

Financial Statements of

**HEALTHCARE EMPLOYEES  
BENEFITS PLAN - MANITOBA -  
DENTAL PLAN AND EXTENDED  
HEALTH PLAN**

Year ended December 31, 2009



**KPMG LLP**  
**Chartered Accountants**  
Suite 2000 – One Lombard Place  
Winnipeg MB R3B 0X3  
Canada

Telephone (204) 957-1770  
Fax (204) 957-0808  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## AUDITORS' REPORT

To the Board of Trustees of Healthcare Employees Benefits Plan - Manitoba - Dental Plan and Extended Health Plan

We have audited the statement of net assets of Healthcare Employees Benefits Plan - Manitoba - Dental Plan and Extended Health Plan as at December 31, 2009 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the Plans' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Plans as at December 31, 2009 and the changes in their net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Winnipeg, Canada

May 28, 2010

# HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

## Statement of Net Assets

December 31, 2009, with comparative figures for 2008

	2009	2008
<b>Assets</b>		
Cash	\$ 409,509	\$ 379,958
Premiums and other receivables	3,179,495	2,276,347
Prepaid expenses	321,180	307,786
Due from Manitoba Blue Cross - Dental Plan (note 4)	2,698,592	3,507,923
Due from Manitoba Blue Cross - Extended Health Plan (note 4)	6,608,260	2,612,777
Capital assets (note 5)	-	325
	<u>\$ 13,217,036</u>	<u>\$ 9,085,116</u>
<b>Liabilities and Net Assets</b>		
Premiums payable and accrued liabilities	\$ 3,633,401	\$ 2,700,713
Due to Healthcare Employees Pension Plan - Manitoba (note 9)	13,052	6,339
Obligations for IBNR (note 6):		
Dental Plan	555,795	496,009
Extended Health Plan	2,041,872	1,039,099
	<u>2,597,667</u>	<u>1,535,108</u>
	6,244,120	4,242,160
Net assets represented by:		
Capital fund	-	325
Internally restricted fund (note 7)	4,947,186	2,804,582
Unrestricted fund	2,025,730	2,038,049
	<u>6,972,916</u>	<u>4,842,956</u>
	<u>\$ 13,217,036</u>	<u>\$ 9,085,116</u>

See accompanying notes to financial statements.

Approved by the Trustees:

 Chair

 Vice-Chair

# HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Statement of Changes in Net Assets

Year ended December 31, 2009, with comparative figures for 2008

	Dental Plan	Extended Health Plan	2009 Total	2008 Total
<b>Increases:</b>				
Premiums	\$ 17,078,435	\$ 23,853,021	\$ 40,931,456	\$ 31,317,907
Investment income	43,651	60,613	104,264	241,628
	17,122,086	23,913,634	41,035,720	31,559,535
<b>Decreases:</b>				
Claims incurred	16,673,868	17,501,704	34,175,572	28,343,797
Interest - Blue Cross	5,074	2,628	7,702	10,846
Amortization of capital assets	133	192	325	10,372
Administrative - HEBP (note 9)	359,636	521,468	881,104	160,823
Administrative - Blue Cross	833,699	1,050,463	1,884,162	1,551,831
Travel health insurance premiums	–	894,336	894,336	672,026
	17,872,410	19,970,791	37,843,201	30,749,695
Net increase (decrease) prior to change in obligations	(750,324)	3,942,843	3,192,519	809,840
Change in obligations for IBNR	(59,786)	(1,002,773)	(1,062,559)	6,115
<b>Increase (decrease) in net assets</b>	<b>\$ (810,110)</b>	<b>\$ 2,940,070</b>	<b>\$ 2,129,960</b>	<b>\$ 815,955</b>

	Unrestricted Fund		Internally Restricted Fund	Capital fund	2009 Total	2008 Total
	Dental Plan	Extended Health Plan				
Net assets, beginning of year	\$ 1,552,810	\$ 485,239	\$ 2,804,582	\$ 325	\$ 4,842,956	\$ 4,027,001
Increase (decrease) in net assets	(809,977)	2,940,262	–	(325)	2,129,960	815,955
Transfer for internally restricted (note 7)	(173,117)	(1,969,487)	2,142,604	–	–	–
<b>Net assets, end of year</b>	<b>\$ 569,716</b>	<b>\$1,456,014</b>	<b>\$ 4,947,186</b>	<b>\$ –</b>	<b>\$ 6,972,916</b>	<b>\$ 4,842,956</b>

See accompanying notes to financial statements.

# HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Notes to Financial Statements

Year ended December 31, 2009

---

## 1. General:

The Healthcare Employees Benefits Plan - Manitoba (HEBP) is a jointly trusteeed, not-for-profit organization which includes the dental plan and extended health plan (the Plans) for healthcare employees in Manitoba.

The Plans are registered as health and welfare trusts under the *Income Tax Act* and are not subject to income taxes.

The dental plan and extended health plan are not-for-profit plans. They provide dental coverage and basic and enhanced health benefits to participating active employees. They also include a retiree plan with basic - ambulance/semi-private plan and an enhanced health plan. Claims administration and adjudication for these plans is provided by Manitoba Blue Cross. The Plans are on a self-insured budgeted administrative services only basis (BASO).

## 2. Significant accounting policies:

### (a) Basis of presentation:

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plans as separate financial reporting entities, independent of the participating employers and members. Only the assets and obligations to members eligible to participate in the Plans have been included in these financial statements. These financial statements do not portray the funding requirements of the Plans or the benefit security of the individual plan members.

