ANNUAL REPORT
2018

Actuarial Valuation Report
Auditors' Report
Annual Financial Statements

HEALTHCARE BENEFIT TRUST

HBT

BENEFIT FROM EXPERIENCE

Healthcare Benefit Trust
Actuarial Valuation as at December 31, 2018

April 11, 2019

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Executive Summary

Financial Position	December 31, 2017 $000,000s	December 31, 2018 $000,000s
Assets (excluding UAL[1] receivables)	1,146.4	1,091.3
Assets (including UAL receivables)	1,100.6	1,102.0
Total Liability	1,099.9	1,108.0
Surplus (Deficit) (excluding UAL receivables)	**46.5**	**(16.7)**
Funded Ratio (excluding UAL receivables)	**104.2%**	**98.5%**
Surplus (Deficit) (including UAL receivables)	**0.6**	**(6.0)**
Funded Ratio (including UAL receivables)	**100.1%**	**99.5%**

[1] Unfunded Actuarial Liability

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Introduction

We have been retained by the Board of Trustees (the "Trustees") of Healthcare Benefit Trust (the "Trust") to conduct an actuarial valuation of the Trust as at December 31, 2018. The last valuation was conducted as at December 31, 2017.

This report was prepared for its intended users, the Trustees, for the following purposes:

- to provide a summary of the results of the actuarial valuation of the Trust's financial position to the Trustees; and
- to review the financial experience of the Trust in the year ending December 31, 2018.

This report does not provide advice on the Trust's funding or contribution requirements. Advice on funding and contribution requirements will be dealt with in a separate report to be prepared later in 2019.

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Changes Since the Last Valuation

The last actuarial valuation of the Trust was prepared as at December 31, 2017. Since the last actuarial valuation, the following changes have occurred:

1. The economic and demographic assumptions were reviewed and revised based on expected future experience, if applicable.
2. Where appropriate, the economic and demographic assumptions were set and are applied based on the following agreement groupings:
   - Community Bargaining Association ("CBA");
   - Facilities Bargaining Association ("FBA);
   - Health Science Professionals Bargaining Association ("HSPBA");
   - Nurses Bargaining Association ("NBA"); and
   - Other (remaining agreements).

Details of the above changes which affect the financial position of the Trust are outlined in this report.

Terms of Engagement

This report has been prepared in accordance with the Trust's Funding Policies.

Rounding

The sum of components may not equal the total within tables due to rounding.

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Section 1 – Actuarial Opinion

This opinion is given with respect to Healthcare Benefit Trust. We conducted a valuation of the Trust as at December 31, 2018. The administrator has confirmed that, between December 31, 2018 and the date of this report, no subsequent events nor any extraordinary changes to the beneficiaries or plan provisions that would materially affect the results of this valuation have occurred, except as indicated in this report.

In our opinion, for the purposes of this report:

- The beneficiary data on which the valuation is based are sufficient and reliable for the purposes of the valuation;
- The assumptions are appropriate for the purposes of the valuation; and
- The methods employed in the valuation are appropriate for the purposes of the valuation.

We hereby certify that, in our opinion, as at December 31, 2018:

1. The liabilities exceeded the assets by $16,700,000. The funded ratio is 98.5%.
2. We are not aware of any subsequent events, that have not already been taken into consideration, that could materially affect the results of this valuation.
3. The next valuation should be conducted no later than as at December 31, 2019.

The content herein has been prepared exclusively from a financial viewpoint. This report does not constitute a legal opinion on the rights and duties of the administrator, the Trustees or the beneficiaries concerning the Trust.

Actuarial valuation results are estimates only and are based on assumptions and methods developed in accordance with actuarial standards of practice. Emerging experience differing from the assumptions used will result in gains or losses which will be revealed in future valuations, and which may affect future actuarial opinions.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

We would be pleased to discuss any questions the user may have regarding the valuation.

Jeremy Bell
Fellow, Canadian Institute of Actuaries
March 25, 2019

Michael Greschner
Fellow, Canadian Institute of Actuaries
March 25, 2019

Section 2 - Financial Position

2.1 Financial Position

The following table describes the Trust's financial positions at December 31, 2018 and December 31, 2017. The liabilities are based on the costs for claims incurred prior to the valuation date.

Financial Positions	December 31, 2017 $000,000s	December 31, 2018 $000,000s
Assets (excluding UAL receivables)	1,146.4	1,091.3
Assets (including UAL receivables)	1,100.6	1,102.0
Liabilities		
Admitted LTD claims (reported)	894.8	898.1
Long-term disability (IBNR)	54.5	49.9
Active extended health (IBNR)	6.8	9.8
Active dental (IBNR)	2.1	3.0
Active group life and AD&D (IBNR)	0.7	0.7
Extended health for disabled claimants	92.9	100.0
Dental for disabled claimants	18.6	20.3
Group life and AD&D for disabled claimants	29.5	26.1
Total Liability	**1,099.9**	**1,108.0**
Surplus (Deficit) (excluding UAL receivables)	**46.5**	**(16.7)**
Funded Ratio (excluding UAL receivables)	**104.2%**	**98.5%**
Surplus/(Deficit) (including UAL receivables)	**0.6**	**(6.0)**
Funded Ratio (including UAL receivables)	**100.1%**	**99.5%**

Without provision for UAL receivables, the financial position worsened in the year ending December 31, 2018 by $63.2 million.

With provision for UAL receivables, the financial position slightly deteriorated by $6.6 million in the year ending December 31, 2018.

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2.2 Reconciliation of Financial Position

The following table reconciles the change in the financial position over the course of the inter-valuation period (on a without UAL receivables basis).

Reconciliation of Financial Position	$000,000s
Financial Position at December 31, 2017	**46.5**
1. Contributions different than base contributions[2]	44.8
2. Interest on funded position/amortizations	4.0
3. Investment return different than expected	(58.7)
4. LTD - Existing Claims (Terminations)	(12.2)
5. LTD - Existing Claims (Demographics)	0.8
6. LTD - Existing Claims (ERIB)	2.1
7. LTD - New Claims (New entrants / IBNR)	(8.2)
8. Active EHC/dental/life/AD&D experience	(5.5)
9. Disabled EHC/dental/life/AD&D experience	(3.0)
10. Gain / (Loss) due to Assumption Changes	(9.7)
11. Gain / (Loss) due to indexing/CPP updates	(17.6)
Financial Position at December 31, 2018	**(16.7)**

[2] Contributions collected in excess of contributions required for current coverage, due to margins/deficit recovery surcharges within rates and UAL payments.

2.3 Analysis of Assumption Changes

The preparation of an actuarial valuation requires the actuary to make assumptions about future economic and Trust experience. Changes in the assumptions result in gains or losses.

As noted in Section 2.2, the Trust had a net loss of $9.7 million due to assumption changes from the previous valuation. The following table shows the main sources of these gains and losses.

Assumption change gains (losses)	$000,000s
1. Active Group Life/AD&D IBNR	0.0
2. LTD IBNR	6.0
3. Active Dental IBNR	(0.7)
4. Active EHC IBNR	(1.8)
5. Disabled Non-Income Benefits IBNR	0.0
6. Wage Rate Indexing	0.0
7. CPI Indexing	0.0
8. EHC Escalation	0.0
9. Dental Escalation	0.0
10. Expenses	(7.8)
11. Termination from Disability	(4.2)
12. CPP Approval	(1.3)
13. Discount Rate	0.0
Total gains (losses)	**(9.7)**

Section 3 – Impact of Joint Trusts

3.1 Background

Since November 2013, the following bargaining associations have agreed to introduce joint trusts to provide health and welfare benefits:

- CBA;
- FBA; and
- HSPBA.

These joint trusts commenced on April 1, 2017. Once joint trusts were introduced, employers ceased to participate in the Trust on a similar basis going forward for an appreciable proportion of their employees. For these employees, contributions and incurred claims costs after April 1, 2017 flow through the joint trusts.

3.2 Post-March 31, 2017

From April 1, 2017:

- Contributions relating to the bargaining associations mentioned previously flow through each respective joint trust;
- Claims payments for claims incurred from April 1, 2017 flow through each respective joint trust. Non-disability income claims payments for claimants disabled prior to April 1, 2017 continue to flow through the Trust;
- Claims payments for claims incurred prior to April 1, 2017 flow through the Trust; and
- All other contributions and claims related to the Trust flow through the Trust.

Following the introduction of the joint trusts, the Trust's liabilities started to decrease due to the payment of claims incurred prior to April 1, 2017 for the bargaining associations mentioned previously. The Trust's assets and liabilities will eventually stabilize before increasing.

3.3 Investment Asset Mix

The Trust's invested asset mix and long-term policy is shown in Appendix C. We have assumed that the current asset mix will transition to the long-term policy over time.

3.4 Impacts on December 31, 2018 Valuation

In calculating the discount rate, the impact of the joint trusts was taken into account when determining expected cash flows. More details on the discount rate assumption can be found in Appendix E.

Section 4 – Sensitivity Testing

Sensitivity tests have been conducted on certain assumptions, as prescribed by actuarial standards of practice.

4.1 Discount Rate Sensitivity

As the assumed discount rate has a significant impact on the Trust's liabilities, actuarial standards of practice require that the impact on the liabilities of a 1.0% decrease in the assumed discount rate be disclosed.

The following table shows the effect of a 1.0% decrease in the discount rate:

Discount Rate Change	Revised Liability ($000,000s)	Original Liability ($000,000s)	Change in Liability ($000,000s)
-1.0%	1,166.6	1,108.0	58.6

4.2 EHC and Dental Escalation Rate Sensitivity

The EHC escalation rate used within the valuation is 12.00% in 2018, decreasing by 0.57% per year to an ultimate escalation rate of 3.50% per annum. The dental escalation rate used within the valuation is 3.50% per annum.

The following table shows the effects of a 1.0% increase in the EHC and dental escalation rates:

+1.0% Rate Change	Revised Liability ($000,000s)	Original Liability ($000,000s)	Change in Liability ($000,000s)
EHC Escalation	1,114.7	1,108.0	6.7
Dental Escalation	1,109.2	1,108.0	1.2

Appendix A - Plan Provisions

A.1 Plan Provisions

The primary benefits provided by the Trust are Life Insurance, Accidental Death and Dismemberment (AD&D), Long Term Disability (LTD), Dental and Extended Health Care (EHC). The following summaries were provided to us by the Trust and capture the major plan provisions in effect as at December 31, 2018.

