WorkplaceNL
Health | Safety | Compensation

Policy Number:	**IF-01**
Subject:	**Long-term Financial Strategy**
Chapter:	**Injury Fund and Reserves**

Policy Objective

The objective of WorkplaceNL's long-term financial strategy is to maintain a funded position that will provide for the security of benefits promised to injured workers within employers' reasonable ability to pay. The strategy is intended to provide a mechanism for WorkplaceNL to set the average annual assessment rate and respond to external influences, such as volatile investment market performance and general economic factors, in a controlled and responsible manner.

Policy Statement

Assessment rates for each year will be established at a level which, along with other revenue sources, will generate sufficient revenue to cover the anticipated cost of new injuries in the year, subject to any adjustment to the level of assessments required to achieve the funding target described in this policy.

WorkplaceNL will strive to maintain a funded ratio that is normally between 100 per cent and 120 per cent, with a target of 110 per cent. Whenever the funded ratio at year-end is outside of this range, corrective action will be taken as specified in this policy to bring the funded position back into the range.

The adoption of this policy does not supersede WorkplaceNL's responsibility to administer the **Workplace Health, Safety and Compensation Act**. WorkplaceNL is not precluded from considering benefits and other expenditures in advance of reaching its funding targets. In order to ensure the long-term sustainability of the workers compensation system; however, the current and future costs of these expenditures must be considered in setting employer assessment rates.

Definitions

Cost of New Injuries

The cost of new injuries includes:

a. Both the current and future benefit costs associated with new injuries occurring during the year.

b. The administrative costs of operating WorkplaceNL, the Workplace Health, Safety and Compensation Review Division, the Provincial Government's Occupational Health and Safety Division, Sector Safety Councils, the Employer and Worker Advisor programs, and Sector Advisor programs.
c. The annual amortization of capital expenditures of WorkplaceNL.

Funded Ratio

The funded ratio of WorkplaceNL is calculated by dividing the total assets of WorkplaceNL by its total liabilities and reserves.

One Time Expenditure

For the purpose of this policy, "one-time expenditures" may include, but are not limited to, one or a combination of the following:

a. Benefit improvements to injured workers;
b. A provision for benefits improvements to be considered at the next Statutory Review of the workers' compensation system;
c. Assessment rebates;
d. Funding for prevention or other programs; and
e. The cost of implementing a more conservative investment policy.

Set Average Base Assessment Rate

The process for estimating the cost of new injuries is as follows:

1. Determine a preliminary range based on recent experience. This is done by calculating the average of the actual cost of injuries for each of the past seven years, excluding the highest and lowest rates.

2. Adjust estimates for cost of any planned changes to benefits.

3. Consider any further adjustment required in response to emerging experience.

Maintain Funded Ratio

Actions required to maintain the funded ratio are as follows:

1. If the funded ratio is less than 100 per cent, assessment rates for the following year will be increased by a rate surcharge, which is calculated to allow the funded ratio to return to 110 per cent over a 15-year period.

2. If the funded ratio is greater than 120 per cent but less than or equal to 140 per cent, assessment rates for the following year will be reduced by a rate discount that is calculated to reduce the funding in excess of 110 per cent over a 15-year period.

3. If the funded ratio is greater than 140 per cent, the amount of the excess funds up to the 140 per cent level will be treated as described in item 2 above. The amount of the excess funds above the 140 per cent level will be divided into two equal portions and utilized as follows:
   a. One portion will be used to finance “one-time expenditures” as described in the definitions section of this policy, and;
   b. The other portion will be used to further reduce assessment rates for the following year by a percentage that is calculated to eliminate the excess funds over a 15-year period.

Guidelines

The required actions under this policy are subject to the following over-riding guidelines:

1. If the calculated adjustment to total average annual assessment rate is less than 2 per cent, no adjustment will be implemented.

2. Once a surcharge or discount has been implemented, that surcharge or discount will not be reduced until the funded ratio reaches 110 per cent.

3. When WorkplaceNL sets its assessment rates each year (usually by October), WorkplaceNL will consider whether or not the funded ratio may have changed significantly since the previous year-end. WorkplaceNL may choose to consider in the calculations described in this policy, the estimated impact of any significant changes in the funded ratio.

4. In all cases, WorkplaceNL must take into account both the current and projected future costs of any "one-time expenditure".

Reference: Workplace Health, Safety and Compensation Act, Sections 97 and 108.

Amendment History

Original Effective Date	2009 01 01
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