Workplace Safety and Insurance Board

2021 Annual Sufficiency Report

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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 *Workplace Safety and Insurance Act, 1997* (the “WSIA”) came into force on January 1, 2013 and requires the WSIB to calculate a Sufficiency Ratio. *Ontario Regulation 141/12* was amended by *Ontario Regulation 864/21* (collectively, the “Ontario Regulations”) effective January 1, 2022. Refer to note 1 to the Sufficiency Ratio Statement for details on the Ontario Regulations.

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

2. Year to date review

Our performance for the year ended December 31, 2021 and the effect on our Sufficiency Ratio.

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

(millions of Canadian dollars)	2021	2020	Change $	Change %
Sufficiency Ratio assets	37,373	37,419	(46)	(0.1)
Sufficiency Ratio liabilities	(30,836)	(31,893)	1,057	3.3
Net assets on a Sufficiency Ratio basis	6,537	5,526	1,011	18.3
Sufficiency Ratio	**121.2%**	**117.3%**		**3.9**

The increase in the Sufficiency Ratio was primarily attributable to the recognition of current period investment returns that were above the net expected long-term annual return, recognition of deferred investment income from prior years and the going concern adjustments of the employee benefit plans liability. Additionally, there were lower claims than expected for the year ended December 31, 2021 due to experience gains on prior injury years, which increased the net assets on a Sufficiency Ratio basis. The increase was offset by a decrease from changes in the actuarial assumptions and methods.

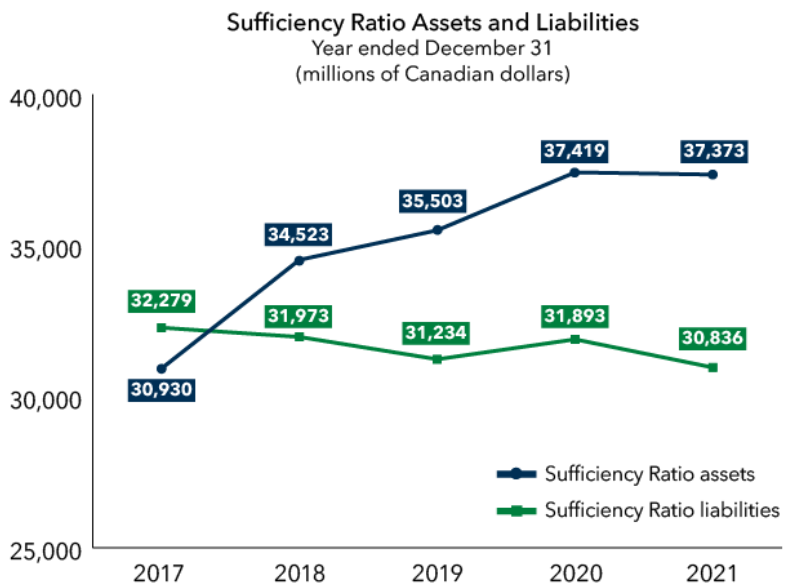
The change in net assets on a Sufficiency Ratio basis is due to the following:

(millions of Canadian dollars)	
Net assets on a Sufficiency Ratio basis as at December 31, 2020	5,526
Interest on net assets[1]	262
Investment return net adjustment[2]	507
Gain from remeasurements of employee benefit plans	142
Lower claims than expected[3]	511
Net result from assumption changes[4]	(411)
Net assets on a Sufficiency Ratio basis as at December 31, 2021	**6,537**
Change in the net assets on a Sufficiency Ratio basis	**1,011**

1. Interest accretion on the beginning position of net assets using the discount rate of 4.75%.
2. Gain from investment income higher than expected of $2,051 million less the deferral of current gain from investment income higher than expected of $1,845 million plus amortization of prior deferred net investment gains of $410 million less net of non-controlling interests and translation losses of $109 million.
3. Experience gains on prior injury years of $480 million plus comprehensive income on current injury year of $159 million less net mandatory employer incentive programs of $128 million.
4. A comprehensive summary of changes in actuarial assumptions and methods can be found in note 20 of the 2021 audited consolidated financial statements.

