Workplace Safety and Insurance Board

2015 Sufficiency Report to Stakeholders

Workplace Safety and Insurance Board
Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

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President and CEO’s Message

It is my pleasure to present the Workplace Safety and Insurance Board’s (the “WSIB”) 2015 Sufficiency Report to Stakeholders.

The WSIB has a statutory responsibility to ensure that the Province of Ontario’s (the “Province”) workplace compensation system remains financially viable, and is legislated to eliminate its unfunded liability (the “UFL”) by December 31, 2027.

In 2015, the WSIB continued to sustain strong operational and financial performance while at the same time providing increased value and support to injured workers. 91.7% of injured workers with lost-time injuries returned to work with no wage loss within 12 months of their injury, and premium revenues continued to cover operating expenses. WSIB’s strong operating results for 2015 has reduced the UFL by $1.7 billion to $7.0 billion, corresponding to an increase in the Sufficiency Ratio from 71.6% as at December 31, 2014 to 77.9% as at December 31, 2015.

Overall global economic growth was below expectations in 2015, which had an impact on the WSIB investment portfolio. Returns to the investment portfolio were 5.8% for the full year in 2015.

The WSIB has worked hard over the past six years of my tenure to help workers recover and get back to work as early as is safe, and to contain the cost for both workers and employers. This is a tribute to the results achieved through the guidance and support of our Board of Directors, our Chair, Elizabeth Witmer, and the dedication of the staff and managers of the WSIB. I feel confident that I leave the WSIB in an improved financial and operational position and well-suited for the future.

I. David Marshall
President and Chief Executive Officer
Toronto, Ontario

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, 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 Annual Report and ensuring its consistency with the Sufficiency Statement.

The Audit and Finance Committee of the Board of Directors meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities, and reviews the Sufficiency Statement and the Independent Auditors' Report. 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 (the "Minister") pursuant to Section 170 (1) of the WSIA.

The Sufficiency Statement has been audited by the WSIB's independent auditors, Ernst & Young LLP, and their report is provided herein.

Thomas Teahen
President and Chief Executive Officer
April 21, 2016
Toronto, Ontario

Pamela Steer
Chief Financial Officer

Sufficiency Discussion and Analysis

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1. Overview

An explanation of our regulations.

The following Sufficiency Discussion and Analysis should be read in conjunction with the audited consolidated financial statements and accompanying notes of the WSIB as at and for the year ended December 31, 2015 (the “consolidated financial statements”) and the audited Sufficiency Ratio and accompanying notes of the WSIB as at December 31, 2015 (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 “Sufficiency Regulation”). Under the Sufficiency Regulation, 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 Subsection 7.

2. Year in Review

A discussion of our performance for the year ended December 31, 2015 and the effect on our Sufficiency Ratio.

Our Sufficiency Ratio increased from 71.6% as at December 31, 2014 to 77.9% reflecting continued strong operating performance resulting from growth in premium revenues and lower benefit payments due to improved return to work outcomes.

Our Insurance Fund Ratio increased from 73.5% as at December 31, 2014 to 79.8% reflecting continued operating improvements resulting from growth in premium revenues and lower benefit payments.

Our Employee Benefit Plans Ratio increased from 75.1% as at December 31, 2014 to 77.8% reflecting an increase in plan assets, partially offset by an increase in the employee benefit plans obligation on a sufficiency basis. The increase in plan assets is due to an increase in the asset base since December 31, 2014, based on the long-term rate of return net of the unrecognized valuation adjustments. The increase in employee benefit plans obligation is primarily due to additional service earned during 2015.

3. The Sufficiency Ratio Calculation Methodology

A description of the components of the Sufficiency Ratio calculation.

As required by the Sufficiency Regulation, 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 December 31, 2015, we had a funding shortfall of $7.0 billion on a Sufficiency Ratio basis, which means our liabilities (the estimated present value of future benefit payments) exceeded the current value of our assets. Expressed in percentage terms, we had 77.9% 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 December 31, 2015 and December 31, 2014 based on our interpretation of the Sufficiency Regulation.

Assets

The assets included in the Sufficiency Ratio are calculated as our total assets shown on our consolidated statements of financial position. The amounts presented are adjusted to reflect measurement on a going concern basis. On a going concern basis, investment assets are valued at fair value adjusted for the unamortized gains or losses relative to the long-term expected rate of return on those assets, 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 for further discussion.

