



Workplace Safety and Insurance Board

Value for Money Audit - Loss of Retirement Income Program

November 24, 2023

About the Report

Notice to Reader:

This is a redacted version of the original report. Select details have been removed or amended from the report to protect the confidentiality of individuals who participated in this audit, Worker Compensation Boards across Canada that shared their practices, and the names of vendors contracted by the WSIB. The redactions do not affect the substance of the report.

Status of Report

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Distribution

- Director, Treasury Operations
- Director, Treasury Operations
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- WSIB Executive Committee
- Audit and Finance Committee
- WSIB Board of Directors

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Our observations are based exclusively on the information provided to us. This information has not been reviewed or otherwise verified by us as to its accuracy, correctness or completeness. The results of our work could be materially affected in the event that the documentation reviewed is not complete or that the documentation reviewed is erroneous or untrue. KPMG's analysis must be considered as a whole, as the selection of portions of this report without consideration of all factors could lead to an incomplete view of our analysis.

The observations and recommendations contained in this report are based on information that has been made available to us as of October 25, 2023. We reserve the right, but not the obligation, to amend our report in light of any additional information or documentation that becomes known to us subsequent to the date of this report.

The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Canadian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

Executive Summary



Background

KPMG conducted a Value for Money Audit (VFMA) of the Loss of Retirement Income (LRI) Program for the Workplace Safety and Insurance Board (WSIB). The objective of the VFMA was to assess the need, efficiency, effectiveness and economy of the LRI Program and its processes. It was to ensure that the WSIB is providing efficient and effective administration of the retirement income for injured and or ill persons. The VFMA identified related risks, issues, gaps and challenges, and provides recommendations on opportunities to strengthen the process, while aligning with WSIB's strategic goals.

The scope of the audit covered the following four areas:

- Governance
- Performance Management
- Effectiveness, Efficiency and Economy (3Es) of the LRI Program
- 3Es of the technology used to administer the LRI Program

As part of this VFMA, we undertook a jurisdictional scan across Workers Compensation Boards in Canada in order to identify any leading practices around similar supplementary benefits.

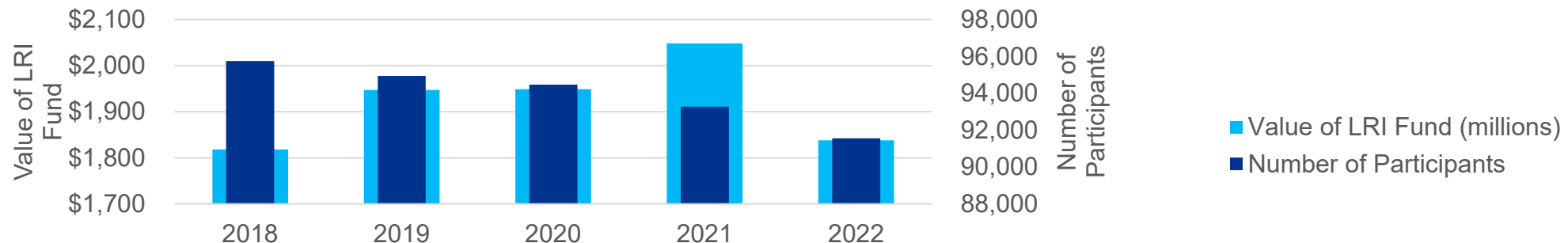
Program Overview

The LRI program was established in 1990 under the *Worker's Compensation Act* to help replace retirement income that was lost due to work related injury or illness. It is not meant to be the main source of income but rather supplementary to other retirement income received. There are two statutes that govern the LRI program, depending on the date of injury:

- Section 44 of the *Workers' Compensation Act, R.S.O. 1990* is applicable to injuries occurring between January 2, 1990 and December 31, 1997; and
- Section 45 of the *Workplace Safety and Insurance Act, 1997* is applicable to injuries occurring after 1997.

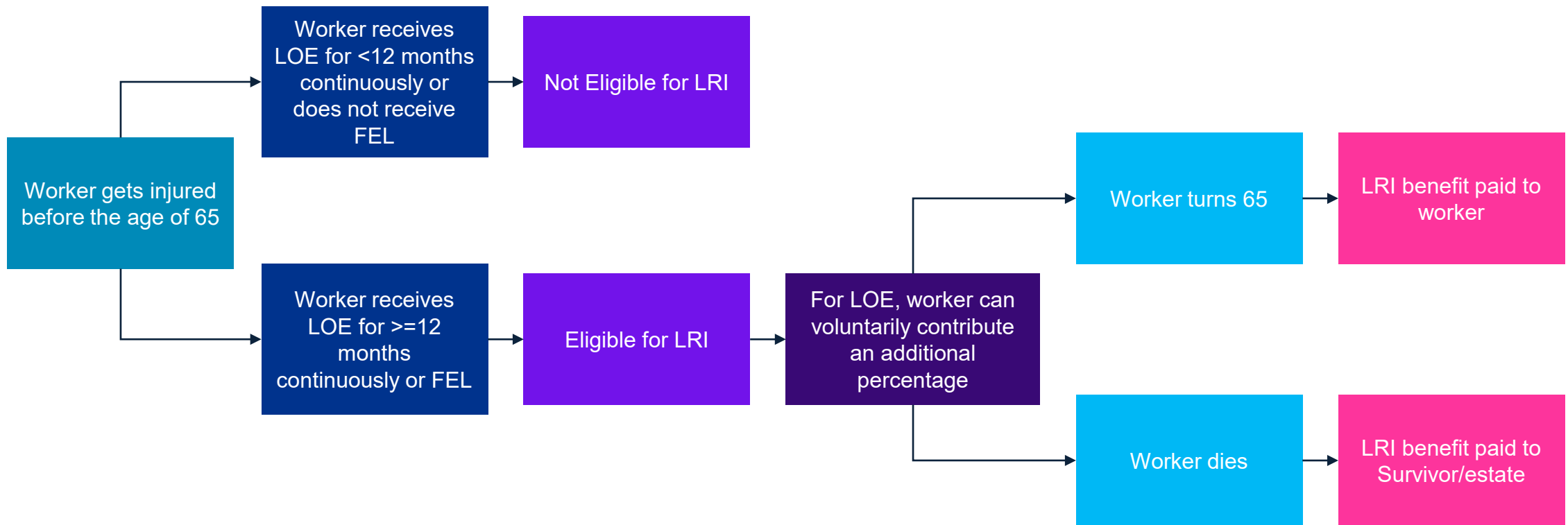
After an injury occurs and a worker receives 12 consecutive months of Loss of Earnings (LOE) benefit payments, WSIB sets aside an additional 5% of the LOE payments as contributions to the LRI fund. The worker can also elect to voluntarily contribute 5% of every subsequent LOE payment to the fund. This decision to voluntarily contribute is irrevocable. For injuries occurring between January 2, 1990 and December 31, 1997, an additional 10% of each Future Economic Loss (FEL) benefit payment is placed in the LRI Fund.

The contributions placed in the LRI Fund earn investment income based on the administration and asset mix policy of WSIB's *Statement of Investment Policies and Procedures* (SIPP). On a monthly basis, WSIB's Custodian provides a net asset value report of LRI related assets in the WSIB Fund. The LRI Recordkeeper / third party vendor, uses this information to calculate the unit price of the LRI fund and values each worker's account balances. Workers are eligible for payout of their account balance (contributions plus investment income earned) at age 65. If a worker dies, his or her survivors are entitled to the amounts set aside for the worker (unless the survivor receives benefits under section 48 in which case they are not entitled to funds set aside by WSIB, but are entitled to any of the worker's voluntary contributions plus investment income earned). If the worker's account balance at the time of payout is less than the actual amounts that were contributed due to investment losses, the WSIB will pay out an account balance equal to the contributions made. In the past five years, the number of active participants in the LRI program has steadily decreased by about 1% per year. The number of accounts settled per year has increased each year, with double the settlements in 2022 when compared to 2019.



Program Overview

The diagram below shows how a worker may become eligible for LRI and when payout occurs. The WSIB is responsible for set up of the claim, LRI eligibility and tracking worker LRI account balances in coordination with the third party vendor. The third party vendor maintains worker LRI account balances and is responsible for administering the LRI benefit after review and approval by the LRI team.



Conclusions

Through our review of the WSIB's LRI Process, **we have concluded that the process demonstrates “moderate” value for money.** The rating scales can be found below and in **Appendix A (Value for Money Methodology, Approach and Rating Scales)** of this report.

Demonstrate high value for money	Demonstrate moderate value for money	Demonstrate low value for money	Demonstrate no value for money
<p>The program / activity / function's goals are being achieved with due regard to economy, efficiency and effectiveness of the processes and activities. Any weaknesses identified relate only to issues of good practice which could improve performance.</p>	<p>There are weaknesses requiring improvement but these are not vital to the program / activity / function's achievement of strategic objectives. There may be opportunities to improve economy, efficiency and effectiveness of processes and activities.</p>	<p>The weakness or weaknesses identified have a significant impact preventing achievement of strategic objectives; or result in an unacceptable economic, efficient or effective outcomes.</p>	<p>The weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic objectives; or result in an unacceptable exposure to reputation or other strategic risks.</p>

Our value for money audit identified numerous process strengths, including:

- The LRI program aligns with the legislation that governs the program
- The LRI team has implemented additional processes and checks to ensure workers are paid the correct amounts and those who do not meet legislative requirements are not paid
- WSIB alongside the contracted provider facilitate effective delivery of services for LRI benefit recipients, ensuring that payments are accurate and eligible recipients receive payment
- Investment activities are effectively governed by internal mandates that reflect requirements of the Pension Benefits Act legislation

Conclusions (cont.)

However, our VFMA identified opportunities to improve the economy, efficiency and effectiveness of current practices. Opportunities for improvement include:

- Assessing the feasibility of replacing the LRI Application / MS Access with a solution that would allow the LRI team to perform all required functions in one place.
- Implementing a formal process to review settlements that have been overdue beyond the original settlement date, and to consider whether a threshold should be implemented after which point funds are closed and no further follow up action is taken.
- Implementing performance indicators to monitor the overall success of program delivery, such as settlement processing time and contribution accuracy rates.
- Ensuring a more formal and frequent review of service level performance by the third party provider, including tracking of day to day issues in exception reports.

The achievement of the program's strategic objectives will be enhanced with the improvement opportunities identified. Our rating scales can be found in **Appendix A (Value for Money Methodology, Approach and Rating Scales)** of this report.

Our report and recommendations have been aligned with leading practices from our jurisdictional scan of comparable benefits at other Worker Compensation Boards across Canada. Comparable programs across Canada were established after WSIB's LRI program and given the shorter time period, generally have smaller benefit payments. WSIB was a leader, nationally, in creating the LRI program. Given the national trend in adopting similar programs, there appears to be an ongoing need for this program. Conducting customer surveys on the program will provide additional context on the workers experience and an assessment on whether the program was an effective supplementary source of retirement income. Recommendations for the program focus on meeting workers' needs and expectations and ensuring that WSIB has the processes, people, tools and technology to continue delivering value and financial strength. Further context has been provided on slides 12 to 15.

Conclusions (cont.)

During the reporting stage of the VFMA, KPMG obtained and reviewed management responses for each recommendation, which were provided by the LRI team following consultation with the relevant lines of business where required. Upon review, we noted that a number of responses focus on performing an initial exploration assessment for the proposed recommendation. These initial exploration assessments include discussions with the third party provider and discussions with other WSIB business areas (e.g. IT) to determine the specific actions required to implement the recommendation and address its associated risk.

We were informed by the LRI team that until the initial exploration assessment is undertaken, the exact actions required for each recommendation are not known and cannot be documented at this stage. Following the initial exploration assessment, revised management actions, timeframes and due dates will be set where appropriate in order to monitor the recommendations that the business decides to implement. The current due dates refer to the dates of the initial exploration assessment but there may be opportunities to action certain items sooner depending on the outcome of the assessment. It is the intent of the LRI team to ensure recommendations are implemented and actioned in full where possible.

Areas of Review

As noted, our review focused on four areas: program governance, performance management, 3Es of the LRI program, and the 3Es of technology used to administer the program. We have summarized the four areas of review below and noted the key observations.

1. Governance

Policies, Processes and Procedures

A number of policies, processes and procedures are in place which govern the LRI program in-line with the requirements of the relevant legislation. This includes the applicable Operational Policy Manual documents (18-03-07 and 18-04-17) on the WSIB website and the processes to provide workers with annual statements as legislatively required.

2. Performance management

Performance Indicators

There are currently no defined performance indicators to evaluate and measure the effectiveness of the LRI program. In our jurisdictional scan, we noted that other WCBs regularly monitor the timeliness of their benefit payouts and the accuracy of their contributions. WSIB should look to establish key performance indicators in order to measure the efficiency of the program, and identify areas of potential concern or which require further attention.

Service Levels and Customer Feedback

WSIB has appointed a third party provider who assists with the administration of the program by maintaining worker LRI account balances and processes worker payouts after review by the LRI team. Overall, the contracted provider facilitates effective delivery of services for LRI benefit recipients, ensuring that payments are accurate and eligible recipients receive payment. Service level targets are reviewed on an annual basis however there is an opportunity to review these on a more regular basis. While there is daily communication between the third party provider and the WSIB to discuss and resolve issues, formally reviewing performance against established service level targets allows WSIB to have appropriate oversight over the third party provider to ensure key requirements are being met. There is also an opportunity for the WSIB to gain feedback from worker through the use of customer surveys, which may provide valuable insights and identify opportunities to enhance the program.

Areas of Review

3. 3Es of the Program

Investment Strategy

The Investment Strategy of the LRI Investment Fund, including the Asset Mix Strategy, largely mirrors that of the WSIB Insurance Fund. To supplement the LRI Investment Fund, as a worker approaches retirement age, funds from their account are transferred to the LRI Cash Fund, which serves to decrease investment volatility closer to the payout date. Investment activities are governed by internal mandates that reflect requirements of the Pension Benefits Act (PBA), with the only notable exception being WSIB's legislative requirement to pay out a minimum of the contributions made. This departure from the PBA serves to meet the strategic objectives of WSIB Ontario. Overall, investment objectives are aligned with strategic objectives, and are reflective of leading practice within the industry. Performance of the investment fund is monitored on a regular basis, and investment mandate and strategy are adjusted accordingly.

Settlements in the Fund

Currently, benefit recipients (workers or beneficiaries) who cannot be located have their settlements included in the fund indefinitely. While the LRI team undertakes ad-hoc reviews of settlements which are past due (worker's age 65 or date when WSIB is notified of death), this is not undertaken periodically or on a consistent basis due to resourcing challenges within the team. At the time of the audit, there were 2,647 settlements outstanding of which 1,448 have been outstanding for more than three years. The total number of outstanding settlements represents roughly 2.8% of the average number of participants in the program, and has a market value of roughly 1.4% of the total LRI fund balance. Our jurisdictional scan noted that other Worker Compensation Boards have implemented thresholds whereby any unidentified recipients would have their funds closed and balances remitted to the WCB's general compensation / insurance fund once the threshold time has passed. The WSIB should prioritize the settlement of past due accounts and ensure that workers/beneficiaries receive their payments promptly. A formal process to review past due settlements should be undertaken and, in line with leading practices, WSIB should consider implementing a threshold after which funds are closed. This review should consider any legislative changes relating to a threshold for overdue settlements as that would impact the follow-up required.

Areas of Review

4. 3Es of the Technology

Manual processes creating additional effort by the LRI team

Our review noted a number of limitations with current systems, which create additional work for the LRI team. This includes manually reviewing the accuracy of contributions, calculations and other data points within WBS and the third party vendor systems. Adjustments in contributions, either due to late payments or adjustments from the Payment Services or Operations, require additional efforts from the LRI team to locate and review each adjustment. Over a four year period, roughly 25% (or 165) of the total number of accounts settled each month have adjustments that require manual validation. Our review identified some opportunities to help. There are opportunities for the LRI team to explore, including assessing whether WBS can be updated to include an effective date in the contribution file to the third party vendor and whether the system can flag when an adjustment is made. In the longer term, the LRI team should be included in any technology change discussions to ensure that LRI requirements are considered if WBS is modified or a new system implemented.

