WORKPLACE SAFETY & INSURANCE BOARD

2017 Annual Sufficiency Report

wsib
ONTARIO

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President and CEO's Message

Our 2017 results show we have made progress improving outcomes for people injured at work and strengthening our financial position. Highlights include:

- Nine out of ten people (90.6 per cent) returned to work without wage loss within 12 months of their injury. These strong results have been driven by ongoing positive performance in our Return to Work and Work Transition programs.
- For the second year in a row, more people who completed a Work Transition plan went on to find employment (88 per cent in 2017).
- The lost-time injury rate for Schedule 1 employers remained low (0.92 allowed lost-time claims per 100 people) and was below historic standards.
- The percentage of claims that continued to require benefits at 72 months was 17 per cent lower in 2017 (2.0 per cent) than in 2016 (2.4 per cent). Seventy-two months (six years) is the point at which claims may be "locked in" until age 65.

While achieving these key outcomes, we have also made significant improvements to our financial situation.

At December 31, 2017, our unfunded liability on a Sufficiency Ratio basis decreased to approximately $1.3 billion, compared to $1.8 billion in the third quarter and $4.0 billion at year-end 2016. This corresponds to a Sufficiency Ratio of 95.8 per cent for 2017, compared to 87.4 per cent at the same time last year.

Our investments, which are now managed by the Investment Management Corporation of Ontario ("IMCO"), performed well in the fourth quarter, ending the year on a strong note. In the fourth quarter, our invested assets increased to $34.0 billion, from $32.4 billion at the end of the third quarter. Year-to-date, our invested assets increased by $4.6 billion. Our investment returns play an important role in support of our ongoing financial sustainability.

While progress in the fourth quarter and throughout 2017 has been positive, there remains work to be done. We are steadfast in our commitment to help people who have been injured with their recovery and early and safe return to work while ensuring the WSIB reaches full funding as quickly as possible to ensure earned benefits are protected, premium rates are stable and service levels are enhanced.

Thomas Teahen
President and Chief Executive Officer
April 19, 2018
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.

The following Sufficiency Discussion and Analysis should be read in conjunction with the WSIB's consolidated financial statements and related notes for the year ended December 31, 2017, and the audited Sufficiency Statement as at December 31, 2017.

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 assumptions that the WSIB will continue to operate in the future indefinitely.

$$\text{Sufficiency Ratio} = \frac{\text{insurance fund assets}}{\text{insurance fund liabilities}}$$

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

Specific definitions for a number of terms may be found at the end of this report.

2. Year in Review

Our performance for the year ended December 31, 2017 and the effect on our Sufficiency Ratio.

Sufficiency Ratio

A summary of Sufficiency Ratios for the years ended December 31 are as follows:

			Change	
(millions of Canadian dollars)	**2017**	**2016**	**$**	**%**
Sufficiency Ratio assets	30,930	27,857	3,073	11.0
Sufficiency Ratio liabilities	(32,279)	(31,861)	(418)	(1.3)
Unfunded liability on a Sufficiency Ratio basis	(1,349)	(4,004)	2,655	
Sufficiency Ratio	**95.8%**	**87.4%**		**8.4%**

As shown above, as at December 31, 2017, the WSIB had an unfunded liability on a Sufficiency Ratio basis of $1.3 billion, which means the Sufficiency Ratio liabilities exceed the Sufficiency Ratio assets. This means that the WSIB had 95.8% of the assets required to meet its future obligations.

The Sufficiency Ratio, as at December 31, 2017, was significantly higher than the 60% funding level as required by legislation. Further, the Sufficiency Ratio of 95.8% is significantly higher than the 80% funding level required on December 31, 2022 and is approaching the legislated 100% funding level required on December 31, 2027.

