Workplace Safety and Insurance Board

2019 Annual Sufficiency Report

Table of contents

President and CEO's message 3
Management's responsibility for financial reporting 4
Sufficiency discussion and analysis
- Section 1: Overview 5
- Section 2: Year to date review 6
- Section 3: Our funding strategy 9
- Section 4: Insurance funding risk 10

Responsibility for reporting of Sufficiency Ratio 12
Independent auditor's report 13
Sufficiency Ratio statement
- Sufficiency Ratio 16
- Note 1: Governing regulation and Sufficiency Ratio calculation 17
- Note 2: Sufficiency Ratio assets 17
- Note 3: Sufficiency Ratio liabilities 19
- Note 4: Reconciliation of the Sufficiency Ratio assets and liabilities to the consolidated financial statements prepared in accordance with IFRS 21
- Note 5: Subsequent event 22

President and CEO's message

In 2019, the WSIB continued to show a strong financial position, and remain over 100% funded, on a Sufficiency Ratio basis. Maintaining a healthy funding status above 100% mitigates against any potential economic shock and adverse investment results and enables rate stability for Ontario businesses. In turn, people with claims and all of our partners can have a high degree of confidence that we will be able to meet our obligations to help, even under adverse market conditions.

Our excellent fiscal standing allowed us to focus on improving our programs and services, and modernize our existing processes, making it easier for people to work with us. Our results from last year illustrate our commitment to helping people with workplace injuries and illnesses and making Ontario safer.

Some highlights from 2019 include:

- About nine out of 10 people who lost time at work due to an injury or illness returned to work within one year without any loss of income;
- More than 96% of people were able to find work after completing a return-to-work plan, which is higher than our results in 2018;
- 71 per cent of people with workplace injuries and 77% of businesses were satisfied or very satisfied with their overall experience when working with us, which is an improvement from our 2018 results;
- The number of injuries or illnesses per 100 individuals working in Ontario was 1% lower in 2019 than in 2018.

We were also able to announce, for the fourth year in a row, a lower average premium rate for businesses – down another 17%. As well, for the first time we set rates under our new premium rate-setting model. The new rate model boosts transparency and fairness, and incorporates experience, encouraging healthier and safer workplaces. This, along with the launch of our new Health and Safety Excellence program helps us build a safer Ontario.

I am proud of the progress we made in 2019, and the value we delivered to Ontarians.

At the time of issuing this Sufficiency Report, the world is responding to the COVID-19 pandemic, and the resulting severe economic and market impact. The WSIB is doing our part. We will continue to manage our finances effectively and prudently while striving to improve our services and return-to-work outcomes for people with work-related injuries or illness. We want all Ontarians to remain confident the WSIB is here to help.

Thomas Teahen
President and Chief Executive Officer
April 23, 2020
Toronto, Ontario

Management's responsibility for financial reporting

The Sufficiency Ratio and related notes (the "Sufficiency Statement") and the Sufficiency Discussion and Analysis have been prepared by management and approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"). The Sufficiency Ratio calculation has been prepared in accordance with *Ontario Regulation 141/12* made under the *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA"), as amended by *Ontario Regulation 338/13* and, where appropriate, reflects management's best estimates and judgment. Management is responsible for the accuracy, integrity and objectivity of the Sufficiency Statement within reasonable limits of materiality and internal controls.

The Audit and Finance Committee of the Board of Directors meets with management and the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities. The Audit and Finance Committee also reports its findings to the Board of Directors for consideration in approving the Sufficiency Statement and its reporting submission to the Minister of Labour pursuant to Section 170 (1) of the WSIA.

This report should be read in conjunction with the WSIB's consolidated financial statements and accompanying notes for the year ended December 31, 2019, and the audited Sufficiency Statement as at December 31, 2019.

Thomas Teahen
President and Chief Executive Officer
April 23, 2020
Toronto, Ontario

Ernest Chui
Chief Financial Officer

Sufficiency discussion and analysis

1. Overview

An explanation of our report and regulations.

The purpose of this report is to provide the Sufficiency Ratio as required under Ontario legislation. The Sufficiency Ratio measures whether there are sufficient funds to meet the WSIB's future expected claims payouts.

Ontario Regulation 141/12 under the WSIA came into force on January 1, 2013 and requires the WSIB to calculate a Sufficiency Ratio and ensure the Sufficiency Ratio meets the prescribed levels by the following dates:

December 31, 2017	60%
December 31, 2022	80%
December 31, 2027	100%

Ontario Regulation 141/12, as amended by *Ontario Regulation 338/13,* which became effective January 1, 2014 (collectively, the “Ontario Regulations”), states that the Sufficiency Ratio shall be calculated by dividing the value of the insurance fund assets by the value of the insurance fund liabilities, as determined by the WSIB, using methods and assumptions that are consistent with accepted actuarial practice for going concern valuations. Going concern valuations are based on the assumption that the WSIB will continue to operate in the future indefinitely.