Manual processes and reviews of calculations can create delays in providing payouts. In information provided to benefit recipients, WSIB states that payments will be received after the worker's 65th birthday or date WSIB was notified of death. However, we note that there is increased risk of delays in processing payments due to information being received late and the extensive efforts to coordinate activities with various third parties. The WSIB should assess whether payment processing activities can be streamlined in order to improve processing times, or consider whether the 4-6 week timeframe for direct deposits and 4-8 weeks for cheques is still feasible. In our jurisdictional scan we noted that another Worker Compensation Board has implemented a period of 6-8 weeks to process and pay out workers.

Continued on the following page

Areas of Review

4. 3Es of the Technology (cont'd)

Technology supporting the program

The effectiveness of the technology supporting the program can be improved to better align with industry and leading practices. We noted that multiple Worker Compensation Boards (WCBs) allow workers to enroll in direct deposit payments while WSIB only pays direct deposits when a worker has received LOE or FEL benefits at least six months prior to the settlement being paid. Our jurisdictional scan noted that other WCBs have an in-house model for administering their LRI-equivalent programs with limited technology outside of their internal claims systems and Microsoft platforms.

The WSIB is the only jurisdiction who used a third-party provider to assist with particular aspects of the program. Given the size of the WSIB's program in respect to its comparators, the use of a third-party provider for administrative and other ad-hoc support was deemed reasonable.

WSIB utilizes WBS and the third party vendor systems for administration of the program and Microsoft Access is used for review of program statistics, running specific reports, and tracking activities in the LRI workflow, among other functions. The Microsoft Access database is not currently supported by WSIB IT and the LRI team solves system issues internally without IT support, which can lead to isolation from evolving IT infrastructure. Further, there is an increased risk of inaccurate information and inefficient workflows in the current setup. If the Microsoft Access database was not functioning, the LRI team would not be able to complete payouts or process settlements, which is a key objective of the LRI program.

Threat risk assessments, privacy impact assessments and vulnerability assessments of the third-party vendor's privacy and security compliance are not periodically performed by the WSIB. While these were assessed, in part, as part of the procurement process, no periodic assessments have been performed since. The WSIB should update the third party risk management program for leading practices in threat risk, privacy impact and vulnerability assessments.

A summary of all our recommendations can be seen on the following page.

Recommendations

Please refer to the “Observations and Recommendations” section for more detail on these summarized recommendations.

1. Governance

- **1.1 Legislation Improvements** – Working with the Ontario Government to identify amendments to the *Workplace Safety and Insurance Act, 1997* and *Ontario Regulation 562/99* to include a threshold for the length of time that settlements will remain in the fund after their due date (worker’s age 65 or date when WSIB is notified of death). As well, explore the possibility of amendments to include a threshold for surviving spouses to claim annuity payments, taking into account the thresholds implemented for live workers in accordance with Bill 110

2. Performance Management

- **2.1 Performance Indicators to monitor the LRI Program** – The WSIB should identify and periodically evaluate key performance indicators (KPIs) that could be used
- **2.2 Increase Frequency of Third Party Service Level Reporting** – WSIB should implement exception reports to track day-to-day issues and adopt a more formal and frequent review of service level targets
- **2.3 There are no Customer Surveys of LRI benefit recipients**– The WSIB should implement customer surveys in order to gather feedback from end users of the program

3. 3Es of the LRI Program

- **3.1 Settlement of funds past the due date (worker turns 65)** – WSIB should prioritize the settlement of past due accounts and ensure that workers / surviving beneficiaries receive their payments promptly
- **3.2 Timeliness of Service Provided**– The WSIB should assess whether communication and processing of information between third parties can be enhanced to speed up the payment processing time.

4. 3Es of the overall technology used to administer the LRI Program:

- **4.1 Microsoft Access Use for LRI Application** – Move the functionality of the local MS Access database to a higher performing environment
- **4.2 Accuracy of settlements due to System Limitations**– The WSIB should assess whether systems can be enhanced to help improve current operations
- **4.3 Assessment of third-party vendor security compliance** – The WSIB should update the third party risk management program for leading practices in threat risk, privacy impact and vulnerability assessments
- **4.4 Technology enhancement for customer satisfaction** – The WSIB should consider enhancing the existing portal used for workers who receive LOE or FEL payments, and offer workers the opportunity to receive settlements by direct deposit if they are currently receiving by cheque.

Scope and Approach

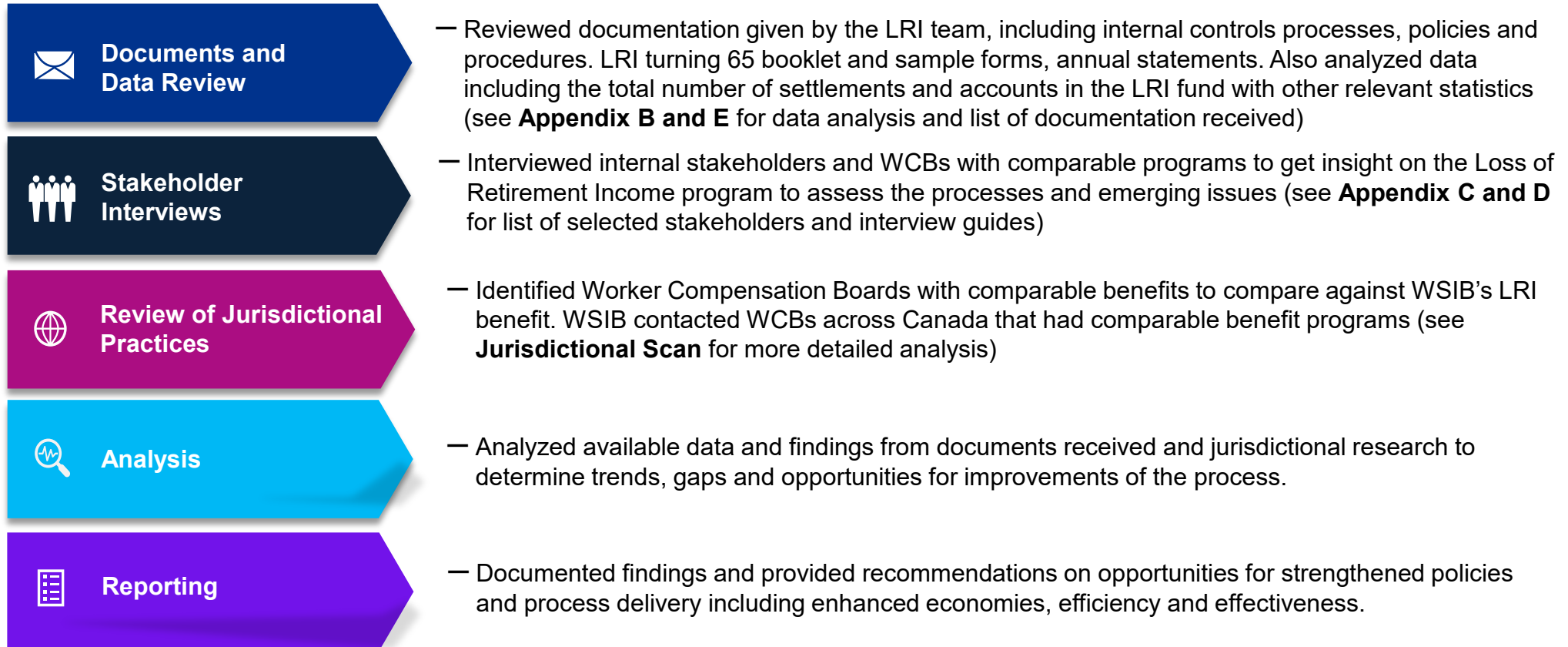


Scope

Scope	The scope of the VFMA was to assess the ongoing need of the LRI benefit program, and to assess the efficiency, effectiveness and economy of the program and processes.
Areas of Focus	<ol style="list-style-type: none">1. Governance2. Performance Management3. Effectiveness, Efficiency and Economy of the LRI Program4. Effectiveness, Efficiency and Economy of the technology used to administer the LRI Program
Specific topics for consideration	<p>Specific topics for consideration included, but were not limited to:</p> <ul style="list-style-type: none">• Ensuring the program aligns and meets the requirements of the legislation that governs the LRI program. Evaluate the overall program and that investment objectives and plans are in alignment with strategic objectives and expected industry norms• Performance of the investment fund is regularly evaluated and informs decisions on the overall strategy for investment. Strategy is aligned with expected industry norms• Contracted providers and partners facilitate efficient and effective delivery of services and are assessed on a regular basis and meet customer expectations as part of service provider performance evaluation• Service delivery processes and controls are designed and implemented effectively to meet customer expectations – including accuracy of contributions, calculations and data within systems• Current delivery of services and supporting technology are reflective of industry/leading practices. Opportunities for improved efficiencies are identified and rated accordingly.
Jurisdictional Scan	The audit also included a review of the leading practices in six comparable programs across other workers compensation boards nationally.

Approach

The following approach was taken to evaluate the current state of the program and to develop recommendations on the future state for the WSIB. To support the VFMA, KPMG developed a Project Management Plan and worked with the WSIB to confirm milestones and key dates. The VFMA was comprised of five phases:

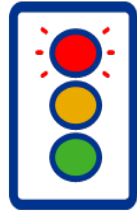


Further details of KPMG's Value for Money Methodology & Approach can be found in Appendix A.

Observations and Recommendations

Rating of Observations and Recommendations

Each observation and recommendation has been ranked on a three point rating scale, as shown below:



High – (Priority One): Issues arising referring to important matters that are fundamental and material to value for money. The matters observed might cause a program objective not to be met, or leave a risk unmitigated and need to be addressed as a matter of urgency.



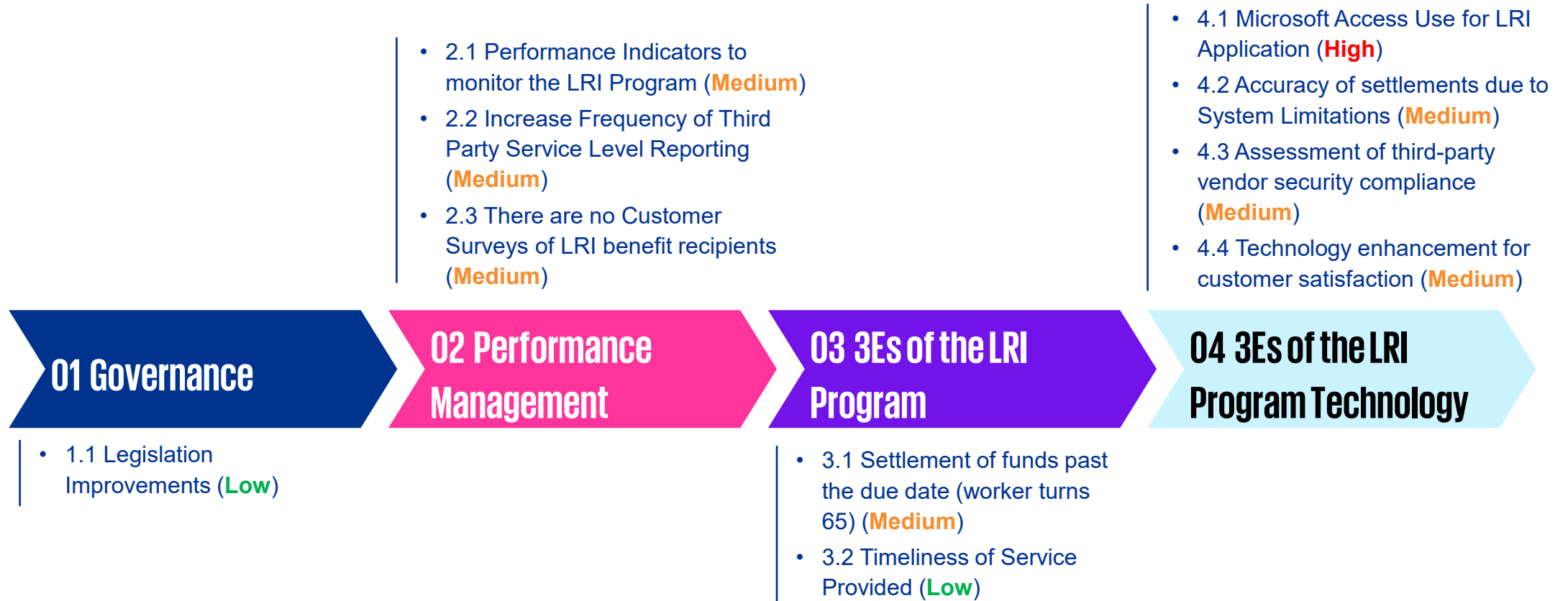
Medium – (Priority Two): Issues arising referring mainly to issues that have an important effect on the program's performance but do not require immediate action. A program objective may still be met in full or in part, but the weakness represents a deficiency in the economy, efficiency or effectiveness of the program.



Low – (Priority Three): Issues arising that would, if corrected, improve performance in general but are not vital to the overall value for money of the program. These recommendations are of leading practice as opposed to weaknesses that prevent systems objectives being met.

Categorization and list of observations

We have categorized our observations and recommendations to align with the scope areas of this VFMA.



Analysis and Recommendations



1.1 Legislation Improvements

Recommendation Priority:

Low

In alignment with leading practices from other jurisdictions, we noted the following opportunities for the WSIB to work with the Ontario Government to identify amendments to the current legislation in order to improve current practices.

1. There is currently no legislative requirement outlining the length of time that funds remain in the fund after the workers settlement due date (worker's age 65 or date when WSIB is notified of death) before funds are closed

When workers turn 60, the funds are gradually converted from long-term investments to short-term investments, in accordance with WSIB policy (i.e. cash, short-term notes and treasury bills). Currently, benefit recipients (workers or beneficiaries) who are unable to be located have their settlements included in the fund indefinitely. The LRI team spends time periodically to locate these recipients. This process can be improved with a regular review of outstanding settlements (refer to **Recommendation 3.1**).

In our jurisdictional scan of Worker Compensation Boards across Canada, we noted that one Worker Compensation Board had a legislative threshold of 6 years and another had a legislative threshold of 7 years for identifying recipients. Unidentified recipients at these Worker Compensation Boards would have their funds closed and balances remitted to the compensation fund, once the threshold time has passed. There is currently no such threshold used at the WSIB.

The LRI team's "Past Due Report" shows all accounts where a positive balance remains in the fund after the settlement due date has passed (worker's age 65 or date when WSIB is notified of death). We analyzed the LRI team's "Past Due Report" and as of June 30, 2023, there are over 2,603 accounts with a positive balance. Of those accounts, there are 987 accounts worth a combined total of over \$8,000,000 that have been past due for over five years. Refer to **Appendix B1** for more in depth analysis of accounts which are past due.

Implementing a threshold will help to ensure that time spent locating recipients is prioritized on more current files and therefore with a greater likelihood of success. It will also help to ensure that the WSIB is effectively fulfilling its legislative obligation to pay out these settlements.

Governance

Analysis and Recommendations



1.1 Legislation Improvements (cont.)

Recommendation Priority:

Low

2. Thresholds for providing annuity payments to surviving spouses should be reviewed

For a worker to qualify for an annuity, the worker balance at time of payout would need to generate an annual LRI benefit equal to or greater than the maximum amount of average earnings for the year in which the worker turns 65. The annual maximum amount of average earnings is determined by calculating 175% of the average industrial wage (AIW) for Ontario from published Statistics Canada earnings. As such, under the Workers Compensation Act (WCA) and the Workplace Safety and Insurance Act (WSIA), almost all worker payouts occur as a one time lump sum payouts, which do not require any calculation in determining the amount of annuity payments. This legislative change occurred in April 29, 2011 when Bill 110 was introduced that defined the lump sum threshold for workers; however, surviving spouses were not addressed as part of this legislative change.

Therefore, in instances when there is a surviving spouse and the deceased worker's account balance generates an annual minimum LRI benefit (indexed for inflation and cost of living adjustments each year), the spouse may choose to claim the balance as a life annuity for Future Economic Loss (FEL), a life annuity with return of account balance for Loss of Earnings (LOE), or as a lump sum. For 2022, the annual minimum LRI benefit to be eligible for these options was \$1,441.85.

The option of providing an annuity for surviving spouses requires additional effort from the LRI team since an individual assessment has to be performed each time the benefit is over \$1,441.85. Our analysis in **Appendix B3** shows that, from June 2019 – December 2022, an average of 21.5% of deceased worker accounts were assessed for eligibility of an annuity payment on a monthly basis, and ultimately 15.06% were eligible. The level of manual effort required by the LRI team to undertake individual assessments for amounts over \$1,441.85 delays the settlement of payments to surviving spouses.

