

**Alberta WCB
Policies &
Information**

Chapter:

GENERAL POLICIES

Subject:

FUNDING POLICY

Authorization:

BoD Resolution 2022/06/19

Date:

November 29, 2022

REFERENCE:

[*Workers' Compensation Act, RSA 2000, Sections 90, 91, 92, 93\(6\), 97, 100, and 137*](#)
[*Workers' Compensation Regulation, Section 15*](#)

POLICY:

The legislative mandate of WCB requires that sufficient funds be available in the *Accident Fund* for the payment of present and future compensation, including the cost of administration, as estimated by the *Board's Actuary*. The Accident Fund is sufficiently funded when the value of all assets equals or exceeds 100% of the value of all liabilities, as reported by the Board on a *Funding Basis*. The *Funded Ratio* of the Accident Fund represents the funding status of the fund.

The funding policy is based on the guiding principle of ensuring sustained fair compensation for injured workers at a fair price to employers. This means guaranteeing the appropriate level of benefits to injured workers in the long-term and providing cost-effective risk financing for employers.

The primary goals of the Funding Policy are to:

- Ensure there is sufficient money available in the Accident Fund for the payment of present and future compensation to injured workers by minimizing the risk of being unfunded
- Minimize cost volatility for employers so that the overall average premium rate for the current year will not vary significantly over the previous year's overall average premium rate
- Minimize the total cost charged to employers by ensuring the *Funding Level* is appropriate in relation to our financial needs

**Alberta WCB
Policies &
Information**

Chapter:

GENERAL POLICIES

Subject:

FUNDING POLICY

Authorization:

BoD Resolution 2022/06/19

Date:

November 29, 2022

- Ensure a link exists between the current and future cost of today’s accidents and the premium rates paid by today’s employers

As part of the duty to ensure sufficient funds are available for the payment of present and future compensation, WCB maintains a balance in the Accident Fund that exceeds 100% of total liabilities and strives to remain *Fully Funded*. Additional funds above 100% of total liabilities are required to mitigate the impact of *Funding Level Volatility* on the premium rate.

This policy is effective January 1, 2023, except when noted otherwise in a specific policy section(s).

INTERPRETATION

1.0 Accident Fund

The Accident Fund consists of all assets, liabilities, and reserves of WCB. All money received by WCB is to be paid into the Accident Fund and all expenditures of WCB, including the costs of administering the *Workers’ Compensation Act (WCA)*, are to be paid from the Accident Fund.

2.0 Board’s Actuary

The internal actuarial staff of WCB performs an annual valuation of the claim benefit liabilities to ensure the sufficiency of the Accident Fund. The valuation is reviewed by an external actuary who reports to the Board on the valuation in accordance with generally accepted actuarial practice.

**Alberta WCB
Policies &
Information**

Chapter:

GENERAL POLICIES

Subject:

FUNDING POLICY

Authorization:

BoD Resolution 2022/06/19

Date:

November 29, 2022

3.0 Funding Basis

For purposes of evaluating the funding status of the Accident Fund, the claim benefit liabilities shall be valued to reflect the actuarial required real rate that is linked to the return of the investment portfolio.

As determined by the Board, the actuarial required real rate of return may make a provision for adverse deviation in the liability by setting the probability of earning the required rate at higher than 50%. The higher the probability used the higher the provision for adverse deviation.

4.0 Funded Ratio and Funding Level

The Funding Level of the Accident Fund is equal to the value of all assets divided by the value of all liabilities, as reported by the Board on a Funding Basis. This Funding Level represents the funding status of the Accident Fund. The Funding Level is expressed as a percentage of liabilities and referred to as the Funded Ratio.

5.0 Fully Funded

The Accident Fund is considered to be sufficiently funded when funds are available in the Accident Fund for the payment of present and future compensation, including the cost of administration, as reported by the Board on a Funding Basis. For the purpose of this policy, the Accident Fund is considered fully funded when it is within the Funding Level target range of 114% to 128%.

6.0 Funding Level Volatility

This is the amount of change expected in the Funding Level of the Accident Fund over time. This variability of the Funding Level is caused primarily by investment volatility. The Funding Level target range is set between 114% and 128% to recognize the impact of Funding Level Volatility.

**Alberta WCB
Policies &
Information**

Chapter:

GENERAL POLICIES

Subject:

FUNDING POLICY

Authorization:

BoD Resolution 2022/06/19

Date:

November 29, 2022

Please see Part II for additional information on the following subject:

Application

1 – [Funding Level](#)

[Rescinded: Occupational Disease Reserve \(January 1, 2019\)](#) (see Document History)

[Rescinded: Fund Balance \(July 1, 2008\)](#) (see Document History)

Previous versions

- [Policy 0101 Part I - January 2019](#)
- [Policy 0101 Part I - April 2018](#)
- [Policy 0101 Part I - August 2015](#)
- [Policy 0101 Part I - November 2013](#)
- [Policy 0101 Part I - July 2008](#)
- [Policy 0101 Part I - October 2005](#)
- [Policy 0101 Part I - January 2004](#)
- [Policy 0101 Part I - January 2003](#)
- [Policy 0101 Part I - April 2002](#)
- [Policy 0101 Part I - January 2002](#)
- [Policy 0101 Part I - December 2000](#)
- [Policy 0101 Part I - August 2000](#)
- [Policy 0101 Part I - June 1999](#)
- [Policy 0101 Part I \(consolidated manual 1st Issue\) - February 1997](#)