



PUBLIC EDUCATION BENEFITS TRUST FUND

2019 Annual report

What's inside

FIND ANSWERS TO THESE KEY QUESTIONS:

- What changed in 2019?
- Who is responsible for plan governance and operations of the Trust?
- Why is the JEIS so important?
- How does the LTD program support our members?
- What other benefits are offered through the PEPT?
- How did the PEPT's investments perform?



This annual report summarizes the yearly performance and activities of the Public Education Benefits Trust Fund (PEBT) that provides 24,000+ members in the K-12 sector with group life, disability and health coverage, and support for their 38,000+ eligible dependents and beneficiaries. It also highlights the important work done by the PEBT to administer the Trust and the benefits offered.

Through the PEBT, our members enjoy many advantages, which include:

- Help making a safe and timely return to work through the Joint Early Intervention Service (JEIS) program
- Financial support in the event of a long-term illness or disability through a Long Term Disability (LTD) program funded through the provincial government
- A modernized and standardized benefits administration system
- Improved governance due to the PEPT's structure as a trust
- Financial savings due to the PEPT's size and purchasing power
- Generation of additional income from investment of reserves to offset administration/Trust costs
- Promoting positive labour relations that encourage stakeholders to work together for a common purpose

The intent of this report is to make information about the structure and activities of the Trust, as well as the performance of the services and programs offered through the Trust, more accessible to our members.

We encourage you to read our annual report and become familiar with all that the PEPT does to support its members and stakeholders.

Irene Schoemaker
Board Chair

Alan Chell
Board Vice Chair

To learn more about the PEPT, and everything it has to offer, visit www.pebt.ca.

Noteworthy in 2019

Trustee changes

- **Board Chair:** Irene Schoemaker assumed this position
- **Member Trustees:** Tracey Dahlin replaced Leslie Franklin
- **Member Trustees:** Noelle Wass replaced Alison Pringle

Trust Secretariat Update

We are pleased to announce the addition of John Trieu to the PEBT Secretariat team. Prior to joining the PEBT, John was the regional health and benefits consulting practice leader at Morneau Shepell and supported the PEBT as an external consultant since our inception. In his new role, John will use his extensive knowledge and expertise in the K-12 sector to assist with trustee development, management of our service providers and organizational strategic planning.

New JEIS/LTD Strategic Plan

Based on member feedback and consultations with the JEIS District Joint Committees, we have created our new 2020-2022 PEBT JEIS/LTD strategic plan. Building upon past success of these programs the strategic plan includes measurable key performance indicators and targeted initiatives focused on these **3 priorities**:

1. ensuring we meet our members' needs and expectations,
2. improving healthy and safe return-to-work outcomes,
3. and involving JEIS District Joint Committees as a key resource to support members.

Next year's report will include an update on this plan and results for the key performance indicators that are outlined on page 6.

Cost of living adjustment benefit

Each year, the cost of living rises with inflation. That means a dollar today will not have the same purchasing power 20 years from now. To offset the effects of inflation, the "Core" LTD program may provide a cost of living adjustment (COLA). In 2019, the "Core" LTD program monthly benefit increased by **2.1%**, effective July 1, 2019 for all active claims. Any future COLA will be considered by the Board, depending on the financial position and priorities of the Trust.

Administration system update

The pilot and User Group districts (8 districts) successfully transitioned to the new administration platform. Configuration and testing for Phase 1 was also completed at the end of 2019. It is expected that both Phase 1 and Phase 2 (15 districts) will be completed in 2020 and work will also begin on Phase 3 and 4 (20 districts). Targeted communications and support for districts actively transitioning or with an upcoming transition date is ongoing. In response to COVID-19, on-line training videos for the new administration platform have been developed to replace in-person training sessions. The videos have been very well received and improvements will be ongoing based on feedback from the administrators.

PEBT – QUICK FACTS

2 sponsors: the British Columbia Public School Employers' Association (BCPSEA) and the Canadian Union of Public Employees (CUPE)

59 participating school districts

67 union locals

24,000+ plan members

12 appointed Trustees with equal representation from the employer and union govern the plan, representing both school districts and support staff workers in the K-12 sector

\$19,428,240

Bargained funding provided by the provincial government annually to fund the "Core" LTD program

47,492 members supported through the JEIS program since inception in 2002

6,885 LTD claims approved since the inception of the Trust

+6.5% investment return over the past 5 years: \$169,721,000 investment portfolio

Trust governance & operations

The Trustees and service providers work together to administer, manage and operate the Trust. Good plan governance is essential to making sure all members (24,000+) and their dependents continue to benefit from valuable programs that support their health and well-being now and into the future.

Who is involved?



Plan sponsors (BCPSEA and CUPE)

Responsible for appointing the Board of Trustees



Board of Trustees

Governs and provides overall strategic direction to the PEPT

2019 BOARD OF TRUSTEES	
MEMBER TRUSTEES	EMPLOYER TRUSTEES
<ul style="list-style-type: none"> Tracey Dahlin CUPE LOCAL 703 Irene Schoemaker CUPE LOCAL 561 Noelle Wass CUPE LOCAL 459 Ellen Bryden CUPE LOCAL 3742 Rob Hewitt CUPE NATIONAL SERVICING REPRESENTATIVE Tina Meadows CUPE NATIONAL SERVICING REPRESENTATIVE 	<ul style="list-style-type: none"> Lorelei Russell SD 39 (VANCOUVER) Alan Chell SD 19 (REVELSTOKE) Laura Buchanan SD 38 (RICHMOND) Gerry Slykhuis SD 33 (CHILLIWACK) Hilary Brown BCPSEA Lynda Minnabarriet SD 74 (GOLD TRAIL)

DID YOU KNOW?

