

POLICY NUMBER: POL-154

Consultation Summary

Amendments to the policy, Annuity (POL-154), will provide greater clarity and readability, and will bring lump sum annuity payment provisions into alignment with other Canadian jurisdictions.

Proposed amendment to the existing policy content:

- Increase threshold for payment of lump sum from \$10,000 to 40% of the Maximum Annual Earnings (MAE). (26)

In addition to the proposed amendment above, the policy has been updated and re-organized in accordance with WCB's client-centered approach to policy design, which is intended to enhance clients' understanding.

The attached draft policy is presented with the non-substantive changes applied. The proposed amendments are tracked, new content is bolded and content to be deleted is shown with a strikethrough. A copy of the current policy is attached for comparison.

POLICY NUMBER: POL-154

Chapter:
CLAIMS

Subject:
ANNUITY

Effective Date:
January 24, 2019

Last Update:
DRAFT August 29, 2024

REFERENCE:

Workers Compensation Act R.S.P.E.I. 1988, Cap. W-7.1, Sections 43. 43.1-43.4
Workers Compensation Board Policy, POL-12, Survivor Benefits
Workers Compensation Board Policy, POL-27, Overpayments to Workers
Workers Compensation Board Policy, POL-41, Collateral Benefits
Workers Compensation Board Policy, POL-124, Pension Replacement Benefits

PURPOSE STATEMENT:

The purpose of this policy is to explain how the Workers Compensation Board (WCB) compensates workers for the loss of retirement income as a result of a workplace injury, for those who qualify on or after January 1, 2019.

DEFINITION:

In this policy:

“Annuity benefit” means a sum of money administered under a contractual agreement with an external provider to provide a pension for a worker at age 65 in the form of payments for a specified period of time.

“Extended wage loss benefits” means wage loss benefits payable to a worker from the later of
(i) the date which the Board determines that the worker has an impairment, and

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(ii) the date on which the worker completes vocational or occupational rehabilitation, where the worker is engaged in such rehabilitation on or after the date the Board determines the worker has an impairment.

POLICY:

Application

1. This policy applies to workers who meet the conditions for entitlement and first become entitled to extended wage loss (EWL) benefits on or after January 1, 2019.
2. Eligibility and entitlement to retirement benefits for workers who are entitled to EWL benefits before January 1, 2019, are set out in WCB policy, POL-124, Pension Replacement Benefits.

Conditions for Entitlement

3. The WCB will set aside an amount equal to five percent of a worker's EWL benefit payments to fund an annuity benefit for those workers who:
 - Have received wage loss benefits for a cumulative period of more than 24 months for the same workplace injury; and
 - Are in receipt of EWL benefits for that workplace injury.
4. The amount set aside is in addition to the worker's entitlement to EWL benefits and will be set aside at the time of each EWL payment.
5. When the worker reaches age 65, and after the last EWL payment is made, the amount set aside will be processed.

Notification of Entitlement

6. The WCB will notify the worker, in writing, of their entitlement to an annuity benefit when the worker meets the conditions for entitlement.

Designation of Beneficiary

7. The worker will have three months from the date of notification of entitlement to designate a beneficiary and notify the WCB in writing.
8. The worker is responsible to advise the WCB if there are any changes to the designated beneficiary.

Amounts and Contributions to the Fund

WCB Annuity Contribution

9. For every worker who qualifies, the WCB will set aside an amount equal to five percent of each EWL payment.
10. The amount set aside is in addition to the worker's EWL benefit.
11. The five percent is calculated based on the amount of the EWL benefit paid to the worker, after any collateral benefits or overpayments are offset. More information can be found in WCB policies, POL-41, Collateral Benefits and POL-27, Overpayments to Workers.
12. The amount set aside will reflect any adjustments to the EWL payment, including any retroactive adjustments provided the retroactive payments are for a period of time that the worker qualifies for the annuity benefit.

Optional Worker Contribution

13. Upon notification of entitlement to an annuity benefit, the worker will be advised, in writing, that they may decide whether to elect to contribute an additional five percent to the fund.
14. If the worker elects to contribute,
 - The decision must be made in writing and submitted to the WCB within three months from the date of the annuity notification.
 - The worker's contribution will be deducted from each EWL payment, starting with the first payment after the election has been made.
 - The decision to contribute is irrevocable.