The details of the insurance fund assets, known as the Sufficiency Ratio assets, are described in note 2 to the Sufficiency Statement. The insurance fund liabilities, known as the Sufficiency Ratio liabilities, are described in note 3 to the Sufficiency Statement.

Specific definitions for a number of terms may be found on the WSIB website.

2. Year to date review

Our performance for the year ended December 31, 2019 and the effect on our Sufficiency Ratio.

A summary of the Sufficiency Ratio as at December 31 is as follows:

			Change	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**
Sufficiency Ratio assets	35,503	34,523	980	2.8
Sufficiency Ratio liabilities	(31,234)	(31,973)	739	2.3
Net assets on a Sufficiency Ratio basis	4,269	2,550	1,719	
Sufficiency Ratio	**113.7%**	**108.0%**		**5.7**

As shown above, as at December 31, 2019, the WSIB had net assets on a Sufficiency Ratio basis of $4,269 million. This means that the Sufficiency Ratio assets exceeded the Sufficiency Ratio liabilities and the WSIB had 113.7% of the assets required to meet its potential future obligations.

The increase in the Sufficiency Ratio was primarily attributable to better than expected investment returns on Sufficiency Ratio assets. While significantly reduced from 2018 levels, the inclusion in employer premiums of a past claims cost component also contributed to this increase.

The Sufficiency Ratio of 113.7% as at December 31, 2019 exceeds the legislated 100% funding level required on December 31, 2027. See Section 3 – Our funding strategy.

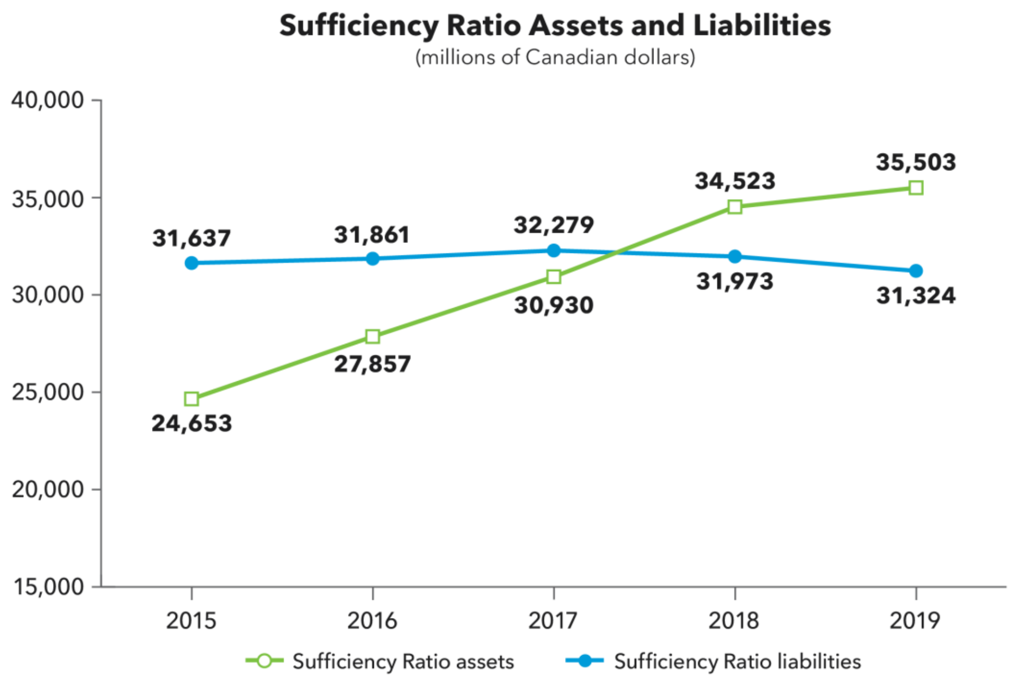
The change in net assets on a Sufficiency Ratio basis is due to the following:

(millions of Canadian dollars)	
Net assets on a Sufficiency Ratio basis as at December 31, 2018	2,550
Interest on net assets	121
Employer premiums that increase net assets	491
Investment return net adjustment[1]	180
Gain from remeasurements of employee benefit plans	150
Lower claims than expected	696
Net asset increase from assumption changes[2]	106
Effect of initial application of IFRS16	(25)
Net assets on a Sufficiency Ratio basis as at December 31, 2019	**4,269**
Change in the net assets on a Sufficiency Ratio basis	**1,719**

1. Gains from investment income greater than expected of $2,603 million less the deferral of current gains from investment income greater than expected of $2,115 million plus amortization of prior deferred net investment gains of $6 million less net of non-controlling interests and translation losses of $314 million.
2. A comprehensive summary of changes in actuarial assumptions and methods can be found in note 19 of the 2019 audited consolidated financial statements.