Each Trustee serves a three-year term – with staggered expiry dates – to ensure continuity at the Board level.



Committees

To keep the Board efficient, the PEPT has created a number of committees to deal with specific areas of the PEPT's ongoing administration. This includes JEIS/LTD, Finance and Audit, Investment, Administration, Plan Design and Litigation. These committees meet on a regular basis (or as needed), providing updates and recommendations to the full Board for discussion and formal adoption.



GOVERNANCE DEFINED: Governance refers to the processes and procedures that are put in place so that the parties involved in the administration and management of the Trust can ensure the plan operates in the best interest of its members.

ACCOUNTABLE
 PARTICIPATORY
 RESPONSIVE
 CHARACTERISTICS OF
 GOOD GOVERNANCE
 INCLUSIVE
 TRANSPARENT EFFECTIVE
 EFFICIENT
 EQUITABLE

















The PEBT Secretariat

<p>Alison Coelho, Trust Secretary and Lori Lofthaug, Administrative Assistant</p>	<p>Ray Parker, Disability Management Strategic Advisor</p>	<p>John Trieu, Trust Consultant</p>
<p>Provides support and advice to the Board of Trustees; acts as a connection between the Board and the various providers; assists in the day-to-day management of Trust activities, including coordinating meetings, organizing events and preparing relevant documents.</p>	<p>Develops, implements, and monitors support programs for plan members based on the analysis of data from the JEIS and LTD programs, and feedback gathered from PEBT stakeholders and industry experts.</p>	<p>Assists with trustee development, management of the PEBT's service providers and organizational strategic planning.</p>



Service providers

The Board of Trustees selects best-in-class service providers to support with the management and operations of the PEBT.

<p>Desjardins Insurance</p>	<p>Pacific Blue Cross</p>	<p>Pacific Blue Cross</p>	<p>AIG Insurance Company of Canada</p>
<p> JEIS and LTD Benefits</p>	<p> Extended Health and Dental Care Benefits</p>	<p> Group Life</p>	<p> Group Accidental Death and Dismemberment</p>
<p>VanCity Savings Credit Union</p>	<p>RBC Investor & Treasury Services</p>	<p>Mawer Investment Management Ltd. and BCI</p>	<p>George & Bell Consulting</p>
<p> Banking</p>	<p> Investment Custodian</p>	<p> Investment Management</p>	<p> Investment Consulting</p>
<p>Morneau Shepell</p>	<p>Hatch Law</p>	<p>Areti LLP</p>	<p>Ernst & Young</p>
<p> Actuarial, Consulting and Administration</p>	<p> Legal</p>	<p> Accounting</p>	<p> Audit</p>

2019 in review

The PEBT provides many valuable benefits to support the health and well-being of its 24,000+ members, including:

- Joint Early Intervention Service (JEIS)
- “Core” Long Term Disability (LTD) benefits
- “Other” Long Term Disability benefits
- Other benefits: Group Life (including Optional benefits), Group Accident (including Optional benefits), Extended Health Care (including Medical Referral and Travel, where applicable), and Dental Care

Monitoring the year-over-year performance of key benefits and services is important to track program costs and usage, and to ensure the PEBT’s long-term sustainability. With support from the PEBT’s service providers, the Trustees are able to prioritize and make informed decisions relative to investments and innovative member programs into the future.



AN OVERVIEW OF THE PLAN'S PERFORMANCE IN 2019

3,668

Active JEIS cases

\$1,470,932

JEIS program costs

569

LTD claims approved

1,420

Members currently on LTD

2.1%

Cost of living adjustment on LTD monthly payments, effective July 1, 2019

13.2%

One-year investment return – higher than benchmark of 13.1%

\$169,721,000

Value of the Trust's investments

\$47,003,000

Total actuarial liabilities for all benefits (LTD, Extended Health, Dental, Group Life Waiver of Premium)

JEIS: supporting members in their return to work

A caring, safe and timely recovery for ill or injured plan members is the foundation of the JEIS: a confidential service that supports and facilitates plan members' return to work.

The JEIS...

- Provides early identification of member needs and active, caring treatment of health issues
- Encourages early referral from school districts for absences expected to be longer than six consecutive working days
- Is supported by unions, school districts and the PEPT
- Is funded by the provincial government through the "Core" LTD
- Ensures the long-term sustainability of the "Core" LTD program

More Details about our JEIS/LTD Strategic Plan

New Key Performance Indicators

To monitor the progress of our 2020-2022 JEIS/LTD strategic plan, we will be using eight (8) key performance indicators which we will report on in next year's report.

