WORKPLACE SAFETY & INSURANCE BOARD

SECOND QUARTER 2017 SUFFICIENCY REPORT TO STAKEHOLDERS

wsib
ONTARIO

Table of Contents

President and CEO's Message

A strong financial foundation is integral to being able to provide valued support to people injured at work and their families. I am pleased to report that in the second quarter of 2017, we have made significant progress in improving our financial position.

We have also seen positive outcomes this quarter for those we serve. For example:

- Our Work Transition Program is helping more people get back to work. So far in 2017, 89% of people completing Work Transition Plans went on to find employment, up from 83% in 2016*; and
- Fewer people with workplace injuries are experiencing permanent impairments from their injuries or illnesses in 2017; 5.9% of claims had a permanent impairment, down from 6% over the same period last year*.

As well, as of June 30, 2017, our unfunded liability ("UFL") on a Sufficiency Ratio basis was $2.6 billion, down $1.4 billion from December 31, 2016.

The UFL corresponds to a Sufficiency Ratio of 91.8%, compared to 87.4% at December 31, 2016.

We aim to reach a funding level of 115% to 125% on a Sufficiency Ratio basis, which we define as Full Funding. We believe this is important to ensure that we can withstand any future economic conditions without reverting to a UFL position.

While these results validate demonstrable progress toward delivering better outcomes for people and securing our financial sustainability, we know there is more work to be done. We will maintain our momentum by continuing to execute on our successful strategic plan.

Thomas Teahen
President and Chief Executive Officer
September 21, 2017
Toronto, Ontario

*Statistics reflect claims made related to Schedule 1 employers.

Management's Responsibility for Financial Reporting

The Sufficiency Ratio and related notes (the "Sufficiency Statement"), and the Sufficiency Discussion and Analysis (collectively, the "Sufficiency Report to Stakeholders"), have been prepared by management and approved by the Board of Directors of the WSIB. The Sufficiency Ratio calculation has been prepared in accordance with the accounting policies described in note 2 to the Sufficiency Statement, 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* and, where appropriate, reflects management's best estimates and judgment. Where alternative accounting methods exist, management has chosen those methods considered most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the Sufficiency Statement within reasonable limits of materiality, and internal controls. Management is also responsible for the preparation and presentation of additional financial information in the quarterly report to stakeholders and ensuring its consistency with the Sufficiency Statement.

Thomas Teahen
President and Chief Executive Officer
September 21, 2017
Toronto, Ontario

Pamela Steer
Chief Financial Officer

Sufficiency Discussion and Analysis

Table of Contents

1. Overview

An explanation of our regulations.

The following Sufficiency Discussion and Analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes of the WSIB as at and for the three and six months ended June 30, 2017 (the "unaudited interim consolidated financial statements") and the Sufficiency Ratio and accompanying notes of the WSIB as at June 30, 2017 (the "Sufficiency Statement").

The Sufficiency Ratio measures whether there are sufficient funds to meet the WSIB's future projected claims payouts. The WSIB reports its Sufficiency Ratio pursuant to *Subsection 1 (3)* of *Ontario Regulation 141/12*, as amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations"). Under the Ontario Regulations, the values of our assets and liabilities are determined using actuarial valuations that are consistent with accepted actuarial practices for going concern valuations.

Specific definitions for a number of terms in this Sufficiency Report to Stakeholders can be found in section 7.

2. Period in Review

A discussion of our performance for the six months ended June 30, 2017 and the effect on our Sufficiency Ratio.

The Sufficiency Ratio increased to 91.8% as at June 30, 2017 from 87.4% as at December 31, 2016, an increase of 4.4%. The increase is primarily attributable to employer premiums used to reduce the deficit and better than expected investment returns. The liabilities used in the Sufficiency Ratio calculation increased to $32.1 billion as at June 30, 2017, an increase of $190 million from December 31, 2016. The assets used in the Sufficiency Ratio calculation increased to $29.4 billion as at June 30, 2017, an increase of $1.6 billion from December 31, 2016.

