Workplace Safety and Insurance Board

2023 Annual Sufficiency Report

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2023 Annual Sufficiency Report

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A glossary of terms is available on our website at www.wsib.ca/en/corporate-reports.

Sufficiency discussion and analysis

1. Overview

An explanation of our report and regulations.

The purpose of this report is to provide the Sufficiency Ratio as required under Ontario legislation. The Sufficiency Ratio measures whether there are sufficient funds to meet the Workplace Safety and Insurance Board's (the "WSIB") future expected claims payouts. *Ontario Regulation 141/12* under the *Workplace Safety and Insurance Act, 1997* (the "WSIA") came into force on January 1, 2013 and requires the WSIB to calculate a Sufficiency Ratio. *Ontario Regulation 141/12* was amended by *Ontario Regulation 864/21* (collectively, the "Ontario Regulations") effective January 1, 2022. Refer to note 1 to the Sufficiency Ratio Statement for details on the Ontario Regulations.

The Ontario Regulations state that the Sufficiency Ratio shall be calculated by dividing the value of the insurance fund assets by the value of the insurance fund liabilities, as determined by the WSIB, using methods and assumptions that are consistent with accepted actuarial practice for going concern valuations. Going concern valuations are based on the assumption that the WSIB will continue to operate in the future indefinitely. The details of the insurance fund assets, known as the Sufficiency Ratio assets, are described in note 3 to the Sufficiency Ratio Statement. The insurance fund liabilities, known as the Sufficiency Ratio liabilities, are described in note 4 to the Sufficiency Ratio Statement.

2. Year to date review

Our performance for the year ended December 31, 2023 and the effect on our Sufficiency Ratio.

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

(millions of Canadian dollars)	2023	2022	Change $	Change %
Sufficiency Ratio assets	39,716	38,286	1,430	3.7
Sufficiency Ratio liabilities	(32,413)	(32,393)	(20)	(0.1)
Net assets on a Sufficiency Ratio basis	7,303	5,893	1,410	23.9
Sufficiency Ratio	**122.5%**	**118.2%**		**4.3**

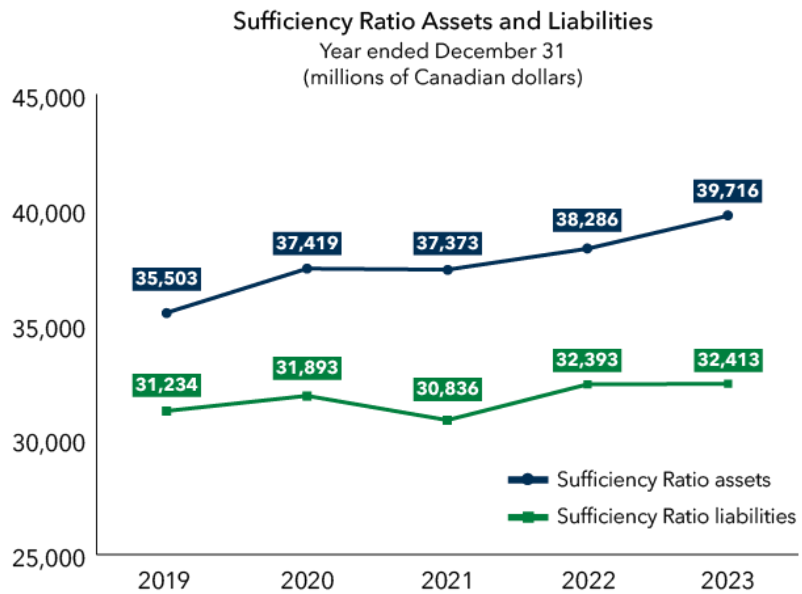
The Sufficiency Ratio increased as a result of the following:

(millions of Canadian dollars)	
Net assets on a Sufficiency Ratio basis as at December 31, 2022	5,893
Interest on net assets[1]	280
Investment return net adjustment[2]	(145)
Loss from remeasurements of employee benefit plans	(31)
Lower claims than expected[3]	1,279
Net result from assumption changes	27
Net assets on a Sufficiency Ratio basis as at December 31, 2023	**7,303**
Change in the net assets on a Sufficiency Ratio basis	**1,410**

1. Interest accretion on the beginning position of net assets using the discount rate of 4.75%.
2. Loss on investment income of $145 million for smoothed assets backing benefit liabilities, driven by the amortization of prior year deferred net investment losses of $131 million and $14 million of current year losses on a smoothed basis.
3. Experience gains on prior injury years of $742 million plus comprehensive income on current injury year of $588 million less net mandatory employer incentive programs of $7 million less new firefighters presumptive cancers of $44 million.

