

The Workers Compensation Board (WCB) has reviewed its Funding Policy (POL-136) to ensure that it remains relevant and continues to meet the needs of a financially sustainable workers compensation system.

The Funding Policy is in place to ensure the stability of the system, so that the current and future costs of today's accidents are covered. The policy sets out the funding status target range and provides direction on actions to be considered should the funding status fall outside of the targeted range.

As part of the review of the Funding Policy, the WCB Board of Directors engaged an external actuarial firm to provide an analysis on alternative methods for administering the funding policy. The proposed amendments provide a policy that is easier to understand and will allow for responsiveness, while continuing to minimize volatility to employers.

Recommendations

The recommended approach reports investments returns at market value as opposed to a smoothed value. This change in reporting has no impact on the actual financial status of the Board, but describes it in market terms that are more familiar to stakeholders. With the change in terminology, the following have been adjusted to reflect action ranges that are comparable to the current policy goals. The Board approved in draft the following changes:

- Adjust the target range for the funded position to 100-125%.
- Amend the funding target range for funding policy adjustments to 125%-140% over a straight line of 15 years.
- Consider a surplus distribution if the funding status is greater than 140%.

The proposed changes maintain the principles of the current funding policy goals which include:

- Minimizing the risk of becoming unfunded by ensuring there is sufficient funds available for payment of current and future worker benefits.
- Minimizing cost volatility for employers and minimizing the cost to employers by ensuring the funded status is appropriate in relation to financial needs.

For more information about the proposed changes, please refer to the [draft policy](#).

Feedback

Please provide your feedback by July 27, 2018 [online](#) or in writing to:

Workers Compensation Board- Policy Feedback
14 Weymouth St, PO Box 757
Charlottetown, PE C1A 7L7 policyupdates@wcb.p.e.ca