1. Improve the percentage of members returning to work by 120 days.
2. Improve the percentage of members returning to work by 300 days.
3. Improve the percentage of members indicating 'good' or 'very good' in surveys asking, 'How well did Desjardins Insurance involve me in my return to work?'
4. Improve the percentage of District Joint Committees indicating 'good' or 'very good' in surveys about overall experience with the PEPT JEIS and LTD programs.
5. Improve the percentage of members indicating 'good' or 'very good' for overall experience in JEIS and LTD surveys.
6. Achieve an average of six days for JEIS referrals by the absence advisors.
7. Improve the on-time payment rate for newly accepted LTD claims.
8. Improve JEIS and LTD audit scores.



JEIS 2019 PERFORMANCE

2

Decrease in active JEIS cases compared to 2018 (3,670 vs. 3,668)

\$220,912

Increase in JEIS program costs compared to 2018 (\$1,470,932 vs. \$1,250,020)

8

Total number of Health Care Management Specialists (HCMS) dedicated to the PEPT

Some preliminary initiatives that will be implemented in 2020 are:

Electronic Surveys

- Starting in the Fall of 2020 we will send our surveys electronically rather than by mail to make it more convenient for members to provide feedback.

Professional Development Day Presentations

- Member awareness and support of the JEIS and LTD programs is key to the success of these programs.

JEIS District Joint Committee Best Practices Guide

- This guide will offer suggestions and examples of best practices for District Joint Committees looking to improve their processes.

JEIS Email Insert

- When a member stops working due to illness or injury, a friendly call from the union or school district can significantly reduce stress by helping the member understand next steps. When a call is not possible, or when a member would like something in writing – this informative email insert will be available to districts and local unions to send to members about the JEIS program.

LTD: providing valuable income protection

When a member is unable to return to work due to illness or injury, the LTD benefit is designed to provide income protection so members can fully focus on recovery.

The monthly “Core” LTD benefit is 70% of a member’s earnings which is funded by contributions from the provincial government. This benefit may be reduced by other sources of income, such as Canada Pension Plan (CPP) benefits. In addition to the “Core” LTD benefit, some school districts/ union locals provide “Other” LTD programs to eligible members where previous arrangements or joint agreements are in place that provide for coverage above the “Core” benefit offered through the PEBT.

Your LTD questions answered

Q When is LTD paid?

A LTD provides income protection up to age 65 (subject to certain restrictions) if an eligible member becomes totally disabled and is unable to work due to illnesses or injuries that are not work related, and therefore not covered by WorkSafeBC.

Q Who can receive LTD benefits?

A The benefit is payable to eligible members who remain totally disabled after participating in the JEIS program.

Q Can members receive return-to-work support while receiving LTD?

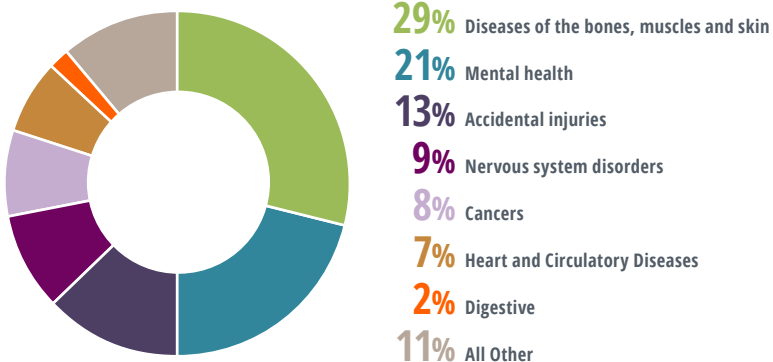
A Yes, Desjardins can help with access to medical specialists, treatments, testing and rehabilitation professionals. Members can contact their LTD Claim Specialists at Desjardins for more information.

Interesting fact: Almost 60% of members receiving LTD benefits in 2018 have returned to work.

Q How is the PEBT protected financially in the case of extended disabilities?

A Managing financial risk and burden is important because LTD claims can become costly over a long period of time. That’s why the PEBT purchases pooling protection where Desjardins assumes the financial risk if a member’s disability continues for longer than five years.

CAUSES OF DISABILITY – 2019 ACTIVE BENEFIT CLAIMS



LTD 2019 PERFORMANCE

130

Increase in total active LTD claims compared to 2018 (1,290 vs. 1,420)

754

Members currently on LTD leave for less than five years

666

Members currently on LTD leave for longer than five years



Other benefits: supporting members' health and well-being

In addition to the JEIS and LTD programs, the PEBT also supports plan members' health and well-being through other benefits, including:

 <p>Basic and Optional Life Insurance</p>	 <p>Basic and Optional Accidental Death and Dismemberment (AD&D) Insurance</p>	 <p>Dental Care</p>	 <p>Extended Health Care (including Medical Referral and Travel, where applicable)</p>
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OTHER BENEFITS 2019 PERFORMANCE

Life Insurance:

\$3,381,056

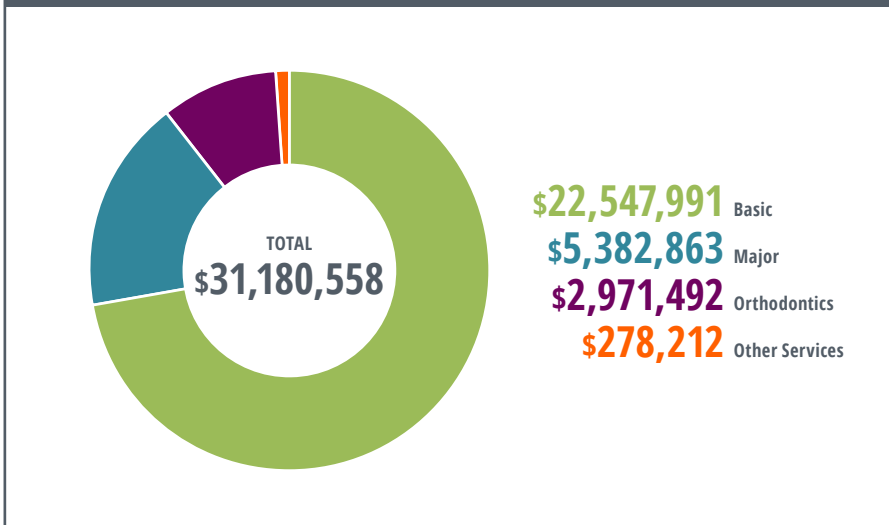
Basic and Optional Life claims paid in 2019 (\$3,154,930 in 2018)

AD&D Insurance:

\$128,000

Basic and Optional AD&D claims paid in 2019 (\$300,000 in 2018)

DENTAL CLAIMS BY CATEGORY



Dental Care:

\$31,180,558

Dental care claims paid in 2019

7.0%

Increase in dental care costs compared to 2018



Other benefits: supporting members' health and well-being (CONTINUED)

How the PEBT helps manage costs to keep benefits sustainable

The cost to provide benefits is steadily increasing in Canada due to an aging population and more expensive treatments entering the market. The PEBT is taking active measures to keep the plan administration and claims costs sustainable, while still providing care required by the members. Some of these measures include:

- Negotiating reduced fees with benefits providers
- Managing claims risk (i.e., stop-loss protection, where the insurance company covers losses that exceed certain limits called deductibles)
- Generating additional income from investments of reserves to offset costs
- Modernizing and standardizing the benefits administration function through a common administration system for all participating districts
- Partnering with benefits providers who help control costs, and who provide a managed drug formulary, i.e., Blue RX – a list of covered drugs that is reviewed regularly to ensure any new drugs are both clinically proven and cost effective before they are added to the plan

Extended Health Care (EHC) (including Medical Referral and Travel):

\$35,451,408

Extended Health Care claims paid in 2019

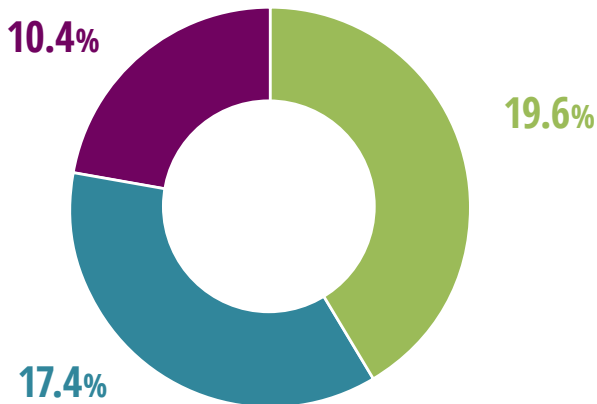
9%

Increase in Extended Health Care costs compared to 2018

54

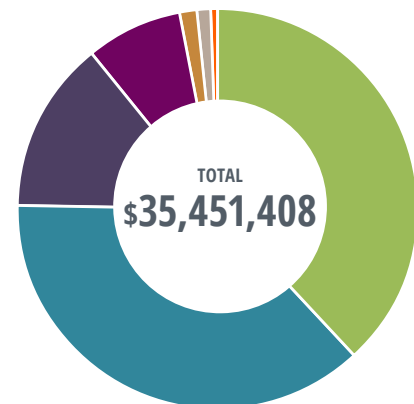
Districts/locals have adopted the Unionized Support Staff Provincial Standardized EHC Plan

TOP 3 DRUGS BY CLASSIFICATION



\$2,640,773 Nervous System
\$2,333,616 Alimentary tract and metabolism
\$1,403,214 Respiratory System

EHC CLAIMS BY CATEGORY



\$13,752,074 Paramedical
\$13,442,520 Drugs
\$4,959,861 Vision Care
\$2,847,060 Medical Aids & Equipment
\$257,651 Out of Province Emergency
\$125,472 Medical Travel Benefit
\$66,772 Other

Making money last longer

One of the additional benefits of the Trust is the generation of extra income from investments of reserves – this helps the PEBT fund future benefits for the “Core” LTD and subsidize operating expenses incurred to manage the Trust.

The PEBT has two main objectives for its investments:

1. Generate investment earnings of at least 4% on average each year, over a 5-year period
2. Reduce the risk of losing capital in any year

The PEBT regularly reviews the investment performance and types of investments that are part of the investment portfolio (e.g., quality of investments and diversification) to ensure it meets these two main objectives. This includes conducting periodic reviews of the asset allocation and exploring alternative investments and strategies to ensure the right mix of assets is in place. With this in mind, the PEBT began the process of incorporating Infrastructure as an asset class into the investment portfolio. These activities are part of our ongoing commitment to maintaining stability now and into the future.



