SASKATCHEWAN CONSTRUCTION ASSOCIATION

320 GARDINER PARK COURT | REGINA, SK CANADA | S4V 1R9
P | 306 525 0171 F | 306 347 8595 E | SCA@SCAONLINE.CA

Policy Statement

WCB Surplus Refunds

The SCA believes that whenever WCB is in a surplus position that exceeds its funding policy guidelines, that it should immediately refund that surplus to employers.

Policy Recommendations

The SCA believes that when the WCB Injury Fund exceeds 122 per cent funding (compared to benefit liabilities), the excess funds should be dispersed to employers.

Further, that WCB should refund the excess amount to employers in lump sum payments to be dispersed within twelve calendar months of the conclusion of the year in which the excess funding position was achieved.

Finally, that WCB should refund sufficient excess to draw the Injury Fund down to 115 per cent of benefit liabilities.

Rationale

Regardless of the specific source of the excess funds (premium charges or investment income) all funds under the control of WCB originate ultimately from employers. Employers are, in effect, the sole owners of WCB assets. These assets are maintained in trust, in order to provide insurance to both employers (against the cost in injuries) and employees (against the loss of income after injury).

WCB funding guidelines are created to ensure that WCB always has more than enough capacity to absorb reasonable risk. The policies are actuarially sound, and protect both employers and employees.

The 122 per cent funding threshold that triggers refunds is designed to be cautious. It is a maximum upper limit for a funding position, and should be considered as such – rather than as a minimum floor for triggering refunds. The policies are structured such that at 105 per cent funding, the Injury Fund remains actuarially sound.

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Therefore, while paying surpluses to employers should be triggered at 122 per cent funding, there is no reason for refund payments to be limited to drawing down to the 122 per cent threshold. It would be more appropriate for WCB policy to specify that when refund payments are triggered, they should be used to draft the Injury Fund funding level down below the maximum threshold – thereby allowing future room for growth. Setting a post-refund target of 115 per cent would satisfy this approach while still leaving plenty of surplus funding room for a cautious approach to managing the Fund.

Background

Current WCB funding policy requires that the WCB accumulate surpluses in the WCB Injury Fund. That Injury Fund maintain a balance of between 105 per cent and 120 per cent of the benefits liabilities. In addition, WCB maintains reserves for Disaster and Second Injury and Re-employment at 3 per cent of benefits liabilities.

WCB policy states that when the Injury Found exceeds 122 per cent, the Board, at its sole discretion, will return this excess to the employers over a period not exceeding five years. Conversely, if the Injury Fund falls below 103 per cent, the Board will add amounts into premium rates such that the Injury Fund returns to the 105 per cent over a period not exceeding five years.

In both 2014 and 2015, the Injury Fund exceeded the 122 per cent. In both years, the WCB Board authorized a return of the excess to employers. The 2014 excess was refunded to employers in one lump sum payment in 2015. The 2015 excess was refunded to employers in two lump sum payments in 2016.