Sufficiency Ratio assets and liabilities

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

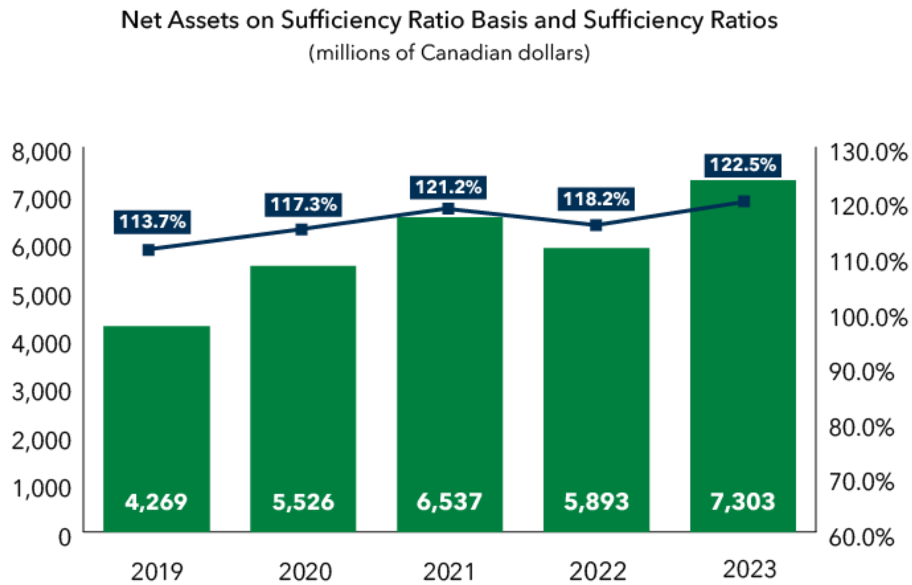


Sufficiency Ratio assets increased by $1,430 million from the prior year to $39,716 million as at December 31, 2023. The increase in Sufficiency Ratio assets is primarily driven by the impact of the long-term annualized return objective of 5.0% on beginning invested assets on a sufficiency basis, recognition of the current year portion of 2023 investment returns in excess of 5.0% largely offset by the portion of cumulative deferred investment losses lower than the long term annualized return objective recognized in the current year, as well as other balance sheet movements in cash and receivables due to timing. Refer to the asset adjustment table in note 3. The Sufficiency Ratio liabilities increased by $20 million from the prior year to $32,413 million as at December 31, 2023. The increase in Sufficiency Ratio liabilities is primarily driven by a decrease in the insurance contract liabilities[1] largely due to better than expected claims experience partially offset by actuarial assumption changes.

[1] Previously reported as benefit liabilities.

Past Sufficiency Ratios and net assets on a Sufficiency Ratio basis

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



As shown by the graph above, the WSIB has been in a net assets position for the last five consecutive years, with a Sufficiency Ratio of 122.5% as at December 31, 2023.

COVID-19 Worker Income Protection Benefit Program

In late April 2021, the Government of Ontario introduced the COVID-19 Worker Income Protection Benefit Program requiring businesses to provide their employees with up to three days of paid leave for reasons related to COVID-19. We supported the launch of the program and administration of the application process allowing businesses to apply for reimbursement of up to $200 per employee per day of leave. Businesses did not need to be registered with the WSIB to be eligible for the program, and funding was provided by the provincial government. The program was not funded through the WSIB’s employer premiums and ended on March 31, 2023. Applications for reimbursement had to be made within 120 days of the date the employer paid the employee, or by July 29, 2023 (whichever is earlier).

The program was not funded through the WSIB’s employer premiums and ended on March 31, 2023. The WSIB only acted as the administrator of this program, therefore, any related payables and funding balances were excluded from the calculation of the Sufficiency Ratio assets or liabilities.

3. Our funding strategy

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

We manage our investments with the goal of generating returns that meet or exceed the long-term annual net investment return objective, while prudently managing the WSIB's operations to ensure insurance revenue combined with a prudent expected investment return will cover claim costs, administration and other expenses.