PEBT INVESTMENTS IN 2019

+13.2%

One-year investment return - higher than benchmark of 13.1%. The PEBT continues to meet its objectives by earning +6.5% over the last 5 years.

\$169,721,000

Value of the Trust’s investments as at December 31, 2019.

\$18,425,000

Increase in the Trust’s investments compared to 2018.

For more details on the PEBT’s investments and policies, please see [Appendix 2](#).



Important notice

All the terms of the PEBT are set out exclusively in the official plan documents. While the annual report summarizes certain terms of the plan, this annual report does not change or supplement the official plan documents in any manner whatsoever. In the event there is a discrepancy between this annual report and the official plan documents, the official plan documents will prevail.

Appendices

Appendix 1:

Audited financial statements

Public Education Benefits Trust Fund

Financial statements
December 31, 2019



Independent auditor's report

To the Trustees of the
Public Education Benefits Trust Fund

Opinion

We have audited the financial statements of the **Public Education Benefits Trust Fund** [the "Fund"], which comprise the statement of financial position as at December 31, 2019, and the statement of changes in net assets available for benefits and the statement of changes in actuarial obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019, and its changes in net assets available for benefits and its changes in actuarial obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Trustees and those charged with governance for the financial statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vancouver, Canada
June 12, 2020

Ernst & Young LLP

Chartered Professional Accountants



Public Education Benefits Trust Fund

Statement of financial position

As at December 31, 2019

	Core LTD program \$	Addiction treatment \$	Other LTD benefits \$	Return to work program \$	Extended health \$	Dental \$	AD&D \$	Optional AD&D \$	Life \$	Optional life \$	2019 Total \$	2018 Total \$
Assets												
Cash (bank indebtedness)	6,780,023	1,125,520	(404,714)	—	7,522,250	4,523,520	237,270	—	1,941,058	—	21,724,927	21,020,876
Restricted cash [note 4]	—	—	—	—	6,031,797	7,075,224	—	—	—	—	13,107,021	14,177,612
Short-term investments	200,000	—	—	—	—	—	—	—	—	—	200,000	1,800,000
Investments at fair value [note 5[a]]	152,293,767	—	—	—	—	—	—	—	17,427,677	—	169,721,444	151,441,971
Contributions receivable	—	—	14,971	—	1,606,641	1,511,287	3,700	4,701	110,799	9,697	3,261,796	2,536,260
Prepaid benefit and premium costs	428,183	—	464,667	—	—	675,485	—	—	—	—	1,568,335	1,728,114
Claims fluctuation account [note 7]	—	—	—	—	—	—	—	—	439,713	—	439,713	454,296
Total assets	159,701,973	1,125,520	74,924	—	15,160,688	13,785,516	240,970	4,701	19,919,247	9,697	210,023,236	193,159,129
Liabilities												
Accounts payable and accrued liabilities	534,146	—	1,133	—	—	—	—	—	—	—	535,279	387,504
Benefit and premium costs payable	3,595,787	—	—	—	1,494,959	—	19,205	—	468,682	—	5,578,633	5,062,682
Deferred contributions [note 6]	—	—	1,191	—	72,819	76,590	206	—	5,815	595	157,216	134,628
Provision for claim reserves [note 8]	32,164,000	—	—	—	2,497,000	1,338,000	—	—	11,004,000	—	47,003,000	44,371,000
Total liabilities	36,293,933	—	2,324	—	4,064,778	1,414,590	19,411	—	11,478,497	595	53,274,128	49,955,814
Net assets available for benefits	123,408,037	1,125,520	72,600	—	12,095,912	11,370,927	221,558	4,701	8,440,751	9,102	156,749,108	143,203,315

See accompanying notes

On behalf of the Board:



Lynda Minnabarriet
PEBT, Employer Trustee



Rob Hewitt
PEBT, Member Trustee

Public Education Benefits Trust Fund

Statement of changes in net assets available for benefits

Year ended December 31, 2019

	Core LTD program \$	Addiction treatment \$	Other LTD benefits \$	Return to work program \$	Extended health \$	Dental \$	AD&D \$	Optional AD&D \$	Life \$	Optional life \$	2019 Total \$	2018 Total \$
Increase in net assets												
Contributions												
Province of British Columbia	19,428,240	1,124,103	—	—	—	—	—	—	—	—	20,552,343	19,428,240
School districts	—	—	158,763	—	37,630,810	32,619,367	98,736	90,148	2,461,421	136,049	73,195,294	67,136,978
Investment income												
Interest and dividends <i>[note 5[b]]</i>	7,607,341	1,417	2,052	—	371,426	336,540	2,052	—	56,412	—	8,377,240	8,771,494
Realized gains <i>[note 5[b]]</i>	11,443,081	—	—	—	—	—	—	—	126,085	—	11,569,166	3,922,868
Unrealized gains (losses)	1,009,019	—	—	—	—	—	—	—	(175,140)	—	833,879	(11,859,315)
Total increase in net assets	39,487,681	1,125,520	160,815	—	38,002,236	32,955,907	100,788	90,148	2,468,778	136,049	114,527,922	87,400,265
Decrease in net assets												
Benefits costs												
Change in claim reserves	1,456,000	—	—	—	161,000	61,000	—	—	954,000	—	2,632,000	3,359,000
Claims paid	12,259,085	—	—	993	35,328,485	31,178,486	—	—	—	—	78,767,049	73,413,318
Insurance premiums												
Durational pooling	5,794,452	—	—	—	—	—	—	—	—	—	5,794,452	5,063,369
Other <i>[note 9]</i>	1,591,337	—	75,814	—	—	—	92,001	90,184	3,057,033	136,132	5,042,501	5,090,388
Administration	1,268,997	—	2,063	979,584	2,773,366	1,295,298	2,065	—	38,265	—	6,359,638	6,028,823
Medical reports and other	356,012	—	—	490,355	—	—	—	—	—	—	846,367	901,243
Operating costs												
Advisory Services	16,882	—	109	—	23,704	19,838	110	—	1,483	—	62,126	—
Communications	9,739	—	—	—	—	—	—	—	—	—	9,739	—
Bank charges	1,287	—	—	—	10	—	—	—	30	—	1,327	1,288
Consulting and actuarial fees												
<i>[note 10]</i>	233,268	—	737	—	136,242	122,291	738	—	9,961	—	503,237	500,069
Custodial fees	23,570	—	—	—	—	—	—	—	35	—	23,605	56,373
Investment management fees	191,410	—	—	—	—	—	—	—	1,941	—	193,351	205,112
Office	3,227	—	—	—	—	—	—	—	—	—	3,227	1,938
Professional fees <i>[note 10]</i>	637,136	—	—	—	—	—	—	—	—	—	637,136	317,355
Other operating	14,004	—	—	—	—	—	—	—	—	—	14,004	—
Trustee costs												
Trustee travel and meetings	85,583	—	—	—	—	—	—	—	—	—	85,583	103,936
Wages and benefits	6,787	—	—	—	—	—	—	—	—	—	6,787	6,439
Total decrease in net assets	23,948,776	—	78,723	1,470,932	38,422,807	32,676,913	94,914	90,184	4,062,748	136,132	100,982,129	95,048,651

Public Education Benefits Trust Fund

Statement of changes in net assets available for benefits [cont'd]

Year ended December 31, 2019

	Core LTD program	Adiction treatment	Other LTD benefits	Return to work program	Extended health	Dental	AD&D	Optional AD&D	Life	Optional life	2019 Total	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Increase (decrease) in net assets												
Net excess (deficiency) before undernoted	15,538,905	1,125,520	82,092	(1,470,932)	(420,571)	278,994	5,874	(36)	(1,593,970)	(83)	13,545,793	(7,648,386)
Transfers	(1,570,736)	—	177	1,470,932	38,574	32,283	179	8,628	5,878	14,085	—	—
Net increase (decrease) in net assets	13,968,169	1,125,520	82,269	—	(381,997)	311,277	6,053	8,592	(1,588,092)	14,002	13,545,793	(7,648,386)
Net assets available for benefits, beginning of year	109,439,868	—	(9,669)	—	12,477,909	11,059,650	215,505	(3,891)	10,028,843	(4,900)	143,203,315	150,851,701
Net assets available for benefits, end of year	123,408,037	1,125,520	72,600	—	12,095,912	11,370,927	221,558	4,701	8,440,751	9,102	156,749,108	143,203,315

See accompanying notes

Public Education Benefits Trust Fund

Statement of changes in actuarial obligations

Year ended December 31, 2019

	Core LTD program	Other LTD benefits	Return to work program	Extended health	Dental	AD&D	Optional AD&D	Life	Optional life	2019 Total	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Changes in actuarial obligations											
Benefits accrued	16,765,000	—	—	—	—	—	—	3,024,000	—	19,789,000	18,269,000
Benefits plus expenses paid	(13,219,000)	—	—	—	—	—	—	(2,929,000)	—	(16,148,000)	(14,980,000)
Interest accrued on benefits	1,205,000	—	—	—	—	—	—	399,000	—	1,604,000	1,490,000
Effect of experience gain or loss	(4,751,000)	—	—	—	—	—	—	(494,000)	—	(5,245,000)	(4,779,000)
Effect of demographic changes	705,000	—	—	—	—	—	—	725,000	—	1,430,000	1,827,000
Effect of change in valuation basis	372,000	—	—	—	—	—	—	—	—	372,000	290,000
Total increase in actuarial obligations	1,077,000	—	—	—	—	—	—	725,000	—	1,802,000	2,117,000
Actuarial obligations, beginning of year	22,325,000	—	—	—	—	—	—	7,932,000	—	30,257,000	28,140,000
Actuarial obligations, end of year	23,402,000	—	—	—	—	—	—	8,657,000	—	32,059,000	30,257,000
Incurred but not reported component of claim reserves	8,762,000	—	—	2,497,000	1,338,000	—	—	2,347,000	—	14,944,000	14,114,000
Provision for claim reserves, end of year	32,164,000	—	—	2,497,000	1,338,000	—	—	11,004,000	—	47,003,000	44,371,000

See accompanying notes

Public Education Benefits Trust Fund

Notes to financial statements

December 31, 2019

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 additional benefits must be provided through the Trust's other benefits programs.