Although benefit provisions vary by benefit package, a number of the typical LTD benefit provisions have been summarized below by the major collective agreements. This is not an exhaustive list and some benefit packages may have provisions which differ from those shown in the table.

Provision	Community	Facilities	Nurses	Health Science Professionals	Community Social Services
Qualification Period	5 months after the date of disability	5 months after the date of disability	4 months after the date of disability	5 months after the date of disability	6 months after the date of disability
Eligibility for Benefits	After the Qualification Period has elapsed; the claimant is eligible for benefits if they continue to meet the Definition of Disability criteria.				
Definition of Disability	During the qualification period and for the subsequent own occupation period, the claimant is unable to perform each of the essential duties of their own occupation due to injury or sickness. After this period, the claimant is prevented from performing each of the essential duties of any occupation for which they are or may become reasonably qualified by education, training or experience.				
Own Occupation Period[3]	19 months	19 months	24 months	24 months	12 months
Gross Benefit Amount	70% of basic monthly earnings to a limit[4] and 50% of the excess or 66-2/3% of basic monthly earnings, whichever is greater				

[3] An agreement specific termination assumption is used for the CBA, FBA, HSPBA, and NBA. A common termination assumption is used for all other agreements without adjusting for different Own Occupation Periods.
[4] Adjusted annually for new claims based on increases in the weighted average wage rate

Provision	Community	Facilities	Nurses	Health Science Professionals	Community Social Services
Limit for Gross Benefit Amount	$3,746 as at April 1, 2018	$3,746 as at April 1, 2018	$6,561 as at April 1, 2018	$6,205 as at April 1, 2018	$3,505 for the Community Living Services agreement, $3,747 for the General Services agreement and $4,629 for the Aboriginal Services agreement as at April 1, 2018
Indexation	Adjustments every 4 years after the date of qualification based on weighted average wage rate				
Offsets	The Gross Benefit Amount will be reduced by other sources of income including CPP Disability, rehabilitation and Workers' Compensation benefits				
Benefit End Date	Benefits cease the earlier of recovery, failure to provide proof of continuing disability, death, retirement or the attainment of age 65				

Appendix B – Claimant and Claims Data

B.1 Source of Data

In performing the calculations for this valuation, we obtained data from the Trust.

LTD claimant data was provided to the Trust by Great-West Life. For the valuation data, the Benefits, Design and Reporting Department of the Trust provides the claims listing to us based on the data provided by Great-West Life.

For benefits aside from LTD, the actuarial valuation does not require individual claim data to perform the valuation. Reserves held are based on the aggregate payments in recent periods. Aggregate claims and contribution data are collected from the Trust's Financial Services Department. The data is provided to the Financial Services Department from Pacific Blue Cross (EHC and dental) and Great-West Life (life and AD&D).

In performing this valuation, we use asset data and financial statements provided to us by the Trust's Financial Services Department. The calculation of the asset position of the Trust within this report is detailed in Appendix C.

We have reviewed the data to ensure its sufficiency and reliability, and consistency with the data used in the last valuation. Specific tests included:

- A claimant-by-claimant reconciliation of the claimant data from December 31, 2017 to December 31, 2018.
- Tests for reasonableness of the data elements of the record of each individual receiving benefits under the Trust, including, but not limited to:
  - Benefit entitlements were reconciled with corresponding data from the previous valuation; and
  - Demographic data was reconciled with corresponding data from the previous valuation.
- The data files for terminated claimants were compared to the files used for the prior valuation and terminations that occurred during the inter-valuation period.

B.2 Summary of LTD Claims Data

The following tables summarize the composition of LTD claimants at December 31, 2018:

Duration of Disability	Age at Disability					
	Under Age 30	30 – 39	40 – 49	50 – 59	Age 60 and Over	Total
< 1 year	12	79	94	126	40	**351**
1 to 2 years	27	116	163	242	54	**602**
2 to 3 years	12	110	187	371	86	**766**
3 to 5 years	24	122	246	577	56	**1,025**
5 to 10 years	37	207	585	805	0	**1,634**
> 10 years	97	590	1,050	213	0	**1,950**
Total	**209**	**1,224**	**2,325**	**2,334**	**236**	**6,328**

The following table summarizes the total net monthly LTD income after assumed CPP approval of disabled employees at December 31, 2018:

Duration of Disability	Age at Disability					
	Under Age 30	30 – 39	40 – 49	50 – 59	Age 60 and Over	Total
	$	$	$	$	$	$
< 1 year	41,000	241,000	313,000	451,000	146,000	**1,192,000**
1 to 2 years	59,000	321,000	450,000	639,000	133,000	**1,601,000**
2 to 3 years	24,000	234,000	381,000	798,000	173,000	**1,611,000**
3 to 5 years	49,000	246,000	502,000	1,084,000	125,000	**2,006,000**
5 to 10 years	74,000	418,000	1,128,000	1,554,000	0	**3,175,000**
> 10 years	138,000	1,001,000	1,894,000	390,000	0	**3,423,000**
Total	**385,000**	**2,462,000**	**4,667,000**	**4,916,000**	**578,000**	**13,008,000**

B.3 Changes in LTD Claimant Data

The following table shows the changes in the LTD claimants since the last valuation:

Reconciliation of LTD Claimant Data	Number of Claimants
As at December 31, 2017	6,857
New entrants	1,084
Claim terminations	(1,613)
As at December 31, 2018	**6,328**

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Appendix C - Assets

C.1 Asset Information

The asset position is calculated from the Trust's financial statements (as provided by the Trust's Financial Services Department). The Trust's Financial Statements are prepared in accordance with International Financial Reporting Standards.

The table below shows the development of these assets from December 31, 2017 to December 31, 2018:

Calculation of Asset Position	($000,000s)
Assets – December 31, 2017	**1,146.4**
Contributions	338.9
Investment return (net of investment expenses)	5.9
Benefit payments	(380.0)
Non-investment expenses	(19.9)
Assets – December 31, 2018	**1,091.3**

C.2 Calculation of Asset Position

The following table shows the calculation of the asset position as at December 31, 2017 and December 31, 2018.

Calculation of Asset Position ($000,000s)	December 31, 2017	December 31, 2018
Cash and cash equivalents	89.0	90.4
Investments	1,025.0	966.4
Contributions receivable	30.7	30.8
Accrued Interest and Stop Loss Receivable	0.1	0.1
Accounts receivable	16.7	14.6
Property, equipment and intangible assets	0.7	1.0
Benefits and accounts payable	(15.8)	(11.8)
Asset position (excluding UAL receivables)	**1,146.4**	**1,091.3**
UAL receivables	**(45.9)**	**10.7**
Asset position (including UAL receivables)	**1,100.6**	**1,102.0**

C.3 Invested Asset Mix

Invested assets are held and invested by the Healthcare Investment Unit Trust ("HIUT") and British Columbia Investment Management Corporation ("BCI"). The following table shows the invested asset mix at December 31, 2018 of the Trust, along with the current transitional and long-term policies broken down by category:

Asset	Actual	Current Transitional Policy – October 1, 2019	Long-Term Policy
Fixed Income			
Cash and money market	4.5%	4.0%	2.0%
Universe bonds	35.1%	32.0%	18.0%
Subtotal	39.6%	36.0%	20.0%
Equity			
Canadian Equity	14.9%	14.0%	10.0%
Global Equity	26.0%	26.0%	22.0%
Emerging Markets Equity	8.2%	8.0%	8.0%
Subtotal	49.1%	48.0%	40.0%
Alternatives			
Infrastructure	4.5%	8.0%	25.0%
Real Estate	6.8%	8.0%	15.0%
Subtotal	11.4%	16.0%	40.0%
Total	**100.0%**	**100.0%**	**100.0%**

C.4 Asset Valuation

The asset position is taken as the market value of assets at December 31, 2018. Reliance is placed on the provided Financial Statements for the appropriate valuation of the assets as well as the benefits and accounts payable balance.

Appendix D – Actuarial Methods

D.1 Actuarial Cost Method

As in the last valuation, the liabilities at the valuation date were calculated as the expected present value of future benefits for claims incurred up to the valuation date, where future payments incorporate future indexing. This actuarial method may be referred to as a "unit credit" cost method, although a unit credit method generally implies some accumulation in liabilities rather than event-driven liabilities.

An actuarial excess is the excess of the assets over the liabilities; an unfunded liability is the excess of the liabilities over the assets, as the case may be.

D.2 Asset Valuation Method

As in the previous valuation, the market value of the assets has been used as the assets.

D.3 Provision for Adverse Deviation (PfAD)

The Trust's liabilities have been calculated on a best estimate basis apart from:

- Liabilities for the Permitted Employer pool have been calculated with a 100% margin applied to the liabilities calculated on a best estimate basis;
- Liabilities for the Non-Taxable pool have been calculated with a 2% margin applied to the discount rate and CPI-based indexing; and
- The LTD IBNR assumption applied to the Non-Taxable pool has been calculated with a 2% margin applied to the discount rate and CPI-based indexing.

D.4 Liability Valuation Methodology

The following outlines the methodology used for calculating the liability for each line of benefit. Future costs are discounted to the present assuming cash flows occur at the middle of each month. The liabilities for reported disabled claimants are calculated on an individual basis, whereas the liabilities related to incurred but not reported claims are determined on an aggregate basis.

Admitted LTD claims (Reported)

The liability for admitted (reported) LTD claims is equal to the actuarial present value of projected future benefit payments for LTD claimants as of December 31, 2018. The actuarial present value is calculated by applying the probability of receipt of disability (i.e., probability of the claim not terminating) to the projected benefit claim costs at future ages for each LTD claimant, and further discounted by the interest rate assumption to the calculation date. Benefit costs are projected based on indexing assumptions shown in Appendix E.

LTD (IBNR)

The liability for incurred but not reported LTD claims is calculated by taking the product of the LTD IBNR assumption shown in Appendix E, the current cost of LTD (including a margin for the Non-Taxable pool), and the payroll from the most recent four quarters ending December 31, 2018.

Active extended health and dental (IBNR)

The liability for incurred but not reported extended health and dental claims is calculated by taking the product of the extended health and dental IBNR assumptions shown in Appendix E and the total extended health and dental claims and expenses incurred in the most recent four quarters ending December 31, 2018.

Active group life and AD&D (IBNR)

The liability for incurred but not reported group life and AD&D claims is assumed to be $700,000. The value of $700,000 was derived from the average length of time between a claimant's date of death and the date the claim was received applied to actual claims payments and expenses.