Liabilities

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

To meet our Sufficiency Ratio requirements, we will continue to manage our investments to generate returns that meet or exceed the expected long-term rate of return, 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 UFL. 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 favourable claims experience and investment returns, we were able to make demonstrable progress towards retiring the UFL. See note 3 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 WSIB's Employee Benefit Plans in order to provide a measure of the WSIB's insurance operations and is calculated as follows:

(millions of Canadian dollars)	December 31 2015	December 31 2014
Insurance Fund assets on the Sufficiency Ratio basis	24,736	21,981
Less: Non-controlling interests in investments	(83)	(70)
Total assets	**24,653**	**21,911**
Insurance Fund liabilities on the Sufficiency Ratio basis	31,637	30,608
Less: Employee Benefit Plans deficit on the Sufficiency Ratio basis	(757)	(810)
Total liabilities	**30,880**	**29,798**
Insurance Fund Ratio	**79.8%**	**73.5%**

As at December 31, 2015, the Insurance Fund Ratio increased by 6.3% to 79.8% from December 31, 2014, reflecting continued operating improvements resulting from growth in premium revenues and lower benefit payments.

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)	December 31 2015	December 31 2014
Employee Benefit Plans assets on the Sufficiency Ratio basis	2,646	2,439
Divided by: Employee Benefit Plans obligation on the Sufficiency Ratio basis	3,403	3,249
Employee Benefit Plans Ratio	**77.8%**	**75.1%**

The Employee Benefit Plans Ratio increased by 2.7% to 77.8% from December 31, 2014 reflecting an increase in plan assets, partially offset by an increase in the employee benefit plans obligation on a sufficiency basis. The increase in plan assets is due to an increase in the asset base since December 31, 2014, based on the long-term rate of return net of the unrecognized valuation adjustments. The increase in Employee Benefit Plans obligation is primarily due to additional service earned during 2015.

6. Insurance Funding Risk

A discussion of the more significant risk factors affecting our business.

Insurance Funding Risk is the risk that the WSIB funded status falls short of Sufficiency Ratio requirements due to unmitigated reductions in premium revenue; unmitigated increases in the benefit liabilities; significant and prolonged adverse investment returns; changes in economic conditions and the labour market; and regulatory political and other influences.

Our Mitigation Plan addresses specific drivers of Insurance Funding Risk accordingly.

Premium rates setting and benefit liabilities determination

The WSIB, as the trust agency for administering the Province's injured worker compensation system, must utilize prudent assumptions during the premium rates setting process to ensure that the provision of funds is adequate to cover all future costs for injuries arising in each injury year. Benefit liabilities, reflecting the ultimate benefits to be paid on reported and unreported claims, are calculated using sound actuarial practices to estimate costs based on a number of factors.

Establishing an appropriate level of benefit liabilities is an inherently uncertain process which presents a number of risks that could adversely affect our comprehensive income and financial condition.

The risks are predominantly related to:

- the failure to accurately set assumptions and assess the factors of claims costs which may result in setting premium rates that are inadequate to cover costs and to contribute to the reduction of the UFL;
- unforeseen changes in the future claims experience could render our estimates inaccurate; and
- decisions related to margin preservation, costing of any new benefits, and changes to the funding policy could weaken the WSIB's financial sustainability or premium rate setting decisions.

We mitigate these risks by:

- utilizing both proprietary and commercially available actuarial models and assessing historical loss development patterns and other predictive analytics;
- basing annual pricing analysis on assumptions that explicitly contain margins when compared to recent experience;
- determining benefit liabilities on assumptions that gradually take emerging experience into account, thus providing a relatively stable basis for pricing and sufficiency measurement;
- the establishment of the Benefit Payments Analysis Committee to benchmark and monitor claims management efficiency through regular, ongoing reviews and re-evaluation of claims and their impact on the estimate of the benefit liability;
- engaging independent actuaries annually to review actuarial assumptions and methodologies in establishing benefit liabilities and premium rates;
- reviewing actuarial related matters at regular meetings with our Actuarial Advisory Committee and Chief Statistician; and.
- monitoring the potential for additional legislative changes, including expansion of Post Traumatic Stress Disorder benefits, the elimination of the mandatory retirement age and full CPI indexation.

Investment risks

Our ability to meet our long-term obligations is dependent upon the sufficiency of our investment fund. Our primary investment risk is that investment returns, taken together with a reasonable and sustainable level of contributions, are insufficient to meet the long-term obligations for which the investment fund is established. This risk may result in the failure to meet the legislated Sufficiency Ratio requirements established in Sufficiency Regulations.