In our jurisdictional scan, we noted thresholds for spouses to claim annuity payments in other jurisdictions of \$19,200, \$31,500, or \$10,000. Refer to the **Jurisdictional Scan** for more information on annuity thresholds and their annual adjustments.

Governance

Analysis and Recommendations



1.1 Legislation Improvements (cont.)

Recommendation Priority:

Low

RECOMMENDATION:

We understand that any legislative changes are at the sole discretion of the Government of Ontario. The WSIB should begin discussions with the relevant parties in order to action the below.*

WSIB should explore opportunities for working with the Ontario Government to identify and introduce amendments to the *Workplace Safety and Insurance Act, 1997* addressing the following:

- a. A threshold for the length of time that worker's benefit will remain in the fund after their settlement due date (worker's age of 65 or date when WSIB is notified of death). This threshold could vary based on the value and length of time the balance has been outstanding. This threshold should be published in policies and documents like the "Turning 65 Booklet" to ensure workers and beneficiaries are aware of the process if their account is not settled.
- b. A revised threshold for surviving spouses to claim annuity payments, taking into account the thresholds implemented for live workers in accordance with Bill 110.

**Refer to recommendation 3.1 for opportunities to improve the process to follow-up on past due settlements.*

Governance

Analysis and Recommendations



1.1 Legislation Improvements (cont.)

Recommendation Priority:

Low

MANAGEMENT RESPONSE:

The WSIB will initiate an assessment of the impacts to workplace parties and to the current processes related to potentially introducing the proposed amendments to the *Workplace Safety and Insurance Act, 1997*.

Upon completion and review of the assessment results, the WSIB will then make a decision on whether to move forward with a review of the proposal for the related legislative changes with the Ministry of Labour, Immigration, Training and Skills Development; ultimately the government of Ontario that has jurisdiction over changes to the *Workplace Safety and Insurance Act, 1997*.

- a. The length of time that worker's benefit will remain in the fund after their settlement due date
- b. The threshold for surviving spouses to claim annuity payments

Primary responsible party: VP, Policy and Consultation Services; Senior Director, Corporate Risk Management Services

Secondary responsible party: VP, Financial Planning and Operations

Implementation: Q2 2024 through to Q3 2024

Governance

Analysis and Recommendations



2.1 Performance Indicators to monitor the LRI Program

Recommendation Priority:

Medium

The WSIB does not use key performance indicators (KPIs) to monitor the success of LRI program delivery. KPIs describe measurable, quantifiable metrics that can be used to evaluate the effectiveness of the program and identify areas for improvement. KPIs are used to monitor and assess overall performance of a program and progress towards strategic goals. These are a form of detective controls. This differs from service level monitoring that is specific to service quality and to ensure compliance with service standards. In our jurisdictional scan of Worker Compensation Boards (WCB's) across Canada, we noted that WCBs do not have formal performance measures, but similar to the WSIB, have a preventative control through regular monitoring of the timeliness of their benefit pay-outs during monthly processing. Failure to utilize performance indicators for program monitoring could prevent the WSIB from pinpointing areas for enhancement and making well-informed decisions.

RECOMMENDATION:

WSIB should identify and periodically evaluate KPIs that could be used to monitor the overall efficiency of the LRI Program. KPIs identified should be specific, measurable, attainable, relevant and time-bound. A periodic review of the identified KPIs should be undertaken, which will enhance the program's delivery and allow the LRI team to prioritize under-performing areas. Example indicators that would be useful for the LRI program include:

- **Settlement processing time** - Reviewing the average length of time from the worker turning 65 to the payment settlement date. A lower processing time indicates greater efficiency.
- **Contribution accuracy rate** - Reviewing the percentage of contributions made requiring further adjustments. This can help identify those contributions which may have been incorrectly captured.
- **Settlement and contribution volume** - Measuring the total number of payments processed within a specific timeframe, helping assess workload and resource allocation.

Performance Management

Analysis and Recommendations



2.1 Performance Indicators to monitor the LRI Program

Recommendation Priority:

Medium

MANAGEMENT RESPONSE:

The WSIB agrees with this recommendation. The WSIB will work to identify KPI's that can be used to monitor the overall efficiency of the LRI Program. Examples provided in the recommendations will be assessed (e.g. settlement processing time, contribution accuracy rate, settlement and contribution volume).

Primary responsible party: VP, Financial Planning and Operations

Secondary responsible party: VP, Corporate Business Information and Analytics

Implementation: Q2 2024 through to Q4 2024

Performance Management

Analysis and Recommendations



2.2 Increase Frequency of Third Party Service Level Reporting

Recommendation Priority:

Medium

There is an opportunity for WSIB to strengthen the monitoring of their third-party service providers' performance measures and reporting against established service levels. The WSIB and the third party service provider have established service levels for various performance areas including call center response time, contribution and demographic processing, reporting targets and system availability. Reports showing the third party vendor's performance against the established service levels are provided annually and discussed at an Annual Service Meeting attended by the third party vendor and WSIB representatives. However, there is no control to review that these service levels are being met on a more frequent basis.

Per discussion with the LRI team, more frequent reviews of established service levels were not undertaken as the reporting provided by the third party vendor was too detailed for monthly review, and the LRI team deemed this to be an inefficient use of their time. While reports are provided annually, any urgent day-to-day issues arising through program delivery are discussed and resolved through frequent communication with the third party vendor. Despite this, reviewing service level targets on a more frequent basis will hold the third party accountable for their performance and ensures that they remain committed to meeting their contractual obligations.

RECOMMENDATION:

The WSIB should:

- 1. Implement exception reports to track day-to-day issues and remediation plans** – In order to improve oversight of day-to-day issues identified through regular discussions between the WSIB and the third party vendor, the WSIB should implement an exceptions report in order to track and monitor issues and remediation plans over time. Should issues repeatedly occur, additional performance metrics or service level requirements should be created and reported to WSIB so they can be tracked and monitored going forward.
- 2. Adopt a more formal and frequent review of service level performance and exception reports** – The WSIB should consider a more frequent review of third-party performance, such as monthly for exceptions and quarterly for established service level targets. A more frequent review allows for proactive managing of service quality, minimizing risks, and ensuring that service delivery remains aligned with the organization's goals and expectations. Given current reporting is deemed too detailed for monthly review, the WSIB should assess where changes can be made to ensure that the reporting process can be streamlined and focused on areas of particular interest.

Analysis and Recommendations



2.2 Increase Frequency of Third Party Service Level Reporting

Recommendation Priority:

Medium

MANAGEMENT RESPONSE:

The WSIB agrees with this recommendation and will:

1. Explore opportunities with the vendor to obtain additional reporting - including exception reporting.
2. Explore the recommendation for more formal and frequent reviews of service level performance and exception reports.

Primary responsible party: VP, Financial Planning and Operations

Implementation: Q2 2024 through to Q4 2024

Performance Management

Analysis and Recommendations



2.3 There are no Customer Surveys of LRI benefit recipients

Recommendation Priority:

Medium

The LRI team does not conduct customer surveys with recipients in the program to assess the timeliness and quality of services provided. This limits the WSIB's ability to assess customer expectations and gather feedback from end users which could help improve program operations. In our jurisdictional scan, we noted that a Worker Compensation Board sends out customer experience surveys for all claims and includes questions targeting recipients of similar benefits.

RECOMMENDATION:

WSIB should implement customer surveys in order to gather feedback from end users of the program. These surveys should be used to help improve service quality and inform future decision making. This can be an independent survey by the LRI team or an extension of an existing survey provided to eligible workers by the WSIB. Questions could include topics such as:

- Preference of receiving payments by cheque or direct deposit.
- Preference of accessing a portal by which workers balances are seen and demographic information is updated, in addition to receiving an annual statement.
- Comments on the quality and frequency of communications provided by WSIB and the third party vendor.

Survey responses should be reviewed and assessed periodically by the LRI team. Action plans to address particular comments or common themes should be put in place and monitored over time to ensure that actions are implemented in a timely and efficient manner.

MANAGEMENT RESPONSE:

The WSIB agrees with this recommendation. The LRI team will work with Corporate Business Information and Analytics (CBIA) to explore options/tools to determine the best approach for gathering feedback from end users of the program.

Primary responsible party: VP, Corporate Business Information and Analytics

Secondary responsible party: VP, Financial Planning and Operations

Implementation: Q3 2024 through to Q4 2024

Analysis and Recommendations



Effectiveness, Efficiency and Economy of the LRI Program

3.1 Settlement of funds past turning 65

Recommendation Priority:

Medium

If a worker or beneficiary is not able to be found, their contributions and interest earned stay in the fund indefinitely. There are no formal controls to review the list of settlements that are past due and as of June 30, 2023, there were 2,603 settlements that have positive outstanding amounts. Of this, 1,423 settlements have been outstanding for more than three years. On the basis that the total market value of outstanding settlements is only 1.4% of the average LRI fund balance, the rating of this finding is a “medium”. We have summarized the past due accounts based on the number of years outstanding in the table below.

	1 Year or Less	1+ Years	2+ Years	3+ Years	4+ Years	5+ Years	Total
Number of Accounts	600	343	237	261	175	987	2,603
Total Market Value	\$7,934,207	\$3,999,303	\$3,234,738	\$2,619,145	\$1,746,836	\$8,175,351	\$27,709,581

987 accounts have been past due for over five years. These 987 accounts are worth a combined total of approximately \$8.2 million and represent roughly 30% of the market value of the outstanding settlements. On average, the number of outstanding settlements represents approximately 2.8% of the number of participants. We note that over 1,000 workers did not have their LRI benefits paid out to a beneficiary. This has potential for reputational damage for WSIB as there are beneficiaries that could have received financial support from WSIB after a partner’s death and did not. Refer to **Appendix B1** for more in depth analysis of the above information.

While there are efforts made by the team to locate workers and settle their accounts, including referring past due accounts to the CRA, this is undertaken on an ad-hoc basis as opposed to on a regular schedule. Per inquiry with the WSIB LRI team, we were informed that the LRI specialists do not have sufficient time to review overdue settlements on an ongoing basis. As the time frame for a payout extends, WSIB may encounter increased challenges in identifying the recipient of the benefit. This limits the WSIB’s ability to meet its legislative requirements to payout the LRI benefit. During our jurisdictional scan, we noted that another Worker Compensation Board completes a quarterly analysis of past due settlements to ensure the timely payout of these overdue benefits. Refer to **Jurisdictional Scan** for more analysis.

Analysis and Recommendations



3.1 Settlement of funds past turning 65 (cont.)

Recommendation Priority:

Medium

RECOMMENDATION:

The WSIB should*:

1. Prioritize the settlement of past due accounts and ensure that workers / surviving recipients receive their payments promptly. Given the current resourcing challenges, the WSIB should consider whether additional resources can be brought in to assist with this exercise. Consideration should be given to the length of time a settlement is outstanding and the market value of the account when determining which settlements to prioritize.
2. Establish a formal control to periodically review the past due settlement data to eliminate any further backlog of settlements. This review should be conducted, at minimum, on a quarterly basis. This is aligned with practices from other jurisdictions.
3. Document and implement guidelines for investigating past due settlements and identifying workers. This will allow the WSIB to demonstrate that they have attempted to locate recipients by all reasonable means.
4. In-line with finding 4.2, create an online portal for workers to update their direct deposit and beneficiary information. This reduces the possibility of having incomplete information at the time of pay-out as workers' information will be updated before the settlement becomes overdue.

**Consideration should be given to the outcome of recommendation 1.1 when actioning this recommendation, as any legislative changes relating to a threshold for overdue settlements would impact the follow-up required.*

Analysis and Recommendations



Effectiveness, Efficiency and Economy of the LRI Program

3.1 Settlement of funds past turning 65 (cont.)

Recommendation Priority:

Medium

MANAGEMENT RESPONSE:

The WSIB agrees with this recommendation and will:

1. Review resourcing requirements and process improvements needed to ensure payments are processed on time.
2. Establish a regular review process and thresholds for past due accounts, past due settlements and identifying workers.
3. Engage with IT Application Management Services to explore the feasibility of collecting direct deposit and beneficiary information electronically.

Primary responsible party: VP, Financial Planning and Operations; VP, IT Application Management Services

Secondary responsible party: VP, Service Excellence

Implementation: Q2 2024 through to Q1 2025

Analysis and Recommendations



3.2 Timeliness of Service Provided

Recommendation Priority:

Low

WSIB's information package to benefit recipients notes that payments will be received 4-8 weeks after the worker's 65th birthday or date WSIB was notified of death (4-6 weeks for direct deposits and 4-8 weeks for cheques). However, we note that there are delays in processing payments due to delays with receiving information from the various third parties. The LRI team is required to send email instructions to their investment custodian in order to deposit contributions to the required LRI funds. The third party in charge of administering payouts must wait for the investment custodian to close their books before the unit price for contributions can be determined, and payouts are made based on the unit price in the fund. The third party vendor and the LRI Team have indicated that if the books are not closed within the 11th business day of the month by 9 AM ET, there will be delays in processing the settlements and updating account balances. In general, the third party vendor and the LRI Team noted that the books are typically closed within the 13th or 14th business day of the month. Delays in information being received by the investment custodian also delays the commencement of tasks required by the third party vendor. These delays increase the risk that payments are not made within the 4-8 week timeframe. At the time of our review, data was not available to confirm the timeliness of payouts.

During the jurisdictional scan, we noted that two Worker Compensation Boards periodically evaluate their performance against the established timelines for payments processing and pay outs. One Worker Compensation Board has implemented a period of 6-8 weeks to process and pay out workers.

The settlement of payments within the established timelines ensures the effectiveness of the program and allows WSIB to continue to meet its legislative obligations. As part of our review, we enquired with the WSIB Investment Team to determine whether the investment custodian books could be closed sooner and were told that timelines were fixed.

RECOMMENDATION:

WSIB should:

1. Assess the feasibility of the current 4-8 week deadline given the current processing delays, and consider revising the deadline if appropriate.
2. Periodically monitor the LRI team's performance against the payment deadline to ensure its continued suitability (refer to **Recommendation 2.1**)

Analysis and Recommendations



Effectiveness, Efficiency and Economy of the LRI Program

3.2 Timeliness of Service Provided (cont.)

Recommendation Priority:

Low

MANAGEMENT RESPONSE:

The WSIB agrees with this recommendation and will:

1. Explore the feasibility of the current 4 to 6 week deadline for direct deposit and 4-8 weeks for cheques
2. Periodically monitor the LRI team's performance against the payment deadline to ensure its continued suitability, which will be addressed as part of 2.1 (performance indicators to monitor the LRI Program).

Primary responsible party: VP, Financial Planning and Operations

Secondary responsible party: VP, Communications and Intergovernmental Affairs

Implementation: Q2 2024 through to Q4 2024

4.1 Microsoft Access Use for LRI Application

Recommendation Priority:

High

The LRI team currently uses a Microsoft Access (MS Access) database to host worker and contribution data and perform analytics for the assessment of the overall performance of the program. For example, MS Access is used to review the amount of past due accounts and identify the status of the settlement. The database is also used to prepare the settlement payouts, review total contributions, and as an output for the third party vendor's payment system. MS Access is used as there is no current WSIB system that allows the LRI team to see the worker's LRI account balance and MS access stores the data received from the third party vendor monthly. The database currently hosts over 80 million records and grows by 5-6 million records each year. A single MS Access file can only store 2 GB of data; and as a result, the data needs to be archived every two to three years.

If the LRI MS Access database system was not functioning, the LRI team would not be able to complete payouts or process settlements. The system is not currently supported by WSIB IT and when there is an error in the function of the database, the LRI team solves the issues internally without IT support. This leads to an increased risk of using inaccurate information, increases risk of inefficient workflows and can lead to isolation from evolving IT infrastructure across WSIB. Additionally, securing data and ensuring its privacy may be more difficult when using Microsoft Access, and there is an inherent additional cost to ensure the security of this data when compared to cloud-based solutions. Cloud-based solutions allow for better storage and archiving of data and allows for better retention and deletion of data. One of WSIB's strategic goals is to invest in the right tools and technology to provide better, more efficient service. This also means strengthening WSIB's existing IT foundation to allow the organization to work as efficiently as possible.

