

Section	Policy
30	31.05.30

Section Title: Finance, Assessments and Administration - Accounting and Finance  
Subject: Allocation of Surplus Distribution among Class E Employers  
Effective Date: October 1, 2018

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### **A. POLICY PURPOSE**

The WCB has a funding ratio target of 130 per cent as articulated in WCB Policy 31.05, *Funding Policy*.

This policy establishes the rules and outlines the process for the allocation of surplus distribution amounts in years when the WCB's funded position rises above the 130 per cent target. The guiding principles are fairness, administrative efficiency, and ease of understanding.

### **B. POLICY**

#### **1. Surplus Distribution Amount**

If deemed warranted, the Board of Directors will approve a surplus distribution amount based on the approved year-end financial statements, to be distributed in the year it is approved consistent with the terms of the WCB's *Funding Policy*.

The surplus distribution amount will be based on a percentage of the prior year's total actual employer assessed premiums as described in WCB Policy 31.05, *Funding Policy*. The total surplus distribution amount cannot be greater than 50 per cent of the prior year's total premiums.

This overall percentage amount becomes the basis for calculating the individual amounts credited to eligible employers under this policy.

#### **2. Definition of Employer Premiums under this Policy**

For the purposes of this policy, employer premiums consist of actual assessed premiums for the previous year. Actual premiums are based on an employers' individual (experience rated) assessment rates.

Safety levies charged under WCB Policy 52.20, *Funding Industry-Based Safety Programs* are not eligible to be considered premiums for the purposes of calculating a surplus distribution.

For the purpose of calculating the surplus distribution, premiums are not reduced by any amount received for Prevention Rebates under WCB Policy 52.40, *Prevention Rebate Program Policy*.

#### **3. Calculation of Individual Employer Amounts**

Individual employer amounts are calculated on the basis of prior year's actual assessed WCB premiums, multiplied by the overall percentage amount approved by the Board of Directors.

Individual surplus distribution amounts will be applied in the form of a credit to an eligible employer's assessment account. The credit amounts will offset any current and future outstanding amounts owing on an employer's assessment account.

#### **4. Eligible Employers**

Any Class E employer that has fulfilled its payroll reporting requirements for the year on which the surplus distribution is calculated (i.e., the prior year) is eligible for a surplus distribution credit. This includes employers that paid the WCB minimum assessment, as well as employers that paid for personal or optional coverage.

Employers' payroll reporting obligations under the *Act* are outlined in WCB Policy 35.05.10, *Reporting and Verifying Payroll*.

#### **5. Retroactive Premium Adjustments & Credits**

If an eligible employer's assessed premiums change after surplus distribution amounts have been credited, that employer's surplus distribution amount will be adjusted retroactively to reflect the actual assessed premiums.

The exception to this rule is when an employer was found to have underreported its payroll (i.e., through an audit). In this case, the WCB will not adjust the surplus distribution amount retroactively.

#### **6. Timing**

The Board of Directors shall review the WCB's funded position upon approval of the year-end financial statements, and subsequently approve a surplus distribution amount (percentage), as required, following the criteria in WCB Policy 31.05, *Funding Policy*.

Surplus distribution credits to employer assessment accounts shall be applied in the same year that the surplus distribution is approved.

### **C. REFERENCES**

*The Workers Compensation Act*, sections 69, 81-83, 88.

WCB Policy 31.05, *Funding Policy*.

WCB Policy 31.05.05, *Rate-Setting Model for Class E Employers*.

WCB Policy 35.05.10, *Reporting and Verifying Payroll*.

WCB Policy 35.05.20, *Paying and Refunding Premiums*.

WCB Policy 52.20, *Funding Industry-Based Safety Programs*.

WCB Policy 52.40, *Prevention Rebate Program Policy*.

#### **History:**

1. Policy created on October 25, 2018 by Board Order 30/18, effective October 1, 2018, in conjunction with changes to WCB Policy 31.05, *Funding Policy*.
2. Minor formatting changes were made to the policy, October 2020.