Sufficiency Ratio assets and liabilities

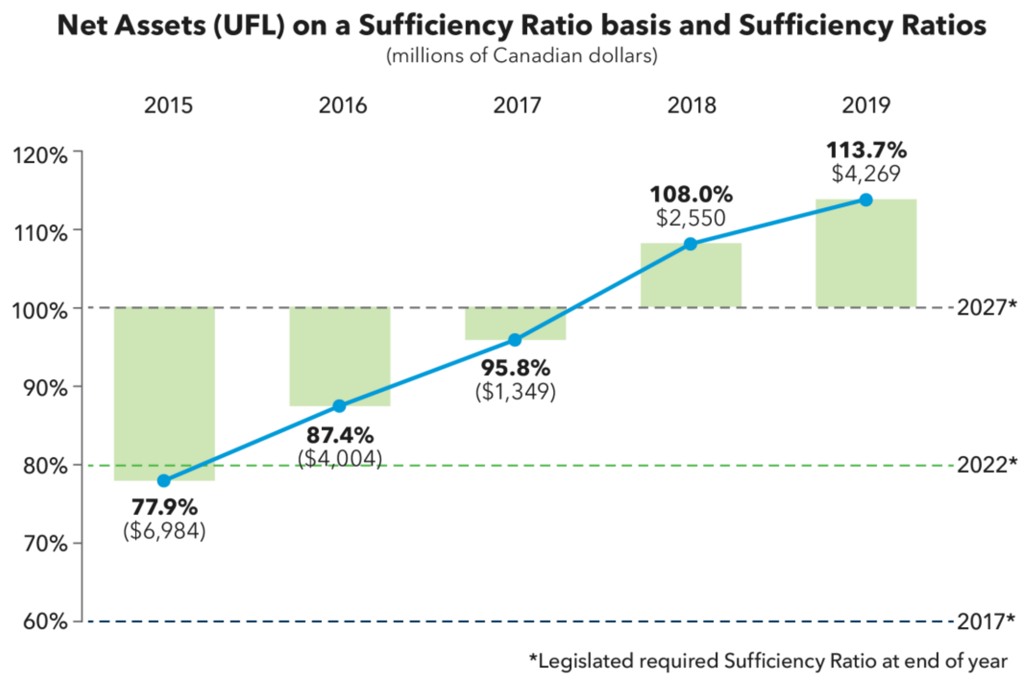
The invested assets used in the Sufficiency Ratio calculation are adjusted to recognize a portion of the investment gains and losses that occurred over a five-year period, to reduce the volatility of the investment returns. The graph below shows the Sufficiency Ratio assets and liabilities over the last five years:



The Sufficiency Ratio liabilities remained relatively stable in comparison to the growth of the Sufficiency Ratio assets over the last five years. The increase in invested assets is due largely to stronger returns, adjusted for deferred investment returns different than expected.

Past Sufficiency Ratios and net assets (unfunded liabilities) on a Sufficiency Ratio basis

The following chart displays the net assets (unfunded liabilities) on a Sufficiency Ratio basis and Sufficiency Ratios for the last five consecutive years ended December 31:



As shown by the graph above, the Sufficiency Ratio has steadily improved, with the retirement of the unfunded liability in the second quarter of 2018. The WSIB has since continued in a net assets position with a Sufficiency Ratio of 113.7% as at December 31, 2019. This achievement exceeds the legislated 100% funding level required on December 31, 2027. See Section 3 – Our funding strategy.

3. Our funding strategy

Our funding strategy and how we plan to maintain the Sufficiency Ratio.

In accordance with *Ontario Regulation 141/12*, and amended by the Ministry of Labour, Training and Skills Development, the WSIB submitted the 2019 Economic Statement to the Minister of Labour in September 2019. The economic statement includes the sufficiency outlook, which describes the measures being taken by the WSIB to ensure that we have a high degree of confidence that our insurance fund will not fall below 100% funding. Concurrent with the release of the 2019 Economic Statement, the WSIB announced a premium rate decrease for 2020 of 17.0% to the average Schedule 1 rate.

We will continue to manage our investments with the goal of generating returns that meet or exceed the long-term annual investment return objective, while prudently managing the WSIB's operations to ensure premium revenues combined with a prudent expected investment return will cover claim costs, administration and other expenses.

