

Workplace Safety and Insurance Board

2022 Annual Sufficiency Report

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2022 Annual Sufficiency Report

Table of contents

Sufficiency discussion and analysis

1. Overview	2
2. Year to date review	3
3. Our funding strategy.....	6
4. Insurance funding risk	7
Management's report	9
Independent auditor's report	10
Sufficiency Ratio Statement.....	12
1. Governing regulation and Sufficiency Ratio calculation.....	13
2. Sufficiency Ratio assets	14
3. Sufficiency Ratio liabilities	16
4. IFRS to Sufficiency Reconciliation	18

2022 Annual Sufficiency Report

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 Workplace Safety and Insurance Board's (the "WSIB") 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.

2022 Annual Sufficiency Report

2. Year to date review

Our performance for the year ended December 31, 2022 and the effect on our Sufficiency Ratio.

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

(millions of Canadian dollars)	2022	2021	Change	
			\$	%
Sufficiency Ratio assets	38,286	37,373	913	2.4
Sufficiency Ratio liabilities	(32,393)	(30,836)	(1,557)	(5.0)
Net assets on a Sufficiency Ratio basis	5,893	6,537	(644)	(9.9)
Sufficiency Ratio	118.2%	121.2%		(3.0)

In accordance with the Ontario Regulations, the WSIB made a surplus distribution in the amount of \$1,193 million in 2022 due to the Sufficiency Ratio being equal to 121.2% as at December 31, 2021. This resulted in a decrease in the Sufficiency Ratio as at December 31, 2022. The Sufficiency Ratio further decreased as a result of the recognition of current period investment returns that were below the net expected long-term annual return partially offset by the going concern adjustments of the employee benefit plans liability.

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, 2021	6,537
Interest on net assets ¹	311
Investment return net adjustment ²	(255)
Gain from remeasurements of employee benefit plans	59
Lower claims than expected ³	688
Net result from assumption changes ⁴	(254)
Surplus distribution expense ⁵	(1,193)
Net assets on a Sufficiency Ratio basis as at December 31, 2022	5,893
Change in the net assets on a Sufficiency Ratio basis	(644)

1. Interest accretion on the beginning position of net assets using the discount rate of 4.75%.

2. Loss from investment income lower than expected of \$5,014 million less the deferral of current loss from investment income lower than expected of \$4,185 million plus amortization of prior deferred net investment gains of \$521 million plus net of non-controlling interests and translation gains of \$53 million.

3. Experience gains on prior injury years of \$410 million plus comprehensive income (excluding the surplus distribution expense) on current injury year of \$301 million less net mandatory employer incentive programs of \$23 million.

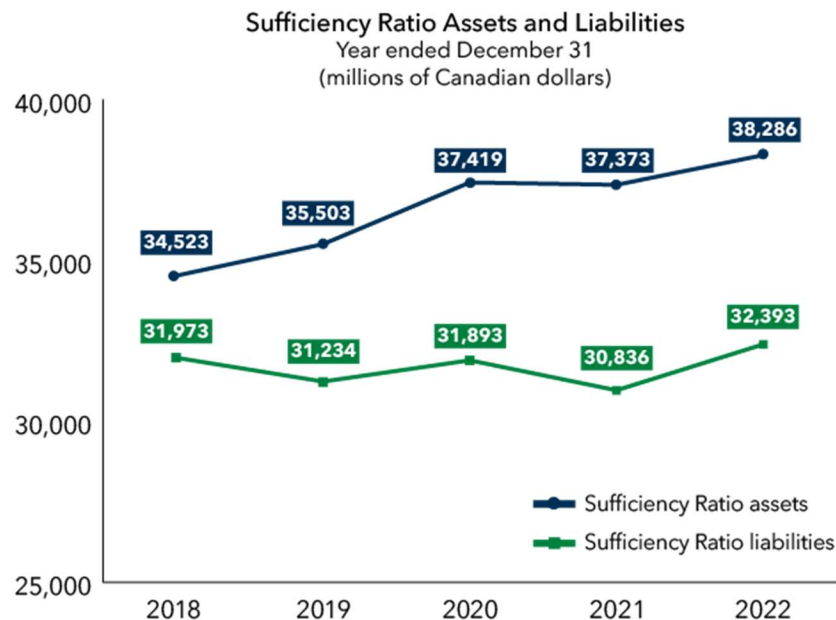
4. A comprehensive summary of changes in actuarial assumptions and methods can be found in note 17 of the 2022 audited consolidated financial statements.

