Alberta WCB Policies & Information	Chapter: **GENERAL POLICIES**	
	Subject: **FUNDING POLICY**	
	Authorization: **BoD Resolution 2018/07/40**	Date: **November 27, 2018**

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. 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 Funded Ratio target range for the Accident Fund is 114% to 128%. In making decisions around the Funded Ratio, 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?***

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

Shortage

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 annual investment income required to service the claim liability.

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Funded Ratio outside target range (continued)

- 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 would be recovered through a special 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.

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%?***

When the Funded Ratio rises above 128%, the Board of Directors may allocate the amount in excess of 128% as follows:

1. ***Repayment of special levies and premium rate surpluses:*** Employers bear the risk of funding the system, including the risk of special levies* (see question 3 above). Any special levies collected over the past three years that have not been given back to employers through this policy application are calculated and added to the amount available to employers.

   As well, when there is a premium rate-setting surplus in the immediately preceding fiscal year, the amount of the rate-setting surplus is added to the amount available to employers.

   **Worker benefits are guaranteed whether the fund is in a surplus or deficit position. Employers are responsible for making up any shortfalls through*

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Funded Ratio rises above 128% (continued)

special funding levies. Workers and employers would be treated disproportionately if this fact was not taken into consideration when determining the distribution of excess funds.

2. ***Remaining amounts are available for disbursement:***
    - to fund approved initiatives** for the purpose of improving the health and safety of workers, and
    - to employers in the form of a special surplus distribution.

    ***The Board of Directors will seek input from stakeholders prior to approving these initiatives in order to ensure effective use of these funds.*

In certain circumstances, in order to stabilize premium rates against business fluctuations and premium rate volatility, the Board may authorize a drawdown of the Accident Fund to cover premium rate subsidies, if any, that are included in premium rates.

In all cases, decisions are made in the interests of the overall financial health of the Accident Fund.

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

This policy application (Application 1 – Funding Level) is effective January 1, 2019, except when noted otherwise in a specific policy section(s).

Previous versions

- Policy 0101 Part II - April 2018
- Policy 0101 Part II - August 2015
- Policy 0101 Part II - November 2013
- Policy 0101 Part II - July 2008

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- 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