The change in the unfunded liability on a Sufficiency Ratio basis is due to the following:

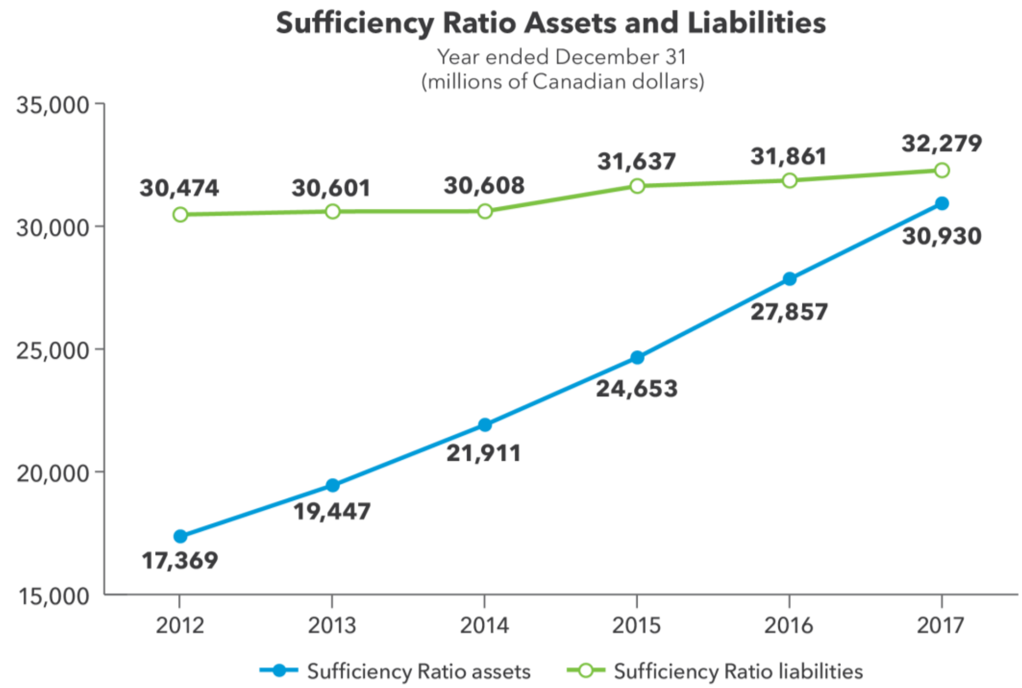
(millions of Canadian dollars)	
Unfunded liability on a Sufficiency Ratio basis as at December 31, 2016	4,004
Interest carrying charge on the unfunded liability on a Sufficiency Ratio basis[1]	180
Employer premiums used to reduce the unfunded liability on a Sufficiency Ratio basis	(2,046)
Investment return greater than expected[2]	(583)
Gain from remeasurements of employee benefit plans	(35)
Lower claims than expected	(773)
Changes in methods and assumptions	131
Addition of chronic mental stress benefits	471
Unfunded liability on a Sufficiency Ratio basis as at December 31, 2017	**1,349**
Change in the unfunded liability on a Sufficiency Ratio basis	**2,655**

1. The unfunded liability on a Sufficiency Ratio basis represents the shortfall of current assets from the discounted value of future payments for injured workers. This unfunded liability on a Sufficiency Ratio basis creates an interest cost and must be taken into account in the reconciliation.
2. The December 31, 2016 discount rate was 4.50%. Investment experience, using Sufficiency Ratio assets, was better than 4.50% which results in a reduction of the unfunded liability on a Sufficiency Ratio basis.

As shown above, the increase in the Sufficiency Ratio is primarily attributable to employer premiums used to reduce the unfunded liability, better than expected investment returns on Sufficiency Ratio assets, and lower than expected claim costs. The Sufficiency Ratio would be slightly higher if not for the additional provision of chronic mental stress benefits that were added to the WSIB's liabilities during 2017.