5. Reflects surplus distribution of \$1,193 million made in 2022.

2022 Annual Sufficiency Report

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:

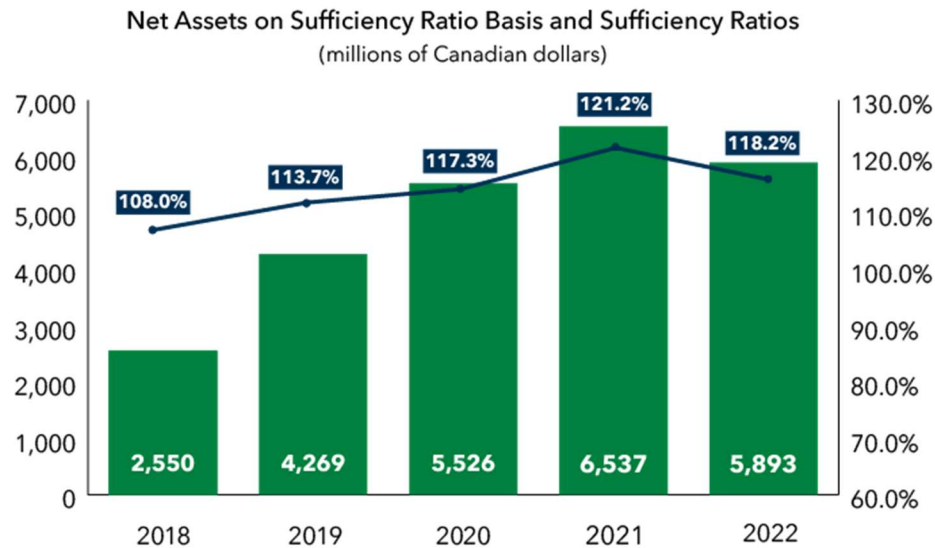


Sufficiency Ratio assets increased by \$913 million from the prior year to \$38,286 million as at December 31, 2022. The increase in Sufficiency Ratio assets is primarily driven by higher cash and accounts receivable, and an increase in invested assets largely due to higher deferred losses in the current 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 increased by \$1,557 million from the prior year to \$32,393 million as at December 31, 2022. The increase in Sufficiency Ratio liabilities is primarily driven by the higher payables and other liabilities due to the surplus distribution during the year, securities sold under repurchase agreements, and an increase in the benefit liabilities largely due to higher survivor benefits liability and higher claim administration costs.

2022 Annual Sufficiency Report

Past Sufficiency Ratios and net assets on a Sufficiency Ratio basis

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



As shown by the graph above, the WSIB has been in a net assets position for the last five consecutive years, with a Sufficiency Ratio of 118.2% as at December 31, 2022.

COVID-19 Worker Income Protection Benefit Program

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 the WSIB's employer premiums. The program has been extended until March 31, 2023. Applications for reimbursement must be made within 120 days of the date the employer paid the employee, or by July 29, 2023 (whichever is earlier).

2022 Annual Sufficiency Report

3. Our funding strategy

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

We manage our investments with the goal of generating returns that meet or exceed the long-term annual net 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 and Pricing 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%.

2022 Annual Sufficiency Report

4. Insurance funding risk

Insurance funding risk refers to the risk that the WSIB may be unable to cover its benefit liabilities. The WSIB aims to establish and maintain a target funding range between 110% and 120% and actively manages its investments and insurance pricing plans accordingly.

