenses + Tax)	(\$5,649,387)
Balance at March 31, 2023	(\$785,160)

*Rounding applies.

We note that the Government opted to maintain dental deposit rates at the April 1, 2022, renewal (instead of the recommended 25.3% recommended increase based on plan experience) in order to use the funds in the ASO account. Given this, a deficit was expected. At the April 1, 2022 renewal, based on headcount at that time, maintaining the dental deposit rates was expected to generate a deficit of approximately \$568,500.

Canada Life Expenses

Dental ASO expense charges for the current period are outlined in the following table.

Dental Expense	April 1, 2022 to March 31, 2023
General administration	0.65% of paid claims
Claims handling	2.50% of paid claims
Profit	0.46% of paid claims

Tax

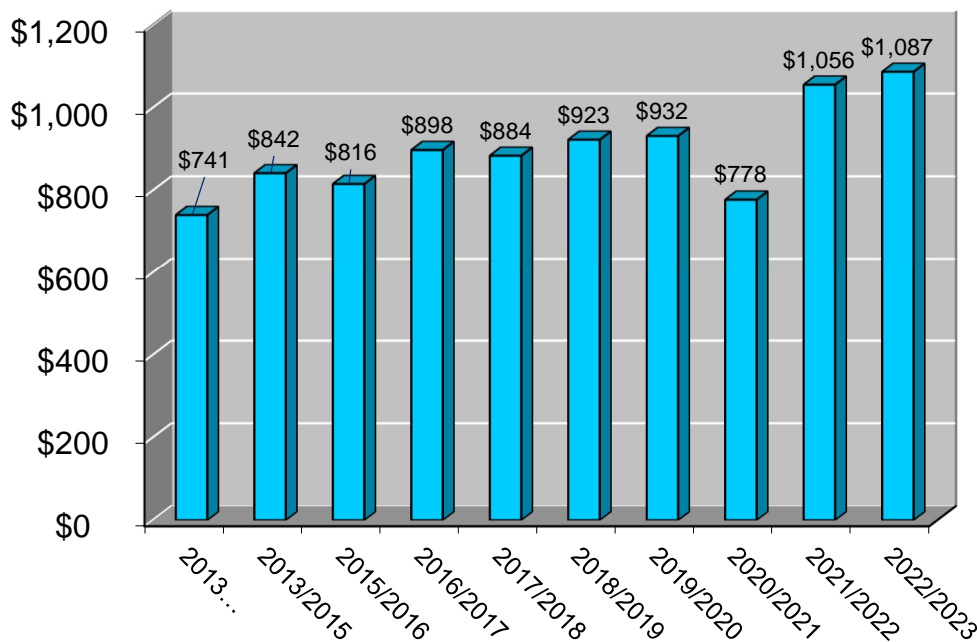
The following table outlines the premium tax and sales tax applicable to self-insured dental plans in the provinces of Newfoundland, Ontario and Quebec. Self-insured extended health plans in other provinces are not subject to these taxes. These taxes are only applied to claims incurred by the residents of these provinces.

Province	Premium Tax	Sales Tax
Newfoundland	5.00%	N/A
Ontario	2.00%	8.0%
Quebec	3.30%	9.0%

Trend

The average dental claims per active employee increased 3% compared to the prior period suggesting claims have steadied again after the rebound from COVID-19 in the previous period.

The following chart summarizes the claiming trend over the past 10 financial periods, for the active employees. ¹



Going forward, we expect costs to continue to rise reflective of the increases to territorial and provincial fee guides. The Yukon dental fee guide increased by 6% in 2023 which was expected, but the fee guide increases in several other provinces were significantly higher (e.g. Ontario, Newfoundland and Quebec at 8.5%, 8.5% and 9.8% respectively). While most of your employees reside in the Yukon and presumably incur their dental claims in the

¹ Note, the 2013 Terminal Accounting and the 2013/2015 periods were not 12 months; the average claims cost for these two periods were annualized for comparison purposes

Yukon, your dental plan reimburses based on the provincial fee guide where the dental expense is incurred so it is possible that your dental claims will be impacted by the higher fee guides increases in other provinces.

ASO Bank Balance

As confirmed by the Government of Yukon, the balance in the ASO bank account with Canada Life was \$5,821,083 as at March 31, 2022 and decreased to \$3,842,927 as at March 31, 2023, which is a decrease of \$1,978,156.

As illustrated earlier in this section, the extended health benefit resulted in an in-year deficit of \$1,538,680 and the dental benefit ended in a deficit of \$785,160. This resulted in a combined in-year ASO deficit of \$2,323,840. This differs from the reduction in the ASO bank balance that occurred between March 31, 2022 and March 31, 2023 by approximately \$345,684. We note that the bank balance fluctuates during the month and earns interest, which partially accounts for the difference. The difference can also be affected by the timing of withdrawals for claims and expenses incurred in the benefit year but not charged until the next financial period. When we adjust for the timing of both the March 2022 and March 2023 claims and expenses, we estimate that the difference is approximately \$58,200.

April 1, 2023 Health and Dental Deposit Rate Adjustments

Effective April 1, 2023 the JMC decided to increase the EHC deposit rates by 8% (instead of the recommended increase of 13.2%) with the intent of reducing the balance in the ASO bank account during the 2023/2024 plan year by approximately \$675,000). Similarly, the JMC agreed to use the surplus to reduce the calculated dental renewal increase from 19.8% to 10% for all employee groups (using an estimated \$465,000 of surplus). Overall, the expected reduction to the ASO surplus (based on renewal headcount) was \$1,140,000.

The deposit rate recommendations for the April 1, 2023 renewal were set using annual 7% trend for health and 4% for dental. As outlined previously, the actual non-pooled health average cost increased by approximately 13% for actives and 3% for retirees in 2022/2023. If this trend continues in 2023/2024 then a larger deficit will occur. As noted in an earlier section, the average dental cost per employee (actives only) increased 3% in 2022/2023 which is similar to the trend factor that was used to set the dental deposit rates for 2023/2024.



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