Sufficiency Ratio Assets and Liabilities

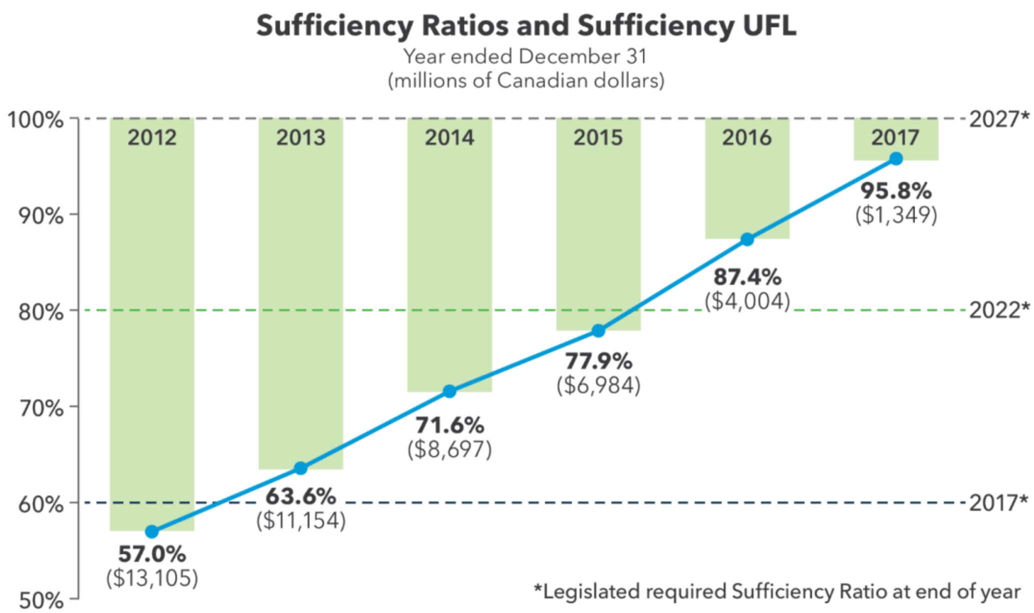
The invested assets used in the Sufficiency Ratio calculation are adjusted to recognize a portion of the investment gains and losses that occurred over a five-year period, to reduce the volatility of the investment returns. The graph, below, shows the Sufficiency Ratio assets and liabilities over the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



The Sufficiency Ratio liabilities remained relatively stable in comparison to the growth of the Sufficiency Ratio assets over the last five years.

Past Sufficiency Ratios and Unfunded Liabilities on a Sufficiency Ratio Basis

The following chart displays the historic Sufficiency Ratios, unfunded liabilities on a Sufficiency Ratio basis for the last six years ending December 31, and the legislated funding requirements:



As shown by the graph above, the Sufficiency Ratio has improved dramatically and the unfunded liability on a Sufficiency Ratio basis has decreased significantly over the last five years.

3. Our Funding Strategy

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

In accordance with *Ontario Regulation 141/12*, and amended by letter from the Ministry of Labour, the WSIB submitted the Sufficiency Plan Update 2017 as part of the 2017 Economic Statement to the Minister of Labour in August 2017, describing the measures being taken by the WSIB to improve the Sufficiency Ratio and how these measures will achieve the prescribed ratios.

To meet our Sufficiency Ratio requirements, 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 cover claim costs, administration and other expenses and provide an allocation towards the retirement of the unfunded liability. We have been managing our operations in this manner since early 2011, resulting in premium revenues exceeding cash operating expenses over this time period. In addition, favourable claims experience, and better than expected investment returns, have also helped us make significant progress to reduce the unfunded liability.

As we quickly progress towards achieving a Sufficiency Ratio of 100%, we continually refine our strategy to ensure, that the Insurance Fund can withstand future economic shocks, provide for benefits earned by workers injured at work, and provide for premium rate stability for employers. Our Funding Policy requires the Chief Actuary to advise the WSIB as to the margin of prudence that should be maintained over and above the legislated requirement to be 100% funded. This prudent level of funding is referred to as "Full Funding".

4. Insurance Funding Risk

Significant risk factors affecting our business.

Insurance funding risk is the risk that the WSIB's funded status falls short of Ontario Regulations due to insufficient premium revenues to cover costs or increases in the benefit liabilities and/or insufficient investment revenue.