The investment assets used in the Sufficiency Ratio calculation are adjusted by investment gains and losses deviating from the net investment return objective of 4.75% per annum. These gains or losses are amortized over a five-year period, thereby moderating the effect of market volatility. After five years, the current period's investment gain or loss is fully recognized in the asset value.

Effective January 1, 2017, the long-term net investment return objective was reduced from 5.25% per annum to 4.75% per annum subsequent to the annual review by the Investment Committee and approved by the Board of Directors at the end of 2016.

The Insurance Fund Ratio increased to 93.7% as at June 30, 2017 from 89.3% as at December 31, 2016, an increase of 4.4%. The increase is primarily attributable to employer premiums used to reduce the deficit and better than expected investment returns. The Insurance Fund liabilities increased to $31.4 billion as at June 30, 2017, an increase of $212 million from December 31, 2016. The assets used in the Insurance Fund Ratio calculation increased to $29.4 billion as at June 30, 2017, an increase of $1.6 billion from December 31, 2016.

The Employee Benefit Plans Ratio increased to 82.2% as at June 30, 2017 from 81.2% as at December 31, 2016, an increase of 1.0%. The increase is primarily attributable to better than expected investment returns. The Employee Benefit Plans obligations are $3.6 billion, and the assets used in the Employee Benefit Plans Ratio calculation are $3.0 billion as at June 30, 2017.

3. The Sufficiency Ratio Calculation Methodology

A description of the components of the Sufficiency Ratio calculation.

As required by the Ontario Regulations, we calculate our Sufficiency Ratio by comparing assets on hand to total estimated liabilities, as measured on a sufficiency basis. This fundamental measure is comparable with the methods used by other Canadian workers' compensation boards and as reported by the Association of Workers' Compensation Boards of Canada to measure the adequacy of funding and is a measure used by leading pension plans around the world. However, a standard definition for Sufficiency Ratio does not exist.

As at June 30, 2017, we had a deficit of $2.6 billion on a Sufficiency Ratio basis, which means our liabilities on a Sufficiency Ratio basis (the estimated present value of future benefit payments) exceeded the assets. Expressed in percentage terms, we had 91.8% of the assets required to meet our future benefit obligations.

Sufficiency Ratio Calculation Policies

Set forth below is a summary of the accounting policies used to calculate our Sufficiency Ratio as at June 30, 2017 and December 31, 2016 based on our interpretation of the Ontario Regulations.

Assets

The assets included in the Sufficiency Ratio are calculated with reference to our total assets shown on our unaudited interim consolidated statements of financial position. The total assets are adjusted to reflect measurement on a going concern basis. The investment assets are valued at fair value adjusted by investment gains and losses deviating from the net investment return objective, less the interests in those assets held by third parties (non-controlling interests). The adjustment to deduct assets held by third parties is necessary as our assets include portions of investments to which third parties ultimately have rights (including the assets of the WSIB Employees' Pension Plan) and therefore would not be appropriate to include in our Sufficiency Ratio. See note 2 to the Sufficiency Statement for further discussion.

Liabilities

The liabilities included in the Sufficiency Ratio are calculated as our total liabilities shown on our unaudited interim consolidated statements of financial position, adjusted to reflect valuations of the Employee Benefit Plans liabilities on a going concern basis rather than a market basis. See note 2 to the Sufficiency Statement for further discussion.

4. Our Funding Strategy

A discussion of 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. See note 1 to the Sufficiency Statement for further discussion.

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 absorb benefit 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, as a result of employer premiums reducing the deficit, favourable claims experience, and investment returns, we were able to make demonstrable progress towards retiring the unfunded liability.

As we approach the goal of 100% funding, we have refined our strategy to ensure at an appropriate confidence level that the Insurance Fund can withstand future economic shocks and remains at a stable level of funding. As a result, 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 legal requirement to be 100% funded, currently assessed as a range between 115% to 125% Sufficiency Ratio. This prudent level of funding is referred to as "Full Funding". See section 6 for further discussion.

5. Supplemental Measures

Supplemental measures to assess our financial condition.