We continually refine our strategy to ensure that the insurance fund can withstand future economic conditions, provide for benefits to people with work-related injuries or illnesses, and provide for premium rate stability for employers. Our Funding and Pricing Policy requires the Board of Director's approval on all funding decisions and actions required to ensure that the Sufficiency Ratio will not fall below 100%.

4. Insurance funding risk

Insurance funding risk refers to the risk that the WSIB may be underfunded or overfunded relative to the level of funding necessary to maintain a high level of assurance that the WSIB will be able to cover its benefit liabilities.

Insurance funding risk has two main elements:

- Underfunding risk – which could materialize as a result of the WSIB not being able to maintain a 100% Sufficiency Ratio, which affects the sustainability of benefits for people with work-related injuries or illnesses; and

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

2023 Sufficiency Ratio – As of the end of Q4 2023, the WSIB's Sufficiency Ratio was 122.5%, and the risk of underfunding remained low. The WSIB aims to maintain the insurance fund within a funding sufficiency range of 110% to 120% and actively manages its investments and insurance premium pricing accordingly. The WSIB maintained a strong financial position in its insurance fund through 2023, with the Sufficiency Ratio, to be within our legislated funding range.

Safeguarding benefits for injured workers and ensuring premium rate stability for employers particularly in an environment of significant macro-economic change remains a top priority for the WSIB. To support this, the WSIB conducts ongoing diligence exercises around its financial sustainability. This includes modelling and stress testing of our funding sufficiency considering a wide range of investment return, macro-economic, and benefit liability scenarios.

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

- Conducting regular financial modelling and stress testing across a variety of adverse economic scenarios to fully understand the impact of economic risks and to determine the adequacy of our financial assumptions, budget updates, sufficiency planning, and rate setting;
- Determining insurance contract liabilities based on assumptions that incorporate emerging experience, thus providing a relatively stable basis for pricing and sufficiency measurement;
- Monitoring for potential legislative changes that could impact benefit liabilities or costs;
- Conducting periodic asset-liability studies to ensure the WSIB's long-term investment return objectives and asset-mix policy remain relevant, with consideration of the impacts of economic and other risk factors on the funding position and desired level of funding;
- Assessing actual investment performance relative to the WSIB's return objective and asset-mix policy; and
- Ensuring strong investment governance, effective diversification of assets, efficient cost structure and rigorous risk management of investment assets.

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

Management's report

Role of management

The Sufficiency Ratio and related notes (the "Sufficiency Statement") are the responsibility of the management of the WSIB and have been prepared in accordance with the basis of accounting described in notes 3 and 4, pursuant to *Ontario Regulation 141/12* as amended by *Ontario Regulation 864/21* made under the WSIA. The calculation of the Sufficiency Ratio includes amounts based on management's best estimates and judgment. Management is responsible for the accuracy, integrity and objectivity of the Sufficiency Statement within reasonable limits of materiality and internal controls. Management is also responsible for the preparation and presentation of additional financial information in the Sufficiency Discussion and Analysis and ensuring its consistency with the Sufficiency Statement.

Management is responsible for the preparation and fair presentation of the Sufficiency Statement and for such internal control as management determines is necessary to enable the preparation of the Sufficiency Statement to be free from material misstatement, whether due to fraud or error. The Board of Directors has established an Audit and Finance Committee to oversee that management fulfills these responsibilities. The Audit and Finance Committee meets with management, the internal auditors, and the external auditor to oversee that their responsibilities are properly discharged with respect to the application of critical accounting policies, financial statement presentation, disclosures, and recommendations on internal control. The Audit and Finance Committee also reports its findings to the Board of Directors for consideration in approving the Sufficiency Statement and its reporting submission to the Minister of Labour, Immigration, Training and Skills Development pursuant to Section 170(1) of the WSIA.

This report should be read in conjunction with the WSIB's audited consolidated financial statements and accompanying notes for the year ended December 31, 2023, and the audited Sufficiency Statement as at December 31, 2023.

Role of the external auditors

The external auditors, Ernst & Young LLP, working under the direction of the Auditor General of Ontario, have performed an independent and objective audit of the Sufficiency Statement of the WSIB in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors make use of the work of the Chief Actuary and their report on the insurance fund liabilities of the WSIB. The external auditors have full and unrestricted access to the Board of Directors and the Audit and Finance Committee to discuss audit, financial reporting, and related findings. The independent auditor's report outlines the scope of their audit and their opinion on the Sufficiency Statement of the WSIB.