We continually refine our strategy to ensure that the insurance fund can withstand future economic conditions, provide for benefits to people with work-related injuries or illnesses, and provide for premium rate stability for employers. Our Funding Policy requires the Chief Actuary to recommend and management to advise the WSIB as to the margin of prudence that should be maintained over and above the legislated requirement to ensure that we have a high degree of confidence that our insurance fund will not fall below 100% funding.

4. Insurance funding risk

Significant risk factors affecting our business.

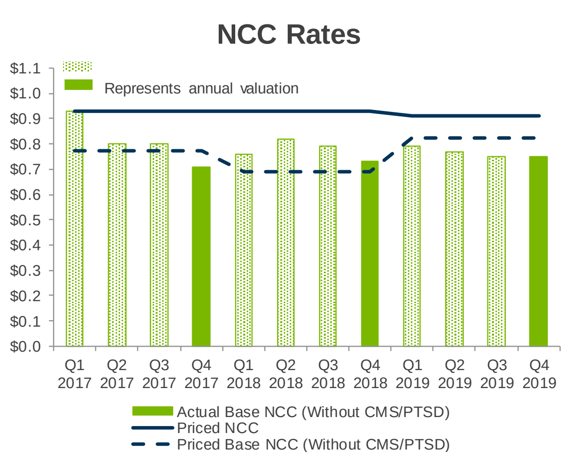
Insurance funding risk has two main elements:

- Underfunding risk – which could materialize as a result of the WSIB not being able to maintain 100% funding, which affects the sustainability of benefits for people with work-related injuries or illnesses; and
- Overfunding risk – that could arise as a result of the WSIB maintaining funds in excess of a sustainability reserve which in turn leads to a heightened risk of inconsistent decision-making on the treatment of surplus funds.

As of Q4 2019, our Sufficiency Ratio is at 113.7%. The risk of underfunding is projected to be low provided that the benefits remain unchanged. New Claim Costs ("NCC") continue to stabilize and the Coronavirus ("COVID-19") pandemic is not sustained throughout 2020. In response, the WSIB has undertaken stress-testing of investment returns and its sufficiency position based on three hypothetical scenarios that would see investment returns decreasing to -5%, -10% and -15% for the full year in 2020 (returning to 5% thereafter). Management remains attentive to the implications of overfunding risk which could result in a surplus of funds above an appropriate level of sustainability reserve. The WSIB continues to explore policy solutions to clearly define minimum and maximum levels of a sustainability reserve and mechanisms to address the management of surplus funding.

To safeguard benefits and offer premium rate stability for employers, the WSIB must ensure that it can withstand future economic shocks. For this reason, the WSIB continues to consult with government reviewers to establish a responsible reserve threshold, above the 100% funding requirement, within its funding policy to offset economic volatility. The progress made toward financial sustainability has allowed the WSIB to reduce the average 2019 premium rates by 29.8%, in addition to the cumulative reduction of nearly 10% experienced in the last two years.

The following graph displays the adequacy of NCC pricing, by comparing the NCC built into premium rates with that actually experienced. Note that the actual NCC calculated for Q4 is an exact calculation, while that calculated for interim quarters is an estimate.



NCC: The expected future cost of new claims for the year. It is one of the elements used to determine premium rates.

Priced NCC: The NCC component of premium rates for the year, including any prudency margins built into the NCC.

*Q1 to Q3 quarterly NCC rates are best estimates established for liability setting. Q4 NCC rates are the annual valuation of the NCC rate calculated for a given injury-year.

CMS: Chronic mental stress
PTSD: Post-traumatic stress disorder

The WSIB continues to work towards consistency and alignment of investment strategy with the funding policy and premium rate approach. While the WSIB's recent focus has been on the determination of the 2020 premium rate and implementation of the new rate framework, a renewed effort to review some of the key parameters that govern funding, pricing and investment decisions within its overall funding policy is required, in alignment with the insurance funding risk appetite statement, which was approved by the Board of Directors in December 2019.

Our mitigation of the risk includes but is not limited to:

- Conducting regular modelling and monitoring of economic scenarios, including stress testing, to better understand the impact of economic risks and to determine the adequacy of our financial assumptions, budget updates, sufficiency planning, and rate setting;
- Determining benefit liabilities based on assumptions that gradually incorporate emerging experience, thus providing a relatively stable basis for pricing and sufficiency measurement;
- Coordinating asset-liability management processes including consideration of the impacts of economic and other risk factors on the funding position and desired level of margin funding;
- Assessing actual investment performance relative to the expectations of the WSIB's Strategic Investment Plan;
- Executing the current Strategic Investment Plan to ensure strong investment governance, effective diversification of assets, efficient cost structure and rigorous risk management of investment assets;
- Conducting periodic asset-liability studies and implementing a comprehensive investment risk model; and
- Monitoring for potential legislative changes that could impact benefit liabilities or costs.