We mitigate this risk by:

- regular assessment of actual investment performance relative to expectations of WSIB's strategic investment allocation policy;

- execution of the Strategic Investment Plan to improve the diversification across asset classes, investment strategies, and geographic regions to lower the variability of investment returns;
- diversification of investment return sources as provided for in our Statements of Investment Policies and Procedures, which is presented annually to the Board of Directors for their approval. An annual Asset-Liability Study is conducted and a comprehensive investment risk model has been implemented;
- establishing the Asset Liability Risk Management Committee to coordinate and integrate asset-liability related work streams; and
- participating in the Pooled Asset Management Initiative, which offers scale and sustainability benefits to the WSIB's investment program.

Economic conditions and labour market changes

Given the WSIB's mandate to deliver a no-fault insurance plan, funded predominantly by premium revenues, the WSIB is inherently subject to economic risks, which include:

- low or modest growth in the Province's employment levels, especially in covered industries, may result in not meeting premium revenue targets as well as limiting work transition opportunities;
- the growth in industries that are not required to have coverage under the WSIA may negatively impact the compensation system;
- the trend toward casual, part-time and temporary work may result in return to work challenges and, therefore, longer duration on benefits; and
- a growing number of older workers in the workforce. Older workers may have challenges with return to work.

We mitigate these risks by:

- coordinated asset-liability management processes including consideration of the impacts of economic and other risk factors on the funding position and desired level of funding;
- annual scenario planning and stress testing conducted as part of budget updates, sufficiency planning, rate setting and other financial modelling;
- establishing an Economic Roundtable to review economic forecasts and analysis prepared by Conference Board of Canada to project the level of future insurable earnings and employment levels within the WSIB's key industries;
- continuous monitoring and researching of the job market for available, sustainable positions for injured workers ready to transition back to the job market; and
- strengthening our return to work and health care programs to support recovery and sustainable return to work.

Regulatory, political and other influences

Our business is subject to changing legal, regulatory and other influences. Any amendments to the WSIA or other legislation could require the WSIB to make adjustments to its business processes. Changes may require the dedication of the WSIB's resources to implement new systems or processes. Further, political and stakeholder influences and competing interests may impact our ability to make timely changes to policy or operational programs and processes, or may introduce new changes not planned or contemplated by the WSIB.

We mitigate these risks by:

- engaging with the Ministry of Labour to determine the potential impact to outcomes and capacity;
- accurately costing any legislative or regulatory changes to ensure that the impact of any change is fully understood;
- consulting with stakeholders as appropriate, such as for WSIB-initiated regulatory changes, as well as WSIB policy changes;
- ensuring that any changes to existing policies and programs are developed and implemented to align with our value propositions and organizational capabilities; and
- implementing an integrated compliance framework to proactively identify legislative changes and monitor ongoing compliance.

The significant risk factors that affect the WSIB's business are discussed in Section 15 of the Management's Discussion and Analysis in our 2015 Annual Report.

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.
- **"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 consolidated financial statements prepared according to International Financial Reporting Standards ("IFRS"), and is expressed as a percentage.
- **"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, to the total liabilities of the WSIB, as presented in the Sufficiency Statement, 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.

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 note 2, pursuant to *Ontario Regulation 141/12* made under 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 responsible for the preparation of the Sufficiency Statement in accordance with the basis of accounting described in note 2, 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 Audit and Finance Committee of the Board of Directors ensures management fulfills these responsibilities. The Audit and Finance Committee meets periodically with management, the internal auditors, and external auditors to ensure their responsibilities are properly discharged with respect to the application of critical accounting policies, consolidated financial statement presentation, disclosures, and recommendations on internal control.

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 the basis of accounting described in note 2. 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.

Thomas Teahen
President and Chief Executive Officer
April 21, 2016
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, 2015 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.

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; 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, 2015 in accordance with the basis of accounting described in note 2.