Extended health and dental for disabled claimants

The liabilities for extended health and dental costs for disabled claimants is calculated at the pool level as the product of the average annuity factor for each line of benefit across all LTD claimants and the calculated annual difference between benefit claims and expected employee contributions[5]. The annuity factors incorporate the future benefit cost escalation assumptions listed in Appendix E. The liability is calculated for the healthcare pools as a whole and then allocated to each pool based on the reported LTD liability as a proportion of the total.

The extended health and dental IBNRs for disabled claimants are equal to the ratio of the LTD (IBNR) to the admitted LTD claims liability, multiplied by the liabilities for extended health and dental costs for disabled claimants.

Group life and AD&D for disabled claimants

The liability for group life and AD&D is calculated as the present value of a payment at the life volume using the mortality assumption.

The group life and AD&D IBNR for disabled claimants is equal to the ratio of the LTD (IBNR) to the admitted LTD claims liability, multiplied by the liabilities for group life and AD&D costs for disabled claimants.

[5] Actual employee contributions are adjusted to account for future increases based on actual claims experience since the last date employee contributions were adjusted.

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Appendix E – Actuarial Assumptions

E.1 Summary of Assumptions

The valuation is based on the assumption that the Trust will continue to pay for benefits indefinitely into the future related to disabilities already incurred at the valuation date. At each valuation, past experience is compared to the assumptions made at the last valuation to determine if, together with known changes to plan provisions, investment policy, and expectations of future trends, the assumptions should be changed.

Emerging experience differing from these assumptions will result in experience gains and losses that will be revealed in future valuations.

The actuarial assumptions used in this and the last valuations are summarized in the following table. All rates and percentages are annualized unless otherwise noted.

Assumptions	December 31, 2017	December 31, 2018
Economic		
Discount rate	3.8% per year for the Non-Taxable pool 5.8% per year for all other pools	3.8% per year for the Non-Taxable pool 5.8% per year for all other pools
Retroactive CPP	Where CPP is assumed, retroactive CPP to a maximum of 18 months is assumed	Where CPP is assumed, retroactive CPP to a maximum of 18 months is assumed
Potential CPP benefits	Potential CPP benefits are calculated based on the following information (as set by the Canada Pension Plan): 2017 flat CPP monthly amount: $485.20 2017 maximum CPP monthly amount: $1,335.83.	Potential CPP benefits are calculated based on the following information (as set by the Canada Pension Plan): 2018 flat CPP monthly amount: $496.36 2018 maximum CPP monthly amount: $1,362.30.
Benefit indexing (indexing to wage increases)	Annual wage increases of 1.5% are assumed for agreements, except where negotiated wage increases are known. Where negotiated wage increases are known, these apply.	Annual wage increases of 1.5% are assumed for agreements, except where negotiated wage increases are known. Where negotiated wage increases are known, these apply.
Benefit indexing (indexing to CPI)	4.0% per year for the Non-Taxable pool 2.0% per year for all other pools	4.0% per year for the Non-Taxable pool 2.0% per year for all other pools
Benefit indexing (red-circling)	Benefits are never reduced below their original disability benefit	Benefits are never reduced below their original disability benefit

Assumptions	December 31, 2017	December 31, 2018
Future expenses as a percentage of claims payments[6]	Disability Income 5.0% Extended health 4.0% Dental 4.0% Life 11.0%	Disability Income 6.0% Extended health 4.0% Dental 4.0% Life 9.0%
Extended health escalation	Extended health costs for disabled employees are assumed to increase by 12.0% in 2018 and decreasing by 0.57% per year until reaching the ultimate escalation rate of 3.5% per annum.	Extended health costs for disabled employees are assumed to increase by 12.0% in 2018 and decreasing by 0.57% per year until reaching the ultimate escalation rate of 3.5% per annum.
Dental escalation	Dental costs for disabled employees are assumed to increase by 3.5% per annum.	Dental costs for disabled employees are assumed to increase by 3.5% per annum.
Demographic		
Termination from disability	Assumed based on adjustments for the Trust's experience applied to the aggregate female non-Quebec termination table published in of the CIA Report entitled "Canadian Group Long-Term Disability Termination experience 2004-2008." Table of adjustments is provided later in this appendix.	Assumed based on adjustments for the Trust's experience applied to the aggregate female non-Quebec termination table published in of the CIA Report entitled "Canadian Group Long-Term Disability Termination experience 2004-2008." Table of approval rates is provided later in this appendix.
Mortality	Assumed to be in accordance with the mortality tables for males and females in the CIA report entitled "Canadian Group Long-Term Disability Termination Experience 1988-1994".	Assumed to be in accordance with the mortality tables for males and females in the CIA report entitled "Canadian Group Long-Term Disability Termination Experience 1988-1994".
CPP approval	Rates are based on age and duration since disability. Where CPP is approved, retroactive CPP to a maximum of 18 months is assumed. Table of approval rates is provided later in this appendix.	Rates are based on age and duration since disability. Where CPP is approved, retroactive CPP to a maximum of 18 months is assumed. Table of approval rates is provided later in this appendix.
Incurred but not reported		
Life and accidental death & dismemberment (AD&D)	$700,000	$700,000

[6] Assumed disability expenses aren't intended to cover all disability expenses. The majority of disability expenses are incurred at the beginning of a claim and are covered with contributions, but are not incorporated into reserves.

Assumptions	December 31, 2017	December 31, 2018
Long-term disability	As a percentage of base LTD contributions billed in the last 12 months by agreement: - 48% non-Joint Trust (64% for the Non-Taxable pool) - 51% CBA - 57% FBA - 64% HSPBA	As a percentage of payroll in the prior four quarters: *NBA* 0.22%: Three quarters prior to latest quarter 0.68%: Two quarters prior to latest quarter 2.60%: Quarter prior to latest quarter 3.50% Latest quarter *Other (Best Estimate)* 0.11%: Three quarters prior to latest quarter 0.47%: Two quarters prior to latest quarter 1.55%: Quarter prior to latest quarter 2.00%: Latest quarter *Other (Non-Taxable Pool)* 0.14%: Three quarters prior to latest quarter 0.57%: Two quarters prior to latest quarter 1.86%: Quarter prior to latest quarter 2.40%: Latest quarter
Active extended health	Calculated as 27/365ths of the annualized extended health care payments and expenses from the last 12 months.	As a percentage of claims paid to date with an incurral date from the prior four quarters, plus expenses: *NBA* 0.6%: Three quarters prior to latest quarter 1.9%: Two quarters prior to latest quarter 5.4%: Quarter prior to latest quarter 31.1%: Latest quarter *Other* 0.7%: Three quarters prior to latest quarter 2.1%: Two quarters prior to latest quarter 5.6%: Quarter prior to latest quarter 27.7%: Latest quarter
Active dental	Calculated as 12/365ths of the dental payments and expenses from the last 12 months.	As a percentage of claims paid to date with an incurral date from the prior four quarters, plus expenses: *NBA* 0.1%: Three quarters prior to latest quarter 0.3%: Two quarters prior to latest quarter 1.0%: Quarter prior to latest quarter 16.6%: Latest quarter *Other* 0.1%: Three quarters prior to latest quarter 0.3%: Two quarters prior to latest quarter 1.1%: Quarter prior to latest quarter 16.6%: Latest quarter

Assumptions	December 31, 2017	December 31, 2018
Disabled non-income benefits (extended health, dental and life)	Ratio of LTD IBNR liability to reported LTD liability for each pool applied to the corresponding liability for reported active LTD claims	Ratio of LTD IBNR liability to reported LTD liability for each pool applied to the corresponding liability for reported active LTD claims

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E.2 Economic Assumptions

Discount Rate

The primary economic assumption used in the valuation is the discount rate, which is the rate of return that the assets are expected to earn over the long term, net of investment management expenses. In this valuation, we have used a discount rate of 3.80% per year for the Non-Taxable pool, and 5.80% per year for all other pools. The discount rate of 3.80% for the Non-Taxable pool includes a margin for adverse deviation of 2.0%. No margin for adverse deviation is included for all other pools.

In deriving the discount rate of 5.80%, we have assumed that the assets would be invested according to the asset mix transition outlined in the Trust's Investment Policy. The proposed best estimate discount rate reflects the expected returns on various asset classes over the investment horizon which the Trust would need to earn its returns. The following tables provide additional detail on the assumptions:

Asset Class	Actual - December 31, 2018	Long-Term Policy	10-Year Return[7]	25-Year Return[8]
Fixed Income				
Money market	4.5%	2.0%	2.0%	2.2%
Universe bonds	35.1%	18.0%	2.6%	3.1%
Subtotal	39.6%	20.0%		
Equity				
Canadian equity	14.9%	10.0%	6.6%	6.8%
Global equity	26.0%	22.0%	6.6%	6.8%
Emerging markets equity	8.2%	8.0%	7.1%	7.3%
Subtotal	49.1%	40.0%		
Alternatives				
Infrastructure	4.5%	25.0%	7.5%	7.5%
Real estate	6.8%	15.0%	5.2%	5.0%
Subtotal	11.4%	40.0%		

A blended long-term investment return weighted by future cash flows was determined based on the expected rates of return for each asset class by year, and this single rate was determined to be 5.80%.

[7] Annualized
[8] Annualized

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Discount Rate	
Long-term investment return	5.65%
Investment management fees (%)	-0.15%
Value added for rebalancing/diversification	+0.25%
Value added for active management	+0.05%
Margin for adverse deviation	0.0%
Discount rate	**5.80%**

We have assumed that the fees for investment management would cost 0.15%, re-balancing to the benchmark asset mix would add value of 0.25%, and active management would add value of 0.05%.

Retroactive CPP

Where CPP is assumed, retroactive CPP to a maximum of 18 months is assumed.

Potential CPP benefits

Potential CPP benefits are set by the Canada Pension Plan.

Benefit indexing (indexing to wage increases)

Increases which are known to be agreed upon are used. For future increases which are unknown, the assumptions are based on expectations provided by HEABC, the Health Authority CFOs and CSSEA.

Benefit indexing (indexing to CPI)

The best estimate CPI assumption is based on the Bank of Canada's target. A margin of 2.0% has been added for the Non-Taxable pool.