In addition to the Sufficiency Ratio, we also assess risks and sustainability by monitoring our Insurance Fund Ratio and the Employee Benefit Plans Ratio as noted below:

Insurance Fund Ratio

The Insurance Fund Ratio excludes the net deficit of the Employee Benefit Plans in order to provide a measure of the WSIB's insurance operations and is calculated as follows:

(millions of Canadian dollars)	June 30 2017	December 31 2016
Insurance Fund assets on the Sufficiency Ratio basis	29,531	27,953
Less: Non-controlling interests in investments	(101)	(96)
Insurance Fund assets	**29,430**	**27,857**
Total liabilities on the Sufficiency Ratio basis	32,051	31,861
Less: Employee Benefit Plans deficit on the Sufficiency Ratio basis	(642)	(664)
Insurance Fund liabilities	**31,409**	**31,197**
Insurance Fund deficit	**(1,979)**	**(3,340)**
Insurance Fund Ratio (assets divided by liabilities)	**93.7%**	**89.3%**

The Insurance Fund Ratio increased to 93.7% as at June 30, 2017, an increase of 4.4% from December 31, 2016. The increase is primarily attributable to employer premiums used to reduce the deficit and better than expected investment returns.

Employee Benefit Plans Ratio

The Employee Benefit Plans of the WSIB are a component of total compensation for the WSIB's permanent employees. The Employee Benefit Plans Ratio provides a measure of the sufficiency of the Employee Benefit Plans.

The Employee Benefit Plans Ratio is calculated as follows:

(millions of Canadian dollars)	June 30 2017	December 31 2016
Employee Benefit Plans assets on the Sufficiency Ratio basis	2,961	2,867
Employee Benefit Plans obligation on the Sufficiency Ratio basis	3,603	3,531
Employee Benefit Plans deficit	**(642)**	**(664)**
Employee Benefit Plans Ratio (assets divided by obligation)	**82.2%**	**81.2%**

The Employee Benefit Plans Ratio increased to 82.2% as at June 30, 2017, an increase of 1.0% from December 31, 2016. The increase is primarily attributable to better than expected investment returns.

6. Insurance Funding Risk

A discussion of the more 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 revenue to cover costs or increases in the benefit liability and/or insufficient investment revenue arising from unanticipated and prolonged adverse returns.

While we take great care in preparing financial forecasts, actual results will vary due to evolving economic conditions and other factors such as changes to legislation or changes in the workplace that could expose us to unanticipated losses. For example, an economic downturn could lead to reductions in overall insured payroll or adverse investment returns. In addition, new injured worker benefit entitlements may emerge and constraints over premium rate adjustments could adversely affect the trajectory to Full Funding.

Our mitigation plan addresses specific drivers of Insurance Funding Risk accordingly. We perform annual and event driven testing of our assumptions and take steps to ensure we remain on the path to Full Funding.

Our mitigation of risks includes but is not limited to the following:

- modeling and monitoring economic scenarios to better understand the impact of economic risks and to determine the adequacy of our financial assumptions reflecting a reduction of the average premium rate by 6.2% in 2017 and consideration towards another 3.0% reduction in 2018, depending on emerging financial results and health of the economy;
- continuing to invest in prevention, recovery and return-to-work efforts and closely monitoring their performance;
- 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 funding;

- conducting annual scenario planning and stress testing as part of budget updates, sufficiency planning, rate setting and other financial modelling;
- executing the Strategic Investment Plan to ensure strong investment governance, effective diversification of assets, efficient cost structure, and rigorous risk management of investment assets; and
- monitoring for potential legislative changes such as the latest change effective January 1, 2018 which will allow the WSIB to enhance its support for workers suffering from work-related chronic mental stress.

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 6 of Sufficiency Discussion and Analysis in our 2016 Sufficiency Report to Stakeholders. No additional risk factors or changes to mitigation approaches have been noted as at June 30, 2017, although we continue to closely monitor economic conditions and global events, particularly the high degree of uncertainty around trade, domestic and foreign relations policies of the current United States administration that might impact our investment performance and impact the Ontario economy.