Under *Ontario Regulation 141/12*, should the WSIB's Sufficiency Ratio reach 125%, the WSIB is obligated to disburse funds to employers in the amount that would return the Sufficiency Ratio to 115.1% within 30 days. Risks raised by this would be mainly operational in nature as these disbursements require a significant amount of internal effort. To mitigate the operational risk associated with not being able to disburse funds within 30 days, the WSIB continually monitors the Sufficiency Ratio as part of its regular course of business. Should the Sufficiency Ratio demonstrate signs of approaching 125%, the WSIB may take steps to disburse funds to employers prior to reaching the 125% threshold.

2022 Sufficiency Ratio – As of the end of Q4 2022, the WSIB's Sufficiency Ratio was 118.2%, and the risk of underfunding remained low. While investment returns in 2022 were negative owing to challenging market conditions, the WSIB saw positive gains in premium revenue due to a strong job market and wage inflation. Legislative amendments to the WSIA in 2021 enabled the WSIB to distribute surplus funds to employers in April 2022, in the amount of \$1,193 million, while remaining within our target funding range.

To safeguard benefits and offer premium rate stability for employers, the WSIB adopts investments and insurance pricing strategies to ensure its ability to withstand macro-economic shocks.

Mitigation of insurance funding risk includes, but is not limited to:

- Conducting regular financial modelling and stress testing across a variety of adverse economic scenarios to fully 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 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 investment return objectives 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.

Financial and operational impacts of the COVID-19 pandemic stabilized over the course of 2022.

2022 Investment performance – After a tumultuous start to begin the year, global equities and bonds ended one of their worst years on record with deeply negative returns as central banks stressed that monetary policy would remain restrictive amid heightened inflation. The WSIB's returns were significantly impacted as a result, with an overall net return of -9.1% in 2022 compared to a net return of 10.0%¹ in 2021. Although Public Equity and Fixed Income returns recovered somewhat towards the end of the year on renewed optimism for moderating inflation and stronger economic growth in 2023, the outbreak of the Russia-Ukraine conflict earlier in the year, ongoing inflationary pressures and continued interest rate increases led to the overall losses for the year.

The WSIB took 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 testing was conducted (as part of our usual course of business) 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

¹Comparative amounts for net return on investments have been reclassified from gross to net to be consistent with current year's presentation.

2022 Annual Sufficiency Report

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.

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.

2022 Annual Sufficiency Report

Management's report

Role of management

The Sufficiency Ratio and related notes (the "Sufficiency Statement") are the responsibility of the management of 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 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, Immigration, Training and Skills Development pursuant to Section 170(1) of the WSIA.

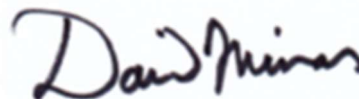
This report should be read in conjunction with the WSIB's audited consolidated financial statements and accompanying notes for the year ended December 31, 2022, and the audited Sufficiency Statement as at December 31, 2022.

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



David Minas
Chief Financial Officer

April 25, 2023
Toronto, Ontario

2022 Annual Sufficiency Report

Independent auditor's report

**To the Board of Directors of the Workplace Safety and Insurance Board,
The Minister of Labour, Immigration, 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, 2022 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, 2022, 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

2022 Annual Sufficiency Report

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

Toronto, Canada

April 25, 2023

2022 Annual Sufficiency Report

Sufficiency Ratio Statement December 31, 2022 (millions of Canadian dollars)

Sufficiency Ratio Statement

	Note(s)	Dec. 31 2022	Dec. 31 2021
Total assets under IFRS	4	36,351	40,532
Add (Less): Asset adjustments	2,4	2,398	(2,403)
Less: Sufficiency Ratio non-controlling interests	2	(463)	(756)
Sufficiency Ratio assets		38,286	37,373
Total liabilities under IFRS	4	32,728	32,517
Less: Liability adjustments	3,4	(335)	(1,681)
Sufficiency Ratio liabilities		32,393	30,836
Sufficiency Ratio (assets divided by liabilities)		118.2%	121.2%

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

2022 Annual Sufficiency Report

Notes to Sufficiency Ratio Statement December 31, 2022 (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, *Ontario Regulation 141/12* 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.