Benefit indexing (red-circling)

Where known wage rate changes result in a negative indexing adjustment, it has been assumed that disability income benefits will not decrease for a claimant on disability. Future indexing adjustments are assumed to be mitigated appropriately to reflect the total increase from the original disability benefit amount. This assumption is line with the Trust's direction to the disability claims third party claims administrator.

Future expenses as a percentage of claims payments

For disability income benefits the assumption has been set equal to the 3rd party provider expense allocation assumption[9] for adjudication and administration but not including rehabilitation services, plus one percent and then rounded to the nearest percent.

For extended health and dental benefits the assumption has been set equal to the total future expense allocation assumption[9], plus half a percent and then rounded to the nearest percent.

For Life benefits the assumption has been set equal to the most recent total future expense allocation assumption[9], plus half a percent, plus two percent for Premium taxes and then rounded up to the nearest percent.

Extended health escalation

George & Bell's annual review of economic assumptions provided a short-term assumption of 12.00% per annum in 2018 and a long-term assumption of 3.50% per annum. A linear reduction of 0.57% in the escalation rate was set to transition from the short-term assumption to the long-term assumption.

Dental escalation

George & Bell's annual review of economic assumptions provided an assumption of 3.50% per annum.

E.3 Demographic Assumptions

Claims may cease active status as a result of termination. The demographic assumptions used in the valuation are based on published tables, adjusted as appropriate if and when rates used in previous valuations appear to be no longer appropriate. In this valuation, we changed the termination and CPP approval assumptions.

[9] As provided by the Trust

Termination from disability

For the December 31, 2018 valuation, we used the CIA 2004-2008 non-Quebec, female termination table with adjustments based on actual experience of the Trust for the 60-month period ending December 31, 2017. For the prior valuation, the termination assumption used the CIA-2004-2008 non-Quebec, female termination table with adjustments based on actual experience of the Trust for the 60-month period ending June 30, 2017. The table below shows the assumed termination rates applied, as a percentage of the base CIA termination table.

Assumption at December 31, 2017				
Duration (months)	**Non-Joint Trust**	**CBA**	**FBA**	**HSPBA**
Less than 24	85%	75%	75%	80%
24-30	310%	215%	245%	270%
31-60	100%	85%	85%	75%
Greater than 60	140%	85%	145%	150%
Base CIA Disability Termination Table		2004-2008		

Assumption at December 31, 2018					
Duration (months)	**NBA**	**Other**	**CBA**	**FBA**	**HSPBA**
Less than 24	90%	80%	70%	75%	80%
24-30	365%	160%	210%	250%	290%
31-60	120%	70%	85%	80%	85%
Greater than 60	150%	80%	80%	130%	135%
Base CIA Disability Termination Table			2004-2008		

Mortality

The mortality assumption is used to determine the liability for the life insurance benefit for currently disabled claimants. Mortality is assumed to be in accordance with the CIA 1988 to 1994 Mortality Tables for Males and Females. The assumption is consistent with the prior valuation.

CPP approval

The CPP approval assumption is based on a study performed using data from 2007 to December 31, 2017. The study was performed using information from rolling four-year periods for CPP approvals at various durations of claims. The same methodology was used for the prior valuation, with experience to June 30, 2017. The table below shows the assumed CPP approval rates applied.

Assumption at December 31, 2017				
Duration (months)	**Non-Joint Trust**	**CBA**	**FBA**	**HSPBA**
Less than 24	30%	45%	35%	30%
24-30	35%	40%	60%	40%
31-60	45%	45%	40%	50%
Greater than 60	15%	20%	10%	20%

Assumption at December 31, 2018					
Duration (months)	**NBA**	**Other**	**CBA**	**FBA**	**HSPBA**
Less than 24	30%	35%	50%	35%	35%
24-30	35%	40%	45%	55%	30%
31-60	40%	50%	50%	40%	45%
Greater than 60	10%	25%	10%	10%	20%

E.4 Incurred but not reported

Life and accidental death & dismemberment (AD&D)

The assumption for the life and AD&D IBNR was determined from a study comparing the date of death or dismemberment to the notification date for claims in the three years ending December 31, 2017. The methodology is unchanged from the previous valuation.

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Long-term disability

The IBNR assumptions for long-term disability represent the cost of claims incurred on or before the valuation date but were not yet reported. The assumption for each of the preceding quarters is expressed as a percentage of payroll in that quarter. The assumptions were calculated on a Best Estimate basis for all pools except the Non-Taxable pool which was calculated with a 2% margin applied to the discount rate and CPI-based indexing.

For the prior valuation, the IBNR assumptions for long-term disability were calculated as a percentage of base LTD contributions billed for the following pool and agreement combinations:

- Healthcare pools (Health Authorities, Providence Health Care and the Affiliate pool):
    - CBA;
    - FBA;
    - HSPBA; and
    - Non-Joint Trust (remaining agreements).
- Permitted Employer pool; and
- Non-Taxable pool.

Active extended health and dental

Run-off claims were used to calculate the proportion of claims paid in the quarter of incurral and each of the following three quarters after incurral. Using quarterly data spanning April 2014 to December 2017, we averaged the proportion of outstanding claims for the quarter of incurral and each of the following three quarters after incurral. We then converted them to a percentage of total claims paid to date for claims incurred in each of the prior four quarters.

For the prior valuation, run off claims (excluding CBA, FBA and HSPBA claims) for the period between June 2015 and May 2016 were used to calculate the proportion of claims paid in the 12 months after the month of incurral for each month of incurral.

Disabled non-income benefits (extended health, dental and life)

At the pool level, the ratio of the IBNR liability to the reported liability for each disabled non-income benefit is assumed to be the same as the ratio of the LTD (IBNR) liability to the admitted LTD claims liability for each pool. The IBNR liability for each disabled non-income benefit is calculated as the corresponding reported liability multiplied by the ratio of the LTD (IBNR) liability to the admitted LTD claims liability for each pool. The methodology is unchanged from the previous valuation.

Appendix F - Detailed Results and Claims Movement

The table below shows the results of the LTD Income (Reported) liability by duration of disability and age at disability ($000,000s) on a Best Estimate basis.

Duration of Disability	Age at Disability: Under Age 30	30 – 39	40 – 49	50 – 59	Age 60 and Over	Total
	$	$	$	$	$	$
< 1 year	1.0	10.1	14.4	18.2	2.8	46.6
1 to 2 years	2.8	17.4	27.6	28.0	2.1	77.9
2 to 3 years	2.2	23.6	36.1	45.7	2.2	109.8
3 to 5 years	6.7	33.1	58.0	61.7	0.9	160.6
5 to 10 years	12.2	61.5	118.5	64.9	-	257.0
> 10 years	18.2	105.2	105.2	8.1	-	236.7
Total	**43.3**	**250.9**	**359.7**	**226.6**	**8.0**	**888.5**

The table below shows the movement of active LTD claims by notional pool within the Trust.

Notional Pool	Claims as at Dec 31, 2017	Termination Reasons							New Entrants	Claims as at Dec 31, 2018
		Age 65	Death	Return to Work	ERIB	Change of Definition	Retired / Resigned	Other		
Fraser	1,282	(37)	(9)	(157)	(18)	(65)	(20)	(29)	237	**1,184**
Coastal	886	(29)	(10)	(100)	(10)	(33)	(18)	(10)	191	**867**
Island	1,040	(31)	(10)	(141)	(19)	(61)	(19)	(21)	194	**932**
Interior	1,152	(56)	(6)	(123)	(18)	(64)	(14)	(17)	201	**1,055**
Northern	348	(9)	(3)	(44)	(8)	(12)	(3)	(2)	43	**310**
Provincial	430	(7)	(8)	(43)	(7)	(36)	(8)	(2)	83	**402**
Providence	294	(14)	(3)	(19)	(4)	(16)	(5)	0	33	**266**
Affiliates	986	(54)	(6)	(36)	(11)	(34)	(12)	(15)	35	**853**
CSSEA	356	(9)	(1)	(9)	0	(9)	0	(2)	39	**365**
Non-HEABC	49	(1)	(2)	(5)	0	(3)	(2)	(1)	24	**59**
Non-taxable	34	(2)	0	(1)	0	0	0	0	4	**35**
Total	**6,857**	**(249)**	**(58)**	**(678)**	**(95)**	**(333)**	**(101)**	**(99)**	**1,084**	**6,328**

Appendix G – Best Estimate Reconciliation

The Trust's liabilities have been calculated on a best estimate basis apart from:

- Liabilities for the Permitted Employer pool have been calculated with a 100% margin applied to the liabilities calculated on a best estimate basis;
- Liabilities for the Non-Taxable pool have been calculated with a 2% margin applied to the discount rate and CPI based indexing; and
- The LTD IBNR assumption applied to the Non-Taxable pool has been calculated with a 2% margin applied to the discount rate and CPI-based indexing.

The following table reconciles the liabilities reported within this report to the liabilities on a best estimate basis:

Liabilities	Best Estimate Liabilities	Impact of LTD IBNR margin	Impact of Indexing margin	Impact of Discount Rate margin	Permitted Employer Margin	Reported Liabilities
	$000,000s	$000,000s	$000,000s	$000,000s	$000,000s	$000,000s
Admitted LTD claims (reported)	888.5	-	0.5	1.0	8.2	898.1
Long-term disability (IBNR)	49.2	0.1	-	-	0.6	49.9
Active extended health (IBNR)	9.7	-	-	-	0.1	9.8
Active dental (IBNR)	3.0	-	-	-	0.0	3.0
Active group life and AD&D (IBNR)	0.7	-	-	-	0.0	0.7
Extended health for disabled claimants	100.0	-	-	-	-	100.0
Dental for disabled claimants	20.3	-	-	-	-	20.3
Group life and AD&D for disabled claimants	26.1	-	-	-	-	26.1
Total Liability	**1,097.5**	**0.1**	**0.5**	**1.0**	**9.0**	**1,108.0**

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Appendix H – Data Certificate

With respect to the information used within this report, I hereby confirm that to the best of my knowledge and belief:

- LTD claimant data provided to the actuaries and summarized in Appendix B and Appendix F are a complete and accurate description of all individuals meeting the definition of disability under the Trust;
- The financial data provided to the actuaries and summarized in Appendix B are a complete and accurate representation of the contributions, claims and expenses by benefit line and notional pool;
- The plan provisions summarized in Appendix A are an accurate description of the provincial collective agreement disability related plan provisions in effect at the valuation date; and
- There have been no events subsequent to the valuation date, up to the report date, that would materially change the December 31, 2018 valuation results or the Trust's financial position or cost.