The COVID-19 pandemic combined with an oil price war is having a material negative impact on the WSIB's total fund investment return in the first quarter of 2020 and the outlook going forward is uncertain. The return year-to-date remains volatile day to day and has fluctuated up to -15%, driven by declines in equity markets offset by modest gains, primarily in fixed income. Markets have been volatile, adjusting to changing expectations for the Canadian and global economies as the pandemic situation evolves, which is disrupting supply chains and diminishing consumer and business demand. In Canada, governments at all levels and the central bank have been intervening with a range of fiscal and monetary policy measures as well as emergency measures to support households and businesses, slow the spread of COVID-19, and support production of needed supplies. Many similar actions are being taken by other countries. Despite these measures, there is significant risk that the Canadian and global economies will enter into a recession in 2020. The WSIB will continue to monitor emerging economic risk indicators and other developments in consideration of potential long-term adverse impacts on operations, funding and investments.

While the WSIB monitors a portfolio of significant enterprise risks affecting our business, the insurance funding risk is the risk from this portfolio that is of greatest importance with respect to the WSIB's 2019 Annual Sufficiency Report. A full discussion of the significant insurance funding risk factors that affect the WSIB's business and the corresponding mitigation approaches can be found in Section 14 of the Management's Discussion and Analysis in the WSIB's 2019 Annual Report.

Responsibility for reporting of Sufficiency Ratio

Role of management

The accompanying Sufficiency Ratio and related notes are the responsibility of the management of the Workplace Safety and Insurance Board and have been prepared in accordance with the basis of accounting described in notes 2 and 3, pursuant to *Ontario Regulation 141/12* made under the *Workplace Safety and Insurance Act, 1997* (Ontario) as amended by *Ontario Regulation 338/13,* which became effective January 1, 2014. The calculation of the Sufficiency Ratio includes amounts based on management's best estimates and judgments. Management is also responsible for the preparation and presentation of additional financial information in the Sufficiency Disclosure and Analysis and ensuring its consistency with the Sufficiency Statement.

Management is responsible for the preparation and fair presentation of the Sufficiency Statement and for such internal control as management determines is necessary to enable the preparation of the Sufficiency Statement to be free from material misstatement, whether due to fraud or error. The Board of Directors has established an Audit and Finance Committee to oversee that management fulfills these responsibilities. The Audit and Finance Committee meets periodically with management, the internal auditors, and external auditors to oversee that their responsibilities are properly discharged with respect to the application of critical accounting policies, financial statement presentation, disclosures, and recommendations on internal control. The Audit and Finance Committee also reports its findings to the Board of Directors for consideration in approving the Sufficiency Statement and its reporting submission to the Minister of Labour pursuant to Section 170 (1) of the WSIA.

Role of the external auditors

The external auditors, Ernst & Young LLP, working under the direction of the Auditor General of Ontario, have performed an independent and objective audit of the Sufficiency Statement of the WSIB in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors make use of the work of the Chief Actuary and his report on the insurance fund liabilities of the WSIB. The external auditors have full and unrestricted access to the Board of Directors and the Audit and Finance Committee to discuss audit, financial reporting, and related findings. The independent auditor's report outlines the scope of their audit and their opinion on the Sufficiency Statement of the WSIB.

Thomas Teahen
President and Chief Executive Officer
April 23, 2020
Toronto, Ontario

Ernest Chui
Chief Financial Officer

Independent auditor's report

**To the Board of Directors of the Workplace Safety and Insurance Board,
The Minister of Labour, Training and Skills Development and the Auditor General of Ontario**

Opinion

We have audited the accompanying Sufficiency Statement of the Workplace Safety and Insurance Board (the "WSIB"), which comprise the Sufficiency Ratio Statement as at December 31, 2019 and the notes to the Sufficiency Ratio Statement, including a summary of significant accounting policies (collectively the "Sufficiency Statement").

In our opinion, the accompanying Sufficiency Statement presents fairly, in all material respects, the Sufficiency Ratio of the WSIB as at December 31, 2019, in accordance with the basis of accounting described in Notes 2 and 3.