During the course of the past year, the WSIB lowered the average employer premium rate by 6.2% and also added chronic mental stress benefits to our list of covered benefits. As noted in the graph below, our premium revenue continues to fully cover costs and we continue to reduce our unfunded liability on a path to achieving financial sustainability ahead of the legislated requirements.

New Claim Cost Recovery in Premium Rate

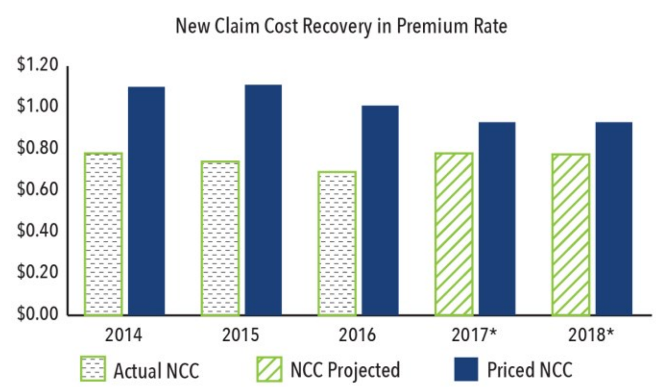
Threshold: 100% of "Actual NCC", including the recovery of appropriate prudency margins in annual premium rate setting ("Priced NCC").

Commentary: Achieved over last 5 years.

*2017 & 2018 NCC data is a projection aligned with the respective rate setting cycle (set in September of the prior year) and recacluated at year-end.

2014, 2015, and 2016 are recalculated actuals at their respective year-end.

N.B. Actual NCC changes over time for maturity factor through future years.



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

The WSIB is currently reviewing some of the key parameters that govern funding, pricing and investment decisions, in alignment with a revised risk appetite statement approved by the Board of Directors in December 2017.

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

- Conducting regular modeling 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 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;
- Developing the next Strategic Investment Plan that will assess the investment risks and opportunities and will be informed by the funding parameters of the revised Funding Policy noted above;
- Conducting periodic Asset-Liability Studies and implementing a comprehensive investment risk model;
- Investment Management Corporation of Ontario continue to execute on the Strategic Investment Plan as its operations continue to mature; and
- Monitoring for potential legislative changes that could impact benefit liabilities or costs.

Additionally, we are also watching closely potential developments that relate to trade between Canada and the United States as uncertainty may increase the volatility in the financial markets in the short-term and medium-term (impacting interest rates, foreign exchange, economic activity, and trade). There could also be impacts on the automotive and manufacturing sectors. We continue to monitor these and other developments in consideration of potential adverse business or economic 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 Annual Sufficiency Report. A full discussion of the significant risk factors that affect the WSIB's business and the corresponding mitigation approaches can be found in Section 15 to the Management's Discussion and Analysis of the WSIB's 2017 consolidated financial statements.

RESPONSIBILITY FOR REPORTING OF SUFFICIENCY RATIO

Role of Management

The accompanying Sufficiency Ratio and related notes (the “Sufficiency Statement”) are the responsibility of the management of the Workplace Safety and Insurance Board (the “WSIB”) 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) (the “WSIA”) 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 auditors' 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 19, 2018
Toronto, Ontario

Pamela Steer
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Workplace Safety and Insurance Board,
The Minister of Labour and the Auditor General of Ontario

We have audited the accompanying Sufficiency Ratio of the **Workplace Safety and Insurance Board** (the "WSIB") as at December 31, 2017 and a summary of significant accounting policies and other explanatory information (the "Sufficiency Statement"). The Sufficiency Statement has been prepared by management using the basis of accounting described in note 2 and note 3.

Management's Responsibility 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 note 2 and note 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 the Sufficiency Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Sufficiency Statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Sufficiency Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Sufficiency Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Sufficiency Statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the Sufficiency Statement 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Sufficiency Statement.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Sufficiency Statement presents fairly, in all material respects, the Sufficiency Ratio of the WSIB as at December 31, 2017 in accordance with the basis of accounting described in note 2 and note 3.