Basis of accounting

Without modifying our opinion, we draw attention to note 2 to 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 21, 2016

WORKPLACE SAFETY AND INSURANCE BOARD

Sufficiency Statement
December 31, 2015

(millions of Canadian dollars)

Sufficiency Ratio

	December 31 2015	**December 31 2014**
Sufficiency Ratio assets (note 3)	27,324	24,372
Less: Non-controlling interests	(2,671)	(2,461)
	24,653	21,911
Divided by: Sufficiency Ratio liabilities (note 3)	31,637	30,608
Sufficiency Ratio	**77.9%**	**71.6%**

Supplemental Ratios

Insurance Fund Ratio

	December 31 2015	**December 31 2014**
Insurance Fund assets on the Sufficiency Ratio basis (note 5)	24,736	21,981
Less: Non-controlling interests	(83)	(70)
	24,653	21,911
Divided by: Insurance Fund liabilities on the Sufficiency Ratio basis	30,880	29,798
Insurance Fund Ratio	**79.8%**	**73.5%**

Employee Benefit Plans Ratio

	December 31 2015	**December 31 2014**
Employee Benefit Plans assets on the Sufficiency Ratio basis (note 6)	2,646	2,439
Divided by: Employee Benefit Plans obligation on the Sufficiency Ratio basis (note 6)	3,403	3,249
Employee Benefit Plans Ratio	**77.8%**	**75.1%**

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

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WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Sufficiency Statement
December 31, 2015
(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 "Sufficiency Regulation"), 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 expected rate of return, 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 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 Sufficiency Regulation.

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. On a going concern basis, investment assets are valued at fair value adjusted for the unamortized gains or losses relative to the long-term expected rate of return on those assets, 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 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 2015 consolidated financial statements.

Employee Benefit Plans consist of long-term employee benefits including pensions and other post-employment benefits. The value of the obligations of the Employee Benefit Plans has been determined through an actuarial valuation using the going concern basis, which reflects the expected future returns on the WSIB's registered pension plan assets, consistent with the funding basis of the WSIB's pension plan. This discount rate is based on research by an actuarial consulting firm and considers factors such as the WSIB's historical investment returns and the WSIB's investment strategy. The obligation reflects the use of a discount rate of 5.2% determined with reference to the long-term expected rate of return on plan assets. This differs from the accounting basis used in preparing the WSIB's consolidated financial statements, which uses a discount rate of 4.0% based on the application of notional zero coupon yields to the projected cash flow obligations for the WSIB's pension plan.

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 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 December 31, 2015 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.

WORKPLACE SAFETY AND INSURANCE BOARD

Notes to Sufficiency Statement
December 31, 2015
(millions of Canadian dollars)

	December 31, 2015			December 31, 2014		
	IFRS Basis	Adjust-ments	Sufficiency Ratio Basis	IFRS Basis	Adjust-ments	Sufficiency Ratio Basis
Assets						
Cash and cash equivalents	1,581	-	1,581	1,473	-	1,473
Receivables	1,614	-	1,614	1,511	-	1,511
Investments	24,826	(981)[1]	23,845	22,561	(1,407)[1]	21,154
Property, equipment and intangible assets	284	-	284	234	-	234
Total assets	**28,305**	**(981)**	**27,324**	**25,779**	**(1,407)**	**24,372**
Liabilities						
Payables and accruals	1,077	-	1,077	1,186	-	1,186
Derivative liabilities	133	-	133	97	-	97
Long-term debt	116	-	116	52	-	52
Loss of Retirement Income Fund liability	1,724	-	1,724	1,663	-	1,663
Employee benefit plans liability	1,222	(465)[2]	757	1,227	(417)[2]	810
Benefit liabilities	27,830	-	27,830	26,800	-	26,800
Total liabilities	**32,102**	**(465)**	**31,637**	**31,025**	**(417)**	**30,608**
Deficiency of assets						
Unfunded liability attributable to WSIB stakeholders	(6,599)	(385)	(6,984)	(7,890)	(807)	(8,697)
Non-controlling interests	2,802	(131)[1]	2,671	2,644	(183)[1]	2,461
Total deficiency of assets	**(3,797)**	**(516)**	**(4,313)**	**(5,246)**	**(990)**	**(6,236)**
Total liabilities & deficiency of assets	**28,305**	**(981)**	**27,324**	**25,779**	**(1,407)**	**24,372**
Funding Ratio	79.4%		-	74.6%		-
Sufficiency Ratio	-		77.9%	-		71.6%
Insurance Fund Ratio	82.6%		79.8%	77.6%		73.5%
Employee Benefit Plans Ratio	69.3%		77.8%	67.9%		75.1%