Basis for opinion

We conducted our audit in accordance with Canadian Auditing Standards (CASs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Sufficiency Statement section of our report. We are independent of the WSIB in accordance with the ethical requirements that are relevant to our audit of the Sufficiency Statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of accounting

We draw attention to Notes 2 and 3 of the Sufficiency Statement, which describes the basis of accounting. The Sufficiency Statement is prepared to provide information regarding the Sufficiency Ratio of the WSIB. As a result, the Sufficiency Statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the Sufficiency Statement

Management is responsible for the preparation and fair presentation of this Sufficiency Statement in accordance with the basis of accounting described in Notes 2 and 3; this includes determining that the basis of accounting is an acceptable basis for the preparation of the Sufficiency Statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a Sufficiency Statement that is free from material misstatement, whether due to fraud or error.

In preparing the Sufficiency Statement, management is responsible for assessing the WSIB's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the WSIB or to cease operations, or has no realistic alternative but to do so.

Other information

Management is responsible for the other information. The other information comprises Sufficiency Discussion & Analysis.

Our opinion on the Sufficiency Statement does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Sufficiency Statement, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the Sufficiency Statement or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Sufficiency Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Auditor's responsibilities for the audit of the Sufficiency Statement

Our objectives are to obtain reasonable assurance about whether the Sufficiency Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Sufficiency Statement.

As part of an audit in accordance with CASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Sufficiency Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the WSIB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Sufficiency Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the WSIB to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Sufficiency Statement, including the disclosures, and whether the Sufficiency Statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 23, 2020

Sufficiency Ratio Statement
December 31, 2019
(millions of Canadian dollars)

Sufficiency Ratio Statement

	Note(s)	**Dec. 31 2019**	**Dec. 31 2018**
Total assets under IFRS	2,4	40,536	37,309
Add (Less): Asset adjustment	2	(1,686)	423
Less: Sufficiency Ratio non-controlling interests	2	(3,347)	(3,209)
Sufficiency Ratio assets		35,503	34,523
Sufficiency Ratio liabilities	3	31,234	31,973
Sufficiency Ratio (assets divided by liabilities)		**113.7%**	**108.0%**

The accompanying notes form an integral part of this Sufficiency Ratio Statement.

Notes to Sufficiency Ratio Statement
December 31, 2019
(millions of Canadian dollars)

1. Governing regulation and Sufficiency Ratio calculation

Ontario Regulation 141/12 under the WSIA, as amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations"), requires the WSIB to calculate a Sufficiency Ratio and ensure the Sufficiency Ratio meets the prescribed levels by the following dates:

December 31, 2017	60%
December 31, 2022	80%
December 31, 2027	100%

The Ontario Regulations state that the Sufficiency Ratio shall be calculated by dividing the value of the insurance fund assets by the value of the insurance fund liabilities, as determined by the WSIB using methods and assumptions that are consistent with accepted actuarial practice for going concern valuations. Going concern valuations are based on the assumption that the WSIB will continue to operate in the future indefinitely.

The details of the insurance fund assets, known as Sufficiency Ratio assets, are described in note 2 below. The insurance fund liabilities, known as Sufficiency Ratio liabilities, are described in note 3.

2. Sufficiency Ratio assets

Assets for the purposes of the Sufficiency Ratio calculation consist of the total assets of the WSIB less the interests in those assets held by third parties (non-controlling interests). The deduction of assets held by third parties is necessary as the total assets include portions of investments to which third parties ultimately have rights (for example, the assets of the Employees' Pension Plan) and therefore would not be appropriate to include in the Sufficiency Ratio assets.

When determining the Sufficiency Ratio assets, for the Sufficiency Ratio calculation, we include assets invested in financial markets as well as other assets such as, but not limited to, cash, employer premium receivables, the value of internally developed software, and WSIB-owned land and buildings.

Summary of significant accounting policies — assets

Assets used in the Sufficiency Ratio calculation which are invested in the financial markets are valued at fair value; however, only a portion of the investment gains or losses is included in the asset value. Specifically, the current period's investment returns above or below a net expected long-term annual return are deferred and recognized over the next five years on a straight-line basis. After five years, those past investment gains and losses are fully recognized in the asset value. This procedure moderates the effect of investment market return volatility and is known as the asset adjustment.

As at December 31, 2019, the Sufficiency Ratio assets reflected an asset adjustment gain of $1,686 (2018 – loss of $423) representing the unrecognized investment returns in excess of the expected long-term annual rate of return assumption, net of investment expenses.