Management of Funds

15. The amounts and contributions set aside will be paid into and managed with the accident fund and will be tracked for each claim. Where the worker has multiple claims with annuity entitlement the amounts and contributions will be combined into one annuity account for the purpose of tracking.
16. The annual rate of return for the annuity fund will be the rate of return of the accident fund for the year, whether positive or negative, as reported in the WCB financial statements. The returns will be applied annually at the end of each year.
17. Where the amounts and contributions to the annuity fund cease prior to the end of a calendar year, the rate of return from the previous year will be applied.

Annual Statements

18. The WCB will provide the worker with an annual statement for the calendar year which includes:
 - The total amount set aside by the WCB.
 - The total amount of the worker contributions.
 - The value of the annuity fund.
 - The rate of return for the year.
 - The name of the designated beneficiary.

Transfer of Annuity Fund

19. The worker is required to select a provider of an annuity plan for the annuity fund to be transferred when they reach age 65. The WCB will provide the worker with six months advance notice to choose their annuity plan provider and to advise the WCB in writing of their choice.
20. The WCB has no restrictions on the term of the annuity plan and any costs associated with investment advice are the responsibility of the worker.
21. The WCB will require documentation of the plan details from the annuity plan provider prior to transfer.

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22. When the worker reaches age 65 and after the last EWL payment is made, the WCB will transfer the annuity fund to the worker's annuity provider. The amount of the fund transferred is equal to the sum of the accumulated capital and the returns, whether positive or negative, on the accumulated capital, of the amounts and contributions paid into the accident fund to provide an annuity benefit for a worker.
23. The WCB will deduct any overpayment owed by the worker prior to transferring the annuity fund.
24. Once the annuity fund transfer is complete, the WCB has no further involvement in the annuity fund management, contributions or payments.
25. If EWL benefits cease before the worker reaches age 65, the annuity fund will be transferred to the annuity provider selected by the worker after the final EWL payment is made.

Lump Sum Payment

26. If the total amount for the annuity fund is less than ~~\$10,000~~ 40% of the Maximum Annual Earnings (MAE) for the year of the annuity fund transfer, the amount will be paid in a lump sum to the worker.

Death Before Entitlement or Payment

27. If the worker dies before reaching age 65 or prior to the amount being transferred to an annuity plan provider, or paid in a lump sum to the worker, the amount will be paid to the designated beneficiary or the estate.
28. This policy has no impact on entitlement to benefits for surviving spouses and dependants as set out in WCB, POL-12, Survivor Benefits.

HISTORY:

Board of Directors Approval Date: January 24, 2019.

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DEFINITION:

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“Extended wage loss benefits” means wage loss benefits payable to a worker from the later of
(i) the date which the Board determines that the worker has an impairment, and

(ii) the date on which the worker completes vocational or occupational rehabilitation, where the worker is engaged in such rehabilitation on or after the date the Board determines the worker has an impairment.

POLICY:

Application

1. This policy applies to workers who meet the conditions for entitlement and first become entitled to extended wage loss benefits on or after January 1, 2019.
2. Eligibility and entitlement to retirement benefits for workers who are entitled to extended wage loss benefits before January 1, 2019, are set out in Workers Compensation Board policy, POL-124, Pension Replacement Benefits.

Conditions for Entitlement

3. The Workers Compensation Board will set aside an amount equal to five percent of a worker's extended wage loss benefit payments to fund an annuity benefit for those workers who:
 - Have received wage loss benefits for a cumulative period of more than 24 months for the same workplace injury; and
 - Are in receipt of extended wage loss benefits for that workplace injury.
4. The amount set aside is in addition to the worker's entitlement to extended wage loss benefits and will be set aside at the time of each extended wage loss benefit payment.
5. When the worker reaches age 65, and after the last extended wage loss payment is made, the amount set aside will be transferred to the annuity provider selected by the worker.

Notification of Entitlement

6. The Workers Compensation Board will notify the worker, in writing, of their entitlement to an amount set aside to fund an annuity benefit when the worker qualifies for extended wage loss benefits.
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Designation of Beneficiary

7. The worker will have three months from the date of notification of entitlement to designate a beneficiary and notify the Workers Compensation Board, in writing.
8. The worker is responsible to advise the Workers Compensation Board if there are any changes to the designated beneficiary.

