

Policy Position

January 2015

Saskatchewan Workers' Compensation Board Rebate

Background

The workers' compensation system in Saskatchewan is entirely funded by employers. The system has been and continues to be fully funded, which means that there are sufficient funds to meet current and future costs arising from work-related injuries. According to the Saskatchewan Workers' Compensation Board's 2013 Annual Report, the funded position of the Board was 119.3%, within the set required range of the WCB's funding policy which states that 105% to 120% of benefit liabilities must but fully funded. However, this is anticipated to change.

According to the WCB's current set of assumptions as of September 2014, the funded position of the WCB will reach 122.2% in 2014, 127.3% in 2015 and 131.9% in 2016.¹ These projections are assuming specific market returns; market fluctuations could significantly impact the funded position. Additionally, these forecasts only show what will happen to the funded position if no rebate were provided in 2015 or 2016. If rebates are triggered in 2015, it would automatically start changing future surplus projections.

Nevertheless, as the assumptions show, WCB rebates will likely occur within the next few years. As per the WCB's policy when the funded status rises above 122% "refunds will be given back to the employers, at the WCB's discretion, over a period not to exceed five years until the fund reaches 120 percent."² Assuming the 2014 year end projection holds steady, Saskatchewan employers would be looking at a rebate dollar amount of approximately \$26 million. Since an allocation of refunds is imminent, it is important to clarify the distribution process and timeframe.

Refunds are not unknown to the Saskatchewan Workers' Compensation system; in 1998, 1999 and 2000 the WCB issued refunds. In all three of these years employers shared in the rebates based upon a proportionate allocation relative to the premium paid.³

Rebate amounts were calculated in the spring of the following year (i.e. rebates for 1999 were calculated and issued in the spring of 2000). The table "Firms Receiving Surplus Rebates (1998-2000) shows the number and percentage of firms who received a rebate in each of those years.⁴

¹ Norleen-Beitel, Jennifer. Manager, Employer Premiums - Saskatchewan Workers' Compensation Board Kristin McKee. 27 10 2014.

² Saskatchewan Workers' Compensation Board. Policy Manual. 01 09 2014. 24 09 2014
<<http://www.wcbask.com/wp-content/uploads/2013/11/PolicyManual.pdf>>.

³ Federko, Peter. CEO - Saskatchewan Workers' Compensation Board Kristin McKee. 30 05 2014.

⁴ Norleen-Beitel, Jennifer. Manager, Employer Premiums - Saskatchewan Workers' Compensation Board Kristin McKee. 24 07 2014.

There were only two conditions placed on employers in order to qualify for a rebate on a proportionate basis; firstly, employers had to have an active account at the time the rebate was calculated, and secondly, claims costs (including an administrative component) had to be lower than premiums for the three calendar years prior to calculation. This put about 86%-91% of active employers in a rebate position over the three rebate periods.

Firms Receiving Surplus Rebates (1998 - 2000)			
	1998	1999	2000
Rebate Amount	\$23M	\$38M	\$36M
# Firms with Rebate	27,658	27,388	27,899
# Active Firms	31,855	31,051	30,636
% Active Firms with Rebate	86.82%	88.20%	91.07%

Issue

WCB currently anticipates that the Board of the day will approve the basis on which the rebates will be issued.⁵ Prior to the Board making its decision on rebate distribution, the Saskatchewan Chamber of Commerce believes the perspective of business must be incorporated into the evaluation process because, as stated earlier, the workers' compensation system in Saskatchewan is entirely funded by employers.

Saskatchewan Chamber of Commerce Recommendation

The Saskatchewan Chamber of Commerce recommends

- 1) The WCB issue rebates in a timely manner. While the policy allows for rebates to be provided over a period not to exceed five years, the Saskatchewan Chamber believes the WCB's previous practice of issuing rebates in the spring of the following year is the best available option to return employers' money to them.
- 2) That the excess funds be returned on a proportionate basis depending on the premium paid to the employers from which the surplus has been collected. The Chamber supports retaining the performance component found in Saskatchewan's previous rebate model (claims costs must be lower than premiums for the three calendar years prior) but does not support adding additional performance caveats.

⁵ Federko, Peter. CEO - Saskatchewan Workers' Compensation Board Kristin McKee. 30 05 2014.