Notes to Sufficiency Ratio Statement
December 31, 2019
(millions of Canadian dollars)

The development of the asset adjustment is detailed as follows:

	2015	2016	2017	2018	2019
Fair value of invested assets	26,301	29,366	33,996	34,872	38,959
Add (Less): Cash transfers in last month of period	11	(36)	(44)	(33)	8
Adjusted fair value of invested assets[1]	26,312	29,330	33,952	34,839	38,967
Less: Invested assets at expected rate of return[2]	26,329	29,070	32,200	36,807	36,324
Investment returns in excess of (lower than) expectations[3], gain (loss)	(17)	260	1,752	(1,968)	2,643
Add (Less): Unrecognized investment returns at prior year end	1,407	981	779	1,720	(423)
Total unrecognized investment returns	**1,390**	**1,241**	**2,531**	**(248)**	**2,220**
Amount to be recognized from:					
2019 investment gain	-	-	-	-	528
2018 investment loss	-	-	-	(393)	(394)
2017 investment gain	-	-	350	351	351
2016 investment gain	-	52	52	52	52
2015 investment loss	(4)	(3)	(3)	(4)	(3)
2014 investment gain	170	170	169	169	-
2013 investment gain	243	243	243	-	-
***Less*: Total recognized investment returns in current year**	**409**	**462**	**811**	**175**	**534**
Total unrecognized investment returns at end of year[4]	**981**	**779**	**1,720**	**(423)**	**1,686**

1. Represents the fair value of invested assets at the end of the year, less the last month's cash contributions (withdrawals), assuming the cash was contributed (withdrawn) at the end of the month.
2. The expected fair value of invested assets is calculated based on an expected long-term annual rate of return on the ending total invested assets balance as of the last reporting period and cash transfers during the year. The expected long-term annual rates of return have varied by year and are as follows:

Year	2015	2016	2017	2018	2019
Expected long-term annual rate of return	6.00%	5.25%	4.75%	4.75%	4.75%

3. Calculated as the difference between the expected and actual fair value of invested assets, representing the unrecognized investment returns above (below) the expected long-term annual rate of return.
4. Unrecognized investment returns less recognized investment returns in the current year.

Notes to Sufficiency Ratio Statement
December 31, 2019
(millions of Canadian dollars)

The amount of unrecognized investment returns to be recognized in future years is as follows:

Year earned	Total unrecognized returns as at December 31, 2019	Investment returns to be recognized in future years: 2020	2021	2022	2023
2019	2,115	(529)	(529)	(528)	(529)
2018	(1,181)	394	393	394	-
2017	700	(350)	(350)	-	-
2016	52	(52)	-	-	-
	1,686	**(537)**	**(486)**	**(134)**	**(529)**

A similar asset adjustment is applied on the non-controlling interests. The adjustment to the non-controlling interests is detailed as follows:

	Dec. 31 2019	Dec. 31 2018
Fair value of non-controlling interests	3,431	3,158
Add (Less): Asset adjustment	(84)	51
Sufficiency Ratio non-controlling interests	**3,347**	**3,209**

3. Sufficiency Ratio liabilities

Liabilities for the purposes of the Sufficiency Ratio calculation include all liabilities as shown in the audited consolidated financial statements, which include the following:

- Benefit liabilities represent the present value of the estimated future payments for reported and unreported claims from people with work-related injuries or illnesses, of Schedule 1 employers, incurred on or prior to the reporting date.
- Loss of Retirement Income Fund liability represents accumulated contributions made to the fund on behalf of/by people with work-related injuries or illnesses and the accumulated investment returns achieved.
- Employee benefit plans liability consists of the WSIB employees' pension, post-employment and long-term benefits plans obligations less any assets held for these benefits.
- Other liabilities such as payables and other liabilities, derivative liabilities, and long-term debt.

Additional details of the liabilities may be found in the WSIB's 2019 annual consolidated financial statements.

Summary of significant accounting policies — liabilities

The Sufficiency Ratio liabilities were prepared under a going concern basis and were calculated as follows:

- Benefit liabilities were determined in accordance with IFRS. Liabilities were calculated by an actuarial valuation with a discount rate of 4.75% (2018 – 4.75%) per annum, as described in note 19 of the WSIB's 2019 annual consolidated financial statements.
- Loss of Retirement Income Fund liability was determined in accordance with IFRS. The liability is equal to the fair value of assets held.

Notes to Sufficiency Ratio Statement
December 31, 2019
(millions of Canadian dollars)

- Employee benefit plans liability was determined using methods and assumptions that are consistent with accepted actuarial practice for going concern valuations. Obligations were calculated by an actuarial valuation with a discount rate of 5.10% (2018 – 5.20%) per annum, consistent with the net expected long-term annual rate of return on the registered pension plan assets. This differs from the IFRS basis used in preparing the WSIB's consolidated financial statements. The IFRS discount rate, a weighted average of 3.15% (2018 – 3.95%) per annum, was determined by reference to high-quality corporate bonds and the projected employee benefit payment cash flows.
    - The result was a reduction from the IFRS obligations equal to $1,283 (2018 – $694).
- All other liabilities were determined in accordance with IFRS.