RECOMMENDATION:

WSIB should:

1. In the short-term, move the functionality of the local MS Access database to a higher performing environment (e.g. a cloud-based solution) that will increase the database's ability to store more data and increase the IT security capabilities
2. In the long-term, assess the feasibility of replacing the LRI Application / MS Access with a solution that would allow the LRI team to perform all required functions in one place

Analysis and Recommendations



Effectiveness, Efficiency and Economy of the technology of the LRI Program

4.1 Microsoft Access Use for LRI Application (cont.)

Recommendation Priority:

High

MANAGEMENT RESPONSE:

The WSIB agrees with this recommendation and will work with IT Application Management Services to:

1. Explore the feasibility of moving the local MS Access database to a higher performing environment to address response times, database sizing and security concerns.
2. Explore the feasibility of replacing the LRI database with a new solution.

Primary responsible party: VP, IT Application Management Services; VP, Financial Planning and Operations

Secondary responsible party: VP, Corporate Business Information and Analytics

Implementation: Q1 2024 through to Q2 2025

4.2 Accuracy of settlements due to System Limitations

Recommendation Priority:

Medium

The LRI team performs three additional tasks to ensure the accuracy of settlements prior to the funds being provided to the recipient due to system limitations in the Worker Benefit System (WBS) and Accounts Claimed Management System (ACES).

- 1. Adjustments to LOE/FEL payments:** In WBS, when there are adjustments in contributions due to late payments, or adjustments from Payment Services or Operations (e.g. appeals or claims), the LRI team performs additional work to validate each adjustment. Over a four year period, roughly 25% (or 165) of the total number of accounts settled each month have adjustments that require manual validation. Some of these adjustments take place after an account has been settled which results in a post-settlement balance on the account. If the amount is negative, the amount is written off from the overall fund. However, if the post-settlement balance is positive, the LRI team must follow-up with the worker to provide an additional settlement. 13% of settlements paid out in the past four years were settlements made after an original settlement occurred (i.e. post-settlement). Refer to **Appendix B2** for more information.
- 2. Review all negative transactions:** Due to the logic imbedded in the third party vendor's system, realized gains/losses are automatically calculated for each account when there is a negative transaction arising from adjustments. In addition, the third party vendor's system assumes that any losses are deductions from contributions that the worker is not entitled to. There is no option to include an effective date for the negative transactions in WBS so the third party vendor's system uses the average unit price at the beginning of the month to value the negative transaction. As a result, each negative transaction has to be individually reviewed for validity, and to determine whether it is a true deduction from the worker's contribution or an adjustment made by Payment Services or Operations. There have been on average 397 negative transactions per month and 23,799 total negative contributions over the past four years. Refer to **Appendix B4** for more information.
- 3. Review of accounts that are not eligible for LRI:** The WBS system does not have the ability to automatically identify when a worker is ineligible for LRI due to receipt of survivor benefits, or due to other inter-jurisdictional agreements. As such, the LRI team has implemented checks to verify accounts which may be ineligible to receive the benefit. This requires individual review of worker's ineligibility and settlements must be adjusted accordingly. Through review of data from January 2018 to December 2022, we noted that less than 0.2% of accounts were flagged as being ineligible for LRI. These accounts would require additional, manual intervention and efforts from the LRI Team to action.

4.2 Accuracy of settlements due to System Limitations (cont.)

Recommendation Priority:

Medium

4. Limited search functionality in ACES: Prior to settlement to LRI recipients, the LRI team reviews relevant documents including memos, beneficiary information and claims information in ACES (the claim management tool). ACES search functionality is limited to the first letters of the document name and documents are not typically named in a concise manner. The LRI team has to view multiple documents which increases the time it takes to review payments prior to settlement. For example, if the LRI team needs to identify if a worker has updated beneficiary information, the team would need to search all documents in the file for mention of beneficiaries.

Refer to **Appendix B4** for an in-depth analysis of the additional tasks and manual work required by the LRI Team. Per inquiry with the LRI team, these additional reviews are only performed before settlements are paid out and are reviewed on an individual account basis to ensure the accuracy of the contribution. While there are checks in place before settlements are paid out, the amount of manual work can increase the risk of error, the risk of delayed payment and results in additional time and efforts spent by the LRI team.

RECOMMENDATION:

The WSIB should:

1. Assess whether the LRI team can provide the effective date in the contribution file sent to the third party vendor. WSIB should work together with the third party vendor to ensure that their systems can be updated for this new data.
2. Assess whether WBS can be updated so that the system can flag when a negative adjustment is made by Payment Services or Operations without a corresponding positive adjustment. This flag will indicate to the LRI team when an adjustment has been made, allowing for prompt action to be taken.
3. As a longer term consideration, the LRI team should ensure that any system challenges currently experienced are factored into any decision making around a new or revised WBS system (e.g. the identification of workers who are ineligible for LRI due to receipt of other benefits).
4. Assess whether ACES can be updated so that the search functionality allows for a wildcard search. Moreover, increase training and documentation guidelines for front end staff to improve the naming conventions and tagging of each document.

4.2 Accuracy of settlements due to System Limitations (cont.)

Recommendation Priority:

Medium

MANAGEMENT RESPONSE:

The WSIB agrees with this recommendation and will work with IT Application Management Services to:

1. Explore if the contribution file going from WSIB to the third party vendor can be updated to include an effective date.
2. Explore if a system flag can be implemented to identify when a negative adjustment is made without a corresponding positive adjustment.
3. Include LRI scope in a potential WBS replacement.
4. Explore if ACES can be updated so that the search functionality allows for a wildcard search. We will explore options for improving training and documentation guidelines for front end staff to improve the naming conventions and tagging of each document.

Primary responsible party: VP, IT Application Management Services; VP, Financial Planning and Operations

Secondary responsible party: VP Service Excellence

Implementation: Q2 2024 through to Q4 2024

4.3 Assessments of third-party vendor security compliance

Recommendation Priority:

Medium

Threat risk assessments, privacy impact assessments and vulnerability assessments of the third-party vendor's, privacy and security compliance are not periodically performed by the WSIB. An assessment of existing privacy and security controls ("Privacy Security Screening Assessment") was conducted during the procurement of the third party vendor by WSIB Procurement. However no assessments had been performed during the previous contract with the third party vendor and these assessments during procurement were undertaken in May 2023.

We noted that the third party vendor is now providing System and Organization Controls (SOC) reports to the WSIB annually following the new contract that has been established in 2023. These SOC reports are performed by a third-party on behalf of the third party vendor and provide an evaluation of the third party vendor's internal control environment. The SOC reports provide information relating to the infrastructure, controls, risks and effectiveness of controls in place at the third party vendor. These SOC reports will be reviewed annually by the LRI team in-line with WSIB's internal guidance for reviewing SOC reports. These reports were not previously reviewed as they were not part of the requirements in the previous contract with the third party vendor.

While SOC reports provide the WSIB with assurance over the third party vendor's internal control environment, the WSIB should ensure that threat risk assessments, privacy impact assessments and vulnerability assessments are conducted on a regular basis to ensure associated risks are identified and addressed promptly.

RECOMMENDATION:

The WSIB should consult with Enterprise Risk, IT Security & Privacy and third party risk management to consider how additional third party risk management processes should be added to existing protocols.

Assessing third-party relationships through these assessments is essential for identifying and mitigating security risks, protecting data privacy of benefit recipients, identifying potential cost savings through risk prevention and ensuring compliance with various privacy laws.

4.3 Assessments of third-party vendor security compliance (cont.)

Recommendation Priority:

Medium

MANAGEMENT RESPONSE:

The WSIB agrees with this recommendation. The WSIB will work with Enterprise Risk, IT Security & Privacy and third party risk management to explore if these recommendations should be added to the enterprise security measures protocols

Primary responsible party: VP, Strategy Sourcing and Vendor Services

Secondary responsible party: Senior Director, Corporate Risk Management Services; VP, IT Infrastructure and Operations and Chief Information and Security Officer; Director Privacy and FOI Privacy Office; VP, Financial Planning and Operations

Implementation: Q3 2024 through to Q4 2024

4.4 Technology enhancement for customer satisfaction

Recommendation Priority:

Medium

We noted the following examples where technology is not being effectively used to provide information to LRI program recipients, which limits the effectiveness of the LRI program.

- 1. Workers cannot check their account balances or update their beneficiary information online.** Workers receive annual statements of account balances and can call WSIB or the third party vendor if they want an updated balance. Beneficiary information is mailed to workers annually and must be updated via return mail. This leads to an increased workload between workers and the LRI team to ensure the correct information is captured. From January 2018 to December 2022 the third party vendor received on average, 440 calls per month of which 51% relate to balances, payment status and demographic information. On average, each call made to the third party vendor lasts between 20-90 seconds. Refer to **Appendix B5** for an in-depth analysis of the type of calls received and their average amount and length of calls.
- 2. Direct deposit of settlements does not occur unless the worker has received LOE or FEL benefits at least six months prior to the settlement being paid.** Workers who do not receive LOE or FEL benefits six months prior to settlement are not eligible to receive LRI benefit payments by direct deposit. Processing cheque payments results in additional administrative work for the LRI team, who must mail forms confirming the recipients address and information. Not offering direct deposits increases the likelihood of settlements being outstanding if workers do not cash in their cheques. All beneficiaries of deceased workers currently receive cheque payments. For additional context, 48% of workers from July 2019 to December 2022 received cheque payments and of those, 82% are alive workers who would have been eligible for direct deposit. Refer to **Appendix B6** for an in-depth analysis of active vs inactive claims and direct deposits vs cheque payments. During our jurisdictional scan, we also noted that another Worker Compensation Board has an online form for recipients to update their banking or demographic information and workers information is manually entered in their system on an individual basis.

4.4 Technology enhancement for customer satisfaction (cont.)

Recommendation Priority:

Medium

RECOMMENDATION:

The WSIB should consider enhancing the existing portal used for workers who receive LOE or FEL payments to offer workers the ability to check their account balances, and the opportunity to receive settlements by direct deposit if they are currently receiving by cheque. This enhancement will allow workers to see their relevant LRI information and have a chance to update any demographic, banking or beneficiary information on the portal.

The portal should be available to all LRI recipients, not only workers who currently receive LOE or FEL payments.

MANAGEMENT RESPONSE:

The WSIB agrees with this recommendation. The LRI team will work with ITC to explore a solution to offer workers the following:

1. The ability to check their account balances
2. A choice of cheque or direct deposit
3. To collect direct deposit and beneficiary information.

Primary responsible party: VP, IT Application Management Services ; VP, Financial Planning and Operations

Secondary responsible party: VP, Service Excellence

Implementation: Q1 2024 through to Q2 2024

Jurisdictional Scan [REDACTED]

Jurisdictional Scan

This section has been removed from the report to protect the confidentiality of Worker Compensation Boards across Canada that shared their practices. The redactions do not affect the substance of the report.

Appendices

Appendix A: Value for Money Approach and Rating Scales

Appendix A: Value for Money Approach

Approach

Our approach defines a value for money audit as “an independent, objective and systematic review of a program, activity or function designed to assess the extent to which the pre-determined goals of the program, activity or function are being achieved and the economy, efficiency and effectiveness of the processes and activities through which the organization attempts to achieve these goals.”

Three principles underlying our value-for-money audit approach are:

- **Economy:** This principle relates to the minimization of the cost of resources used for the processes and activities used to achieve objectives taking into account the quality of the goods or services delivered. In addition, this principle focuses on the soundness of the administration and management of these resources and the extent to which such administration and management is consistent with relevant corporate policies and procedures and legal and/or regulatory requirements and constraints
- **Efficient:** This principle relates to relationship between the goods and services produced or delivered and the resources used to produce them. The efficient organization produces the maximum output from any given set of inputs, without sacrificing the quality of that output
- **Effective:** This principle relates to the extent to which the organization achieves its pre-determined objectives and the extent to which the actual impact of the program or activities in question is consistent with the intended impact

Appendix A: Value for Money Rating Scales

Rating Scales

We have provided an overall opinion of WSIB’s Loss of Retirement Income Program using the four categories below:

Demonstrate high value for money	Demonstrate moderate value for money	Demonstrate low value for money	Demonstrate no value for money
<p>The program / activity / function’s goals are being achieved with due regard to economy, efficiency and effectiveness of the processes and activities. Any weaknesses identified relate only to issues of good practice which could improve performance.</p>	<p>There are weaknesses requiring improvement but these are not vital to the program / activity / function’s achievement of strategic objectives. There may be opportunities to improve economy, efficiency and effectiveness of processes and activities.</p>	<p>The weakness or weaknesses identified have a significant impact preventing achievement of strategic objectives; or result in an unacceptable economic, efficient, or effective outcomes.</p>	<p>The weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic objectives; or result in an unacceptable exposure to reputation or other strategic risks.</p>

Each observation and recommendation has been ranked on a three point rating scale, as shown below:



High – (Priority One): Issues arising referring to important matters that are fundamental and material to value for money. The matters observed might cause a program objective not to be met, or leave a risk unmitigated and need to be addressed as a matter of urgency.



Medium – (Priority Two): Issues arising referring mainly to issues that have an important effect on the program’s performance but do not require immediate action. A program objective may still be met in full or in part, but the weakness represents a deficiency in the economy, efficiency or effectiveness of the program.

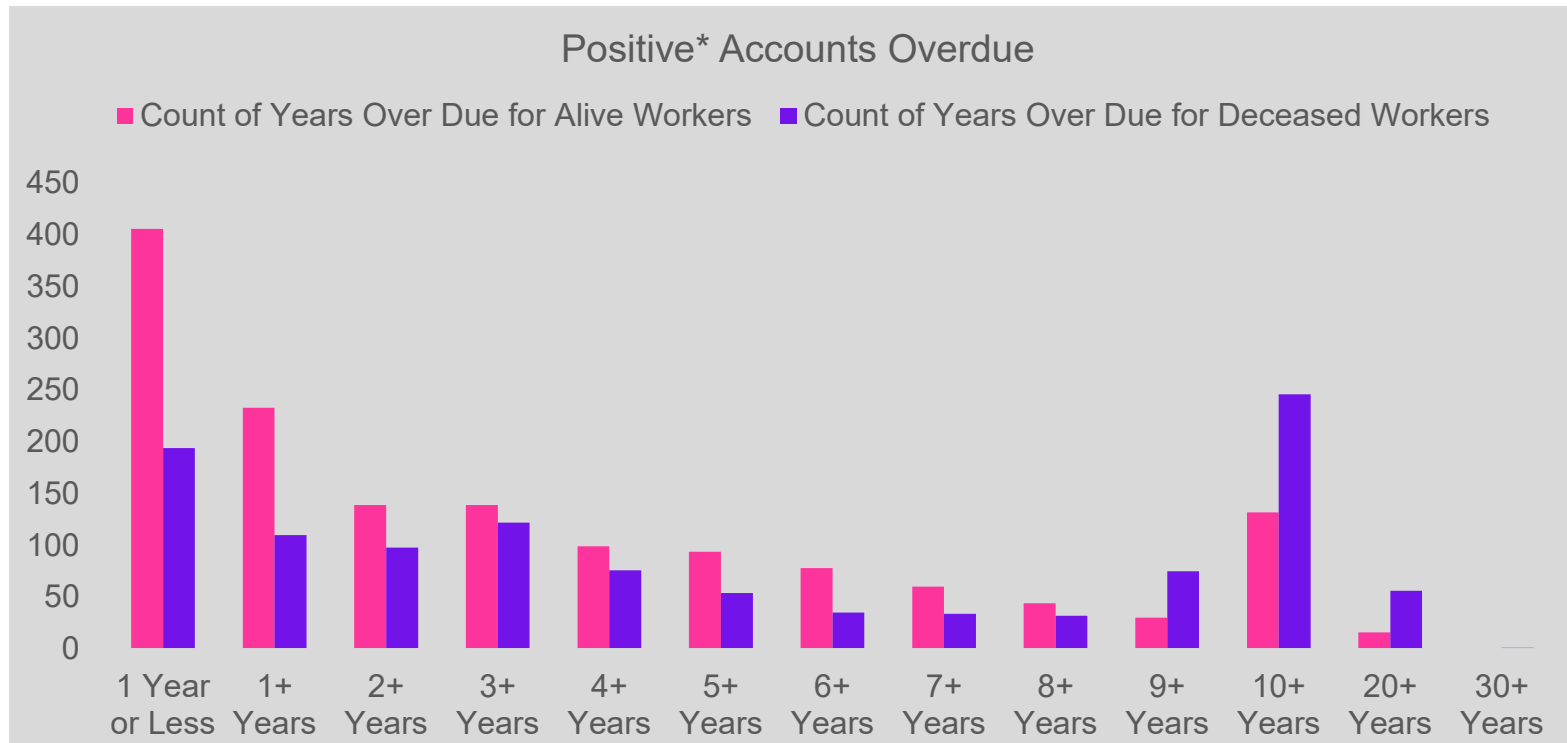


Low – (Priority Three): Issues arising that would, if corrected, improve performance in general but are not vital to the overall value for money of the program. These recommendations are of leading practice as opposed to weaknesses that prevent systems objectives being met.