Mick Maguire
Chief Financial Officer
Date:

Elisabeth Whiting
Executive Director, Client Service &
Stakeholder Relations
Date:

Financial Statements of
(Expressed in thousands of dollars)

HEALTHCARE BENEFIT TRUST

Year ended December 31, 2018

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Healthcare Benefit Trust

Opinion

We have audited the financial statements of Healthcare Benefit Trust (the "Trust"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of changes in net assets for the year then ended
- the statement of changes in benefit obligations for the year then ended
- notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018, and its changes in net assets and its changes in benefit 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 *"**Auditors' Responsibilities for the Audit of the Financial Statements**"* section of our auditors' report.

We are independent of the Trust 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 Management and Those Charged with Governance for the Financial Statements

Management is 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 management 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, management is responsible for assessing the Trust'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 management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Trust 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 11, 2019

HEALTHCARE BENEFIT TRUST

Statement of Financial Position
(Expressed in thousands of dollars)

December 31, 2018, with comparative information for 2017

	Notes	2018	2017
Assets			
Cash and cash equivalents	3	$ 90,372	$ 88,984
Investments	4	966,353	1,025,043
Accrued interest and other receivables		91	77
Contributions receivable		30,804	30,671
Accounts receivable		14,596	16,719
Underfunded actuarial benefits	5	11,563	-
Property, equipment and intangible assets	6	958	724
		1,114,737	1,162,218
Liabilities			
Benefits and accounts payable		11,849	15,789
Overfunded actuarial benefits	5	-	45,871
Net assets available for benefits		1,102,888	1,100,558
Plan benefit obligations	7	1,107,979	1,099,913
Economic dependence	8		
Commitments	9		
Surplus (deficit)		$ (5,091)	$ 645

See accompanying notes to financial statements.

Approved on behalf of the Board of Trustees:

____________________ Trustee

____________________ Trustee

HEALTHCARE BENEFIT TRUST

Statement of Changes in Net Assets
(Expressed in thousands of dollars)

Year ended December 31, 2018, with comparative information for 2017

	Notes	2018	2017
Surplus, beginning of year		$ 645	$ 5,178
Contributions and income:			
Change in underfunded/overfunded actuarial benefits		70,737	(73,372)
Contributions	10	324,509	359,455
Investment income	11	54,975	187,394
Changes in unrealized loss on investments		(49,036)	(104,626)
Interest on underfunded (overfunded) actuarial benefits		1,044	6,153
Joint Trust administration fees		1,504	1,038
		403,733	376,042
Disbursements and expenses:			
Benefits paid	12	379,840	407,823
Net change in plan benefit obligations		8,066	(49,782)
Operating expenses	13	21,436	22,434
Bad debt expense		127	100
		409,469	380,575
Contributions and income less disbursements and expenses		(5,736)	(4,533)
Surplus (deficit), end of year		$ (5,091)	$ 645

See accompanying notes to financial statements.

HEALTHCARE BENEFIT TRUST

Statement of Changes in Benefit Obligations
(Expressed in thousands of dollars)

Year ended December 31, 2018, with comparative information for 20172

	Notes	2018	2017
Plan benefit obligations, beginning of year		$ 1,099,913	$ 1,149,695
Benefits accrued		294,027	337,780
Experience gains		25,958	6,771
Interest accrued		60,615	58,278
Permitted pool policy update		-	7,480
Changes in actuarial assumptions		27,364	(30,772)
Benefits and operating expenses paid		(399,898)	(429,319)
Plan benefit obligations, end of year	7	$ 1,107,979	$ 1,099,913

See accompanying notes to financial statements.

1. Description of the Trust:

The Healthcare Benefit Trust (the Trust) was created to receive contributions forwarded by participating employers and to make investments for the purpose of funding future health and welfare benefits, excluding pension benefits, in accordance with the Healthcare Benefit Trust Plan (the Plan). The Plan provides Long-term Disability (LTD), Group Life, Dependent Life, Extended Health Care (EHC), Dental and Accidental Death & Dismemberment (AD&D) coverage. Adjudication and administration of coverage is provided through third party administrators. Participating employers' plans conform to collectively bargained benefit packages where appropriate.

The Trust was established in 1979 through the Agreement and Declaration of Trust (the Trust Agreement). The Trust Agreement describes the composition, appointment, power, function, and duties of the Board of Trustees. The Board of Trustees is responsible for the governance of the Plan.

Public healthcare services in British Columbia are provided through organizations known as Health Authorities, which are set for each of five geographic regions of the province plus one for the overall province. Providence Healthcare Society, a Health Authority affiliate, is grouped into the Health Authority category as a seventh Health Authority for purposes of these financial statements only. The Trust provides benefits for employees of the Health Authorities, other participating health employers (who are present or past members of the Health Employers Association of BC), community society services sector employers (who are present or past members of the Community Social Services Employers' Association) and other permitted employers.

The Trust's capital is comprised of its net assets. The Trust's objective for managing capital, including member contributions, is to ensure that the assets of the Trust are invested soundly and effectively to meet the future obligations of the Plan.

The Healthcare Benefit Trust is a trust that is exclusively dedicated to providing certain employee benefits and services related to those benefits. The Trust is not an insurance company and the benefits it provides are not insured by an insurance company. The Trust is not subject to regulation under the British Columbia Financial Institutions Act.

Effective April 1, 2017, the Community Bargaining Association, Facilities Bargaining Association and Health Sciences Professionals Bargaining Association formed separate trusts ("Joint Trusts") for the purposes of providing benefits to their employees and functions independently of the Trust. These three Joint Trusts reduced the number of covered lives in the Trust by approximately 50%, but did not result in a transfer of existing assets or liabilities from the Trust. The Trust provides administrative services to the Joint Trusts related to their provision of employee benefits.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with the Canadian Accounting Standards for Pension Plans. For accounting policies that are not related to the Trust's investments or benefit obligations, the Trust has complied with International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the Board of Trustees on April 11, 2019.

(b) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand, bank balances and investments in money market instruments with original maturities of three months or less.

(c) Financial instruments:

(*i*) Recognition and initial measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of changes in net assets only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

(*i*) Recognition and initial measurement (continued):

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Trust may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Trust has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities, The Trust may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(*ii*) Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Trust's investments are classified as FVTPL.

The Trust's investments are comprised of units of pooled funds. Pooled Fund units are valued based on closing net asset values at the date of the statement of net assets. Changes in fair value of investments are recognized in the statement of changes in net assets as unrealized gains or losses on investment.

(*iii*) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Trust classifies cash and cash equivalents, accrued interest and other receivables, contributions receivable, accounts receivable, benefits and accounts payables and underfunded/overfunded actuarial benefits as amortized cost.

2. Significant accounting policies (continued):

(d) Property, equipment, and intangible assets:

Property, equipment and intangible assets are recorded at historical cost and amortized using the straight-line method over their estimated useful lives, commencing when they are put into use, as follows:

Asset	Estimated useful lives
Computer hardware	3 years
Leasehold improvements	Over term of lease
Other property and equipment	5 to 8 years
Computer software	5 to 7 years

The Trust reviews the carrying value of property, equipment and intangible assets for impairment annually, and whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment is recognized if and to the extent the recoverable amount is less than the carrying value.

(e) Plan benefit obligations:

Liabilities are recorded for future benefit payments on claims reported prior to the fiscal year end and on claims that have been incurred prior to the fiscal year end but not reported by that time. These liabilities are actuarially determined based on historical claims experience, current and expected future rates of investment return, and the time value of money. The liabilities include a provision for the future cost of investigation and settlement of those claims incurred prior to the fiscal year end.

Changes to these liabilities based on changes to the underlying actuarial assumptions are recorded in the period during which the change is made.

The provision for Plan benefits and claims are estimates subject to variability because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Estimates may vary because of receipt of additional claim information and significant changes from historical trends in severity and/or frequency of claims.

(f) Revenue recognition:

Investment income is recognized on an accrual basis. Administration fees are recognized when services are rendered and the amount can be reasonably estimated.

2. Significant accounting policies (continued):

(g) Taxation:

The Trust is a Health and Welfare Trust, which is subject to income tax pursuant to subsections 104(2) and 122(1) of the *Income Tax Act (Canada)*. The Trust, in determining its income subject to tax, may deduct certain expenses and benefits paid, to the extent of its gross trust income. Generally, it is unlikely that the Trust will have taxable income in a taxation year as it is expected that the Trust's deductible expenses and benefits paid will far exceed its gross trust income in any given taxation year. Accordingly, the Trust does not record income taxes.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian Accounting Standards for Pension Plans requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and contributions and disbursements and expenses during the reporting period. Areas of significant estimation include plan benefit obligations, which are further described in note 7. Actual results could differ from these estimates as additional information becomes available in the future.

(i) Standards and interpretations issued but not yet effective:

At December 31, 2018, a number of standards and interpretations, and amendments thereto, had been issued by the International Accounting Standards Board ("IASB"), which are not effective for these financial statements. Those which are relevant to the Trust's financial statements are set out below:

IFRS 16 - *Leases*:

In January 2016, the IASB issued IFRS 16, *Leases*. This new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value.

This standard is effective for annual periods beginning on or after January 1, 2019. The Trust is currently assessing the full impact of this standard.

3. Restricted cash:

Included in cash and cash equivalents is restricted cash held for separate Trusts and for monthly benefit payments of employees under a separate agreement. Restricted cash at December 31, 2018 was $1,786,927 (2017 - $1,521,978).

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

4. Investments:

As at December 31, the investments of the Trust were comprised as follows:

	2018	2017
Pooled investment vehicles:		
Healthcare Investment Unit Trust	$ 890,534	$ 926,632
Canadian pooled fixed income funds	9,721	11,097
Infrastructure pooled funds	-	26,650
Real estate limited partnership	66,098	60,350
Foreign currency contracts	-	314
	$ 966,353	$ 1,025,043

In 2017 a new investment vehicle was created to allow for the pooling of investments for HBT and the Joint Trusts. The Healthcare Investment Unit Trust (HIUT) was created and trustees appointed by the participating beneficiary trusts. HIUT has appointed British Columbia Investment Management Corporation (BCI) to manage the investments of HIUT. HBT transitioned all of its liquid assets into the HIUT in September 2017. In 2018 HBT transferred all of its Infrastructure assets to the HIUT. Real Estate assets remain under HBT's independent investment account with BCI.