On February 10, 2022, the Board of Directors approved a rebate of surplus funds, up to \$1,500, to be distributed to eligible Schedule 1 employers within 90 days. As at December 31, 2022, a total of \$1,193 has been distributed to eligible businesses, and a minimal amount has been held in reserve for possible adjustments to rebates of surplus funds.

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.

2022 Annual Sufficiency Report

Notes to Sufficiency Ratio Statement December 31, 2022 (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

Invested assets used in the Sufficiency Ratio calculation 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, 2022, the Sufficiency Ratio assets reflected a total asset increase of \$2,398 (December 31, 2021 – decrease of \$2,403) from assets reported under IFRS, comprised of the following:

- Investments reflect an increase of \$2,422 (December 31, 2021 – decrease of \$2,284) representing the cumulative unrecognized investment returns lower than (December 31, 2021 – in excess of) the expected long-term annual rate of return assumption, net of investment expenses; offset by
- A decrease of \$24 (December 31, 2021 – \$119) from cash and cash equivalents to exclude the restricted cash received from the Government of Ontario for the purpose of administering the COVID-19 Worker Income Protection Benefit Program.

2022 Annual Sufficiency Report

Notes to Sufficiency Ratio Statement December 31, 2022 (millions of Canadian dollars)

The development of the asset adjustment related to investments is detailed as follows:

	2018	2019	2020	2021	2022
Fair value of invested assets	34,872	38,959	38,271	39,400	34,235
Add (Less): Cash transfers in last month of year	(33)	8	12	235	311
Adjusted fair value of invested assets ¹	34,839	38,967	38,283	39,635	34,546
Less: Invested assets at expected rate of return ²	36,807	36,324	38,658	37,329	39,777
Investment returns in excess of (lower than) expectations ³ , gain (loss)	(1,968)	2,643	(375)	2,306	(5,231)
Add (Less): Unrecognized investment returns at prior year-end	1,720	(423)	1,686	849	2,284
Total unrecognized investment gains (losses)	(248)	2,220	1,311	3,155	(2,947)
Amount to be recognized from:					
2022 investment loss	-	-	-	-	(1,046)
2021 investment gain	-	-	-	461	461
2020 investment loss	-	-	(75)	(75)	(75)
2019 investment gain	-	528	529	529	528
2018 investment loss	(393)	(394)	(394)	(394)	(393)
2017 investment gain	351	351	350	350	-
2016 investment gain	52	52	52	-	-
2015 investment loss	(4)	(3)	-	-	-
2014 investment gain	169	-	-	-	-
Less: Total recognized investment gains (losses) in current year	175	534	462	871	(525)
Total unrecognized investment gains (losses) at end of year⁴	(423)	1,686	849	2,284	(2,422)

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 net long-term return objective is reviewed annually and has been as follows:

Year	2018	2019	2020	2021	2022
Net long-term return objective, annualized	4.75%	4.75%	5.00%	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 net long-term return objective.

4. Unrecognized investment returns less recognized investment returns in the current year.

2022 Annual Sufficiency Report

Notes to Sufficiency Ratio Statement December 31, 2022 (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 Dec. 31, 2022	2023	2024	2025	2026
2022	(4,185)	1,046	1,047	1,046	1,046
2021		(462)	(461)	(461)	-
2020	(150)	75	75	-	-
2019	529	(529)	-	-	-
	(2,422)	130	661	585	1,046

A similar asset adjustment is applied on the non-controlling interests as follows:

	Dec. 31 2022	Dec. 31 2021
Fair value of non-controlling interests	402	754
Add: Asset adjustment	61	2
Sufficiency Ratio non-controlling interests	463	756

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 2022 annual audited consolidated financial statements.