Appendix B: Data and Analytics

Appendix B1: Past Due Report

We reviewed the 'Past Due Report' which shows all accounts where a balance remains in the fund after the settlement due date has passed. As of June 2023, 2,647 accounts were shown to be past due, ranging from less than a year to over 30 years, with an average of five years past due. These accounts were divided into negative and positive balances and split by recipient status (deceased or alive). For the positive balances, we differentiated them by alive and deceased workers as we acknowledge that it may be harder to locate beneficiaries of deceased recipients. There were 2,603 accounts which had a positive balance, of which 1,470 (56%) were for alive workers and 1,133 (44%) were for deceased workers. There are a total of 987 accounts with a positive balance, 38% of which are past due for more than 5 years. As the years overdue increased, the amount of deceased workers exceeded the number of alive workers. Our analysis has been shown below and on the following slide.



* Our analysis focused on positive account balances only. Negative balances are written off in the system.

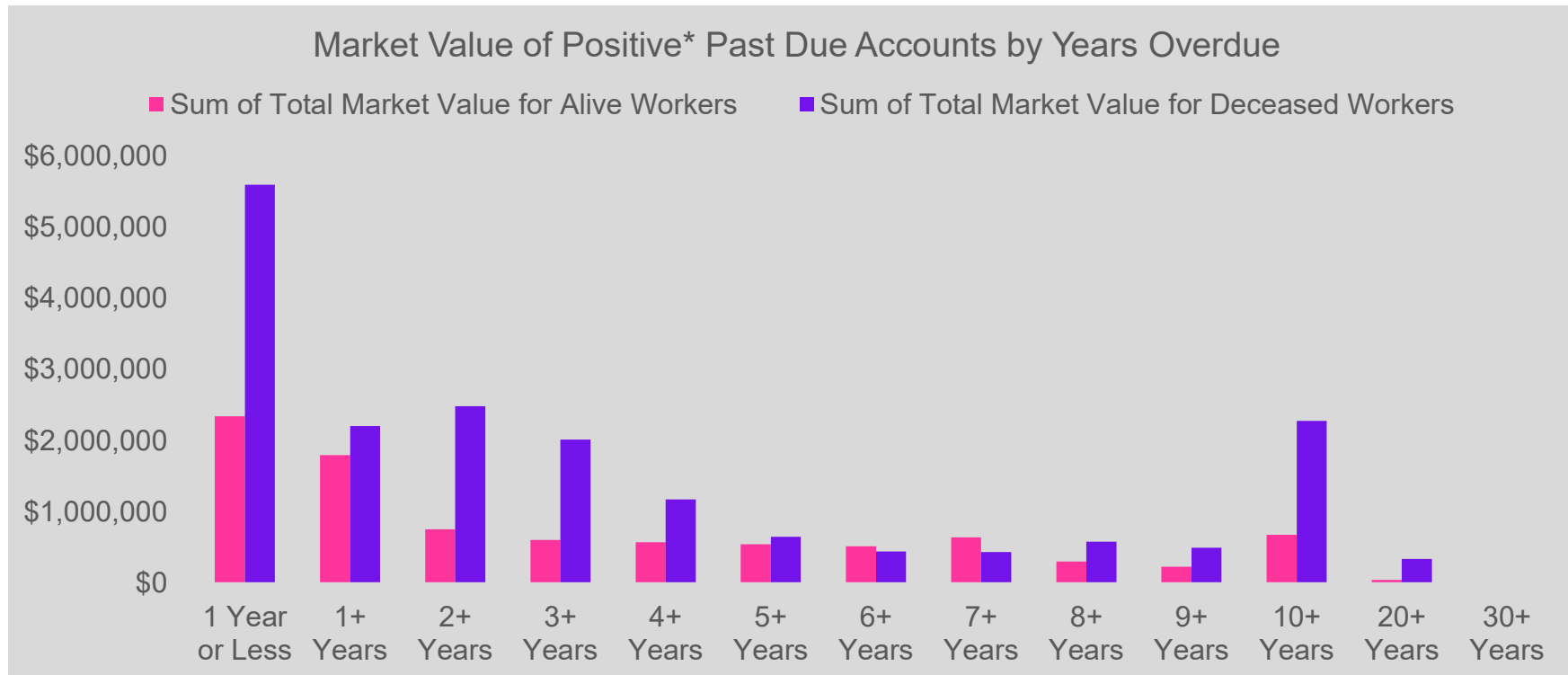
Appendix B1: Past Due Report

We note that over 1,000 workers did not have their LRI benefits paid out to a beneficiary. This has potential for reputational damage for WSIB as there are beneficiaries that could have received financial support from WSIB after a partner's death and did not.

Years Overdue	Alive Workers	Deceased Workers	Total Workers	% of Total Positive Accounts Past Due
1 Year or Less	406	194	600	23%
1+ Years	233	110	343	13%
2+ Years	139	98	237	9%
3+ Years	139	122	261	10%
4+ Years	99	76	175	7%
5+ Years	94	54	148	6%
6+ Years	78	35	113	4%
7+ Years	60	34	94	4%
8+ Years	44	32	76	3%
9+ Years	30	75	105	4%
10+ Years	132	246	378	15%
20+ Years	16	56	72	3%
30+ Years	0	1	1	0%
Grand Total	1470	1133	2603	100%

Appendix B1: Past Due Report

We reviewed the 'Past Due Report' which shows all accounts where a balance remains in the fund after the settlement due date has passed. As of June 2023, the amount \$27,685,077 was shown to be past due, ranging from -\$3,302 to \$230,062, with an average of \$10,459. These accounts were divided into negative and positive balances and split by recipient status (deceased or alive). For the positive balances, we differentiated them by alive and deceased workers as we acknowledge that it may be harder to locate beneficiaries of deceased recipients. The total market value of accounts which had a positive balance was \$27,709,581, of which \$9,021,159 (33%) were for alive workers and \$18,688,422 (67%) were for deceased workers. There is a total positive balance of \$8,175,351, 30% of which is past due for more than 5 years. We noted that the deceased accounts have mostly high market values associated to them. Our analysis has been shown below and on the following slide.



* Our analysis focused on positive account balances only. Negative balances are written off in the system.

Appendix B1: Past Due Report

Years Overdue	Alive Workers	Deceased Workers	Total Market Value	% of Total Market Value of Positive Accounts Past Due
1 Year or Less	\$2,340,130	\$5,594,077	\$7,934,207	29%
1+ Years	\$1,796,425	\$2,202,878	\$3,999,303	14%
2+ Years	\$753,509	\$2,481,229	\$3,234,738	12%
3+ Years	\$603,684	\$2,015,461	\$2,619,145	9%
4+ Years	\$571,166	\$1,175,670	\$1,746,836	6%
5+ Years	\$544,631	\$648,843	\$1,193,474	4%
6+ Years	\$516,724	\$442,641	\$959,365	3%
7+ Years	\$639,564	\$433,579	\$1,073,142	4%
8+ Years	\$303,715	\$581,072	\$884,787	3%
9+ Years	\$230,682	\$497,273	\$727,956	3%
10+ Years	\$677,917	\$2,277,112	\$2,955,029	11%
20+ Years	\$43,012	\$336,809	\$379,821	1%
30+ Years	0	\$1,778	\$1,778	0%
Grand Total	\$9,021,159	\$18,688,422	\$27,709,581	100%

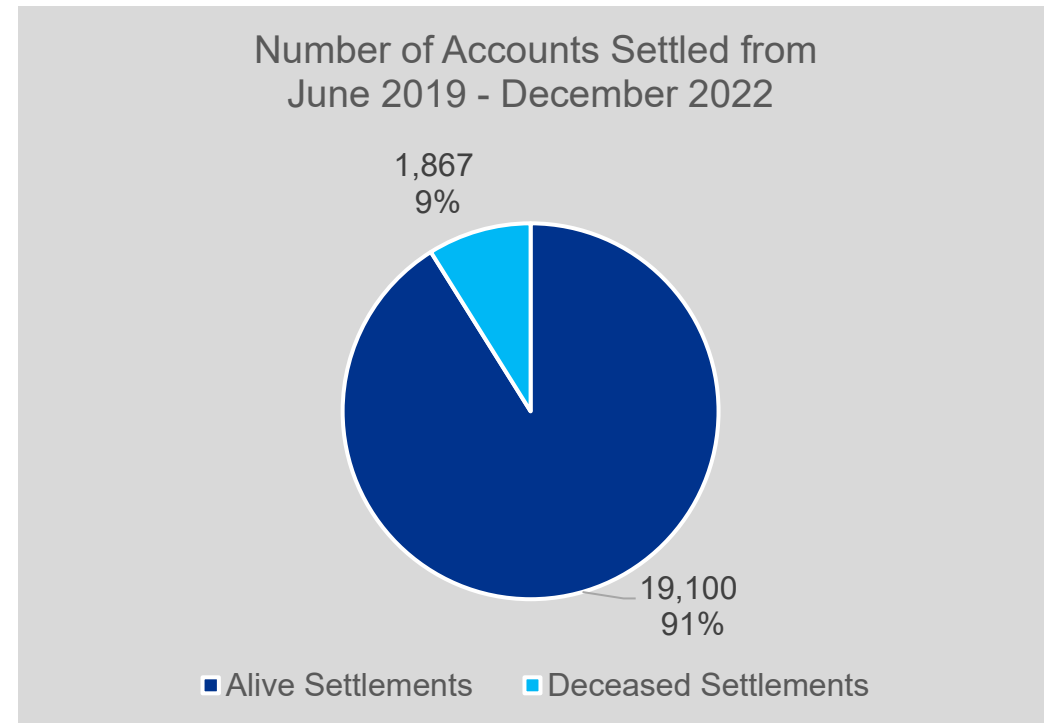
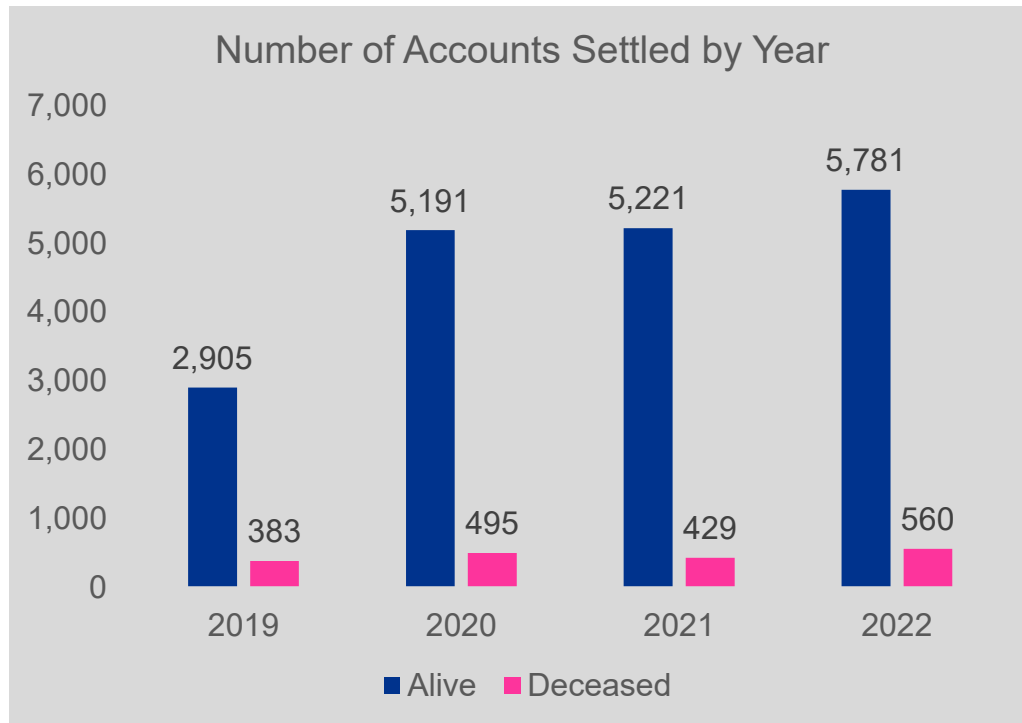
Appendix B1: Past Due Report

We conducted further analysis into the overdue balances. Per inquiry with the LRI Team, we noted that on occasion, workers do not respond to WSIB's follow-up communication and choose not to settle their payments if the balance in their account is insignificant. The chart below shows the number of positive accounts and their values. We can see that even though 26% of the accounts have a dollar value less than \$500, there are still 74% of the accounts which have balances over a \$1,000.

Thresholds	Count of Accounts	Percentage of Total Positive Accounts
\$0 - \$100	384	15%
\$101 - \$500	288	11%
\$501 - \$1,000	200	8%
\$1,001 - \$10,000	1004	38%
\$10,000+	727	28%
Grand Total	2603	100%

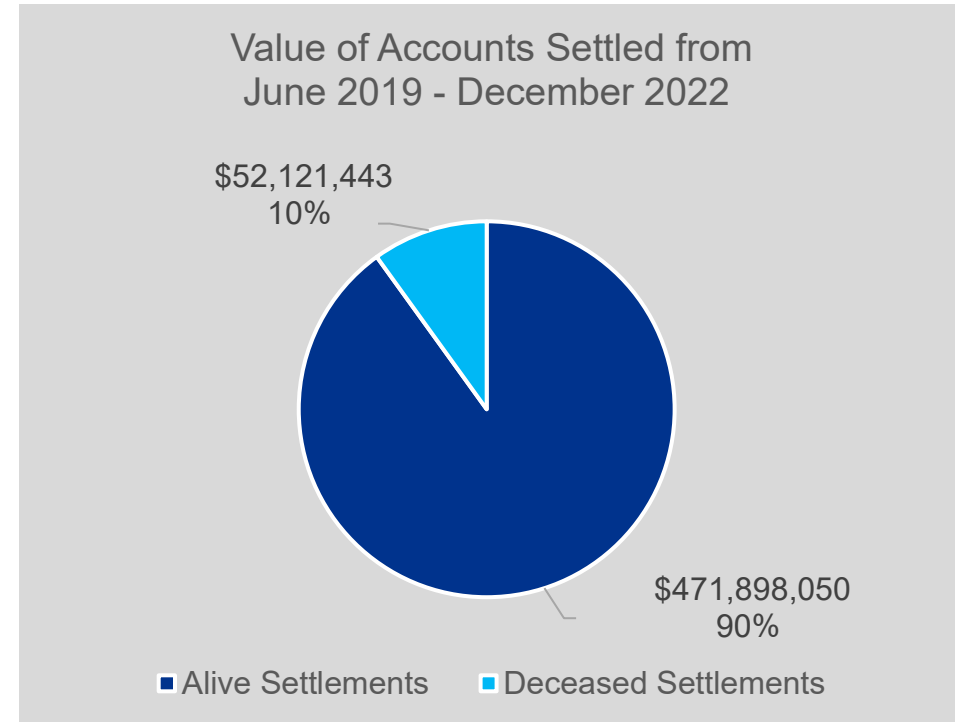
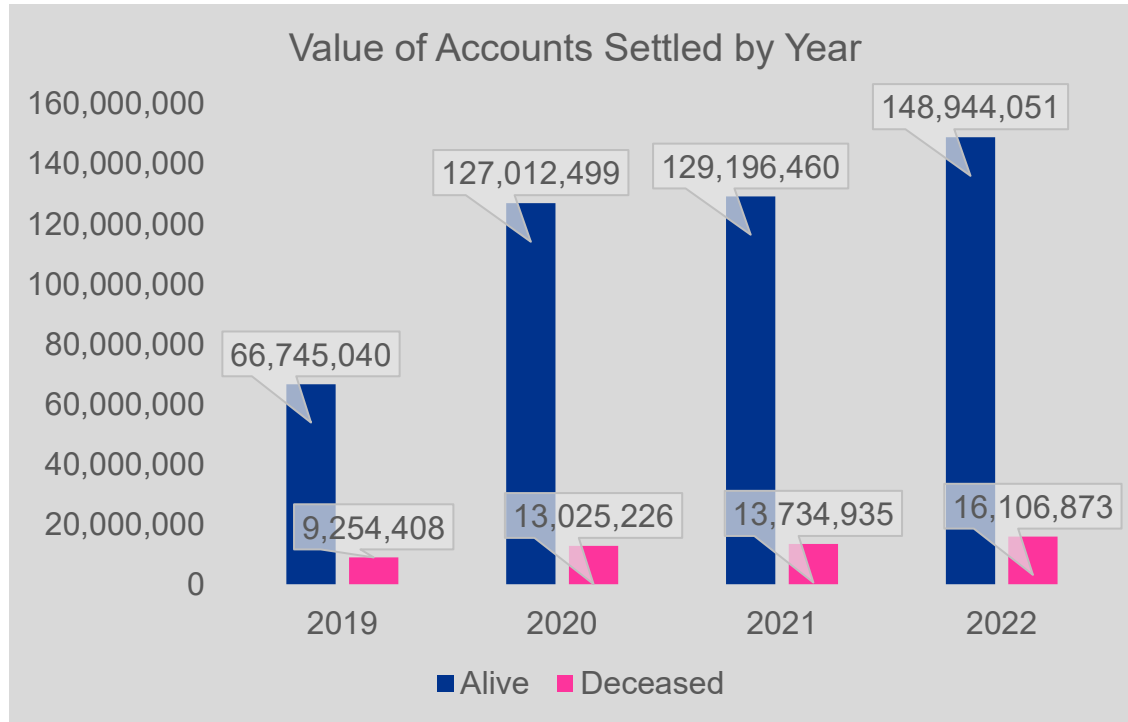
Appendix B2: Accounts Settled

From June 2019 to December 2022, there have been 20,965 settlements. The settlements represent fulfilled LRI balances that have been paid to the worker and no outstanding funds remain in their account. The average number of accounts settled is 487 per month. These accounts include settlements to alive workers or beneficiaries of deceased workers. Please note that this data was only available for June 2019 and onwards.