Sufficiency Ratio assets and liabilities

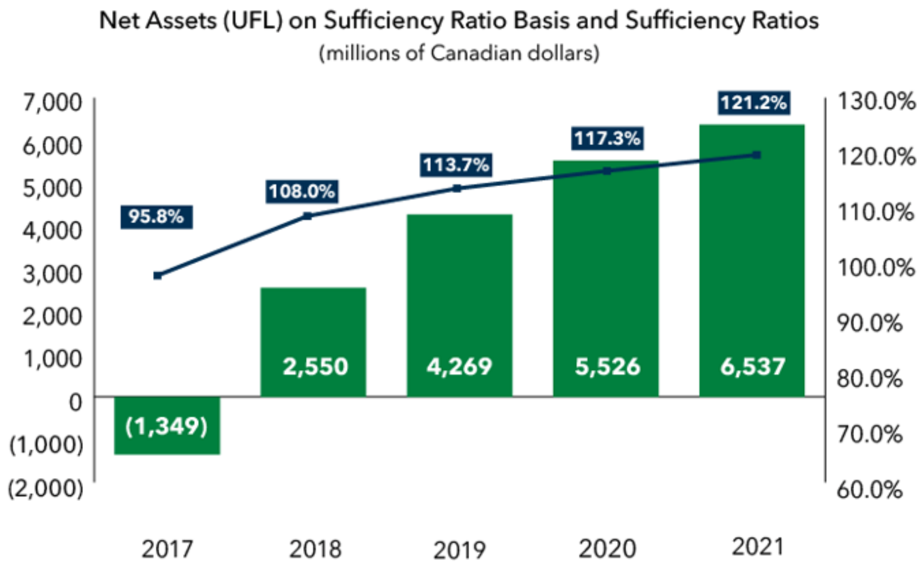
The invested assets used in the Sufficiency Ratio calculation are adjusted to recognize a portion of the investment gains and losses that occurred over a five-year period, to reduce the volatility of the investment returns. The graph below shows the Sufficiency Ratio assets and liabilities over the last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



The Sufficiency Ratio liabilities remained relatively stable in comparison to the growth of the Sufficiency Ratio assets over the last five years. Sufficiency Ratio assets decreased by $46 million from the prior year to $37,373 million as at December 31, 2021. The decrease in Sufficiency Ratio assets is primarily driven by lower cash and accounts receivable, partially offset by an increase in invested assets largely due to higher returns in the current year and adjustments for deferred investment returns that were above or below the net expected long-term annual return in prior years. The Sufficiency Ratio liabilities decreased by $1,057 million from the prior year to $30,836 million as at December 31, 2021. The decrease in Sufficiency Ratio liabilities is primarily driven by the lower payables and other liabilities and borrowings, partially offset by an increase in the benefit liabilities largely due to higher health care liabilities and higher claim administration costs.

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

The following chart displays the net assets (unfunded liabilities; “UFL”) 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 121.2% as at December 31, 2021.

Impact of the COVID-19 pandemic

In order to derive the assets and liabilities used in the calculation of the Sufficiency Ratio, the audited consolidated financial statements of the WSIB prepared in accordance with International Financial Reporting Standards (“IFRS”) have been adjusted as required by the Sufficiency Regulation. Refer to note 1 of the Sufficiency Ratio Statement for details on the adjustments required.

The WSIB, in partnership with the Government of Ontario, offered a financial relief package allowing employers to defer premium reporting and payments for the period from March 2020 until August 2020, with no interest or penalties accruing during the deferral period. The standard repayment period was from January 1, 2021 to June 30, 2021. With the ongoing impact of the pandemic still being felt by Ontario businesses, the WSIB is continuing to work with certain employers who have requested additional time for full repayment.

In late April 2021, the Government of Ontario introduced the COVID-19 Worker Income Protection Benefit program requiring businesses to provide their employees with up to three days of paid leave for reasons related to COVID-19. We supported the launch of the program and administration of the application process allowing businesses to apply for reimbursement of up to $200 per employee per day of leave. Businesses do not need to be registered with the WSIB to be eligible for the program, and funding is provided by the provincial government. It is not funded through WSIB’s employer premiums. The program has been extended until July 31, 2022.

