

Surplus Distribution Questions & Answers

Q: How is the WCB funded?

A: Serving Prince Edward Island's workers and employers, the WCB is an independent organization funded entirely by Island employers. We provide no-fault workplace injury and illness insurance, and promote workplace health and safety for all Islanders.

Q: Why is there a surplus?

A: The funding position has grown over the past number of years as we continue to see strong investment returns.

Q: Is our Funding Policy not working?

A: The WCB is mandated to be funded between 100-125% to cover current and future costs for injured workers. Due to our investment performance, our funded position has continued to grow. Over the past few years the average assessment rate has been reduced to respond to the surplus, but the investment portfolio continued to perform well. Our funding policy is working as designed and has contributed to our rate reduction in recent years. The surplus distribution provides a more immediate approach to help bring the funded position back into our target range quicker, without creating significant volatility in the rate.

Q: Does this mean that WCB is collecting more premiums from employers than it should?

A: No, the surplus was created as a result of higher than expected investment returns.

Q: How will the surplus be distributed?

A: The surplus distribution that the Board approved to be distributed back to employers is \$22 million. This amount will be distributed to eligible employers by cheque or a credit to their WCB employer account.

Q: Will all employers receive part of the surplus distribution?

A: At the time of the distribution, active employers whose accounts are current will receive a cheque. If an active employer has an overdue account at the time of the distribution, they will receive a credit on their WCB account. Active employers, for the purpose of the distribution are defined as employers who reported 2017 actual payroll. If an employer has not reported an actual payroll for 2017, the employer will have to report the actual payroll by December 31, 2018 or will not be eligible to participate in the surplus distribution.

Q: How will you determine how much each employer receives?

A: The distribution is based on 2017 assessments. We determine the distribution amount by dividing your base premiums in 2017 (based on the industry rate, before discounts or surcharges are applied) by the total base premiums of all eligible employers in 2017. Then we multiply this amount by the \$22 million available for the surplus distribution.

A = Total Surplus Distribution (\$22 M)

B = Employer Base Premium

$$\frac{\text{2017 Actual Payroll}}{\$100} \times \text{2017 Group Rate} = \text{Employer Base Premium}$$

C = The Sum of all Employer Base Premiums = total of all (B)

D = Individual Employer Surplus Distribution

$$\frac{(B)}{(C)} \times (A) = D$$

Q: When will the surplus be distributed?

A: The surplus distribution is expected to be distributed to eligible employers in November 2018.

Q: Is the Surplus Distribution taxable?

A: As this distribution is a return of a 2018 year tax deductible expense it is taxable.

If you have questions or concerns about the surplus distribution, please contact Employer Services at 902-368-5680 or toll-free at 1-800-237-5049. You can also email us at Safetymatters@wcb.pe.ca.