### (b) Fund accounting:

Assets, liabilities, revenues and expenses related to the Plans' capital assets are recorded in the Capital Fund. The Internally Restricted Fund represents amounts restricted by the Board of Trustees for claims fluctuation reserves (note 7). All other assets, liabilities, revenues and expenses are reported in the Unrestricted Fund.

### (c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Plans' ability to provide services, its carrying amount is written-down to its residual value. Capital assets, which include computer projects, will be amortized on a straight-line basis over three years as the projects are completed. Amortization expense is reported in the Capital Fund.

# HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2009

---

## 2. Significant accounting policies (continued):

### (d) Premiums:

Premiums recorded in the statement of changes in net assets include the employees' and employers' share of the premiums required for dental and extended health coverage. Premiums are recorded on an accrual basis.

### (e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets during the year. Actual results could differ from those estimates.

## 3. Change in accounting policy:

### *Financial Instruments - Disclosures:*

Effective January 1, 2009, the Plans adopted the amendments to Canadian Institute of Chartered Accountants (CICA) Section 3862, *Financial Instruments - Disclosures* which provides for the comprehensive disclosure of financial instruments. Amendments to this standard require all financial instruments measured at fair value to be classified into one of three levels, depending on the inputs used for valuation. The hierarchy of inputs is summarized below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The enhanced disclosures with respect to these amendments had no significant effect on the financial statements.

# HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2009

### 3. Change in accounting policy (continued):

#### *Credit Risk and the Fair Value of Financial Assets and Liabilities:*

In January 2009, the Emerging Issue Committee (EIC) of the CICA issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Liabilities*, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is applied retrospectively without adjustment of prior periods in annual financial statements for periods ending on or after January 20, 2009. The Plans adopted this recommendation in its fair value determination effective January 1, 2009. The adoption of this guideline did not impact the Plans' changes in net assets or net assets.

### 4. Due from Manitoba Blue Cross:

	2009	2008
Due from Manitoba Blue Cross - Dental Plan	\$ 2,698,592	\$ 3,507,923
Due from Manitoba Blue Cross - Extended Health Plan	6,608,260	2,612,777
	<b>\$ 9,306,852</b>	<b>\$ 6,120,700</b>

The amounts due from Manitoba Blue Cross are funds held by Manitoba Blue Cross to fund the Plans' obligations for IBNR, which are fully funded, and the claims fluctuation reserves, which are partially funded as disclosed in note 7. In addition, the amounts due from Manitoba Blue Cross include accumulated annual experience gains (losses) in the Dental Plan and Extended Health Plan.

Interest was earned on the amounts due from Manitoba Blue Cross ranging from 1.17 percent to 1.20 percent (2008 - 3.00 percent to 3.65 percent).

### 5. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Computer projects	\$ 31,115	\$ 31,115	\$ -	\$ 325

# HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2009

---

## 6. Obligations for incurred but not reported (IBNR):

The obligations for IBNR are estimates of claims which have been incurred but not reported at the date of the financial statements. The obligations are based on a study of claims during the fiscal year and are specific to the type of benefits provided.

## 7. Internally restricted for claims fluctuation reserves (CFR):

The Board of Trustees has approved the establishment of claims fluctuation reserves. The reserve for the Dental Plan has been established at an amount equal to 10 percent of the current year's premiums for the Dental Plan and is fully funded.

The Extended Health Plan consists of the Basic plan, the Retired plan and the Enhanced plan. The reserve for each of these plans has been established at an amount equal to 15 percent of the current year's premiums. The Basic plan has fully funded reserves while the Retired and Enhanced plans are not fully funded. The Board of Trustees has established a funding plan that will fully fund the reserve for the Retired and Enhanced plans within 3 years.

Internally restricted for CFR is allocated as follows:

	2009	2008
Dental Plan	\$ 1,707,847	\$ 1,534,730
Extended Health Plan	3,239,339	1,269,852
	<u>\$ 4,947,186</u>	<u>\$ 2,804,582</u>

## 8. Risk management and fair value:

### (a) Market risk:

Management of the Plans believe they are not exposed to any market risks including interest rate, currency and other price risk in relation to the Plans' financial instruments.

### (b) Credit risk:

Credit risk associated with premiums and other receivables is minimized due to their nature. Premiums are collected from participating members through the payroll process. No provision for doubtful premiums and other receivables has been recorded in either 2009 or 2008.



# HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2009

---

## 8. Risk management and fair value (continued):

### (c) Liquidity risk:

Liquidity risk is the possibility that financial assets of the Plans cannot be readily converted into cash when required. Liquidity risk is managed through premiums received being held by Manitoba Blue Cross on behalf of the Plan to fund the Plan's obligations. The Plans' premiums payable and accrued liabilities and due to HEPP have contracted maturities of less than one year.

### (d) Claims and premiums risk:

The nature of the unpaid claims is such that the establishment of obligations is based on known facts and interpretation of circumstances, on a case by case basis, and is therefore a complex and dynamic process influenced by a variety of factors.

Consequently, the establishment of obligations and premium rates relies on the judgment and opinions of a number of professionals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining premium rates and reserves necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

### (e) Fair value:

On an annual basis, Manitoba Blue Cross establishes the interest rates to be paid on the amounts due to the Plans (note 4) based on market-related indicators. As a result, the fair value of the amounts due from Manitoba Blue Cross approximates their carrying value.

The fair value of the remaining financial assets and liabilities of the Plans approximates their carrying value due to their short-term nature.

## 9. Related party transactions:

HEBP and the Healthcare Employees Pension Plan - Manitoba (HEPP) have a certain number of common trustees and a cost sharing agreement to allocate certain costs based on factors such as square footage, number of employees and time usage. The balance due to HEPP is non-interest bearing, and has no fixed terms of repayment.