Basis of accounting

Without modifying our opinion, we draw attention to note 2 and note 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 19, 2018

Sufficiency Ratio
December 31, 2017
(millions of Canadian dollars)

Sufficiency Ratio

	Note(s)	December 31 2017	December 31 2016
Total assets	2,4	35,722	31,491
Less: Asset adjustment	2	(1,720)	(779)
Less: Sufficiency Ratio non-controlling interests	2	(3,072)	(2,855)
Sufficiency Ratio assets		30,930	27,857
Sufficiency Ratio liabilities	3	32,279	31,861
Sufficiency Ratio (assets divided by liabilities)		**95.8%**	**87.4%**

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

Notes to Sufficiency Statement
December 31, 2017
(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 Reglations 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 assumptions that assume 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.

The total assets as at December 31, 2017 was $35,722 (2016 - $31,491). Additional details of the breakdown of the assets are shown in note 4.

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 gains and losses above 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, 2017, the Sufficiency Ratio assets reflect an asset adjustment of $1,720 (2016 – $779) representing the unrecognized investment returns in excess of the expected long-term annual rate of return assumption, net of investment expenses.

Notes to Sufficiency Statement
December 31, 2017
(millions of Canadian dollars)

The development of the asset adjustment is detailed as follows:

	2013	2014	2015	2016	2017
Fair value of invested assets[1]	20,715	23,739	26,301	29,366	33,996
Add: Cash transfers in December	1	(21)	11	(36)	(44)
Adjusted fair value of invested assets[2]	20,716	23,718	26,312	29,330	33,952
Less: Invested assets at expected rate of return[3]	19,502	22,870	26,329	29,070	32,200
Investment returns in excess of expectations[4], gain/(loss)	1,214	848	(17)	260	1,752
Add: Unrecognized investment returns at prior December 31	-	971	1,407	981	779
Total unrecognized investment returns, gains/(losses)	**1,214**	**1,819**	**1,390**	**1,241**	**2,531**
Amount to be recognized from:					
2017 investment return gain	-	-	-	-	(350)
2016 investment return gain	-	-	-	(52)	(52)
2015 investment return loss	-	-	4	3	3
2014 investment return gain	-	(170)	(170)	(170)	(169)
2013 investment return gain	(243)	(242)	(243)	(243)	(243)
Total recognized investment returns in current year	(243)	(412)	(409)	(462)	(811)
Total unrecognized investment returns at December 31	**971**	**1,407**	**981**	**779**	**1,720**

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

Year	2013	2014	2015	2016	2017
Expected long-term annual rate of return	6.00%	6.00%	6.00%	5.25%	4.75%

4. 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.

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

		Investment returns to be recognized in future years:			
Year earned	**Total unrecognized returns as at December 31, 2017**	**2018**	**2019**	**2020**	**2021**
2017	(1,402)	350	351	350	351
2016	(156)	52	52	52	-
2015	7	(4)	(3)	-	-
2014	(169)	169	-	-	-
	(1,720)	**567**	**400**	**402**	**351**

Notes to Sufficiency Statement
December 31, 2017
(millions of Canadian dollars)

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

	December 31 2017	December 31 2016
Fair value of non-controlling interests	3,228	2,929
Less: Asset adjustment	(156)	(74)
Sufficiency Ratio non-controlling interests	3,072	2,855

3. Sufficiency Ratio Liabilities

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

- Benefit liabilities represent the present value of the estimated future payments for reported and unreported injured worker claims, 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 injured workers 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 2017 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 International Financial Reporting Standards ("IFRS"). Liabilities were calculated by an actuarial valuation with a discount rate of 4.50% (2016 – 4.50%) per annum, as described in note 18 of the WSIB's 2017 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.
- 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 5.20% (2016 – 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 3.45% (2016 – 3.90%) 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 $925 (2016 - $626).
- All other liabilities were determined in accordance with IFRS.

The Sufficiency Ratio liabilities are $32,279 (2016 - $31,861) which includes the adjustment of $925 (2016 - $626). Additional details of the breakdown of the liabilities are shown in note 4.