With our Sufficiency Ratio at 91.8% as at June 30, 2017, we have a very low risk of not achieving the 60% funding requirement as at December 31, 2017.

Once the regulated Sufficiency Ratio requirements as set out in *Ontario Regulation 141/12* are attained, the WSIB plans to target Full Funding at a Sufficiency Ratio in the range of 115% to 125% in order to have a high level of confidence that we can maintain the regulated Sufficiency Ratio requirement (100%) when faced with periods of negative economic conditions.

7. Definitions

A glossary of the terms utilized in this report.

- **"Employee Benefit Plans"** refer to the long-term benefit plans offered to permanent employees of the WSIB. They include pension and other post-employment benefit plans which include life insurance, dental and extended health coverage.
- **"Employee Benefit Plans Ratio"** refers to the ratio of the Employee Benefit Plans assets to the Employee Benefit Plans liabilities as presented in the Sufficiency Statement, and is expressed as a percentage.
- **"Enhanced Assurance"** represents a high degree of confidence in achieving the regulated Sufficiency Ratio requirements and maintaining Full Funding once reached, as determined by periodic asset-liability studies.
- **"Full Funding"** represents the level of funding sufficiency that provides Enhanced Assurance that the Sufficiency Ratio will not fall below 100%. The WSIB plans to target a Sufficiency Ratio in the range of 115% to 125%.
- **"Funding Ratio"** refers to the ratio of total assets of the WSIB, less non-controlling interests, to the total liabilities of the WSIB, as presented in the WSIB's unaudited interim consolidated financial statements prepared according to International Financial Reporting Standards ("IFRS"), and is expressed as a percentage.
- **"Investment Portfolio on Sufficiency Ratio basis"** refers to the investment portfolio after reflecting valuation adjustments calculated on a going concern basis, and is presented in accordance with *Ontario Regulation 338/13*.
- **"Insurance Fund"** refers to the assets and liabilities of the WSIB, excluding the assets and obligations of the Employee Benefit Plans.
- **"Insurance Fund Ratio"** refers to the ratio of Insurance Fund assets, less non-controlling interests, to Insurance Fund liabilities, as presented in the Sufficiency Statement, and is expressed as a percentage.
- **"Non-controlling Interests"** refer to the WSIB 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 total assets of the WSIB, less non-controlling interests, divided by the total liabilities of the WSIB, which reflect investments and pension liabilities calculated on a going concern basis, and is presented in accordance with *Ontario Regulation 338/13*, and is expressed as a percentage.
- **"Sufficiency Statement"** refers to the statement that presents the Sufficiency Ratio, Insurance Fund Ratio, and Employee Benefit Plans Ratio. The basis of accounting for the Sufficiency Ratio is found in note 2 of the Sufficiency Statement.

Sufficiency Statement
June 30, 2017
Unaudited (millions of Canadian dollars)

Sufficiency Ratio

	June 30 2017	December 31 2016
Sufficiency Ratio assets (note 3)	32,395	30,712
Less: Non-controlling interests (note 3)	(2,965)	(2,855)
	29,430	27,857
Divided by: Sufficiency Ratio liabilities (note 3)	32,051	31,861
Sufficiency Ratio	**91.8%**	**87.4%**

Supplemental Ratios

Insurance Fund Ratio

	June 30 2017	December 31 2016
Insurance Fund assets on the Sufficiency Ratio basis (note 5)	29,531	27,953
Less: Non-controlling interests	(101)	(96)
	29,430	27,857
Divided by: Insurance Fund liabilities on the Sufficiency Ratio basis (note 5)	31,409	31,197
Insurance Fund Ratio	**93.7%**	**89.3%**

Employee Benefit Plans Ratio

	June 30 2017	December 31 2016
Employee Benefit Plans assets on the Sufficiency Ratio basis (note 6)	2,961	2,867
Divided by: Employee Benefit Plans obligation on the Sufficiency Ratio basis (note 6)	3,603	3,531
Employee Benefit Plans Ratio	**82.2%**	**81.2%**

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

Notes to Sufficiency Statement
June 30, 2017
Unaudited (millions of Canadian dollars)

1. Governing Regulation

Ontario Regulation 141/12 under the WSIA came into force on January 1, 2013 and requires the WSIB to calculate a Sufficiency Ratio of the Insurance Fund and ensure the Sufficiency Ratio meets the prescribed ratios 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 of the Insurance Fund shall be calculated by dividing the value of the Insurance Fund assets, as determined by the WSIB based on the long-term annual investment return objective, by the value of the Insurance Fund liabilities, as determined by the WSIB's Chief Actuary in an actuarial valuation.