Under the Trust Agreement, certain 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. Inter-benefit transfers are made with the intention of repayment to the originating benefit program with an appropriate return.

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. Expenses incurred in respect of the Core LTD program and general expenses, which cannot clearly be identified as having been incurred exclusively in connection with benefits other than Core LTD, shall be charged 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.

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.

Public Education Benefits Trust Fund

Notes to financial statements

December 31, 2019

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, and their dependents, who are members of the support staff union.

In accordance with the July 2018 collective agreement, BC Public School Employers' Association and the K-12 President's Council and Support Staff Unions, the Trust received \$1,124,105 in 2019 for the purpose of funding for the consideration of an addiction treatment support program to school districts/locals who have adopted the framework in accordance with the agreement.

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 nil income taxes in 2018 and 2019.

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 – Accounting*, 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 – Accounting*, 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 follows International Financial Reporting Standards 13, *Fair Value Measurement*.

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

3. Summary of significant accounting policies

Financial instruments

Financial instruments are measured at fair value on initial recognition. Financial assets include cash, restricted cash, short-term investments and investments, which are subsequently measured at fair value. Contributions receivable are subsequently measured at amortized cost. Accounts payable and accrued liabilities and benefit and premium costs payable are subsequently measured at amortized cost.

Public Education Benefits Trust Fund

Notes to financial statements

December 31, 2019

Transaction costs are expensed as incurred.

Investments

Investment transactions are recorded as of the trade date. Investments are 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 is determined 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, 2019, such indirect fees included were \$23,605 [2018 – \$56,373].

Revenue recognition

Contributions

Contributions are recognized on the accrual basis of accounting.

Realized investment income

Realized investment income consists of interest, dividends and the gain on sale of securities. Interest income is recognized as it accrues. Dividend income is recognized at the ex-dividend date. Gains on the sale of securities are 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. 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 benefits 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.

Public Education Benefits Trust Fund

Notes to financial statements

December 31, 2019

The Trust has catastrophic insurance coverage under life benefits.

Claims fluctuation account and unrestricted deposit account

The Trust is required to fund the claims fluctuation account under basic life benefits. The 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.

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, 2019;
- [b] An estimated amount of the future costs of claims approved and expected claims to be approved relating to claims incurred prior to December 31, 2019 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 and actuarial obligations 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. Restricted cash

Restricted cash consists of cash balances held in accounts with a Canadian financial institution. The restricted cash has been received from the school districts and is held for payments of future claims made for extended health and dental coverage.

Public Education Benefits Trust Fund

Notes to financial statements

December 31, 2019

5. Investments and realized investment income

[a] Summary by type of investment

	2019	2018
	\$	\$
Canadian equity pooled funds	16,375,462	22,468,654
American equity pooled funds	20,092,368	10,065,603
Emerging market equity pooled funds	—	4,029,155
International equity pooled funds	36,733,093	30,907,649
Fixed income pooled funds	65,775,230	74,630,728
Canadian money market funds	30,744,991	9,340,182
	169,721,144	151,441,971

[b] Realized investment income by type

	2019	2018
	\$	\$
Cash and short-term investments	983,353	859,005
Canadian equity pooled funds	3,948,458	3,548,398
American equity pooled funds	1,314,342	1,430,344
International equity pooled funds	8,558,888	3,642,558
Fixed income pooled funds	5,141,365	3,214,057
	19,946,406	12,694,362
Disclosed as		
Interest and dividends	8,377,240	8,771,494
Realized gains	11,569,166	3,922,868
	19,946,406	12,694,362

6. Deferred contributions

In December 2019, the Trust received \$157,216 [2018 – \$134,628] from school districts as contribution payments for 2020 [2018 – 2019].

Public Education Benefits Trust Fund

Notes to financial statements

December 31, 2019

7. Claims fluctuation account

The changes in the claims fluctuation account consist of the following:

	2019	2018
	\$	\$
Balance, beginning of year	454,296	475,330
Required funding (payments) for the year	(14,583)	(21,034)
Balance, end of year	439,713	454,296

8. Provision for claim reserves

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

	2019	2018
	\$	\$
Claims in progress/ongoing	23,402,000	22,325,000
Group life waiver of premiums	8,657,000	7,932,000
	32,059,000	30,257,000
Incurred but not reported claims	14,944,000	14,114,000
	47,003,000	44,371,000

9. Durational pooling [other]

During the year ended December 31, 2019, the Board of Trustees [the "Board"] approved a Cost-of-living adjustment to the Core LTD benefits for existing claims only. The effect of this change on the financial statements was a payment to Desjardins in the amount of \$1,591,337 [2018 – \$1,407,570].

10. Operating expenses

Operating expenses consist of the following:

	2019	2018
	\$	\$
Consulting and actuarial fees		
HUB [formerly Morneau Shepell Inc.]	436,121	472,475
Other	67,116	27,594
	503,237	500,069

Public Education Benefits Trust Fund

Notes to financial statements

December 31, 2019

	2019	2018
	\$	\$
Professional fees		
Ernst & Young LLP	38,325	40,425
Areti LLP	38,500	29,426
Trust secretariat	489,367	242,502
Caplin & Drysdale	27,448	—
Hatch Law	37,878	4,150
Lawson Lundell LLP	5,618	852
	637,136	317,355

11. 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.