The WSIB continues to closely monitor developments related to the COVID-19 pandemic and its existing and potential impact on the WSIB's results and operations. Increased uncertainty has and could continue to impact financial results, as the duration of the COVID-19 pandemic remains uncertain. Refer to note 2 of the audited consolidated financial statements for details on the impact of the COVID-19 pandemic on the estimates and assumptions used by the WSIB.

3. Our funding strategy

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

In accordance with *Ontario Regulation 141/12*, as amended, the WSIB submitted the 2021 Economic Statement to the Minister in September 2021. The economic statement includes the sufficiency outlook, which describes the measures being taken by the WSIB to ensure that our insurance fund will not fall below full funding.

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 Board of Directors approval on all funding decisions and actions required to ensure that the Sufficiency Ratio will not fall below 100%. Our Funding Policy is being revised to reflect the amendments made by *Ontario Regulation 864/21* to *Ontario Regulation 141/12*, which became effective on January 1, 2022.

4. Insurance funding risk

Insurance funding risk refers to the risk that the WSIB may be underfunded or overfunded relative to the level of funding necessary to ensure that the Sufficiency Ratio does not fall below 100%. Underfunding risk 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. Overfunding risk 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 the WSIB's Sufficiency Ratio reaching 125%, which would result in the WSIB being required to disburse funds within 30 days to reach a Sufficiency Ratio of 115.1% as per *Ontario Regulation 141/12*.

As of the end of Q4 2021, the WSIB's Sufficiency Ratio was 121.2%, and the risk of underfunding remains low. The risk of overfunding has been reduced as a result of amendments to the WSIA in 2021, which enables the WSIB to distribute surplus funds on either a mandatory or discretionary basis depending on sufficiency thresholds. Pursuant to these developments, the WSIB has announced that it will distribute surplus funds to employers in April 2022. This approach will enable the WSIB to minimize risk of overfunding while still ensuring adequate capitalization to meet required funding levels.

To safeguard benefits and offer premium rate stability for employers, the WSIB must ensure that it can be financially sustainable and withstand economic shocks by managing insurance funding risk. As a result, funding parameters, pricing and investment decisions remain central to the organization's strategy to prepare for adverse economic conditions. Updates have been made to the Strategic Investment Plan, which are expected to provide enhanced diversification of returns.

Mitigation of insurance funding 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;
- Monitoring for potential legislative changes that could impact benefit liabilities or costs;
- Conducting periodic asset-liability studies to ensure the WSIB's long-term return objective and asset mix policy remain relevant, with consideration of the impacts of economic and other risk factors on the funding position and desired level of funding;
- Assessing actual investment performance relative to the WSIB's return objective and asset mix policy; and
- Ensuring strong investment governance, effective diversification of assets, efficient cost structure and rigorous risk management of investment assets.

The COVID-19 pandemic continues to impact various sectors across the country, with the recent Omicron variant resulting in higher rates of infection and hospitalizations at the end of Q4, which forced many provinces to impose stricter restrictions. The labour market has shown resilience to the pandemic, with steady employment gains and an increase in the demand for goods and services. Canada's inflation rate accelerated to almost 5%, well above the Bank of Canada's 1%–3% target range. As of March 2, 2022, the Bank of Canada increased its target for the overnight rate by 0.25% to 0.50%, and further interest rate increases may be expected throughout 2022.

Global equities overcame challenges in the fourth quarter, namely the emergence of the Omicron COVID-19 variant and the prospect of tighter central bank policy, to end 2021 with strong returns as investors focused on expectations for continued economic growth and better-than-expected corporate earnings. In fixed income, government bonds outperformed corporate bonds, with markets beginning to price in a faster pace of interest rate increases. Yield curves around the globe flattened, with shorter-dated bond yields rising as central banks became more concerned about higher inflation.

The insurance fund posted a strong return of +5.0% (gross) in the fourth quarter of 2021 compared to a return of +1.2% in the third quarter. All asset classes, with the exception of Credit, contributed positively to performance, with Public Equities as the best performing asset class this quarter. The overall return was +10.8% (gross) in 2021 compared to +4.8% (gross) in 2020. The returns were led by the Public Equities, Real Estate and Infrastructure portfolios. The Fixed Income portfolio detracted from returns due to rising government bond yields on expectations for rising inflation.