The Sufficiency Ratio liabilities are $31,234 (2018 – $31,973), which includes the adjustment of $1,283 (2018 – $694). Additional details of the breakdown of the liabilities are shown in note 4.

Notes to Sufficiency Ratio Statement
December 31, 2019
(millions of Canadian dollars)

4. Reconciliation of the Sufficiency Ratio assets and liabilities to the consolidated financial statements prepared in accordance with IFRS

A reconciliation of the assets and liabilities used for the calculation of the Sufficiency Ratio to those under IFRS as at December 31, 2019 is provided below. The consolidated statements of financial position presented on an IFRS basis are from the WSIB's consolidated financial statements. Explanatory notes follow the reconciliation below.

	December 31, 2019			**December 31, 2018**		
	IFRS Basis	**Adjust-ments**	**Sufficiency Ratio Basis**	**IFRS Basis**	**Adjust-ments**	**Sufficiency Ratio Basis**
Assets						
Cash and cash equivalents	3,480	-	3,480	2,538	-	2,538
Receivables and other assets	1,225	-	1,225	1,480	-	1,480
Investments	35,475	(1,686)[1]	33,789	33,004	423[1]	33,427
Property, equipment and intangible assets	356	-	356	287	-	287
Total assets	**40,536**	**(1,686)**	**38,850**	**37,309**	**423**	**37,732**
Liabilities						
Payables and other liabilities	1,163	-	1,163	1,604	-	1,604
Derivative liabilities	72	-	72	448	-	448
Long-term debt and lease liabilities	201	-	201	114	-	114
Loss of Retirement Income Fund liability	2,000	-	2,000	1,867	-	1,867
Employee benefit plans liability	1,971	(1,283)[2]	688	1,424	(694)[2]	730
Benefit liabilities	27,110	-	27,110	27,210	-	27,210
Total liabilities	**32,517**	**(1,283)**	**31,234**	**32,667**	**(694)**	**31,973**
Net assets						
Reserves	4,676	(319)	4,357	1,056	1,066	2,122
Accumulated other comprehensive income	(88)	-	(88)	428	-	428
Net assets attributable to WSIB stakeholders	**4,588**	**(319)**	**4,269**	**1,484**	**1,066**	**2,550**
Non-controlling interests	3,431	(84)[1]	3,347	3,158	51[1]	3,209
Total net assets	**8,019**	**(403)**	**7,616**	**4,642**	**1,117**	**5,759**
Total liabilities and net assets	**40,536**	**(1,686)**	**38,850**	**37,309**	**423**	**37,732**
Sufficiency Ratio			**113.7%**			**108.0%**

1. Reflects the asset adjustment of our total assets shown on our consolidated statements of financial position at the expected long-term annual rate of return of 4.75% (2018 – 4.75%), resulting in a decrease of $1,686 (2018 – increase of $423), which includes the interests in those assets held by third parties (non-controlling interests) of $84 (2018 – increase of $51).

2. Reflects the use of a going concern discount rate of 5.10% (2018 – 5.20%). For the purposes of the consolidated financial statements, an accounting weighted average discount rate of 3.15% was used as at December 31, 2019 (2018 – 3.95%). The accounting discount rate was determined by reference to high-quality corporate bonds and the projected employee benefit payments from the various employee benefit plans.

Notes to Sufficiency Ratio Statement
December 31, 2019
(millions of Canadian dollars)

5. Subsequent event

In March 2020, the World Health Organization declared the Novel Coronavirus outbreak to be a pandemic and requested governments worldwide to enact emergency measures to combat the spread of the virus. These measures include strict travel restrictions, self-imposed quarantine periods, social distancing, and closures of many public venues which inevitably resulted in material disruption to businesses and employees, not just in Ontario, but also throughout the whole country and the rest of the world. While governments and central banks have provided drastic and extensive economic measures to stabilize the economy and calm global equity markets, businesses continue to face uncertainties and significant risks and volatility in their operations. As part of the effort to help reduce the financial burden of the COVID-19 situation, the WSIB, in partnership with the Government of Ontario, has offered a financial relief package estimated at $1.9 billion to all Ontario businesses covered by our workplace insurance. The financial relief package includes the deferral of premium reporting and payments until August 31, 2020 and no interest or penalties will accrue during this six-month deferral period. Benefit payments will continue for people with work related injuries or illness. The evolving COVID-19 situation will likely impact our employers' premium payments and claims experience, our investment returns, as well as our day to day operations as we continue to make health and safety of injured workers as a priority. However, the overall impact on future periods cannot be reliably estimated as the extent and duration of the effect of COVID-19 remain unpredictable.