	2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	21,724,927	—	—	21,724,927
Short-term investments	—	200,000	—	200,000
Restricted cash	13,107,021	—	—	13,107,021
Canadian equity pooled funds	—	16,375,462	—	16,375,462
American equity pooled funds	—	20,092,368	—	20,092,368
International equity pooled funds	—	36,773,093	—	36,773,093
Fixed income pooled funds	—	65,775,230	—	65,775,230
Canadian money market funds	—	30,744,991	—	30,744,991
	34,831,948	169,961,144	—	204,793,092

Public Education Benefits Trust Fund

Notes to financial statements

December 31, 2019

	2018			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	
Cash	21,020,876	—	—	21,020,876
Short-term investments	—	1,800,000	—	1,800,000
Restricted cash	14,177,612	—	—	14,177,612
Canadian equity pooled funds	—	22,468,654	—	22,468,654
American equity pooled funds	—	10,065,603	—	10,065,603
International equity pooled funds	—	30,907,649	—	30,907,649
Emerging market equity pooled funds	—	4,029,155	—	4,029,155
Fixed income pooled funds	—	74,630,728	—	74,630,728
Canadian money market funds	—	9,340,182	—	9,340,182
	35,198,488	153,241,971	—	188,440,459

There were no transfers of investments between the levels during the years ended December 31, 2019 and 2018.

12. Financial instruments and risk management

The Trust's financial instruments consist of cash, restricted cash, short-term investments, 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 value.

The Trust's investment portfolio is subject to a variety of financial instrument risks that could adversely affect its financial position 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, 2019

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 rate 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 \$16,972,144 [2018 – \$15,144,197].

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 can be readily sold.

13. Actuarial valuation

Actuarial valuations are required annually under the Trust Agreement. The latest actuarial valuation was performed as at December 31, 2019 by HUB [formerly 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 that were approved by the Trustees are set out in detail in the December 31, 2018 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

Public Education Benefits Trust Fund

Notes to financial statements

December 31, 2019

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 Long-term Disability Termination Study based on 2004–2008 experience, funding interest rate and claim related expense rate.

14. Related party transactions

Related parties of the Trust include members of the Board. For the year ended December 31, 2019, the Trust paid administrative expenses of \$92,370 [2018 – \$57,685] in support of Board meetings and training. All transactions with related parties are in the normal course of operations and recorded at the exchange amount agreed upon by the related parties.

15. 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.

16. Subsequent events

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a pandemic. The impact of the outbreak on the financial results of the Trust will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the financial results of the Trust may be materially adversely affected.

Appendices

Appendix 2:

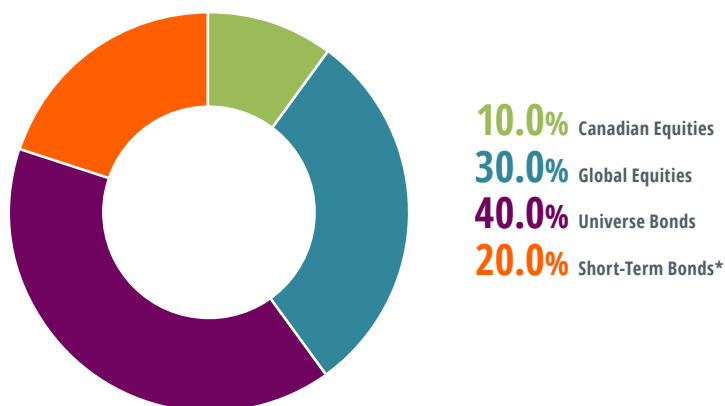
Investment Summary

Investment summary

The PEBT invests its assets to earn additional income to fund future benefits for “Core” LTD and subsidize operating expenses incurred to manage the Trust.

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

BENCHMARK ASSET MIX AS OF DECEMBER 31, 2019



*The increase in allocation to Short-Term Bonds over 2019 can be attributed to the funds set aside for transition into Infrastructure to further diversify the PEBT's investment portfolio.

Over the course of the past five years, the dollar value and annual returns for PEBT Investments at Fair Value is summarized as follows:

INVESTMENTS — AT FAIR VALUE					
FUND	2019	2018	2017	2016	2015
Canadian equity funds	\$16,272,000	\$22,322,000	\$25,279,000	\$22,024,000	\$20,068,000
Global equity funds	\$58,146,000	\$40,973,000	\$43,261,000	\$40,889,000	\$42,505,000
Emerging market equities	\$0	\$4,029,000	\$3,933,000	\$3,820,000	\$3,561,000
Universe bonds	\$71,047,000	\$74,631,000	\$74,087,000	\$69,829,000	\$70,330,000
Short-Term bonds	\$23,002,000	\$6,267,000	\$6,157,000	\$6,171,000	\$7,230,000
Money market and cash	\$1,254,000	\$3,073,000	\$2,264,000	\$1,388,000	\$1,287,000
Total Portfolio	\$169,721,000	\$151,296,000	\$154,982,000	\$144,121,000	\$144,981,000
In-Year Investment Returns	13.2%	-0.3%	8.1%	4.8%	7.2%