2. Summary of Significant Accounting Policies

The unaudited interim consolidated financial statements of the WSIB prepared in accordance with IFRS have been adjusted for the items that follow, to derive the assets and liabilities used in the calculation of the Sufficiency Ratio in accordance with the Ontario Regulations.

Assets

Assets for the purposes of the Sufficiency Ratio calculation have been determined by the WSIB to consist of the total consolidated assets of the WSIB. The amounts presented are adjusted to reflect measurement on a going concern basis. The investment portfolio is valued at fair value adjusted by investment gains and losses deviating from the net investment return objective, less the interests in those assets held by third parties, as represented by the balance of non-controlling interests. See note 4 for further discussion.

Liabilities

Liabilities for the purposes of the Sufficiency Ratio have been determined as follows:

The Insurance Fund liabilities include benefit liabilities which represent the actuarially determined present value of estimated future payments for reported and unreported claims incurred on or prior to the reporting date, including claims in respect of occupational diseases and posttraumatic stress disorders that are currently recognized by the WSIB. The measurement of benefit liabilities requires the actuary to make estimates and assumptions for a number of factors, including those for claim duration, mortality rates, wage escalation, general inflation and discount rates. Benefit liabilities are described in note 13 of the WSIB's 2016 consolidated financial statements.

Notes to Sufficiency Statement
June 30, 2017
Unaudited (millions of Canadian dollars)

Employee Benefit Plans consist of pension, post-employment benefits, and long-term benefits plans. The Employee Benefit Plans obligation was determined through an actuarial valuation using the going concern basis, which assumes the plans will continue indefinitely. The going concern discount rate of 5.2% was determined with reference to the long-term annual investment return objective of the registered pension plan assets and the WSIB's investment strategy. This differs from the accounting basis used in preparing the WSIB's unaudited interim consolidated financial statements. The accounting discount rate, a weighted average of 3.4% as at June 30, 2017, was determined by reference to high quality corporate bonds and the projected employee benefit payment cash flows from the various plans.

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 regulated sufficiency requirements, such period not to exceed five years.

All other liabilities are determined on an accounting basis as recorded in the WSIB's unaudited interim consolidated financial statements.

3. Reconciliation of the Sufficiency Ratio Assets and Liabilities to the Consolidated Financial Statements Prepared in Accordance with IFRS

A reconciliation of the total assets and liabilities used for the calculation of the Sufficiency Ratio to those under IFRS as at June 30, 2017 is provided on the following page. The unaudited interim consolidated statements of financial position presented on an IFRS basis are from the WSIB's unaudited interim consolidated financial statements. Explanatory notes follow the reconciliation on the following page.

Notes to Sufficiency Statement
June 30, 2017
Unaudited (millions of Canadian dollars)