Jeffery Lang
President and Chief Executive Officer

Reagan Ruslim
Audit and Finance Committee (Chair)

April 25, 2024
Toronto, Ontario

Independent auditor's report

To the Board of Directors of the Workplace Safety and Insurance Board,
The Minister of Labour, Immigration, Training and Skills Development and the Auditor General of Ontario

Opinion

We have audited the accompanying Sufficiency Statement of the **Workplace Safety and Insurance Board** [the "WSIB"], which comprise the Sufficiency Ratio Statement as at December 31, 2023 and the notes to the Sufficiency Ratio Statement, including a summary of significant accounting policies [collectively the "Sufficiency Statement"].

In our opinion, the accompanying Sufficiency Statement presents fairly, in all material respects, the Sufficiency Ratio of the WSIB as at December 31, 2023, in accordance with the basis of accounting described in notes 3 and 4.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Sufficiency Statement* section of our report. We are independent of the WSIB in accordance with the ethical requirements that are relevant to our audit of the Sufficiency Statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to notes 3 and 4 of the Sufficiency Statement, which describes the basis of accounting. The Sufficiency Statement is prepared to provide information regarding the Sufficiency Ratio of the WSIB. As a result, the Sufficiency Statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

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

Our opinion on the Sufficiency Statement does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Sufficiency Statement, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the Sufficiency Statement or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis and Sufficiency Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Sufficiency Ratio Statement
December 31, 2023
(millions of Canadian dollars)

Responsibilities of management and those charged with governance for the Sufficiency Statement

Management is responsible for the preparation and fair presentation of this Sufficiency Statement in accordance with the basis of accounting described in notes 3 and 4; this includes determining that the basis of accounting is an acceptable basis for the preparation of the Sufficiency Statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a Sufficiency Statement that is free from material misstatement, whether due to fraud or error.

In preparing the Sufficiency Statement, management is responsible for assessing the WSIB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the WSIB or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Sufficiency Statement

Our objectives are to obtain reasonable assurance about whether the Sufficiency Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Sufficiency Statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Sufficiency Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WSIB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the WSIB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Sufficiency Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the WSIB to cease to continue as a going concern.

Sufficiency Ratio Statement
December 31, 2023
(millions of Canadian dollars)

- Evaluate the overall presentation, structure and content of the Sufficiency Statement, including the disclosures, and whether the Sufficiency Statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young LLP

Toronto, Canada
April 25, 2023

Sufficiency Ratio Statement
December 31, 2023
(millions of Canadian dollars)

Sufficiency Ratio Statement

	Note(s)	Dec. 31 2023	Dec. 31 2022 *restated*
Total assets under IFRS	1,2	38,164	35,889
Add: Asset adjustments	2,3	1,846	2,860
Less: Sufficiency Ratio non-controlling interests	3	(294)	(463)
Sufficiency Ratio assets		39,716	38,286
Total liabilities under IFRS	1,2	33,050	31,174
Add (Less): Liability adjustments	2,4	(637)	1,219
Sufficiency Ratio liabilities		32,413	32,393
Sufficiency Ratio (assets divided by liabilities)		**122.5%**	**118.2%**

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

Notes to Sufficiency Ratio Statement
December 31, 2023
(millions of Canadian dollars)

1. Governing regulation and Sufficiency Ratio calculation

Ontario Regulation 141/12 under the WSIA came into force on January 1, 2013 and requires the WSIB to achieve a Sufficiency Ratio of 100% by 2027. Having achieved a Sufficiency Ratio of over 100% in 2018, *Ontario Regulation 141/12* was amended by *Ontario Regulation 864/21* (collectively, the "Ontario Regulations") effective January 1, 2022 as follows:

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

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

Should the Sufficiency Ratio be equal to or above 125%, any surplus distributions shall be distributed to eligible Schedule 1 employers within 30 days of the WSIB determining the Sufficiency Ratio is equal to or above 125%, to return to a Sufficiency Ratio of 115.1%. The WSIB shall use the annual audited Sufficiency Statement in making this assessment.

The Ontario Regulations state that the Sufficiency Ratio shall be calculated by dividing the value of the insurance fund assets by the value of the insurance fund liabilities, as determined by the WSIB using methods and assumptions that are consistent with accepted actuarial practice for going concern valuations. Going concern valuations are based on the assumption that the WSIB will continue to operate in the future indefinitely.

