

**Alberta WCB  
Policies &  
Information**

Chapter:

**GENERAL POLICIES**

Subject:

**FUNDING POLICY**

Authorization:

**BoD Resolution 2022/06/19**

Date:

**November 29, 2022**

**APPLICATION 1: FUNDING LEVEL**

**1. What is the 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. It 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.

The Funding Level target range for the Accident Fund is 114% to 128%. In making decisions around the Funding Level, the Board of Directors does not focus on a point in time. With every decision, they look at the Funded Ratio retrospectively and prospectively to ensure decisions are made with the overall financial health of the Accident Fund in mind.

**2. How can the Funded Ratio fall outside of the target range?**

*Shortage*

The Funded Ratio can fall below or rise above the target range for a number of reasons.

When the Funded Ratio falls below the target range, there is a shortage of funds. This can arise in two ways:

- The primary way is through investment deficits, which occur when investment returns fall short of the annual investment income required to service the claim liability.
- A shortage of funds can also be the result of rate-setting deficits, which occur when less money is collected in premiums than is required for a given rate year.

*Excess*

When the Funded Ratio rises above the target range, there is an excess of funds. Excess funds are generated in two ways:

- The primary way is through investment surpluses, which occur when investment returns exceed the

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*Funded Ratio outside target range (continued)*

annual investment income required to service the claim liability.

- Excess funds can also be generated through rate-setting surpluses, which occur when more money is collected in premiums than is required for a given rate year.

**3.** *What happens if the Funded Ratio falls below 114%?*

The shortfall in the Accident Fund may be recovered through a phased levy (a funding policy requirement in the premium rate). The speed at which the Accident Fund is replenished to the Funded Ratio of 114% would be identified in the annual financial plan approved by the Board of Directors. In all cases, decisions are made in the interests of the overall financial health of the Accident Fund.

**4.** *What happens if the Funded Ratio falls within the target range of 114% and 128%?*

This results in the overall average premium rate equaling the required costs for the payment of present and future compensation. No action is needed when the Funded Ratio falls within the target range.

**5.** *What happens if the Funded Ratio rises above 128%?*

The amount in excess of 128% may be paid out to employers in the form of a surplus distribution. The speed at which the excess is paid out is determined by the Board of Directors. In all cases, decisions are made in the interests of the overall financial health of the Accident Fund.

**6.** *Is there a minimum threshold for payment of a surplus distribution?*

The surplus distribution must exceed a threshold amount of 1.0% of the claim benefit liabilities before it will be processed. The threshold is required because of the administrative costs involved in processing the surplus distribution payments.

**7.** *When is this policy application effective?*

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

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**Previous versions**

- [Policy 0101 Part II - January 2019](#)
- [Policy 0101 Part II - April 2018](#)
- [Policy 0101 Part II - August 2015](#)
- [Policy 0101 Part II - November 2013](#)
- [Policy 0101 Part II - July 2008](#)
- [Policy 0101 Part II - October 28, 2005](#)
- [Policy 0101 Part II - October 1, 2005](#)
- [Policy 0101 Part II - January 2004](#)
- [Policy 0101 Part II - April 2002](#)
- [Policy 0101 Part II - December 2000](#)
- [Policy 0101 Part II - August 2000](#)
- [Policy 0101 Part II - June 1999](#)
- [Policy 0101 Part II \(consolidated manual 1st Issue\) - February 1997](#)