Amounts and Contributions to the Fund

Workers Compensation Board Amount

9. For every worker who qualifies, the Workers Compensation Board will set aside an amount equal to five percent of each extended wage loss benefit payment.
10. The amount set aside is in addition to the worker's extended wage loss benefit payment.
11. The five percent is calculated based on the amount of the extended wage loss benefit paid to the worker, after any collateral benefits or overpayments are offset. More information can be found in Workers Compensation Board policies, POL-41, Collateral Benefits and POL-27, Overpayments to Workers.
12. The amount set aside will reflect any adjustments to the extended wage loss benefit payment, including any retroactive adjustments provided the retroactive payments are for a period of time that the worker qualifies for the annuity benefit.

Optional Worker Contribution

13. Upon notification of entitlement to an amount set aside to fund an annuity benefit, the worker will be advised, in writing, that they may elect to contribute an additional five percent to the fund.
14. If the worker elects to contribute,
 - the decision must be made in writing, and submitted to the Workers Compensation Board within three months from the date of the annuity notification;
 - the worker's contribution will be deducted from each extended wage loss

- benefit payment, starting with the first payment after the election has been made; and
- the decision to contribute is irrevocable.

Management of Funds

15. The amounts and contributions set aside to fund an annuity benefit will be paid into and managed with the accident fund, and will be tracked for each claim. Where the worker has multiple claims with extended wage loss payments, the amounts and contributions will be combined into one annuity account for the purpose of tracking.
16. The annual rate of return for annuity fund will be the rate of return of the accident fund for the year, whether positive or negative, as reported in Workers Compensation Board financial statements. The returns will be applied annually at the end of each year.
17. Where the amounts and contributions to the fund cease prior to the end of a calendar year, the rate of return from previous year will be applied.

Annual Statements

18. The Workers Compensation Board will provide the worker with an annual statement which includes:
 - the total amount set aside by the Workers Compensation Board in the calendar year to fund an annuity benefit;
 - the total amount of the worker contributions to the fund for the calendar year;
 - the value of the annuity fund as of the end of the calendar year;
 - the rate of return for the year; and
 - the name of the designated beneficiary.

Transfer of Fund

19. The worker is required to select a provider of an annuity plan for the fund to be transferred when they reach age 65. The Workers Compensation Board will provide the worker with six months advance notice to choose their annuity plan provider and to advise the Workers Compensation Board in writing of their choice.
20. The Workers Compensation Board has no restrictions on the term of the annuity plan and any costs associated with investment advice are the responsibility of the worker.

21. The Workers Compensation Board will require documentation of the plan details from the annuity plan provider prior to transfer.
22. When the worker reaches age 65 and after the last extended wage loss benefit payment is made, the Workers Compensation Board will transfer the fund to the worker's annuity provider. The amount of the fund transferred is equal to the sum of the accumulated capital and the returns, whether positive or negative, on the accumulated capital, of the amounts and contributions paid into the accident fund to provide an annuity benefit for a worker.
23. The Workers Compensation Board will deduct any overpayment owed by the worker prior to transferring the fund.
24. Once the fund transfer is complete, the Workers Compensation Board has no further involvement in the fund management, contributions or payments.
25. If extended wage loss benefits cease before the worker reaches age 65, the fund will be transferred to the annuity provider selected by the worker after the final extended wage loss benefit payment is made.

Lump Sum Payment

26. If the total amount for the fund, including Workers Compensation Board amounts, workers contributions and applied rates of returns, is less than \$10,000, the amount will be paid in a lump sum to the worker.

Death Before Entitlement or Payment

27. If the worker dies before reaching age 65 or prior to the amount being transferred to an annuity plan provider, or paid in a lump sum to the worker, the amount will be paid to beneficiary designated by the worker. If the worker did not designate a beneficiary, the amount will be paid to the worker's estate.
28. This policy has no impact on entitlement to benefits for surviving spouses and dependants as set out in Workers Compensation Board, POL-12, Survivor Benefits.

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Current Policy