



# MESSAGE TO PARTICIPANTS

## UPCOMING CHANGES IN AREF GROUP INSURANCE PLAN

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February 15, 2022

Dear AREF members,

In January 2020, the members of AREF's Insurance Committee began an in-depth review both of the group health and life insurance coverage offered to AREF members and of changes in the premiums for this coverage. The committee's work was unfortunately slowed by the outbreak of the COVID 19 pandemic and its variants. But we have now made enough progress to share some of our thoughts with you.

All of our findings are based on one fundamental reality. Because a high proportion of our group consists of "baby boomers" — members of the generation born between 1945 and 1965 — this group is now aging more and more rapidly. Obviously, every year each of our participants grows one year older. But unlike in the past, each current participant is unfortunately not being replaced by the arrival of a new, younger retiree who can help demographically balance the group as a whole. There are two main reasons for this state of affairs:

1. Most members of the "baby boomers" generation are now retired. Today's teachers are scattered across a number of age groups, some of them still far from retirement.
2. Because of the new, more restrictive rules for entitlement to a full retirement pension under the Government and Public Employees Retirement Plan (RREGOP), many teachers are delaying their retirement.

The committee has performed a predictive analysis of our group's demographics and, according to the various simulations that we ran, the average age of our group and the proportion of our insured members who are more than 80 years old will increase considerably over the next 10 years.

	2018	2023	2028	2033	2038
<b>Average age of plan participants</b>	70.4	72.4	73.6	74.0	73.6
<b>% of participants aged over 80</b>	8.9%	16.2%	27.0%	33.6%	29.3%



This aging of our group as a whole will inevitably have a major impact on the cost of our plan. Unfortunately, the older we get, the more likely our health will deteriorate, which makes the cost of our health and life insurance coverage increase rapidly. In higher age brackets, the cost increases not linearly, but exponentially.

To keep our plan viable and ensure its continued existence while seeking to provide everyone with adequate protection, AREF's Insurance Committee and its Board of Directors have decided that some changes to our plan are necessary. We set the following three goals.

1. Maintain and encourage the introduction of health insurance coverages that adequately meet our members' needs.

To this end, when each renewal comes up, the committee re-evaluates the current coverages in three different ways:

- a) We collect and analyze the comments and requests received from all of our members;
- b) We compare the group's coverages with those provided by other insurance plans for retirees from the public and parapublic sectors, in order to keep our plan competitive;
- c) We closely monitor ongoing coverage changes in the plans provided to FNEEQ members who are still working, so as to harmonize our coverage with theirs as much as possible and to limit the impact of transitioning from the plan for active members to the plan for retirees.

This exercise is continuous, dynamic and evolving.

2. Revise the travel and trip cancellation coverages.

The cost of travel insurance has exploded in recent years. Scarcely 5 years ago, the cost of this coverage represented less than 20% of the total annual benefits from our plan, but now it represents more than one-third of the total benefits paid. The last major claim filed and paid totalled over \$750,000.

To ensure equity between members who travel and those who do not, but all of whom pay the same premium for their health insurance, the travel and trip cancellation coverages must be better structured to control the cost of these benefits.

We are considering several possibilities and will be communicating the final directions later in 2022 or in 2023.



3. Redefine our life insurance coverage.

As mentioned above, as our group grows older, the probability and number of deaths increase, placing upward pressure on our life insurance premiums. As participants will recall, the premium for their basic life insurance increased considerably last January 1.

Also, the \$5,000 basic coverage for participants age 65 or older seems insufficient to us under current circumstances, as does the \$4,000 coverage for spouses ages 65 to 69 and \$2,000 for spouses age 70 and older.

Lastly, the optional additional life insurance should be better tailored to the needs of each participant. Currently, it is limited to 1 to 10 units of \$5,000 each for the participant, and there is no additional life insurance option for spouses.

The committee is well along in its work on the life insurance plan and will be proposing some changes in the coming months. You will soon be receiving a detailed communication describing the provisions of the proposed new plan and the steps that you should take.

We know that the coming changes may raise concerns for some of you. But please rest assured that from the very start, we have received guidance from our consultant as well as from our insurer and, in the specific case of travel insurance coverages, from CanAssistance, our travel insurance provider. We have considered and analyzed all of the proposed changes carefully, and their sole purpose is to ensure the plan's continued existence and our members' security.

Cordially,

**The AREF Insurance Committee**