1. Reflects the valuation adjustment of our total assets shown on our consolidated statements of financial position at the long-term expected rate of return of 6.0% (2014 – 6.0%) resulting in a decrease of $981 (2014 – $1,407), which includes the interests in those assets held by third parties (non-controlling interests) of $131 (2014 – $183). See note 4 for further discussion.
2. Reflects the effect of the use of a discount rate of 5.2% for fiscal years 2015 and thereafter (2014 – 4.75% for fiscal years 2014 to 2017 and 5.25% thereafter) determined with reference to the expected future returns on plan assets. For the purposes of the consolidated financial statements, a discount rate of 4.0% (2014 – 4.0%) was used based on the discount rate that produces the same present value as obtained by applying notional zero coupon yields to the projected cash flow obligations for the WSIB's pension plan.

(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 total assets by investment returns above or below the long-term rate of return assumptions in effect for the fiscal year of 6.0% for 2015 (2014 – 6.0%), and are recognized over five years on a straight-line basis to smooth fluctuations in the market value of net assets. As at December 31, 2015, the value of investments was reduced by the unrecognized investment returns of $981 (2014 – $1,407) reflecting the cumulative investment returns in excess of the long-term rate of return assumption.

The balance of the liabilities of the WSIB on a Sufficiency Ratio basis is calculated using a discount rate of 5.2% determined with reference to the expected rate of return on plan assets as described in note 3.

As a result, the Sufficiency Ratio assets reflect a cumulative total of $981 in valuation adjustments representing the net unrecognized investment returns below the long-term rate of return assumption for the year ended December 31, 2015 of $13 and the remaining net unrecognized investment returns in excess of the long-term rate of return from 2014 of $508 and 2013 of $486.

The change in the valuation adjustments is detailed as follows:

	2013	**2014**	**2015**	**Total**
Unrecognized investment returns above (below) expected rate of return	1,214	848	(17)	2,045
Investment returns recognized in 2013	(243)	-	-	(243)
Investment returns recognized in 2014	(242)	(170)	-	(412)
Investment returns not recognized in the current period	729	678	(17)	1,390
Amortized in the current period	(243)	(170)	4	(409)
Total valuation adjustments as at December 31, 2015	**486**	**508**	**(13)**	**981**

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 December 2015**	**2016**	**2017**	**2018**	**2019**
2013	(486)	243	243	-	-
2014	(508)	170	169	169	-
2015	13	(3)	(3)	(4)	(3)
	(981)	**410**	**409**	**165**	**(3)**

WORKPLACE SAFETY AND INSURANCE BOARD

Notes to Sufficiency Statement
December 31, 2015
(millions of Canadian dollars)

Reconciliation of the Sufficiency Ratio assets

	December 31 2015	December 31 2014
Market value of investment assets[1]	26,301	23,739
Add/(Less): Cash transfers in the period[1]	11	(21)
Adjusted market value of investment assets	26,312	23,718
Investment assets at expected rate of return[2]	26,329	22,870
Unrecognized investment returns above (below) expected rate of return[3]	(17)	848
Add/(Less): Amount amortized in current period[4]	4	(170)
Valuation adjustments, current period	(13)	678
Valuation adjustments, prior periods[5]	994	729
Total valuation adjustments[6]	**981**	**1,407**
Sufficiency Ratio Assets		
Total assets per consolidated financial statements	28,305	25,779
Less: Valuation adjustments[6]	(981)	(1,407)
Sufficiency Ratio assets	**27,324**	**24,372**

1. Represents the market value of investment assets at the end of the year, less cash contributed from operations, assuming the cash was contributed at the end of the last month of the year.
2. The expected investment assets are calculated based on the long-term rate of return assumption of 6.0% (2014 – 6.0%) on the ending total investment assets balance as of the last reporting period.
3. Calculated as the difference between the expected investment assets and the actual market value of investments, representing the unrecognized investment returns above the long-term rate of return assumption of 6.0% for the year ended December 31, 2015 (2014 – 6.0%).
4. Represents the amount recognized in the year. See table in Note 4.
5. Represents the valuation adjustments from the prior years' unrecognized investment returns above the long-term rate of return. See table in Note 4.
6. Represents the total valuation adjustments deducted from the total assets shown on our consolidated statements of financial position to establish the Sufficiency Ratio assets used in the calculation of the Sufficiency Ratio.

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 3 and 4, except that the investments and net liability 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% determined with reference to the long-term expected rate of return on plan assets as described in note 3.