	June 30, 2017			December 31, 2016		
	IFRS Basis	Adjust- ments	Sufficiency Ratio Basis	IFRS Basis	Adjust- ments	Sufficiency Ratio Basis
Assets						
Cash and cash equivalents	2,422	-	2,422	2,496	-	2,496
Receivables	1,738	-	1,738	1,644	-	1,644
Investments	29,122	(1,199)[1]	27,923	27,035	(779)[1]	26,256
Property, equipment and intangible assets	312	-	312	316	-	316
Total assets	**33,594**	**(1,199)**	**32,395**	**31,491**	**(779)**	**30,712**
Liabilities						
Payables and accruals	1,332	-	1,332	1,112	-	1,112
Derivative liabilities	105	-	105	243	-	243
Long-term debt	132	-	132	132	-	132
Loss of Retirement Income Fund liability	1,845	-	1,845	1,790	-	1,790
Employee benefit plans liability	1,625	(983)[2]	642	1,290	(626)[2]	664
Benefit liabilities	27,995	-	27,995	27,920	-	27,920
Total liabilities	**33,034**	**(983)**	**32,051**	**32,487**	**(626)**	**31,861**
Net (deficiency of) assets						
Unfunded liability attributable to WSIB stakeholders	(2,515)	(106)	(2,621)	(3,925)	(79)	(4,004)
Non-controlling interests	3,075	(110)[1]	2,965	2,929	(74)[1]	2,855
Total net (deficiency of) assets	**560**	**(216)**	**344**	**(996)**	**(153)**	**(1,149)**
Total liabilities & net (deficiency of) assets	**33,594**	**(1,199)**	**32,395**	**31,491**	**(779)**	**30,712**
Funding Ratio	92.4%		-	87.9%		-
Sufficiency Ratio	-		91.8%	-		87.4%
Insurance Fund Ratio	97.2%		93.7%	91.6%		89.3%
Employee Benefit Plans Ratio	65.4%		82.2%	69.5%		81.2%

1. Reflects the valuation adjustment of our total assets shown on our unaudited interim consolidated statements of financial position at the long-term annual net investment return objective of 4.75% (2016 – 5.25%) resulting in a decrease of $1,199 (2016 – $779), which includes the interests in those assets held by third parties (non-controlling interests) of $110 (2016 – $74). See note 4 for further discussion.
2. Reflects the use of a going concern discount rate of 5.2% (2016 – 5.2%) determined with reference to the long-term annual net investment return objective of the registered pension plan assets and the WSIB's investment strategy. For the purposes of the unaudited interim consolidated financial statements, an accounting weighted average discount rate of 3.4% (2016 – 3.9%) was used as at June 30, 2017. The accounting discount rate was determined by reference to high quality corporate bonds and the projected employee benefit payment cash flows from the various plans.

Notes to Sufficiency Statement
June 30, 2017
Unaudited (millions of Canadian dollars)

4. Calculation of the Sufficiency Ratio

The Sufficiency Ratio is provided to illustrate the ratio of the assets and the liabilities of the WSIB on a sufficiency basis. The Sufficiency Ratio is calculated by dividing the Sufficiency Ratio assets less non-controlling interests by the Sufficiency Ratio liabilities.

The Sufficiency Ratio assets are established by adjusting the investment assets by investment returns above or below the long-term net investment return objective in effect for the 2017 fiscal year of 4.75% per annum (2016 – 5.25% per annum), and are recognized over five years on a straight-line basis to moderate the effect of fluctuations in the fair value of net assets. As at June 30, 2017, the Sufficiency Ratio assets reflect a cumulative total of $1,199 in valuation adjustments (December 31, 2016 – $779) representing the unrecognized investment returns in excess of the long-term annual rate of return assumption, net of investment expenses.

The change in the valuation adjustments is detailed as follows:

	2013	2014	2015	2016	2017	Total
Unrecognized investment returns above (below) the investment return objective	1,214	848	(17)	260	721	3,026
Investment returns recognized in 2013	(243)	-	-	-	-	(243)
Investment returns recognized in 2014	(242)	(170)	-	-	-	(412)
Investment returns recognized in 2015	(243)	(170)	4	-	-	(409)
Investment returns recognized in 2016	(243)	(170)	3	(52)	-	(462)
Investment returns not recognized in the current period	243	338	(10)	208	721	1,500
Amortized in the current period	(121)	(84)	2	(26)	(72)	(301)
Total valuation adjustments as at June 30, 2017	**122**	**254**	**(8)**	**182**	**649**	**1,199**

The Sufficiency Ratio liabilities are established by adjusting the valuations of the Employee Benefit Plans obligations with a going concern discount rate of 5.2% (2016 – 5.2%) determined with reference to the long-term annual net investment return objective on the registered pension plan assets as described in note 2. The Insurance Fund liabilities include benefit liabilities which are determined through an actuarial valuation with a discount rate of 4.5% (2016 – 4.5%) per annum, as described in note 13 of the WSIB's 2016 consolidated financial statements. All other liabilities are determined on an accounting basis as recorded in the WSIB's consolidated financial statements.