As at December 31, 2018, the Trust held funds in an investment account in trust for the Health Sciences Professionals Bargaining Association with a fair value of $10,462,317 (2017 - $10,288,506). These investments have not been recognized in the Trust's statement of financial position as the Trust has no right to utilize or apply these funds without the consent or direction from the Health Sciences Professionals Bargaining Association.

5. Underfunded/overfunded actuarial benefits:

The Trust maintains 10 notional LTD pools, one for each of the seven Health Authorities and three Non-Health Authority Pools. Two of these non-Health Authority Pools are made up of a large number of smaller employers, which share claims experience amongst all employers in their respective pool. The Non-Health Authority Pools are:

- CSSEA (present or past members of the Community Social Services Employers' Association);
- Non-HEABC (permitted employers who are not members of an employers association); and
- Employee paid (Non-Taxable).

The Health Authorities are responsible for their own pools, included in which are their proportionate share of affiliates that were previously contained in a separate pool. Other entities are amalgamated into pools with other like agencies. As the entities are effectively self-insured through the Trust, if an underfunded actuarial benefit exists, participating employers are liable for this amount. Health Authorities are invoiced annually for their share of any underfunded actuarial benefits receivable to bring them to 100% funded. The funding policy of the Trust requires that the Health Authorities make minimum monthly payments in respect of these amounts over 20 years. This policy was approved by all participating Health Authorities. Invoiced amounts are charged interest at an effective annual rate equal to the annual discount rate used for determining the actuarial liability for Plan benefit obligations. If a Health Authorities' respective pool is in a surplus at year end, the Trust recognizes a liability to the respective Health Authorities which is reduced over 20 years ("overfunded actuarial benefits"). Health Authorities have the option of having the liability settled net of contributions receivable or can elect not to receive a credit. Alternatively, a contribution holiday may be implemented to reduce the liability.

The portion of the underfunded actuarial benefits not related to a Health Authority is not invoiced annually. Recovery of the liability for these groups is through deficit recovery rates applied to long-term disability contributions and through an exit levy for terminating groups. Exit levies are obligations borne by departing employers in respect of their share of any underfunded actuarial benefits that exists at the date of termination of participation in the Trust.

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

6. Property, equipment and intangible assets:

	2018	2017
Property and equipment	$ 352	$ 317
Intangible assets	606	407
	$ 958	$ 724

(a) Property and equipment:

	Computer hardware	Leasehold improvements	Other property and equipment	Total
Cost:				
Balance, December 31, 2016	$ 914	$ 320	$ 391	$ 1,625
Additions	55	213	4	272
Disposals	-	-	-	-
Balance, December 31, 2017	969	533	395	1,897
Additions	29	95	8	132
Disposals	(522)	(320)	(163)	(1,005)
Balance, December 31, 2018	$ 476	$ 308	$ 240	$ 1,024

	Computer hardware	Leasehold improvements	Other property and equipment	Total
Amortization:				
Balance, December 31, 2016	$ 841	$ 260	$ 389	$ 1,490
Amortization	43	45	2	90
Disposals	-	-	-	-
Balance, December 31, 2017	884	305	391	1,580
Amortization	33	60	4	97
Disposals	(522)	(320)	(163)	(1,005)
Balance, December 31, 2018	$ 395	$ 45	$ 232	$ 672
Carrying amounts:				
December 31, 2017	$ 85	$ 228	$ 4	$ 317
December 31, 2018	81	263	8	352

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

6. Property, equipment and intangible assets (continued):

(b) Intangible assets - software:

Balance, December 31, 2016	$	863
Additions		234
Disposals		(37)
Balance, December 31, 2017		1,060
Additions		365
Disposals		(43)
Balance, December 31, 2018	$	1,382

Balance, December 31, 2016	$	522
Amortization		168
Disposal		(37)
Balance, December 31, 2017		653
Amortization		166
Disposal		(43)
Balance, December 31, 2018	$	776
Carrying amounts:		
December 31, 2017	$	407
December 31, 2018		606

7. Plan benefit obligations:

	2018	2017
Long-term disability:		
Admitted claims	$ 898,142	$ 894,821
Incurred but not reported claims	49,863	54,468
Group life, accidental death and dismemberment, dental and extended healthcare:		
Disabled extended healthcare	100,021	92,932
Disabled dental	20,320	18,606
Disabled group life/accidental death and dismemberment	26,149	29,496
Incurred but not reported claims	13,484	9,590
	$ 1,107,979	$ 1,099,913

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

7. Plan benefit obligations (continued):

Plan benefit obligations represent the present value of future benefit payments payable by the Trust. An actuarial valuation is performed annually, with the effective date being consistent with the year-end of the Trust. The actuarial liabilities are determined using accepted actuarial practices in accordance with the standard of practice established by the Canadian Institute of Actuaries (CIA). Liabilities primarily cover benefits payable to claimants on LTD, including both reported and unreported claims at December 31, 2018.

In addition to LTD benefits, plan benefit obligations also provide for the following:

- Incurred but not reported claims of active employees for EHC, dental, group life and AD&D.
- Future costs for EHC, dental, group life and AD&D for existing Health Authorities' disabled claimants (collectively, disabled non-income benefits).

These liabilities are only recognized in respect of certain types of participating employees.

In determining the obligations of the Trust, the cost of claims, future changes in claims costs, the time value of money (to discount future claims to present value) and expenses to administer the benefits, are included in the determination. These liabilities are dependent on economic and demographic experience. To determine the obligations, assumptions about future economic and demographic experience are necessary.

Demographic assumptions are largely derived based on past experience. Economic assumptions, on the other hand, are based more on current market conditions than experience. Demographic and economic assumptions will change over time. It is possible that such changes could cause a material change in the actuarial present value of future benefit payments.

The following long-term assumptions were used in the actuarial valuation:

	2018	2017
Discount rate	5.8%[1]	5.8%[1]
Expense assumption (rate varies by benefit product)	4 - 9%	4 - 11%
IBNR assumption:		
Group Life and AD&D	$ 700	$ 700
LTD[2]	0.11 - 3.5%	48 - 64%
Dental[3]	0.1 - 16.6%	12/365
EHC[3]	0.6 - 31.1%	27/365
Disabled non-income benefits[4]	2.0 - 9.2%	2.2 - 10.8%
Assumed Indexing rates [5]	1.5%	1.5%

1. Non-taxable claims are valued using an annual discount rate of 3.8% (3.8% - 2017) and all other Employer Pool claims are valued at 5.80% (5.80% - 2017)
2. Percentage of payroll in the prior four quarters. (Percentage of base LTD contributions billed in last 12 months - 2017) IBNR methodology change due to change from product based LTD rates to contributions as percentage of payroll. Base LTD contributions are no longer available for the majority of the Trust.
3. Percentage of claims paid to date with an incurral date from the prior four quarters plus expenses. (Fraction of payments and expenses in previous 12 months - 2017) The methodology changed to calculate the IBNR by quarter of incurral as incurred claims in a quarter are a more appropriates basis than claims paid in a quarter.
4. The ratio of LTD IBNR to the reported LTD liability of each pool
5. Assumed wages increases of 1.5% are assumed for agreements, except where negotiated increases are known.

7. Plan benefit obligations (continued):

The rate of terminations of active claims and the Canadian Pension Plan approval rate are also critical assumptions used in the actuarial valuation.

Long-term economic and actuarial assumptions and methods are reviewed periodically. Management believes that the valuation methods and assumptions are, in aggregate, appropriate for the valuation.

The actuarial valuation involves making assumptions about the future. Actuarial assumptions are approved by the Board of Trustees. The rationales for key assumptions are:

- Discount rate: this has been set equal to the Trust's best estimate of investment return of 5.80% (2017 - 5.8%) excluding the Non-Taxable pool. A discount rate of 3.80% (2017 - 3.8%) was used for the Non-Taxable Pool which includes a 2.0% margin for adverse deviation. Should the discount rate increase or decrease by 1% this would impact the actuarial liability by (52,700,000) or $58,600,000, respectively (2017 - ($51,100,000) or $56,800,000, respectively).
- Rate of terminations of active claims: the actuary used the CIA 2004-2008 non-Quebec, female termination table with adjustments based on actual experience of the Trust for the 60 month period ending December 31, 2017 (2017 – actual experience to June 30, 2017). A risk could arise that the Trust's future termination experience is worse than the assumed termination rates.
- Canadian Pension Plan (CPP) approval rate: a study was performed by the actuary on actual approvals of CPP disability claims by active claimants. The resulting assumption is the best estimate without margins and incorporates actual experience to December 31, 2017 (2017 - actual experience to June 30, 2017). The CPP approval rate assumption is based on age and duration since disability. A risk could arise that the Trust's future CPP approval experience is worse than the assumed CPP approval rates.

The Trust accepts insurance risk through its provision of health and welfare benefits for participating employees, and is exposed to uncertainty surrounding the timing, frequency, and severity of claims. The Trust manages its insurance risk within an overall risk management framework and through annual review of contribution rates.

The Trust further reduces exposure to insurance risk through stop loss insurance in respect of its dental, EHC and group life products. The Trust pays stop loss insurance to third party administrators to cover claims costs in excess of predetermined levels each year. The stop loss insurance provides a maximum ceiling of uncertainty for incurred claims. To further tighten the insurance risk, the Trust has reinsurance in place on extended health to insure against large individual losses.

7. Actuarial liabilities for plan benefit obligations (continued):

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims costs can only be ascertained once all claims are closed. Changes in key assumptions used to value insurance contracts would result in increases or decreases to the benefit obligations recorded, with corresponding decreases or increases, respectively to the change in net assets and deficit.

The Trust is exposed to a risk that actual claims experience will differ from the assumptions used in the rate setting process. As rates are set every year, based on the past experience and assumptions as to future events, this risk is mitigated through adjustments to the following year's rates. Any deficiencies are factored into the rate setting assumptions and will be recovered in future years. The Trust also has the ability to recover any deficit related to its plan benefit obligations. The Trust's participating employers are segregated into pools whereby each pool bears the risk of LTD claims experience. The Health Authorities are billed for their deficiencies in claims experience for LTD, if any, as discussed in note 5, whereas the deficiencies incurred by the non-Health Authority employers' are recovered through deficit recoveries built into their rates. In addition, non-Health Authority employers that wish to leave the Trust are billed an exit levy that covers any deficiencies arising from excess claims experience.