The WSIB's Sufficiency Ratio has not been impacted significantly upon the adoption of IFRS 17 *Insurance Contracts* ("IFRS 17") and IFRS 9 *Financial Instruments* ("IFRS 9") as the Sufficiency Ratio is prescribed by the Ontario Regulations and is based on accepted actuarial practice for going concern valuations. See below for further details.

Impact of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*

Effective January 1, 2023, the WSIB adopted IFRS 17 in its consolidated financial statements for the year ended December 31, 2023. IFRS 17 replaces the guidance in IFRS 4 *Insurance Contracts* and establishes a comprehensive principles-based framework for the recognition, measurement and presentation of insurance contracts for annual periods beginning on or after January 1, 2023. The adoption of IFRS 17 has a significant impact on the WSIB's consolidated financial statements. For further details, refer to note 3 of the WSIB's audited consolidated financial statements for the year ended December 31, 2023.

Notes to Sufficiency Ratio Statement
December 31, 2023
(millions of Canadian dollars)

The table below reconciles the WSIB's assets and liabilities as previously reported in the WSIB's Annual Sufficiency Report as of December 31, 2022 to the balances under IFRS 17, which form the starting point of the Sufficiency Ratio statement above.

	Dec. 31 2022
Total assets under IFRS 4, as previously reported	36,351
Impact of IFRS 17 - Reclassification of insurance related receivables to insurance contract liabilities	(462)
Total assets under IFRS 17	**35,889**

	Dec. 31 2022
Total liabilities under IFRS 4, as previously reported	32,728
Impact of IFRS 17 - Reclassification of insurance related receivables to insurance contract liabilities	(462)
Impact of IFRS 17 - Change in Insurance contract liabilities due to new methodology	(1,092)
Total liabilities under IFRS 17	**31,174**

Effective January 1, 2023, the WSIB has also adopted IFRS 9 in its consolidated financial statements for the year ended December 31, 2023. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting for annual periods beginning on or after January 1, 2023. The adoption of IFRS 9 does not have a significant impact on the WSIB’s consolidated financial statements. For further details, refer to note 3 of the WSIB’s audited consolidated financial statements for the year ended December 31, 2023.

The details of the insurance fund assets, known as Sufficiency Ratio assets, are described in note 3 below. The insurance fund liabilities, known as Sufficiency Ratio liabilities, are described in note 4 below.

Notes to Sufficiency Ratio Statement
December 31, 2023
(millions of Canadian dollars)

2. IFRS to Sufficiency Reconciliation

A reconciliation of the assets and liabilities used for the calculation of the Sufficiency Ratio to those under IFRS as at December 31, 2023 is provided below. The consolidated statements of financial position presented on an IFRS basis are from the WSIB's audited consolidated financial statements. Explanatory notes follow the reconciliation below.

		December 31, 2023			December 31, 2022		
						restated	
	Note	IFRS Basis	Adjust-ments	Sufficiency Ratio Basis	IFRS Basis	Adjust-ments	Sufficiency Ratio Basis
Assets							
Cash and cash equivalents	3	335	(33)	302	664	(24)	640
Receivables and other assets	3	440	450	890	296	462	758
Investments	3	37,149	1,429	38,578	34,701	2,422	37,123
Property, equipment and intangible assets		240	-	240	228	-	228
Total assets		**38,164**	**1,846**	**40,010**	**35,889**	**2,860**	**38,749**
Liabilities							
Payables and other liabilities	4	305	382	687	333	616	949
Derivative liabilities		24	-	24	59	-	59
Securities sold under repurchase agreements		1,751	-	1,751	1,082	-	1,082
Long-term debt and lease liabilities		159	-	159	162	-	162
Loss of Retirement Income Fund liability		1,898	-	1,898	1,874	-	1,874
Employee benefit plans liability	4	1,193	(479)	714	1,017	(320)	697
Insurance contract liabilities	4	27,720	(540)	27,180	26,647	923	27,570
Total liabilities		**33,050**	**(637)**	**32,413**	**31,174**	**1,219**	**32,393**
Net assets							
Reserves		3,792	2,440	6,232	3,036	1,580	4,616
Accumulated other comprehensive income		1,071	-	1,071	1,277	-	1,277
Net assets attributable to WSIB stakeholders		**4,863**	**2,440**	**7,303**	**4,313**	**1,580**	**5,893**
Non-controlling interests		251	43	294	402	61	463
Total net assets		**5,114**	**2,483**	**7,597**	**4,715**	**1,641**	**6,356**
Total liabilities and net assets		**38,164**	**1,846**	**40,010**	**35,889**	**2,860**	**38,749**
Sufficiency Ratio				**122.5%**			**118.2%**