Notes to Sufficiency Statement
June 30, 2017
Unaudited (millions of Canadian dollars)

The amount of unrecognized investment returns by the year they are to be recognized are as follows:

		Valuation adjustments to be recognized in:				
Year earned	**Valuation adjustments as at June 30, 2017**	**Remainder of 2017**	**2018**	**2019**	**2020**	**2021**
2013	**(122)**	122	-	-	-	-
2014	**(254)**	85	169	-	-	-
2015	**8**	(1)	(4)	(3)	-	-
2016	**(182)**	26	52	52	52	-
2017	**(649)**	73	144	144	144	144
	(1,199)	**305**	**361**	**193**	**196**	**144**

Reconciliation of the Sufficiency Ratio assets

	June 30 2017	**December 31 2016**
Market value of investment portfolio[1]	31,430	29,366
Less: Cash transfers in the period[1]	(33)	(36)
Adjusted market value of investment portfolio	31,397	29,330
Investment portfolio at investment return objective[2]	30,676	29,070
Unrecognized investment returns above investment return objective[3]	721	260
Less: Amount amortized in current period[4]	(72)	(52)
Valuation adjustments, current period	649	208
Valuation adjustments, prior periods[5]	550	571
Total valuation adjustments[6]	**1,199**	**779**
Investment portfolio on Sufficiency Ratio basis	**30,231**	**28,587**
Sufficiency Ratio Assets		
Total assets per unaudited interim consolidated financial statements	33,594	31,491
Less: Valuation adjustments[6]	(1,199)	(779)
Sufficiency Ratio assets	**32,395**	**30,712**

1. Represents the market value of the investment portfolio at the end of the reporting period, less cash contributed from operations, assuming the cash was contributed at the end of the last month of the period.
2. The expected investment portfolio is calculated based on the long-term annual net investment return objective of 4.75% (2016 – 5.25%) on the ending total investment portfolio balance as of the last reporting period.
3. Calculated as the difference between the expected and the actual market value of the investment portfolio, representing the unrecognized investment returns above the long-term annual net investment return objective of 4.75% (2016 – 5.25%).
4. Represents the amount recognized in the period. See table on the previous page.
5. Represents the valuation adjustments from the prior periods' unrecognized investment returns above (below) the long-term net annual rate of return. See table on the previous page.
6. Represents the total valuation adjustments deducted from the fair value of assets shown on our unaudited interim consolidated statements of financial position to determine the assets to be used in the calculation of the Sufficiency Ratio.

Notes to Sufficiency Statement
June 30, 2017
Unaudited (millions of Canadian dollars)

5. Calculation of the Insurance Fund Ratio

The Insurance Fund Ratio is provided as a supplemental measure to illustrate the ratio of assets to liabilities of the WSIB on a sufficiency basis prior to the inclusion of the Employee Benefit Plans on a sufficiency basis. The Insurance Fund Ratio is calculated using the same components as the Sufficiency Ratio as described in notes 2 and 4, except that any deficit of the Employee Benefit Plans as calculated in note 3 are excluded.

6. Calculation of the Employee Benefit Plans Ratio

The Employee Benefit Plans Ratio is provided as a supplemental measure to illustrate the ratio of the assets and the liabilities of the Employee Benefit Plans on a sufficiency basis. The Employee Benefit Plans Ratio is calculated by dividing the assets of the Employee Benefit Plans on a sufficiency basis by the liabilities of the Employee Benefit Plans on a sufficiency basis. The balance of the liabilities of the Employee Benefit Plans is calculated using a discount rate of 5.2% per annum (2016 – 5.2%) determined with reference to the long-term annual net investment return objective of the registered pension plan assets and the WSIB's investment strategy as described in note 2.