

WORKSAFE BC – REFUND OVERFUNDED SURPLUS TO EMPLOYERS

Opening Statement

WorkSafe BC is a provincial agency entirely funded through mandatory employer premiums and investment earnings.

Currently WorkSafe BC is in a massive overfunded position; according to the Association of Workers' Compensation Boards of Canada, the 2017 WorkSafe BC funding ratio is approximately 153% assets over liabilities, which equates to being overfunded by \$6.4 Billion.¹

This overfunding should be reduced by returning a portion of the fees charged to the employers who paid into the fund.

The 'Petrie Report', released in 2018, makes recommendations on worker benefits and the need for a worker-centred approach, but does not address this overfunded position and its impact on business.

Background

The fund was established to financially support worker's recovery from injury and restore them to safe & productive employment and/or access to equitable compensation. The employers provide the funding, based on a fee levied on their payroll. Funds in excess of what is immediately required are invested for interest earning purposes.

This surplus has grown over the past number of years, from \$571M in 2002, and based on their 2017 financial reports, it is now at 153% (or \$6.4 billion) overfunded. BC, after Manitoba, is the second most over-funded workers' compensation boards in the country.

7 out of the 12 other provincial/territorial boards in Canada have rebate policies in place triggering refunds to employers when a certain threshold in funding is reached. For Example, WCB-Alberta's funding policy establishes a funding range between 114 % and 128 %. If WCB-Alberta surpasses the required funding level, a surplus distribution rebate is paid to employers.

Several provinces have recently refunded excess money to employers.

- In 2017: PEI's workers' compensation board refunded employers **\$21 million dollars**
 Alberta's workers' compensation board refunded employers **\$355 million dollars**
 Manitoba's workers compensation board set out a 5 year surplus distribution
 program commencing in 2019 to reduce their funding ratio to their target of
 130%
- In 2016: Alberta's workers' compensation board provided a refund of **\$467 million**
 Saskatchewan's workers' compensation board refunded **\$281 million**

¹ 2017, Financial Measures http://awcbc.org/?page_id=9759

A funding ratio should be determined that properly insulates the system from premium fluctuations and changes in the economic climate while continuing to ensure sound management of finances. Once a funding ratio is set, then a rebate policy should be created that allows for refunds to employers when that ratio is exceeded. This is no different than other tax overpayments; if a business over pays, they receive a refund.

In the Report from the Small Business Task Force as a special initiative of BC's Small Business Roundtable written to the Minister of Jobs, Trade and Technology, there was mention of this matter.²

Under Priority 1: Reduce costs of doing business to maintain and strengthen economic growth and competitiveness : item 1.6 recommended BC employers should receive rebates for the 2017 WorkSafeBC surplus and ensure future rates are fairly priced. The recommendation included the call for WorkSafeBC to set the rates in order to maintain a maximum funding ratio of 110% of assets to liabilities on a medium term basis.

WorkSafeBC is in the best position to determine what a reasoned medium term Target Funding Ratio should be.

Employers are being overcharged and this is unnecessarily adding to the growing burden they face from increased taxes, EHT, increase in minimum wage etc. If these funds were returned, then employers could put these funds to productive use, including growing their business, creating jobs, and investing in new and safer equipment.

THE CHAMBER RECOMMENDS

That the WorkSafe BC:

1. Create a reasonable Funded Ratio or Funded Ratio Zone, and;
2. Create a rebate policy that triggers an automatic refund to employers when WorkSafeBC surplus exceeds the fair funding level

Submitted by the 4 Cowichan Chambers of Commerce; Duncan Cowichan Chamber, Chemainus Chamber, Ladysmith Chamber and Lake Cowichan Chamber, and the Surrey Board of Trade

² 2018, Small Business Task Force Final Report, https://www2.gov.bc.ca/assets/gov/employment-business-and-economic-development/business-management/small-business/small_business_task_force_final_report.pdf