The WSIB has taken responsive actions to monitor, assess, and manage heightened risks by closely monitoring insurable earnings, premium revenues, claims developments, investment performance, liquidity, and operational cash flows. Additionally, stress tests have been conducted on a range of hypothetical scenarios including contraction of premium revenues and negative investment returns in order to assess impacts on liquidity and the Sufficiency Ratio. It is also important to note that the WSIB's sufficiency position is buffered from the impact of significant investment movements as investment losses (and gains) relative to the expected net long-term return objective are amortized over five years, reducing their immediate impact.

As well, in order to further mitigate liquidity risks and provide the WSIB with flexibility to manage uncertainties due to COVID-19, the WSIB established a 14-month revolving line of credit facility in the amount of $900 million with the Ontario Financing Authority beginning in October 2020. $400 million was drawn against the revolving line of credit, and was fully repaid on October 1, 2021. The credit facility matured on December 31, 2021.

As part of the effort to help reduce the financial burden of the COVID-19 situation, the WSIB offered a financial relief package allowing employers to defer premium reporting and payments for the period from March 2020 until August 2020. The final date of repayment by employers who deferred premiums under this financial relief package without incurring interest or penalties was June 30, 2021. The WSIB continues to work with certain employers who have requested additional time for full repayment.

The WSIB continues to maintain a stable liquidity position, and we remain confident in our ability to maintain sufficient funding to sustain benefits for injured workers. Management will continue to monitor emerging economic risk indicators and other developments in consideration of potential long-term adverse implications on employers and the Ontario economy, as well as WSIB operations, funding and investments.

While the WSIB monitors a portfolio of significant enterprise risks that may impact our business, the insurance funding risk remains a risk of the greatest importance for the Fourth Quarter 2021 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 Management's discussion and analysis and in note 12 of the 2021 annual audited consolidated financial statements in the WSIB's 2021 Annual Report.

Management's report

Role of Management

The 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* as amended by *Ontario Regulation 864/21* made under the *Workplace Safety and Insurance Act, 1997* (the "WSIA"). The calculation of the Sufficiency Ratio includes amounts based on 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. Management is also responsible for the preparation and presentation of additional financial information in the Sufficiency Discussion 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 with management, the internal auditors, and the external auditor 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, Training and Skills Development (the "Minister") pursuant to Section 170(1) of the WSIA.

This report should be read in conjunction with the WSIB's audited consolidated financial statements and accompanying notes for the year ended December 31, 2021, and the audited Sufficiency Statement as at December 31, 2021.

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 their 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.

Jeffery Lang
President and Chief Executive Officer
April 21, 2022
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, 2021 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, 2021, in accordance with the basis of accounting described in notes 2 and 3.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion & Analysis and 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 Management's Discussion & Analysis and 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.

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 related 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.

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 Canadian generally accepted auditing standards 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 Canadian generally accepted auditing standards, 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 WSIB'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 21, 2022

Sufficiency Ratio Statement
December 31, 2021
(millions of Canadian dollars)

Sufficiency Ratio Statement

	Note(s)	Dec. 31 2021	Dec. 31 2020
Total assets under IFRS	4	40,532	40,837
Less: Asset adjustments	2,4	(2,403)	(849)
Less: Sufficiency Ratio non-controlling interests	2	(756)	(2,569)
Sufficiency Ratio assets	4	37,373	37,419
Total liabilities under IFRS	4	32,517	34,011
Less: Liability adjustments	3,4	(1,681)	(2,118)
Sufficiency Ratio liabilities	3,4	30,836	31,893
Sufficiency Ratio (assets divided by liabilities)		**121.2%**	**117.3%**

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

Notes to Sufficiency Ratio Statement
December 31, 2021
(millions of Canadian dollars)

1. Governing regulation and Sufficiency Ratio calculation

Ontario Regulation 141/12 under the WSIA came into force on January 1, 2013 and requires the WSIB to calculate a Sufficiency Ratio. Prior to January 1, 2022, the Ontario Regulations required the WSIB to ensure the Sufficiency Ratio met prescribed levels by the following dates:

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

Ontario Regulation 141/12, was amended by *Ontario Regulation 864/21* (collectively, the "Ontario Regulations") effective January 1, 2022. The Ontario Regulations now specify the following:

- The criteria to be regarded in determining eligibility for a distribution of amounts to Schedule 1 employers;
- Discretion of amount of disbursements; and
- Timing of disbursements.

