

The Liversidge e-Letter

An Executive Briefing on Emerging Workplace Safety and Insurance Issues

December 12, 2012

An Electronic Letter for the Clients of L.A. Liversidge, LL.B.

1 page

Auditor General's 2012 Report: *WSIB UFL not to be included in Province's liabilities*

But, AG will continue to monitor WSIB

Auditor General: WSIB financial position improving

Since the release of the Auditor General's 2009 Annual Report (see the December 18, 2009 issue of *The Liversidge e-Letter*, "*The Auditor General Report: WSIB UFL a threat to future benefits*"), the state of the Board's finances has been the issue. Almost every major WSIB initiative, from the **Harry Arthurs Funding Review**, value for money audits, a benefits policy review, case management upgrades, a renewed approach to return-to-work and the current **Doug Stanley Rate Framework Review**, to name a few, has been focused on one thing – attention to the bottom line. The Board's approach and progress has received regular commentary in these pages, along with, from time-to-time, some cautionary advice (such as that tabled in the November 23, 2012 issue of *The Liversidge e-Letter*, "*WSIB Benefits Policy Review: What are the real challenges?*"). To refresh, this is what I wrote three years ago:

The bottom line: The UFL is a threat to future benefits

The AG's press release plainly makes the point that the UFL is the mutual problem of employers and workers. Under the headline, "*WSIB's Unfunded Liability Could Threaten Future Benefits*", AG McCarter stresses "*there is a risk that the WSIB may not be able to meet its obligations*". "*The time to start addressing this problem is now*".

The AG had commented on the state of the UFL in earlier reports, but the 2009 report was the most comprehensive assessment and concluded with throwing down the gauntlet – improve or the Board's liabilities will be tagged onto the province's balance sheet.

2012 AG Report released today

Today, the AG released his **2012 Annual Report** (which will be his last) and refreshed the recent history:

Over the past decade, our annual reports have made a number of references to our concerns about the significant growth in the WSIB's unfunded liability, which is the difference between the value of the WSIB's assets and its estimated financial obligations to pay benefits to injured workers. Our 2009 Annual Report included a separate section that discussed our review of the WSIB's unfunded liability. In that section we expressed our concern that the growth and magnitude of the unfunded liability posed a risk to the system's financial

viability and ultimately could result in the WSIB being unable to meet its existing and future commitments to provide worker benefits.

We also urged the government to reconsider the exclusion of the WSIB's financial results from the province's financial statements. Excluding these financial results is based on the WSIB's classification as a "trust"; however, given its significant unfunded liability and various other factors, we questioned whether the WSIB was operating like a true trust. Including the WSIB in the government's financial reporting would have a significant impact on the government's fiscal performance. (**2012 AG Annual Report, p. 34**)

This was huge then (and of course, still is). In this year's report, while indicating that the UFL has continued to grow, were it not for technical changes (discount rates) "*the WSIB would have showed its first surplus in 10 years*" (p. 34).

The AG notes additional technical challenges are on the horizon which will significantly add to the UFL (which the Board is addressing with consultation with the government, p. 35). Overall, while challenges persist and the Board is not out of the woods yet, the AG concluded with this:

As a result of the government's commitments to address its unfunded liability, we support the continued classification of the WSIB as a trust for the 2011/12 fiscal year and therefore the exclusion of the unfunded liability from the province's liabilities. However, we will continue to monitor the progress being made toward meeting the funding sufficiency ratios prescribed by the regulation. Should we feel enough progress is not being achieved, we will re-evaluate our position.

What this means

Expect this to be received as a clear and strong endorsement of the current stewardship of the WSIB, and as a signal that the Board is on the right track. As I have repeated in these pages *ad nauseum*, a well funded WSIB is as much, if not more, a worker concern than an employer concern. There has been some push-back from employers (higher premiums) and workers (improved effectiveness perceived as benefit cut-backs). But, make no mistake about it – the Board is being transformed (and it would seem, not a moment too soon). While the Board has changed a fair bit already, it really has just left the starting gate. There are a lot of balls in the air right now. **For 2013/14 I predict this – hold onto your seat – you ain't seen nothing yet!**