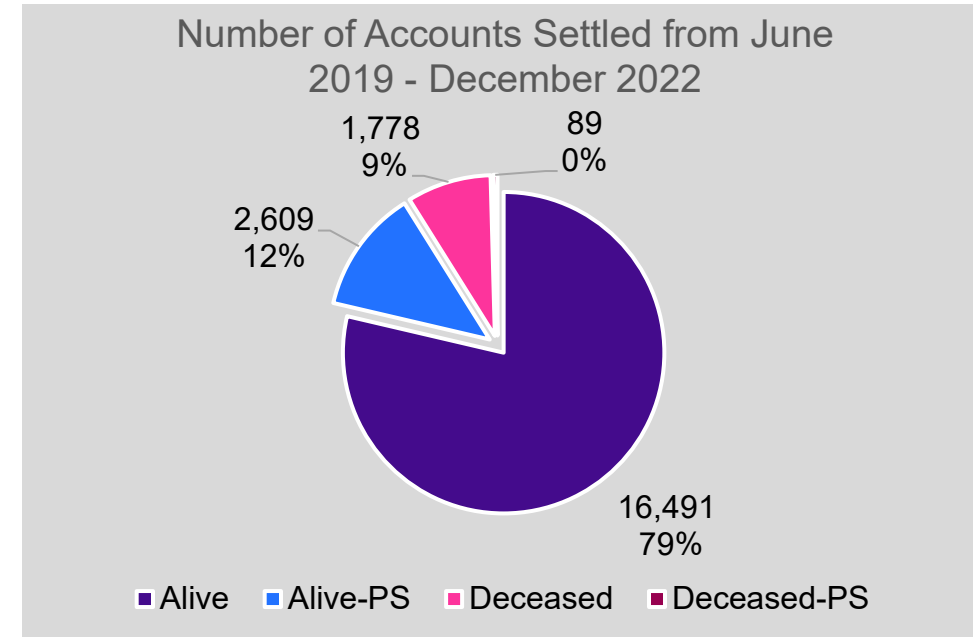
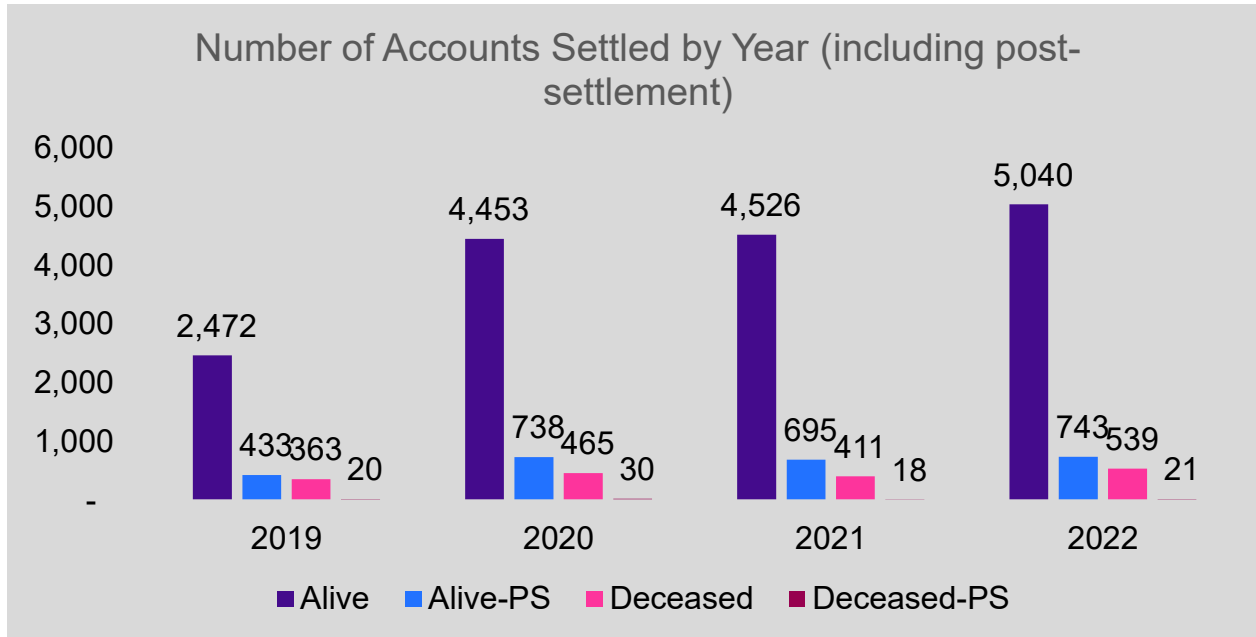
Appendix B2: Accounts Settled

From June 2019 to December 2022, there have been \$524,019,493 worth of settlements. The settlements represent fulfilled LRI balances that have been paid to the worker and no outstanding funds remain in their account. The average amount of accounts settled is \$12,186,500 per month. These accounts include settlements to alive workers or deceased beneficiaries. Please note that this data was only available for June 2019 and onwards.



Appendix B2: Accounts Settled

From June 2019 to December 2022, there have been 20,965 settlements. Of these settlements, 13% of them occurred post-settlements (indicated by PS). This means that an additional settlement was paid out after the due date had passed and one settlement had already been paid. Please note that this data was only available for June 2019 and onwards.



Appendix B3: Annuity for Deceased Workers

We reviewed data provided to quantify the amount of annuities given to deceased workers. This helped us better understand the amount of manual work required to pay annuity payments for deceased workers. From June 2019 to December 2022, Each month on average had 15.06% of total deceased accounts that were eligible for annuity payments, which represents an average of 1.35% of all accounts. However, there were an additional 3 accounts per month where eligibility for annuity was tested but not applicable. This represents an average of 6.46% of total deceased accounts where eligibility was tested but the recipient was not eligible.

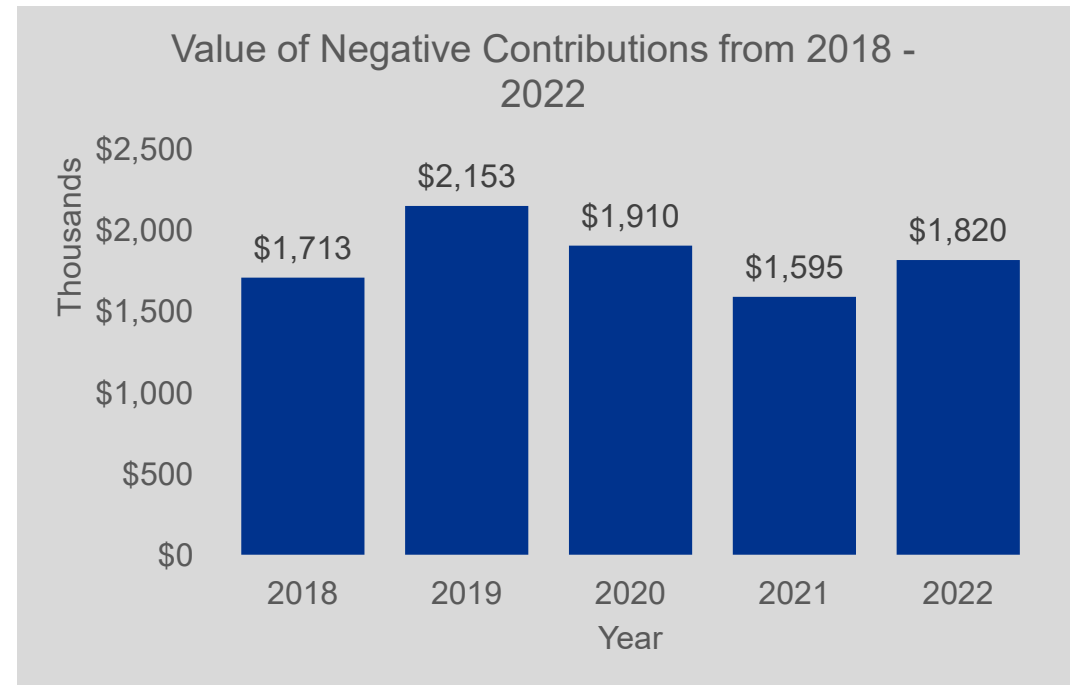
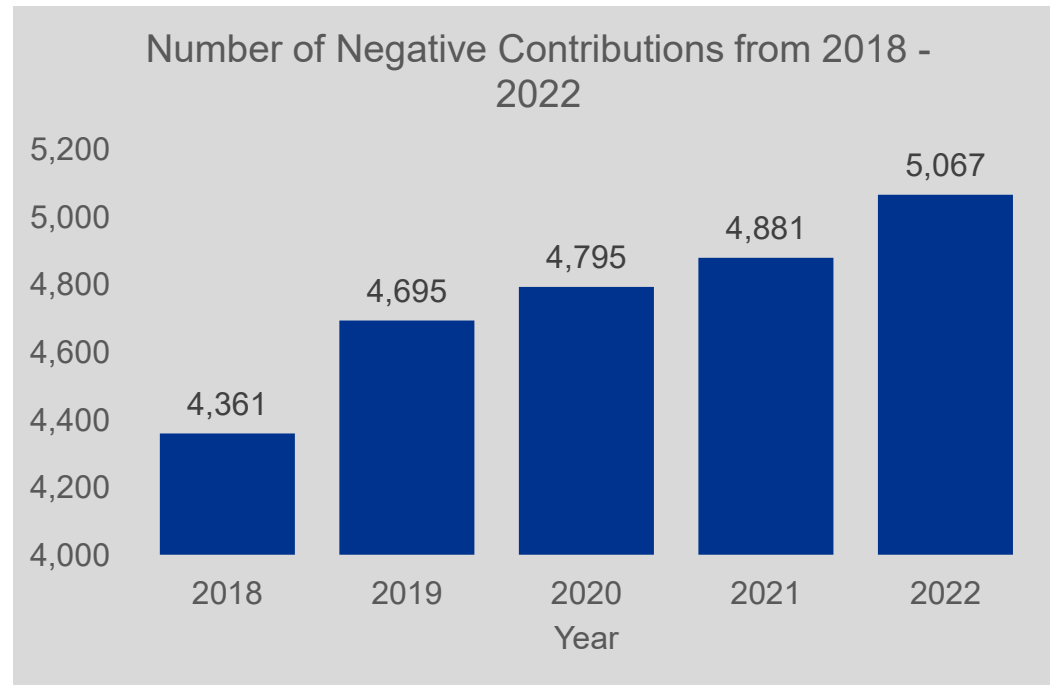
Date	Number of Deceased Accounts:	Number of Deceased Accounts:	Number of Deceased Accounts:	Total Deceased Accounts Settled	Percentage of total deceased accounts settled:	Percentage of total deceased accounts settled:	Total Accounts Settled	Percentage of total accounts settled:	Percentage of total accounts settled:
	Eligible for Annuity	Eligibility tested and not eligible for annuity	Annuity Threshold not met		Eligible for annuity	Eligibility tested and not eligible for annuity		Eligible for annuity	Eligibility tested and not eligible for annuity
2019	52	27	304	383	13.58%	7.05%	3288	1.58%	0.82%
2020	71	33	392	496	14.31%	6.65%	5686	1.25%	0.58%
2021	74	30	328	432	17.13%	6.94%	5650	1.31%	0.53%
2022	85	31	446	562	15.12%	5.52%	6343	1.34%	0.49%

Appendix B4: Manual Efforts

There is additional work required by the LRI team before settlement of any balances. One such instance is the investigation of negative contributions. Negative contributions can occur for one of two reasons:

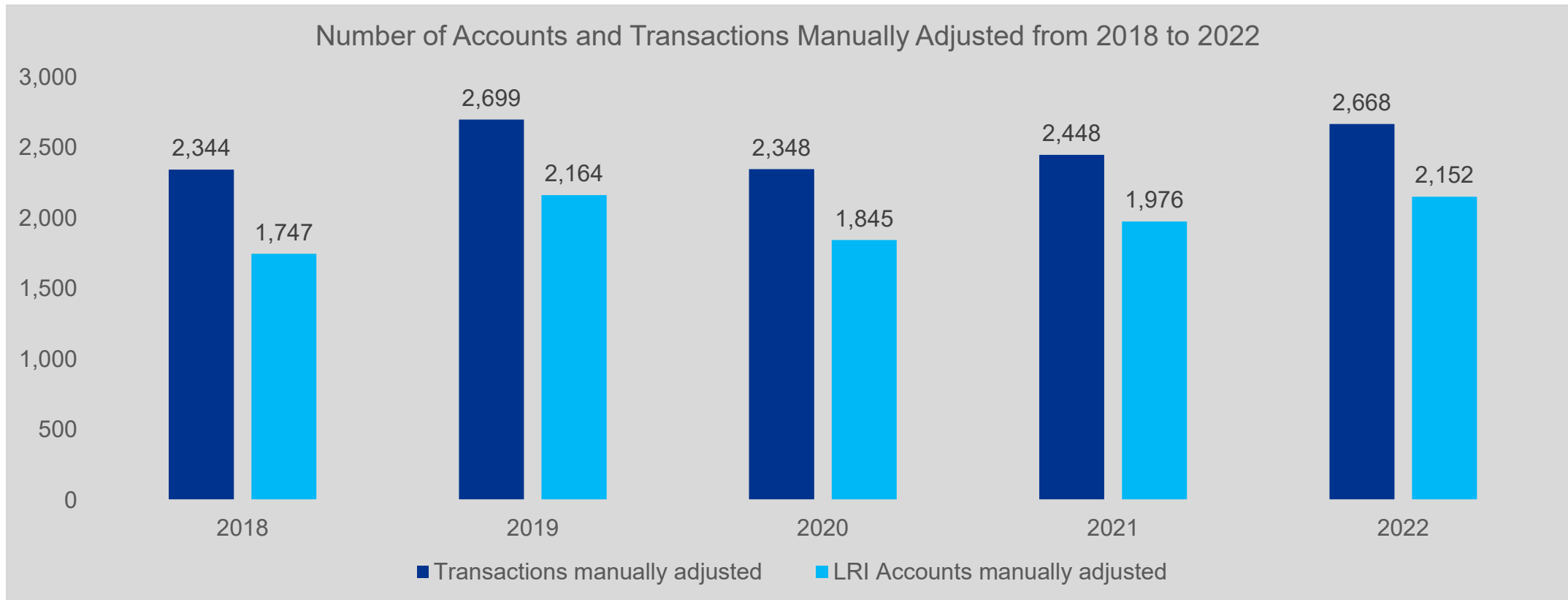
1. An actual Negative contribution that would result in adjustments of the LRI contributions
2. A 'dummy;' negative contribution, ideally a negative amount that shows up in the system as a reversal of a previous positive contribution.

