

# Surplus Distribution

## FAQ about Surplus Distribution Payments

### 1. What is a surplus distribution and why do eligible employers receive a rebate?

Higher-than-expected investment income in 2014, combined with positive operating results led to WCB's funding being significantly above the required levels. This triggered WCB's Board of Directors to approve a surplus distribution.

WCB's targeted funded position is between 114 per cent and 128 per cent. If our funded position is in this range, then we are properly funded. If we fall below 114 per cent, we need to collect money from employers to re-establish our required levels.

If our funded position is greater than 128 per cent, as it was in 2014, we may distribute the excess to employers through a surplus distribution. Eligible employers with a net rebate of over \$200 will receive a cheque in the mail. Employers receiving a net rebate of under \$200 will have the amount applied directly to their account. They will be notified of the rebate on their next invoice.

### 2. Why doesn't WCB lower employer premium rates instead?

The surplus is related to the change in WCB's funded position in a given year. That's why it's returned to employers from that year, and it's not used to lower premium rates for future years.

WCB sets premium rates to reflect the fully funded cost of rate setting year injuries in order to ensure that today's employers pay for the cost of today's injuries. This means that employer premiums will always be driven by their own performance and not investment returns.

Funding surpluses are primarily due to favorable investment returns and have no relationship to the current rate setting year cost of insurance.

### 3. Why is the funding range set between 114 per cent and 128 per cent?

This range is intended to absorb the variability of the capital markets and their effect on our investment portfolio, minimizing the need for levies or surplus distributions.

Surplus distributions shouldn't be expected on a regular basis, as they are usually predicated by exceptional investment returns. The speed at which funding is recovered from or distributed to employers is identified in the annual financial plan approved by WCB's Board of Directors.

For more specific information about WCB's funding policy refer to the [Funding Position \(Policy 01-01, Parts I & II\) fact sheet](#).

#### 4. Do all employers receive a part of the surplus distribution?

The majority of employers who paid premiums in 2014 will receive a portion of the distribution. However, employers will not receive one under the following circumstances:

- Levied a year five or greater Poor Performance Surcharge (PPS).
- Have a small business account with 10 or more claims for the 2014 experience period.
- Are in serious breach of the *Workers' Compensation Act*.
- Pay only the \$200 minimum premium.
- Have an account with a bad debt (other than having overdue interest charges applied to the account).
- Have an outstanding Annual Return for 2014/2015.

#### 5. Will WCB increase worker benefits as a result of the surplus?

Worker benefits are not impacted by a surplus distribution to employers. Worker benefits are protected from increases or decreases in overall funding and are determined through the *Workers' Compensation Act* and policy.

For more information on worker benefit changes, refer to the [Cost of Living Adjustment \(COLA\) fact sheet](#) for workers and the Maximum Insurable Earnings update on our website at [http://www.wcb.ab.ca/workers/wage\\_replacement.asp](http://www.wcb.ab.ca/workers/wage_replacement.asp)

You can reference the *Alberta Workers' Compensation Act* and Regulations at: <http://www.wcb.ab.ca/public/policy/legislation.asp>

#### 6. Still have questions about the surplus distribution?

You can contact WCB's Employer Account Services team at 780-498-3999 or 1-866-922-9221 for additional information.