More specifically, should a decision be made to distribute surplus when the Sufficiency Ratio is above 115% and below 125%, any surplus distributions shall be distributed within 90 days of the WSIB determining that it will distribute a surplus to eligible Schedule 1 employers, with the amount of the distribution within the discretion of the WSIB.

Should the Sufficiency Ratio be equal to or above 125%, any surplus distributions shall be distributed to eligible Schedule 1 employers within 30 days of the WSIB determining the Sufficiency Ratio is equal to or above 125%, to return to a Sufficiency Ratio of 115.1%.

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 below.

Notes to Sufficiency Ratio Statement
December 31, 2021
(millions of Canadian dollars)

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, 2021, the Sufficiency Ratio assets reflected an asset adjustment of $2,403 (2020 – $849) from assets reported under IFRS. The total asset adjustment is comprised of the cumulative unrecognized investment returns in excess of the expected long-term annual rate of return assumption, net of investment expenses of $2,284, and the restricted cash balance of $119, which consists of funds received from the Government of Ontario for the purpose of administering the COVID-19 Worker Income Protection Benefit program.

Notes to Sufficiency Ratio Statement
December 31, 2021
(millions of Canadian dollars)

The development of the asset adjustment is detailed as follows:

	2017	**2018**	**2019**	**2020**	**2021**
Fair value of invested assets	33,996	34,872	38,959	38,271	39,400
Add (Less): Cash transfers in last month of year	(44)	(33)	8	12	235
Adjusted fair value of invested assets[1]	33,952	34,839	38,967	38,283	39,635
Less: Invested assets at expected rate of return[2]	32,200	36,807	36,324	38,658	37,329
Investment returns in excess of (lower than) expectations[3], gain (loss)	1,752	(1,968)	2,643	(375)	2,306
Add (Less): Unrecognized investment returns at prior year-end	779	1,720	(423)	1,686	849
Total unrecognized investment returns	**2,531**	**(248)**	**2,220**	**1,311**	**3,155**
Amount to be recognized from:					
2021 investment gain	-	-	-	-	461
2020 investment loss	-	-	-	(75)	(75)
2019 investment gain	-	-	528	529	529
2018 investment loss	-	(393)	(394)	(394)	(394)
2017 investment gain	350	351	351	350	350
2016 investment gain	52	52	52	52	-
2015 investment loss	(3)	(4)	(3)	-	-
2014 investment gain	169	169	-	-	-
2013 investment gain	243	-	-	-	-
***Less*: Total recognized investment returns in current year**	**811**	**175**	**534**	**462**	**871**
Total unrecognized investment returns at end of year[4]	**1,720**	**(423)**	**1,686**	**849**	**2,284**

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	2017	2018	2019	2020	2021
Net long-term return objective, annualized	4.75%	4.75%	4.75%	5.00%	5.00%

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, 2021
(millions of Canadian dollars)

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 gain/(loss) as at December 31, 2021**	**2022**	**2023**	**2024**	**2025**
2021	1,845	(461)	(462)	(461)	(461)
2020	(225)	75	75	75	-
2019	1,057	(528)	(529)	-	-
2018	(393)	393	-	-	-
	2,284	**(521)**	**(916)**	**(386)**	**(461)**

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

	Dec. 31 2021	**Dec. 31 2020**
Fair value of non-controlling interests	754	2,502
Add: Asset adjustment	2	67
Sufficiency Ratio non-controlling interests	**756**	**2,569**

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 2021 annual audited consolidated financial statements.