The Trust is also exposed to concentration risk within its insurance activities with its operating exposure being primarily within BC and with a high percentage of participating employees working for a limited number of employers. Significant risks could potentially arise from epidemics, natural disasters and other catastrophes. However, the Trust's stop loss insurance would limit their exposure to losses that would arise from health related catastrophes.

8. Economic dependence:

The Trust receives approximately 91% (2017 - 90%) of its participant contributions from the Health Authorities and is dependent upon the ability of the Health Authorities to meet future contribution rate payments.

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

9. Commitments:

The Trust has entered into a lease agreement for the head office location, expiring March 2023, and the Kelowna location, expiring February 2023, covering office premises used in operations. The Kelowna location has been sublet from 2014 until 2019.

The aggregate rentals and operating costs payable for the remaining terms of the leases are as follows:

2019	$	288
2020		332
2021		337
2022		341
2023		80
Thereafter		-
	$	1,378

10. Contributions:

		2018		2017
Percentage of Straight Time Payroll	$	307,869	$	231,985
LTD		6,511		51,437
EHC		4,861		38,248
Dental		4,685		34,772
AD&D/Group Life		583		3,013
	$	324,509	$	359,455

Beginning April 1, 2017, all Healthcare Employers of the Trust moved from product based rates to a percentage of payroll basis for determining contribution amounts. Permitted and CSSEA Employers remain using product based contribution rates.

11. Investment income:

		2018		2017
Interest from cash and cash equivalents	$	1,221	$	566
Distributions from pooled investment vehicles		53,754		186,828
	$	54,975	$	187,394

During the year, the Trust realized $2,109,640 (2017 - $125,037,000) in gains from the transfer of investments to the HIUT. This amount is included in income from pooled investments vehicles.

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

12. Benefits paid:

	2018	2017
LTD:		
Active LTD	$ 169,248	$ 181,984
Early Retirement Incentive Benefit	5,227	3,645
GWL Rehab Costs	5,440	6,280
Other	57	143
EHC	119,572	122,330
Dental	74,357	84,461
AD&D/Group Life	5,938	8,980
	$ 379,839	$ 407,823

13. Operating expenses:

	Notes	2018	2017
Claims adjudication and administration		$ 16,396	$ 17,492
Staff costs	14, 15	2,743	2,605
Office expenses and other	14	886	985
Other professional services		751	701
Amortization		262	258
Actuarial fees		208	210
Audit fees		155	128
Trustee operations		35	55
		$ 21,436	$ 22,434

14. Related party transactions:

As per the Trust Agreement, the administration of the applicable health and welfare plan document requires direction from the Health Employers Association of BC. Therefore, the Health Employers Association of BC may provide the Trust with administrative services. On a services incurred basis, nil fees were paid in 2018 (2017 - $2,000). The Health Employers Association of BC appoints the trustees of the Trust.

The Trust is the Administrator of HIUT and may pay for certain expenses on behalf of the HIUT. Included in accounts receivable is a balance due from HIUT for these expenditures totaling nil (2017 - $76,138). The Trust is related to the HIUT by virtue of common directors.

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

14. Related party transactions (continued):

Key management personnel include senior executive officers of the Trust and members of the Board of Trustees. During the year, compensation of key management personnel, which is included in staff costs as set out in note 13, was as follows:

	2018	2017
Compensation and short-term employee benefits	$ 614	$ 724
Long-term employee benefits	66	80
	$ 680	$ 804

Short-term employee benefits include: EHC, dental, and MSP. Long-term employee benefits include: Group life, LTD, AD&D, and Dependent life and contributions to a post-employment defined benefit plan.

15. Employee benefit plans:

The Trust and its employees contribute to the Municipal Pension Plan (the MPP), a jointly trusteed pension plan. A Board of Trustees of the MPP, representing plan members and employers, is responsible for overseeing the management of the MPP, including investment of the assets and administration of the benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The MPP serves more than 333,000 active, inactive and retired plan members and more than 900 plan employers.

Every three years an actuarial valuation is performed to assess the financial position of the MPP and the adequacy of plan funding. The most recent valuation available as at the date of this report was December 31, 2015. The MPP's actuary does not attribute portions of the unfunded liability to individual employers. The Trust paid $221,000 (2017 - $212,700) for employer contributions to the MPP in the year ended December 31, 2018.

In addition, the Trust itself is a participating employer in Healthcare Benefit Trust and its employees are covered for long-term disability, extended health, dental, accidental death and dismemberment, group life, and dependent life benefits on the same basis as employees of other participating non-Health Authority employers. The Trust expensed $174,000 (2017 - $164,745) for employer contributions for these non-pension benefits in the year ended December 31, 2018.

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

16. Fair value of financial instruments:

(a) Fair value hierarchy:

The Trust's financial instruments consist of cash and cash equivalents, investments, accrued interest and other receivables, contributions receivable, accounts receivable, benefits and accounts payable and under/overfunded actuarial benefits.

The fair value of a financial instrument is the estimated amount that the Trust would receive or pay to settle a financial asset or financial liability as at the reporting date. Investments are carried at fair value in the financial statements. The carrying value of cash and cash equivalents, accrued interest and other receivables, contributions receivable, accounts receivables and benefits and accounts payable approximates fair value due to their short-term to maturity. The fair value of the under/overfunded actuarial benefits is considered by management to equal to its carrying value as the interest charged against outstanding amounts is periodically adjusted to market rates.

The Trust has categorized the inputs used to value its financial instruments held at fair value into a three-tier fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The hierarchy of inputs is summarized below:

— Quoted prices (unadjusted) in active markets (Level 1).

— Inputs other than quoted prices included in Level 1 that are observable either directly (i.e., prices) or indirectly (i.e., derived from prices) (Level 2).

— Inputs that are not based on observable market data (unobservable inputs) (Level 3).

	Valuation technique			
December 31, 2018	Level 1	Level 2	Level 3	Total
Investments:				
HIUT	$ -	$ 890,534	$ -	$ 890,534
Canadian pooled fixed income funds	9,721	-	-	9,721
Real estate limited partnership	-	-	66,098	66,098
	$ 9,721	$ 890,534	$ 66,098	$ 966,353

	Valuation technique			
December 31, 2017	Level 1	Level 2	Level 3	Total
Investments:				
HIUT	$ -	$ 926,632	$ -	$ 926,632
Canadian pooled fixed income funds	11,097	-	-	11,097
Infrastructure pooled funds	-	-	26,650	26,650
Real estate limited partnership	-	-	60,350	60,350
Foreign currency contracts	-	314	-	314
	$ 11,097	$ 926,946	$ 87,000	$ 1,025,043

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

16. Fair value of financial instruments (continued):

(a) Fair value hierarchy (continued):

There were no transfers into or out of Level 1 or 2 during the years ended December 31, 2018 and 2017.

The following table reconciles the Trust's Level 3 fair value measurements:

	2018	2017
Opening balance, January 1, 2018	$ 87,000	$ 87,915
Purchases	5,050	973
Settlements	(29,451)	-
Realized gain	2,110	-
Unrealized gain	1,389	(1,888)
Closing balance, December 31, 2018	$ 66,098	$ 87,000

Level 3 investments are comprised of closed-end private market infrastructure pooled funds and a real estate limited partnership. Level 3 investments are valued based on the respective pooled investment vehicles' net asset value, which is determined quarterly in accordance with the valuation policies established by the Trust's investment manager, and according to generally accepted industry practices.

(b) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used at year-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

December 31, 2018					
Description	Fair value	Valuation technique	Unobservable input	Amount	Sensitivity to change in significant unobservable input
Pooled investment vehicles	$ 66,098	Net asset value	Net asset	$66,098	The estimated fair value would increase (decrease) if the net asset value was higher (lower)

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

16. Fair value of financial instruments (continued):

(b) Significant unobservable inputs used in measuring fair value (continued):

December 31, 2017

Description		Fair value	Valuation technique	Unobservable input	Amount	Sensitivity to change in significant unobservable input
Pooled investment vehicles	$	87,000	Net asset value	Net asset	$87,000	The estimated fair value would increase (decrease) if the net asset value was higher (lower)

Although the Trust believes that its estimates of fair value are appropriate, the use of an unobservable input in determining fair value leads to greater subjectivity in the fair value derived. At December 31, 2018, if the net asset value of the pooled investment vehicles were to increase or decrease by 10%, the fair value of these investments would increase or decrease, respectively, by $ 6,600,000 (2017 - $8,700,000).

17. Financial risk management:

The Trust has exposure to financial risks associated with its financial instruments and benefit obligations. Analysis of sensitivity to specified risks is provided where there may be an effect on the financial position. These financial risks include credit risk, liquidity risk and market risks (currency, interest rate and other price risk). Sensitivity analysis is performed by relating the reasonably possible changes in the risk variables at December 31, 2018 and 2017 to financial instruments outstanding on that date.

(a) Credit risk:

The Trust is exposed to credit risk resulting from:

- The possibility that parties may default on their financial obligations;
- If there is a concentration of transactions carried out with the same party; and
- If there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Trust does not directly hold any collateral as security for financial obligations.

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

17. Financial risk management (continued):

(a) Credit risk (continued):

The maximum exposure of the Trust to credit risk at December 31 is as follows:

	2018	2017
Cash and cash equivalents	$ 90,372	$ 88,984
Investments (fixed income)	574,693	510,672
Accrued interest and other receivables	91	77
Contributions receivable	30,804	30,671
Accounts receivable	14,596	16,719
Underfunded Actuarial Benefits	11,563	-
	$ 722,119	$ 647,123

Cash and investments:

Credit risk associated with cash and cash equivalents and fixed income investments is minimized substantially by ensuring that these assets are invested in financial obligations of: governments; major financial institutions that have been accorded investment grade ratings by a primary rating agency; and/or other creditworthy parties. The Trust's investment policy requires that a majority of fixed income investments are rated BBB or better. The Trust's investments in pooled fixed income funds are similar to equity instruments. While the Trust has no direct credit risk arising from its investments in pooled fixed income funds, the Trust is exposed to the credit risks of these funds' underlying investments. The manager of these funds ensures that the investments of these funds meet the Trust's investment policy.

Contributions and other receivables:

The Trustees believe credit risk with respect to receivables is limited due to the credit quality of the parties extended credit. Credit risk associated with amounts receivable from the Health Authorities, which represent the Trust's largest receivables, is minimal as the Health Authorities form part of the government reporting entity of the Province of British Columbia.