Notes to Sufficiency Ratio Statement
December 31, 2023
(millions of Canadian dollars)

3. Sufficiency Ratio assets

Assets for the purposes of the Sufficiency Ratio calculation consist of the total assets of the WSIB less the interests in those assets held by third parties (non-controlling interests). The deduction of assets held by third parties is necessary as the total assets include portions of investments to which third parties ultimately have rights (for example, the assets of the Employees' Pension Plan) and therefore would not be appropriate to include in the Sufficiency Ratio assets.

Summary of significant accounting policies — assets

Investments in the Sufficiency Ratio calculation are valued at fair value. However, only a portion of the investment gains or losses is included in the asset value. Specifically, the current period's investment returns above or below a net long-term annualized return objective are deferred and recognized over the next five years on a straight-line basis. After five years, those past investment gains and losses are fully recognized in the asset value. This procedure moderates the effect of investment market return volatility and is known as the asset adjustment.

As at December 31, 2023, the Sufficiency Ratio assets reflected a total asset increase of $1,846 (December 31, 2022 – $2,860) from assets reported under IFRS, comprised of the following:

- Investments reflect an increase of $1,429 (December 31, 2022 – $2,422) representing the cumulative unrecognized investment returns lower than the long-term annualized return objective, net of investment expenses;
- An increase of $450 (December 31, 2022 – $462) from receivables and other assets to add back the insurance related receivables that were reclassified to insurance contract liabilities upon transition to IFRS 17 effective January 1, 2023. Under IFRS 17, all insurance related receivables are presented with insurance contract liabilities. However, since the Sufficiency Ratio is determined using methods and assumptions that are consistent with accepted actuarial practice for going concern valuations and there was minimal impact upon the adoption of IFRS 17, these amounts are presented as part of receivables and other assets; and
- A decrease of $33 (December 31, 2022 – $24) from cash and cash equivalents to exclude the restricted cash received from the Government of Ontario for the purpose of administering the COVID-19 Worker Income Protection Benefit program.

Notes to Sufficiency Ratio Statement
December 31, 2023
(millions of Canadian dollars)

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

	2019	2020	2021	2022	2023
Fair value of invested assets	38,959	38,271	39,400	34,235	35,869
Add: Cash transfers in last month of year	8	12	235	311	142
Adjusted fair value of invested assets[1]	38,967	38,283	39,635	34,546	36,011
Less: Invested assets at rate of return objective[2]	36,324	38,658	37,329	39,777	34,934
Investment returns in excess of (lower than) objective,[3] gain (loss)	2,643	(375)	2,306	(5,231)	1,077
Add (Less): Unrecognized investment returns at prior year-end	(423)	1,686	849	2,284	(2,422)
Total unrecognized investment gains (losses)	**2,220**	**1,311**	**3,155**	**(2,947)**	**(1,345)**
Amount to be recognized from:					
2023 investment gain	-	-	-	-	215
2022 investment loss	-	-	-	(1,046)	(1,047)
2021 investment gain	-	-	461	461	462
2020 investment loss	-	(75)	(75)	(75)	(75)
2019 investment gain	528	529	529	528	529
2018 investment loss	(394)	(394)	(394)	(393)	-
2017 investment gain	351	350	350	-	-
2016 investment gain	52	52	-	-	-
2015 investment loss	(3)	-	-	-	-
***Less:* Total recognized investment gains (losses) in current year**	**534**	**462**	**871**	**(525)**	**84**
Total unrecognized investment gains (losses) at end of year[4]	**1,686**	**849**	**2,284**	**(2,422)**	**(1,429)**

1. Represents the fair value of invested assets at the end of the year, less the last month's cash contributions (withdrawals), assuming the cash was contributed (withdrawn) at the end of the month.
2. The expected fair value of invested assets is calculated based on the net long-term annualized return objective on the ending total invested assets balance as of the last reporting period and cash transfers during the year. The net long-term return objective is reviewed annually and has been as follows:

Year	2019	2020	2021	2022	2023
Net long-term return objective, annualized	4.75%	5.00%	5.00%	5.00%	5.00%

3. Calculated as the difference between the expected and actual fair value of invested assets, representing the unrecognized investment returns above (below) the net long-term return objective.
4. Unrecognized investment returns less recognized investment returns in the current year.