Due to system limitations, regardless of the type of negative contribution, there will be a calculation of realized gains and losses which has to be manually corrected during the time of settlement by the team. From January 2018 to December 2022, there have been on average 397 negative transactions per month and 23,799 total negative contributions. On average, there are \$153,191 worth of negative contributions every month. We also note that the volume of negative contributions has been steadily increasing over time.



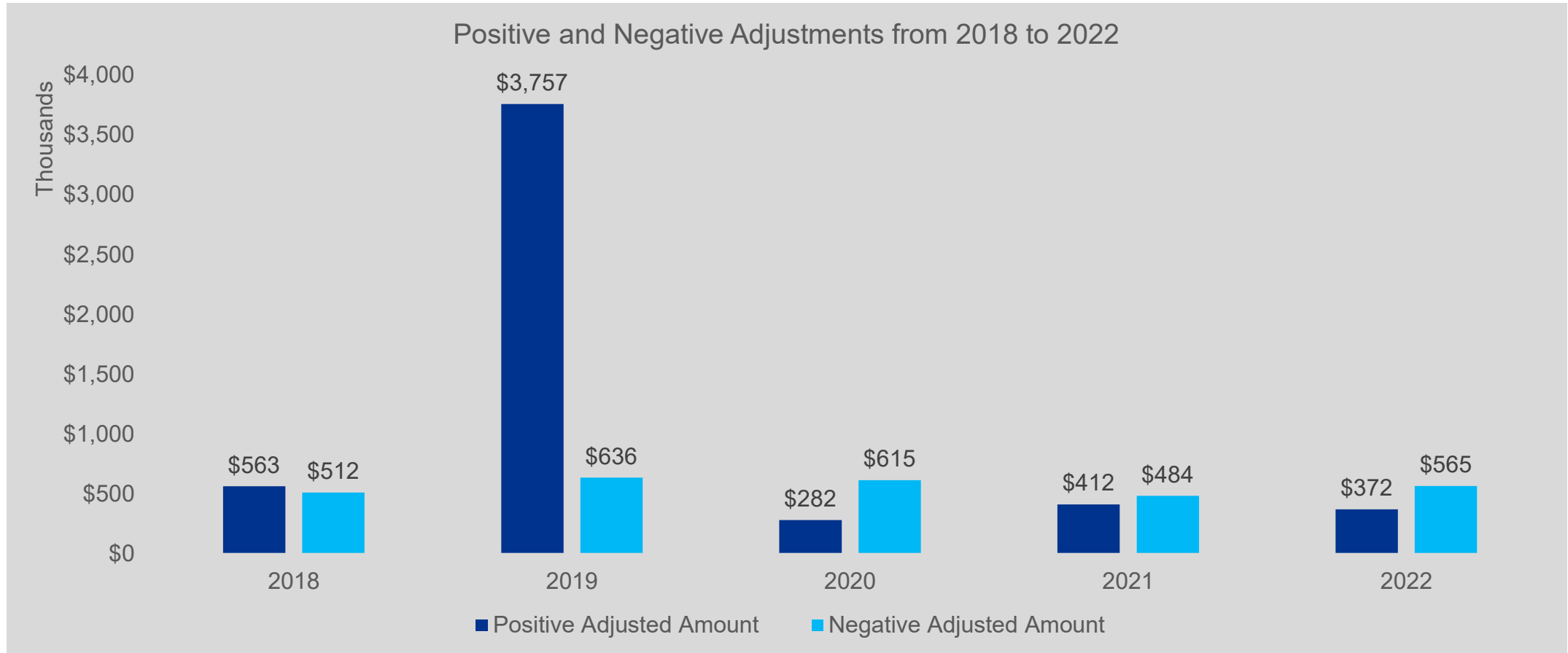
Appendix B4: Manual Efforts

Another form of manual work required by the LRI team prior to settlement is the manual adjustment of each account and transaction. Adjustments can be a result of delayed contributions from appeals, delay from payment team to process contribution payments, or adjustments in calculation errors. From January 2018 to December 2022, there have been 165 accounts every month which have been manually adjusted which rounds to 34% of the total accounts settled every month. Within those accounts, there were on average 208 transactions to be reviewed every month.



Appendix B4: Manual Efforts

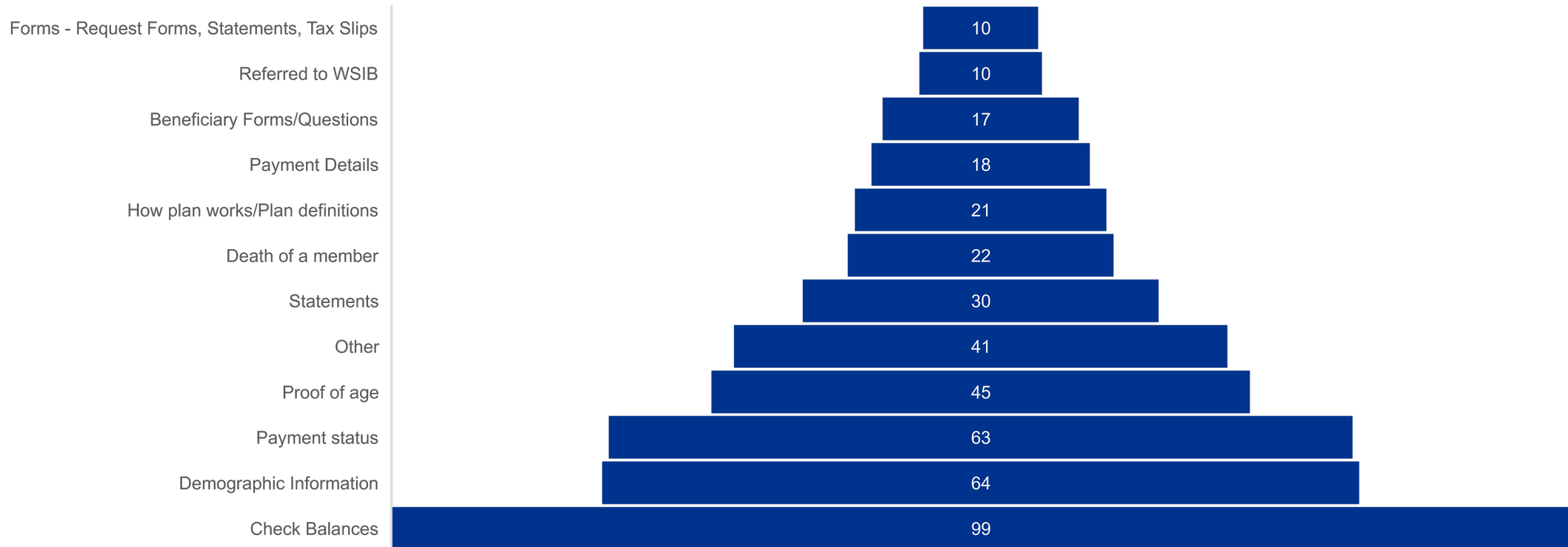
Adjustments can be positive or negative. On average there are \$5,386,747 worth of positive adjustments and \$2,812,484 worth of negative adjustments made each month from January 2018 to December 2022. The high number of positive adjustments in 2019 is due to a proactive review of profit loss transfers.



Appendix B5: Call Centre (the third party vendor)

We analyzed the data provided by the third party vendor to note the average amount of calls per month. As shown below, there are on average 440 calls per month out of which about 225 (51%) are about balances, payment status and demographic information.

Average count of calls per month between 2018-2022 differentiated by type



Appendix B5: Call Centre (the third party vendor)

We analyzed the data provided by the third party vendor and noted that the count and number of call run time was given by each type of call in the above slides. A description of each call motivator analyzed is given below. *(continued on next slide)*

Call Motivator	Description
Check Balances	Worker will call to check their account balance.
Payment Status/Payment Details	Worker will call to see if they are on the payment list.
	Worker will call to see if the third party vendor has received their form in the mail and if it is okay and when their LRI will be paid.
Death of a Member	Spouse/beneficiary will call to notify us of the death of a worker.
	Spouse/beneficiary will call for the status of the LRI pay out.
Statements	Worker will call to see when the statements will be mailed out.
	Worker will call in to receive another copy of the statement if worker cannot find it or did not receive it.
	Worker will call if they have a question regarding anything on the statement.
Beneficiary Forms/Questions	Worker will call to request a beneficiary form to be mailed to them to change the beneficiary information we have on file (WSIB will be notified to mail out the form.)
Demographic Information	Worker will call to notify us of a change of name, address, birth date. (The third party vendor will confirm that they have made the changes with WSIB.)
Direct Deposit (Other)	Worker will call to notify us that they do not wish to receive their LRI payment as a direct deposit
	Worker will call to verify the time line for the direct deposit payout.
	Worker will call to verify the bank account number the third party vendor has on file for the LRI Payment

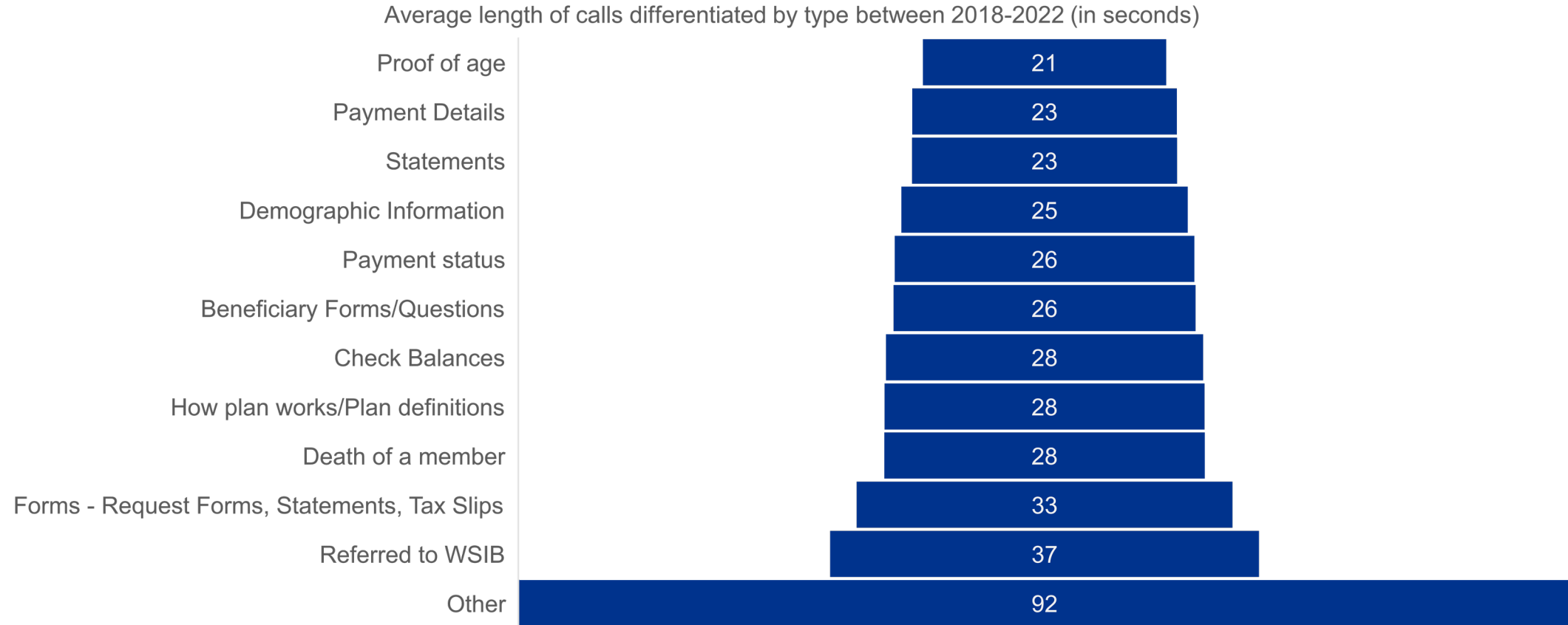
Appendix B5: Call Centre (the third party vendor)

We analyzed the data provided by the third party vendor and noted that the count and number of call run time was given by each type of call in the above slides. A description of each call motivator analyzed is given below. *(continued on next slide)*

Call Motivator	Description
Forms - Request Forms, Statements, Tax Slips	Worker will call to request another copy of the Notice Letter, Annual Statement, T5007 Tax Slip or Beneficiary Form.
Tax Questions/Details (Other)	Worker calls to ask when the T5007 tax slip will be mailed out.
	Worker calls to confirm that the LRI payout is non taxable.
	Worker calls to request another T5007 tax slip.
Referred to WSIB	Worker will call in and we cannot assist them i.e: questions regarding the investments on their statements or questions regarding multiple claims.
How Plan Works/Plan Definitions	Worker will call to ask about what the LRI Plan is and how it is paid out and when.
Proof of Age	Worker/Spouse will call to see what documentation is required if they have a change of information or what is required for backup information in Estate Cases.
Payment Details	Workers will call to see when they will be paid and how: lump sum or direct deposit (occurs mostly prior to notice letters being mailed out) and approximate payment amount

Appendix B5: Call Centre (the third party vendor)

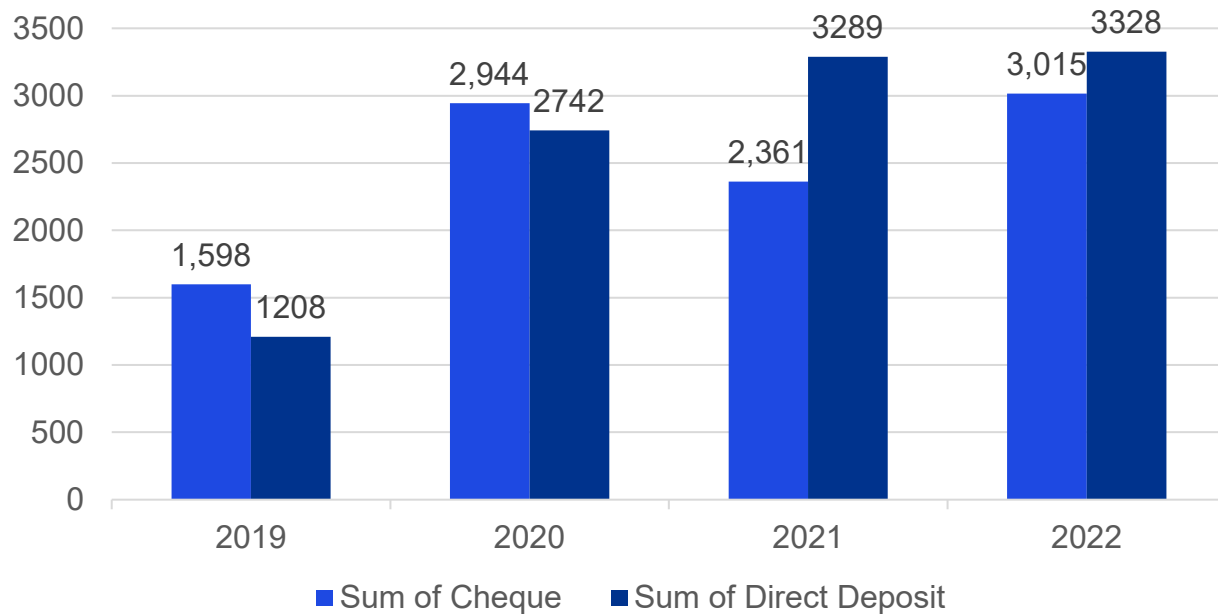
We analyzed the data provided by the third party vendor to note the average time taken for calls per month. As shown below, every call, on average is between 20-90 seconds approximately.