Also, significant impacts on liabilities that result from changes in legislation or actuarial or accounting standards are amortized over a reasonable period based on the size of their impact and their relation to the Ontario Regulations, such period not to exceed five years. Currently, there are no amortizations of any significant liability impacts.

The passage of Bill 177 tiltled *Stronger, Fairer Ontario Act (Budget Measures), 2017*, amended section 13 of the WSIA to provide chronic mental stress benefits for diagnoses on or after April 29, 2014 and before January 1, 2018 resulted in an increase in the benefit liabilities of $471. This increase was fully recognized in the December 31, 2017 benefit liabilities (i.e. it was not amortized).

Notes to Sufficiency Statement
December 31, 2017
(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, 2017 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, 2017			December 31, 2016		
	IFRS Basis	Adjust-ments	Sufficiency Ratio Basis	IFRS Basis	Adjust-ments	Sufficiency Ratio Basis
Assets						
Cash and cash equivalents	2,586	-	2,586	2,496	-	2,496
Receivables and other assets	1,387	-	1,387	1,644	-	1,644
Investments	31,447	(1,720)[1]	29,727	27,035	(779)[1]	26,256
Property, equipment and intangible assets	302	-	302	316	-	316
Total assets	**35,722**	**(1,720)**	**34,002**	**31,491**	**(779)**	**30,712**
Liabilities						
Payables and other liabilities	1,185	-	1,185	1,112	-	1,112
Derivative liabilities	88	-	88	243	-	243
Long-term debt	115	-	115	132	-	132
Loss of Retirement Income Fund liability	1,915	-	1,915	1,790	-	1,790
Employee benefit plans liability	1,611	(925)[2]	686	1,290	(626)[2]	664
Benefit liabilities	28,290	-	28,290	27,920	-	27,920
Total liabilities	**33,204**	**(925)**	**32,279**	**32,487**	**(626)**	**31,861**
Net (deficiency of) assets						
Deficit	(792)	(639)	(1,431)	(4,309)	(79)	(4,388)
Accumulated other comprehensive income	82	-	82	384	-	384
Unfunded liability attributable to WSIB stakeholders	**(710)**	**(639)**	**(1,349)**	**(3,925)**	**(79)**	**(4,004)**
Non-controlling interests	3,228	(156)[1]	3,072	2,929	(74)[1]	2,855
Total net (deficiency of) assets	**2,518**	**(795)**	**1,723**	**(996)**	**(153)**	**(1,149)**
Total liabilities & net (deficiency of) assets	**35,722**	**(1,720)**	**34,002**	**31,491**	**(779)**	**30,712**
Sufficiency Ratio			**95.8%**			**87.4%**

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% (2016 – 5.25%) resulting in a decrease of $1,720 (2016 – $779), which includes the interests in those assets held by third parties (non-controlling interests) of $156 (2016 – $74).

2. Reflects the use of a going concern discount rate of 5.20% (2016 – 5.20%). For the purposes of the consolidated financial statements, an accounting weighted average discount rate of 3.45% (2016 – 3.90%) was used as at December 31, 2017. 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.

Definitions

A glossary of the terms utilized in this report.

- **"Employee Benefit Plans"** refer to the registered defined benefit pension plan, supplemental defined benefit pension plan, and other benefits which include post-retirement benefits for health, dental, vision, and life insurance benefits, and other employment benefits for disability income, vacation and attendance programs.
- **"Going Concern Valuation"** refers to the valuation performed using assumptions and methods assuming the WSIB will continue indefinitely.
- **"Non-controlling Interests"** refer to the Employees' Pension Plan and other investors' proportionate interest of the net assets and comprehensive income of the WSIB's subsidiaries.
- **"Sufficiency Ratio"** refers to the ratio of Sufficiency Ratio assets divided by Sufficiency Ratio liabilities, prepared under a going concern basis, as presented in the Sufficiency Statement, and is expressed as a percentage.