The Trust maintains allowances for potential credit losses, and any such losses to date have been within the Trustees' expectations. The following table presents an analysis of the age of amounts outstanding at the year-end in respect of accrued interest and other receivables, contributions receivable, underfunded actuarial benefits and accounts receivable net of allowances for doubtful accounts:

	2018	2017
Current	$ 55,048	$ 41,457
30 - 60 days past billing date	205	4,477
61 - 90 days past billing date	115	196
Greater than 90 days past billing date	2,678	2,202
	58,046	48,332
Allowance for doubtful accounts	(992)	(865)
	$ 57,054	$ 47,467

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

17. Financial risk management (continued):

(a) Credit risk (continued):

The Trust must make estimates in respect of the allowance for doubtful accounts. Current economic conditions, historical information, reasons for the accounts being past due and line of business from which the receivable arose are all considered in the determination of when to allow for past due accounts; the same factors are considered when determining whether to write off amounts receivable as a charge to the allowance account. The following table presents a summary of the activity related to the Trust's allowances for doubtful accounts.

	2018	2017
Balance, beginning of year	$ 865	$ 765
Receivables written off during the year as uncollectible	(45)	(13)
Changes to the provision, net of recoveries	172	113
Balance, end of year	$ 992	$ 865

In 2018, nil (2017 - nil) of contributions receivable were written off for which no provision had been set up previously.

(b) Liquidity risk:

Liquidity risk is the risk that the Trust will not be able to meet its obligations as they come due.

The Trust meets its liquidity requirements by holding assets that can be readily converted into cash and preparing annual cash flow budgets, including capital expenditure budgets, which are monitored and updated as required.

The Trust's benefits and accounts payable liabilities are due within one year of the Trust's year-end. The nature of any overfunded actuarial benefit liability is described in note 5.

(c) Market risks:

The Trust is exposed to market risks through the fluctuation of financial instrument fair values or cash flows due to changes in market factors. The significant market risks to which the Trust is exposed are interest rate risk, currency risk, and other price risk.

(*i*) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the Trust arises from its interest bearing assets and its fixed income investments including bonds and mortgages, which are held indirectly through pooled investment vehicles.

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

17. Financial risk management (continued):

(c) Market risks (continued):

(*i*) Interest rate risk:

The Trust's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Trust manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining sufficient liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Trust's results of operations.

The primary objective of the Trust with respect to its investments in fixed income investments is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return.

Maturity position - December 31, 2018:

	Demand	Less than twelve months	One to five years	Over five years	Total
Cash and cash equivalents	$ 90,372	$ -	$ -	$ -	$ 90,372
Underlying fixed income investments held through pooled investment vehicles	4,197	79,695	286,408	204,393	574,693
	$ 94,569	$ 79,695	$ 286,408	$ 204,393	$ 665,065

Maturity position - December 31, 2017:

	Demand	Less than twelve months	One to five years	Over five years	Total
Cash and cash equivalents	$ 88,984	$ -	$ -	$ -	$ 88,984
Underlying fixed income investments held through pooled investment vehicles	2,384	100,757	227,108	180,423	510,672
	$ 91,368	$ 100,757	$ 227,108	$ 180,423	$ 599,656

The weighted average yield of these financial instruments is 2.53% at December 31, 2018 (2017 - 2.23%). The weighted average term to maturity of interest bearing investments is 88 months (2017 - 94 months). Should prevailing market interest rates increase or decrease by 2%, with all other variables held constant, this would decrease or increase, respectively, the December 31 carrying value of the Trust's investments by ($75,117,100) or $ 88,337,308 (2017 - ($71,268,940) or $84,658,773).

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

17. Financial risk management (continued):

(c) Market risks (continued):

(*ii*) Currency risk:

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The functional currency of the Trust is the Canadian dollar. The Trust infrequently transacts in U.S. dollars due to certain operating costs being denominated in U.S. dollars.

The Trust's investment manager monitors the Trust's foreign currency exposure and manages this risk through diversification and consideration of global asset mix.

At December 31, 2018, the Trust had $ 374,728,000 (2017 - $378,392,000) of investments denominated in foreign currencies held indirectly through pooled investment vehicles. If the Canadian dollar had appreciated or depreciated by 2% against the underlying foreign currencies of these investments at that date, with all other variables held constant, the fair value of the investments would have decreased or increased, respectively, by $ 7,495,000 (2017 - $7,568,000).

The underlying foreign currencies in which investments are denominated are:

	2018	2017
United States	$ 204,636	$ 218,969
European Union	35,477	43,648
Japan	23,589	28,706
United Kingdom	15,915	20,559
Hong Kong	16,623	10,213
Switzerland	8,350	9,582
Singapore	2,810	2,210
China	12,145	5,047
Other	55,183	39,458
	$ 374,728	$ 378,392

(*iii*) Other price risk:

Other price risk refers to the risk that the fair value of financial instruments or cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Trust is exposed to other price risk through its investment in equities, infrastructure and real estate.

17. Financial risk management (continued):

(c) Market risks (continued):

(*iii*) Other price risk (continued):

The long-term investment policy provides for an asset mix at the end of 2018 of 39.5% fixed income investments, 49% equities, and 11.5% private market investments, which includes infrastructure and real estate (2017 - 42% fixed income investment, 49% equities, and 9% private market investments). Risk and volatility of investment returns are mitigated through diversification of investments in different countries, business sectors, and corporation sizes.

At December 31, 2018, the Trust's total investments exposed to other price risk is $391,659,000 (2017 - $514,371,000) and excludes pooled fixed income funds, which are otherwise subject to interest rate risk. The Trustee's best estimate of the effect on net assets as at December 31, 2018, of a reasonably possible increase or decrease of 10% in the equity and private markets, with all other variables held constant, would amount to an increase or decrease of approximately $39,166,000 (2017 - $51,437,000), respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(d) Sensitivity analyses:

The sensitivity analyses included herein should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analyses, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may either magnify or counteract the effect on the fair value of the financial instrument.

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

18. Involvement with structured entities:

The table below describes the types of structured entities that the Trust does not consolidate, but in which it holds an interest:

Entity	Nature and purpose	Interest held by the Trust
Healthcare Investment Unit Trust	To invest in assets on behalf of third party investors and generate long-term capital appreciation	Investment in units issued by the fund
bcIMC Realty Investment Limited Partnership	To manage assets on behalf of third party investors and generate long-term capital appreciation	Investment in units issued by the fund
Canadian money market fund ST2	To manage assets on behalf of third party investors and generate long-term capital appreciation	Investment in units issued by the fund
bcIMC (HBT) SIIF 101 Investment Limited Partnership	To manage assets on behalf of third party investors and generate long-term capital appreciation	Investment in units issued by the fund

The table below sets out interests held by the Trust in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the investment in the underlying pooled investment vehicle. During the years ended December 31, 2018 and 2017, the Trust did not provide additional financial or other support to these structured entities other than through its unit holdings. The structured entities are not subject to any restrictions on operations other than certain investment related restrictions in order to maintain their investment objectives.

December 31, 2018	Total net assets of pooled fund	Carrying amount included in investments	Percentage interest held
Healthcare Investment Unit Trust	1,028,768	890,534	86.56%
Canadian Money Market Fund ST2	2,348,085	9,721	0.41%
bcIMC Realty Investment Limited Partnership	570,325	66,098	11.59%

(Tabular amounts, excluding percentages and investment units, expressed in thousands of dollars)

18. Involvement with structured entities (continued):

December 31, 2017	Total net assets of pooled fund	Carrying amount included in investments	Percentage interest held
Healthcare Investment Unit Trust	983,608	926,632	94.21%
Canadian Money Market Fund ST2	5,723,131	11,097	0.21%
bcIMC (HBT) SIIF 101 Investment Limted Partnership	26,650	26,650	100%
bcIMC Realty Investment Limited Partnership	562,019	60,350	10.74%

19. Changes in accounting policies:

(a) IFRS 9 *Financial Instruments*:

The Trust has adopted IFRS 9 *Financial Instruments.* The standard became effective for the Trust on January 1, 2018. The Trust has adopted IFRS 9 retrospectively with an initial application date of January 1, 2017. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 specifies the accounting for financial instruments, including: classification and measurement, impairment and hedge accounting. The Trust does not apply hedge accounting.

The nature and effects of the key changes to the Trust's accounting policy are summarized below.

(*i*) Classification and measurement of financial assets and liabilities:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Trust may also, at initial recognition, irrevocably designate a financial asset as measured at FVTPL when doing so results in more relevant information. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities, The Trust may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

19. Changes in accounting policies (continued):

(a) IFRS 9 *Financial Instruments* (continued):

(*i*) Classification and measurement of financial assets and liabilities (continued):

The adoption of IFRS 9 did not result in any measurement differences in the Trust's financial assets and liabilities as at the transition date. The following table shows the original classification and measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Trust's financial assets and financial liabilities as at January 1, 2017.

	Original Classification under IAS 39	New Classification under IFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Investments	FVTPL	FVTPL
Accrued interest and other receivables	Loans and receivables	Amortized cost
Contributions receivable	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Underfunded actuarial benefits	Loans and receivables	Amortized cost
Financial liabilities		
Benefits and accounts payables	Other financial liabilities	Amortized cost
Overfunded actuarial benefits	Other financial liabilities	Amortized cost

(*ii*) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. As the Trust measures its investments at FVTPL and holds only short-term financial assets at amortized cost, the impairment requirements under the new standard do not impact the Trust.

(*iii*) Hedge accounting:

As permitted by IFRS 9, an election is available to continue to apply the hedge accounting requirements of IAS 39. However, the Trust has not applied hedge accounting under either standard. Therefore, the hedge accounting requirements under the new standard do not impact these financial statements.

19. Changes in accounting policies (continued):

(b) IFRS 15 *Revenue from contracts with customers:*

The Trust has adopted IFRS 15 *Revenue from contracts with customers* which became effective for the Trust on January 1, 2018. The requirements of IFRS 15 represent a change from IAS 18 *Revenue*.

The Trust has applied IFRS 15 retrospectively with an initial application date of January 1, 2017. However, on adoption of IFRS 15, the Trust's did not recognize any changes in revenue recognition and accordingly, no transition adjustments were required.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. The framework specifies that revenue should be recognized when (or as) an entity transfers goods or services to a customer measured at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that depicts the entity's performance, or at a point in time, when control of the goods is transferred or performance of services is rendered to the customers.

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