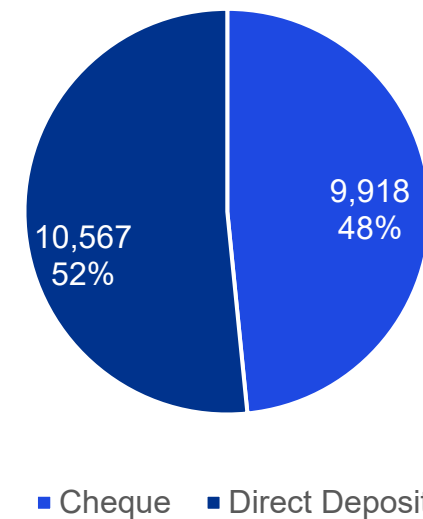
Appendix B6: Direct Deposit vs Cheque Payments

Below is an analysis of the number of people who are receiving direct deposit vs cheque payments. Please note that LRI direct deposit project was launched in July 2019 and that prior July 2019, all LRI benefit payments were paid by cheque. As noted in our discussions, all deceased workers are paid by cheque only. As per the diagram below, we can note that even though all deceased workers are paid through cheque, there are similarities in the number of people paid in cheque vs direct deposit settlements.

All Workers Settlement Method from July 2019 to December 2022



All Workers Settlement Method from July 2019 to December 2022



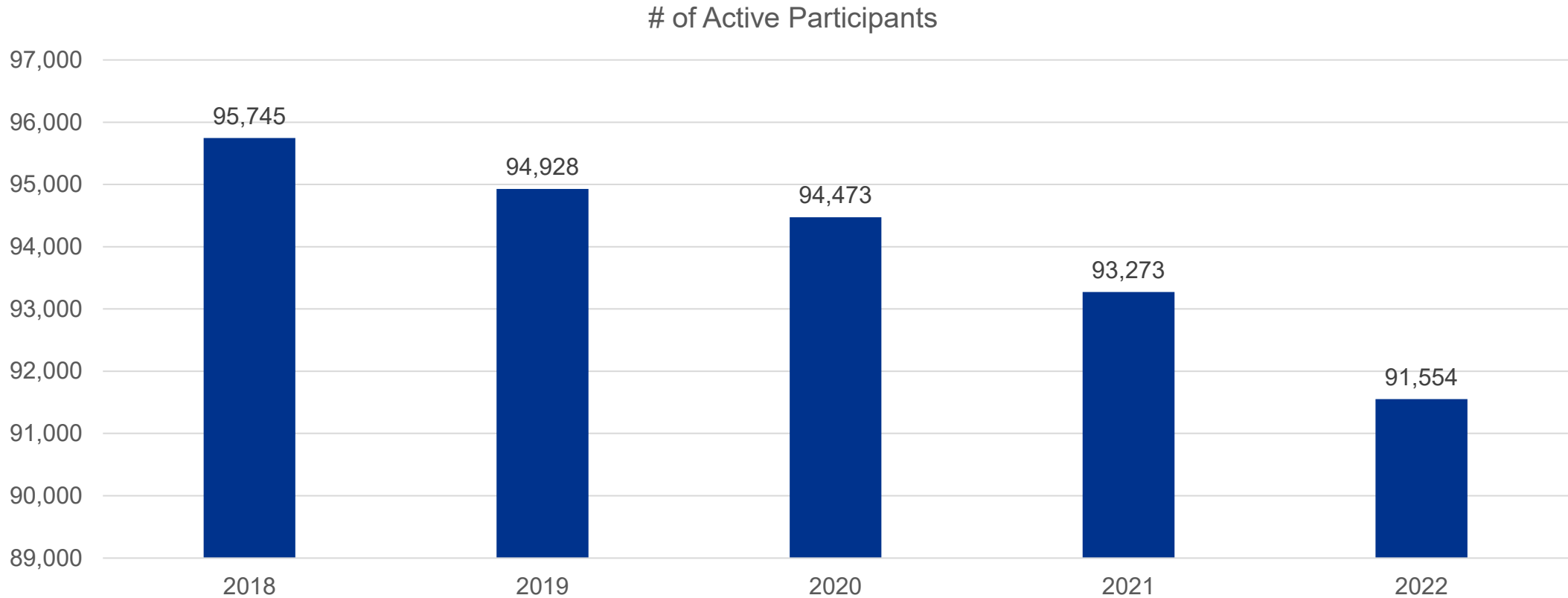
Appendix B6: Direct Deposit vs Cheque Payments

Below is an analysis of the number of people who are receiving direct deposit vs cheque payments divided by workers who are deceased and alive. In total there were 20,458 settlements from July 2019 – December 2022. Out of these 20,458 settlements, 52% were processed by direct deposit and 48% were processed by cheque. Moreover, out of these 20,458 settlements there are 91% payments settled for alive workers and 9% payments are settled for deceased workers. Of the alive workers, there are 43% payments that are processed by cheque and 57% payments by direct deposit. Note that all deceased workers are settled by cheque.

	Cheque	Direct Deposit	Grand Total
Alive	8,114	10,567	18,681
Deceased	1804	0	1,804
Grand Total	9,918	10,567	20,485

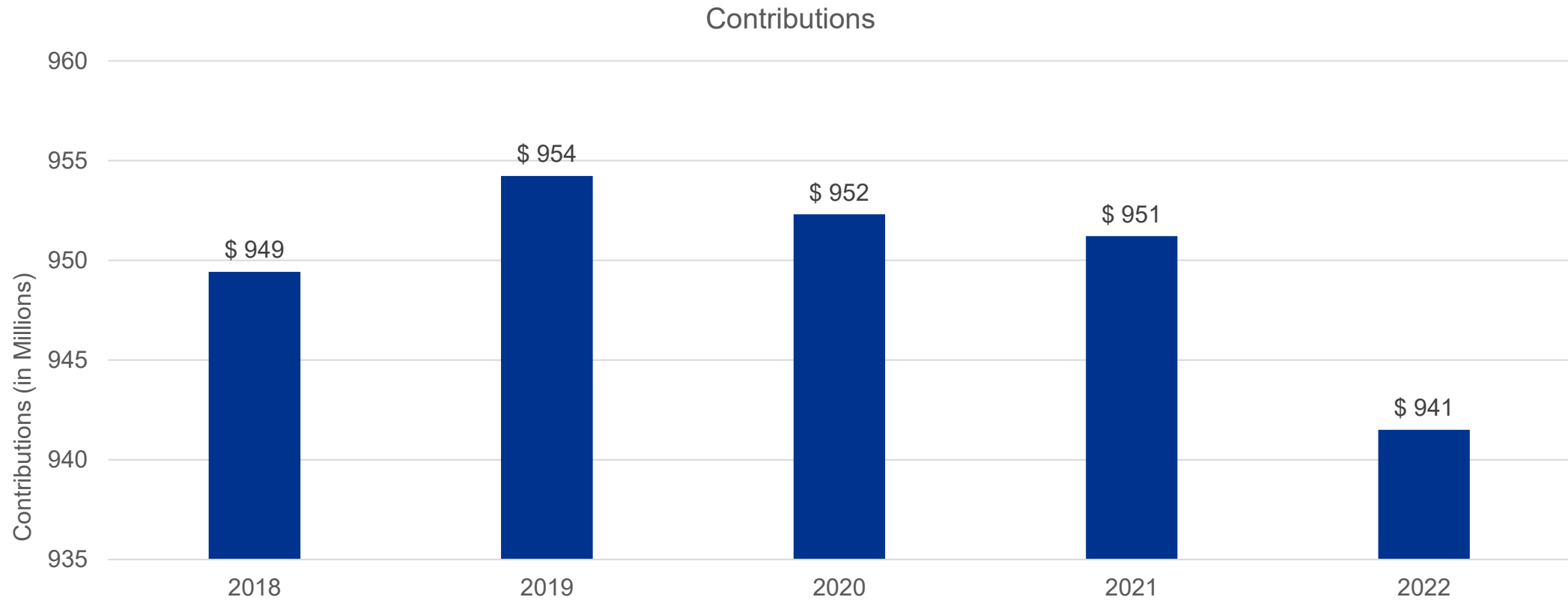
Appendix B7: Overall Statistics

KPMG obtained data for the overall LRI Program and used this as reference to the specific calculations done in the Appendices B1 to B8. Below shows the number of active participants in the fund from 2018 to 2022. The number of active participants has consistently declined over the last five years.



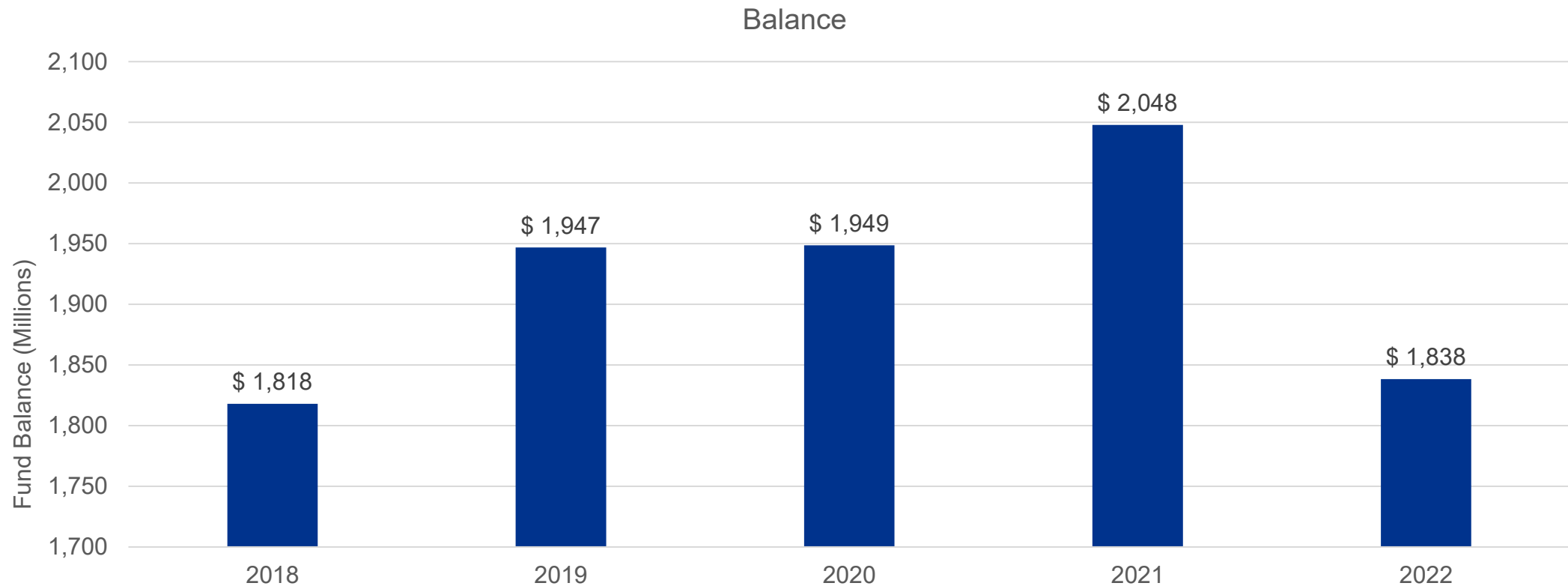
Appendix B7: Overall Statistics

KPMG obtained data for the overall LRI Program and used this as reference to the specific calculations done in the Appendices B1 to B8. Below shows the number of total contributions into the fund from 2018 to 2022.



Appendix B7: Overall Statistics

KPMG obtained data for the overall LRI Program and used this as reference to the specific calculations done in the Appendices B1 to B8. Below shows overall balance of the fund from 2018 to 2022. In 2021, there was a large investment balance increase of over \$100,000 while the following year, the investment income decreased by \$200,000, as a result of changes in investment performance.



Appendix C: Jurisdictional Scan Questions

Appendix C: Jurisdictional Scan Questions

The following questions were asked during our interviews with each jurisdiction.

1. *Can you confirm if the program you are referring to provides supplementary income due to loss of employment or other benefits and this is not meant to be a primary source of income?*
2. *What is the contribution model for your program? Is there a voluntary contribution component?*
3. *When is the benefit payable to recipients of the funds?*
4. *How is the payment paid out? Is it a lump sum or an annuity payment?*
5. *Are the contributions/funds invested?*
6. *If so, what type of investment is used? can you please describe how these funds are invested and if invested in a fund, what are the characteristics of this fund (i.e. what is the asset mix strategy, risk appetite etc.)*
7. *What is the investment strategy/return policy?*
8. *What is the interest rate used/targeted for investments in the fund? What is the basis of the implied interest rate used to accrue interest?*
9. *If you invest the funds, is there a fund manager?*
10. *What is the size and composition of the team working on paying out these benefits?*
11. *What is the average amount of pay-outs that go out per month over the past five years (i.e. an average 300 settlements per month from Jan 1 2018 to Dec 31 2022)*
12. *Is the payment done via cheque or direct deposit?*
13. *What technology do you use to administer pay-outs and monitor the program?*
14. *Is the administration of the program done in-house or are some components outsourced?*
15. *What are your strategic objectives regarding the program?*
16. *How do you assess and monitor performance of the program? How often are performance measures for the program assessed?*
17. *What are some key metrics you use to determine if the program is running effectively?*
18. *Do you have instances where recipients of your benefit are unreachable? If so, what is the expiry date of the funds? What processes are put in place to lower the chance of this happening?*

Appendix D: List of Stakeholders Interviewed

Appendix D: List of Stakeholders Interviewed

This section has been removed from the report to protect the confidentiality of individuals that shared their practices. As part of our work, we interviewed members of WSIB's LRI, Treasury, Finance and Internal Controls teams.

The redactions do not affect the substance of the report.

Appendix E: List of Documents Reviewed

Appendix E: List of Documents Reviewed

We received the following documents over the course of our fieldwork

No.	Document	Received from
1	LRI pain points	WSIB
2	LRI process flowchart and process narrative	WSIB
3	Statement of investment policies and procedures effective Dec 31, 2021	WSIB
4	The third party vendor Notice Letters / Information Package: <ul style="list-style-type: none"> • LRI pre-retirement death benefit claim form and LRI information package • Sample notice letters provided for direct deposit and eligible participants • Turning 65: “What you need to know about the LRI benefit” 	WSIB
5	WSIB and the third party vendor service meeting minutes SLA reporting and deliverables (Includes metrics and call motivators)	WSIB
6	Sample LRI Annual Benefit Statement for Jan-Dec 2021	WSIB
7	Service level and management reporting requirements between the third party vendor and WSIB	WSIB
8	LRI application screenshots from MS Access	WSIB
9	LRI Team Organizational Chart	WSIB
10	Service Agreement with the third party vendor– Selected excerpts	WSIB
11	Internal Control Treasury – Tests of Operating Effectiveness results from 2022	WSIB
12	Data wherever available. Refer to Appendix B for the data received and its in-depth analysis.	WSIB
13	Customer Service Data	Third party vendor

Appendix F: Complete VFMA Scope

Appendix F: Complete VFMA Scope

The objectives of the LRI VFMA were to assess the ongoing need, efficiency, effectiveness and economy of the LRI Program and its processes, and at a minimum assessed the following:

Governance:

- Ensured the program aligns and met the requirements of the legislation that governs the LRI program. Evaluated the overall program and that investment objectives and plans are in alignment with strategic objectives and expected industry norms
- Appropriateness of established policies, processes and procedures
- The structure, resources and capabilities for the program

Performance Management:

- Performance of the program was defined, monitored and regularly evaluated
- Monitoring and reporting against established service levels
- Performance of the investment fund were regularly evaluated and informed decisions on the overall strategy for investment. Strategy was aligned with expected industry norms
- Contracted providers and partners facilitated efficient and effective delivery of services and were assessed on a regular basis and met customer expectations as part of service provider performance evaluation

Effectiveness, Efficiency and Economy of the LRI Program:

- Processes related to the payment of LRI balances at age 65 or death of the worker
- Service delivery processes and controls were designed and implemented effectively to meet customer expectations – including accuracy of contributions, calculations and data within systems

Appendix F: Complete VFMA Scope

Effectiveness, Efficiency and Economy of the LRI Program (cont.):

- Timeliness and quality of services provided including ensuring processes for transactions/adjustments/payouts were effectively implemented and met customer expectations on efficiencies

Effectiveness, efficiency and economy of the overall technology used to administer the LRI Program:

- Current delivery of services and supporting technology were reflective of industry/leading practices. Opportunities for improved efficiencies were identified and rated accordingly.
- Current processes to maintain the security and privacy of information and personal data was maintained and aligned with industry standard

The LRI Process VFMA also required value-added benchmarking by comparing WSIB's LRI Program to other similar programs/jurisdictions nationally.



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