

**POLICY NUMBER: POL-08**

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**Chapter:  
CLAIMS**

**Subject:  
PENSION AWARDS - COMMUTATION**

**Effective Date:  
March 3, 1994**

**Last Update:  
April 4, 2016**

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**REFERENCE:**

Workers Compensation Act R.S.P.E.I. 1988, Cap. W-7.1, Sections 40 (4), 51 (1).

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**PURPOSE STATEMENT:**

This policy explains the Workers Compensation Board's position on converting periodic pension benefit payments into a lump sum payment.

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**DEFINITION:**

In this policy:

"Commutation" means the conversion of a periodic pension payment to a one time present value lump sum payment."

"Pension" means an award based on a medically assessed disability awarded by the Workers Compensation Board prior to January 1, 1995 and as paid in recognition of a permanent partial or total disability.

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**POLICY:**

1. The workers compensation system provides guaranteed, indexed income for the life of
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- a worker who is in receipt of pension benefits.
2. The Workers Compensation Board recognizes that commutation of pension benefits is not in the best interest of a worker. Commutation jeopardizes the guarantee of pension income by transferring investment risk from the Workers Compensation Board to the individual worker.
  3. The Workers Compensation Board will deny requests for commutation as such requests conflict with compensation system objectives whereby workers in receipt of pension benefits are guaranteed pension income for life.

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**HISTORY:**

April 4, 2016 - Amended to include a purpose statement.

January 20, 2009 - Amended the policy to reflect that the Workers Compensation Board will not commute pensions and to provide the rationale for that decision.

July 15, 2004 - Amended to reflect that the Workers Compensation Board will only consider total commutation requests and to ensure the policy is clear with respect to the worker's entitlement to medical aid and other services following commutation of the pension.

May 26, 2003 - Renamed the policy from "Permanent Total and Partial Disability Awards - Commutation" to "Pensions - Commutation".

May 24, 2000 - Replaced "Board" with "Workers Compensation Board" and amended format.

March 30, 2000 - Revision reviewed by the Board of Directors. Revised policy effective March 30, 2000.

Board of Directors Approval Date: March 3, 1994