Summary of significant accounting policies — liabilities

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

- Benefit liabilities were determined in accordance with IFRS. Liabilities were calculated by an actuarial valuation with a discount rate of 4.75% (December 31, 2021– 4.75%) per annum, as described in note 17 of the WSIB's 2022 annual consolidated financial statements.
- Loss of Retirement Income Fund liability was determined in accordance with IFRS. The liability is equal to the fair value of assets held.
- 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

2022 Annual Sufficiency Report

Notes to Sufficiency Ratio Statement

December 31, 2022

(millions of Canadian dollars)

actuarial valuation with a discount rate of 5.10% (December 31, 2021 – 5.00%) per annum. This differs from the IFRS basis used in preparing the WSIB's consolidated financial statements. The IFRS discount rate, a weighted average of 5.05% (December 31, 2021 – 3.00%) 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 \$320 (December 31, 2021 – \$1,572).

- Payables and other liabilities were adjusted by \$15 (December 31, 2021 – \$109) to exclude the restricted cash of \$24 (December 31, 2021 – \$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 \$9 (December 31, 2021 – \$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 \$32,393 (December 31, 2021 – \$30,836), which includes the adjustment of \$335 (December 31, 2021 – \$1,681). Additional details of the breakdown of the liabilities are shown in note 4.

2022 Annual Sufficiency Report

Notes to Sufficiency Ratio Statement December 31, 2022 (millions of Canadian dollars)

4. IFRS to Sufficiency Reconciliation

A reconciliation of the assets and liabilities used for the calculation of the Sufficiency Ratio to those under IFRS as at December 31, 2022 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, 2022			December 31, 2021		
				Adjust- ments	Sufficiency Ratio Basis	
Assets						
Cash and cash equivalents		(24) ¹		681	(119) ¹	562
Receivables and other assets				698	-	698
Investments		2,422 ²		38,867	(2,284) ²	36,583
Property, equipment and intangible assets	228		228	286	-	286
Total assets	36,351	2,398	38,749	40,532	(2,403)	38,129
Liabilities						
Payables and other liabilities	964	(15) ^{1,3}	949	669	(109) ^{1,3}	560
Derivative liabilities	59	-	59	51	-	51
Securities sold under repurchase agreements	1,082	-	1,082	-	-	-
Long-term debt and lease liabilities	162	-	162	169	-	169
Loss of Retirement Income Fund liability	1,874	-	1,874	2,103	-	2,103
Employee benefit plans liability	1,017	(320) ⁴	697	2,215	(1,572) ⁴	643
Benefit liabilities	27,570	-	27,570	27,310	-	27,310
Total liabilities	32,728	(335)	32,393	32,517	(1,681)	30,836
Net assets						
Reserves	1,944	2,672	4,616	7,399	(724)	6,675
Accumulated other comprehensive income (loss)	1,277	-	1,277	(138)	-	(138)
Net assets attributable to WSIB stakeholders	3,221	2,672	5,893	7,261	(724)	6,537
Non-controlling interests	402	61 ²	463	754	2 ²	756
Total net assets	3,623	2,733	6,356	8,015	(722)	7,293
Total liabilities and net assets	36,351	2,398	38,749	40,532	(2,403)	38,129
Sufficiency Ratio			118.2%			121.2%

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 the WSIB's invested assets shown on its consolidated statements of financial position at the net long-term annual return objective of 5.00% (December 31, 2021 – 5.00%), resulting in an increase of \$2,422 (December 31, 2021 – decrease of \$2,284), which includes the increase of the interests in those assets held by third parties (non-controlling interests) of \$61 (December 31, 2021 – \$2).
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 5.10% (December 31, 2021 – 5.00%). For the purposes of the consolidated financial statements, an accounting weighted average discount rate of 5.05% was used as at December 31, 2022 (December 31, 2021 – 3.00%). 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.