Notes to Sufficiency Ratio Statement
December 31, 2021
(millions of Canadian dollars)

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% (2020 – 4.75%) per annum, as described in note 20 of the WSIB's 2021 annual audited 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 5.00% (2020 – 5.00%) 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 audited consolidated financial statements. The IFRS discount rate, a weighted average of 3.00% (2020 – 2.60%) 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 $1,572 (2020 – $2,118).
- Payables and other liabilities were adjusted by $109 (2020 – nil) to exclude the restricted cash balance of $119 received from the Government of Ontario for the purpose of administering the COVID-19 Worker Income Protection Benefit program, which remains unpaid, and offset by a $10 addback of the employer portion of contribution receivables related to the employee benefit plans liability as they are not part of the insurance fund.
- All other liabilities were determined in accordance with IFRS.

The Sufficiency Ratio liabilities are $30,836 (2020 – $31,893), which includes the adjustment of $1,681 (2020 – $2,118). Additional details of the breakdown of the liabilities are shown in note 4.

Notes to Sufficiency Ratio Statement
December 31, 2021
(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, 2021 is provided below. The consolidated statements of financial position presented on an IFRS basis are from the WSIB's audited consolidated financial statements. Explanatory notes follow the reconciliation below.

	December 31, 2021			December 31, 2020		
	IFRS Basis	Adjust-ments	Sufficiency Ratio Basis	IFRS Basis	Adjust-ments	Sufficiency Ratio Basis
Assets						
Cash and cash equivalents	681	(119)[1]	562	4,969	-	4,969
Receivables and other assets	698	-	698	2,171	-	2,171
Investments	38,867	(2,284)[2]	36,583	33,362	(849)[2]	32,513
Property, equipment and intangible assets	286	-	286	335	-	335
Total assets	**40,532**	**(2,403)**	**38,129**	**40,837**	**(849)**	**39,988**
Liabilities						
Payables and other liabilities	669	(109)[1,3]	560	1,696	-	1,696
Borrowings	-	-	-	400	-	400
Derivative liabilities	51	-	51	92	-	92
Long-term debt and lease liabilities	169	-	169	175	-	175
Loss of Retirement Income Fund liability	2,103	-	2,103	2,003	-	2,003
Employee benefit plans liability	2,215	(1,572)[4]	643	2,735	(2,118)[4]	617
Benefit liabilities	27,310	-	27,310	26,910	-	26,910
Total liabilities	**32,517**	**(1,681)**	**30,836**	**34,011**	**(2,118)**	**31,893**
Net assets						
Reserves	7,399	(724)	6,675	5,167	1,202	6,369
Accumulated other comprehensive loss	(138)	-	(138)	(843)	-	(843)
Net assets attributable to WSIB stakeholders	**7,261**	**(724)**	**6,537**	**4,324**	**1,202**	**5,526**
Non-controlling interests	754	2[2]	756	2,502	67[2]	2,569
Total net assets	**8,015**	**(722)**	**7,293**	**6,826**	**1,269**	**8,095**
Total liabilities and net assets	**40,532**	**(2,403)**	**38,129**	**40,837**	**(849)**	**39,988**
Sufficiency Ratio			**121.2%**			**117.3%**

1. Reflects the restricted cash balance consisting of funds received from the Government of Ontario for the purposes of administering the COVID-19 Worker Income Protection Benefit Program on behalf of the Government of Ontario.
2. Reflects the asset adjustment of our total assets shown on our consolidated statements of financial position at the net long-term annual return objective of 5.00% (2020 – 5.00%), resulting in a decrease of $2,284 (2020 – $849), which includes the increase of the interests in those assets held by third parties (non-controlling interests) of $2 (2020 – $67).
3. Reflects the addback of the employer portion of contribution receivables related to the employee benefit plans liability as they are not part of the insurance fund.
4. Reflects the use of a going concern discount rate of 5.00% (2020 – 5.00%). For the purposes of the consolidated financial statements, an accounting weighted average discount rate of 3.00% was used as at December 31, 2021 (2020 – 2.60%). 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, 2021
(millions of Canadian dollars)

5. Subsequent event

Surplus distribution

On February 10, 2022, the Board of Directors approved a rebate of surplus funds totaling up to $1.5 billion to be distributed to eligible Schedule 1 employers within 90 days. The WSIB's strong financial and operational management along with its positive investment returns have led to a sufficiency ratio of 121.2% as at December 31, 2021. Recent legislative amendments by the Government of Ontario have made it possible to rebate surplus funds. The rebate credit will be applied to eligible businesses' accounts in April 2022.