Notes to Sufficiency Ratio Statement
December 31, 2023
(millions of Canadian dollars)

The amount of unrecognized investment returns to be recognized in future years is as follows:

		Investment returns to be recognized in future years:			
Year earned	**Total unrecognized gain (loss) as at Dec. 31, 2023**	**2024**	**2025**	**2026**	**2027**
2023	862	(215)	(216)	(216)	(215)
2022	(3,138)	1,046	1,046	1,046	-
2021	922	(461)	(461)	-	-
2020	(75)	75	-	-	-
	(1,429)	**445**	**369**	**830**	**(215)**

A similar asset adjustment is applied on the non-controlling interests, which is deducted from the assets for Sufficiency Ratio purposes:

	Dec. 31 2023	**Dec. 31 2022**
Fair value of non-controlling interests	251	402
Add: Asset adjustment	43	61
Sufficiency Ratio non-controlling interests	**294**	**463**

4. Sufficiency Ratio liabilities

Liabilities for the purposes of the Sufficiency Ratio calculation include all liabilities as shown in the audited consolidated financial statements and adjusted as discussed below.

Summary of significant accounting policies — liabilities

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

- Benefit liabilities, presented as part of insurance contract liabilities were, calculated by an actuarial valuation with a discount rate of 5.00% (December 31, 2022 – 4.75%) per annum, using methods and assumptions that are consistent with accepted actuarial practice for going concern valuations. Prior to the adoption of IFRS 17, the basis for valuing benefit liabilities for the purposes of determining the Sufficiency Ratio (“Sufficiency basis”) was consistent with the methodology for determining benefit liabilities under IFRS 4 (“IFRS basis”). However, upon the adoption of IFRS 17 effective January 1, 2023, the Sufficiency basis differs from the IFRS basis. The valuation under the Sufficiency basis continues to be based on accepted actuarial practices for going concern valuations. The valuation under IFRS 17 is based on a new methodology that reflects the liability characteristics of the WSIB’s insurance contracts and early recognition of losses due to onerous contracts. Refer to note 3 of the WSIB’s audited consolidated financial statements for the year ended December 31, 2023 for details on the IFRS basis.
- Loss of Retirement Income Fund liability was determined in accordance with IFRS. The liability is equal to the fair value of assets held.
- Employee benefit plans liability was determined using methods and assumptions that are consistent with accepted actuarial practice for going concern valuations. Obligations were calculated by an actuarial valuation with a discount rate of 5.10% (December 31, 2022 – 5.10%) per annum. It is

Notes to Sufficiency Ratio Statement
December 31, 2023
(millions of Canadian dollars)

based on the expected return on pension plan assets less any explicit margins. This differs from the IFRS basis used in preparing the WSIB's consolidated financial statements. The IFRS discount rate, a weighted average of 4.65% (December 31, 2022 – 5.05%) per annum, was determined by reference to high-quality corporate bonds and the projected employee benefit payment cash flows. The result was a reduction from the IFRS obligations equal to $479 (December 31, 2022 – $320).

- Payables and other liabilities increased by $382 (December 31, 2022 – $616) due to the following:
- Elimination of the restricted cash of $33 (December 31, 2022 – $24) received from the Government of Ontario for the purpose of administering the COVID-19 Worker Income Protection Benefit Program, which remains unpaid;
- Add back of $15 (December 31, 2022 – $9) of the employer portion of contribution receivables related to the employee benefit plans liability as they are not part of the insurance fund; and
- Add back of $400 (December 31, 2022 – $631) of insurance related payables that were reclassified to insurance contract liabilities upon transition to IFRS 17 effective January 1, 2023. Under IFRS 17, all insurance related payables are presented with insurance contract liabilities. However, since the Sufficiency Ratio is determined using methods and assumptions that are consistent with accepted actuarial practice for going concern valuations, these amounts are presented as part of payables and other assets.
- All other liabilities were determined in accordance with IFRS.

The Sufficiency Ratio liabilities are $32,413 (December 31, 2022 – $32,393), which includes a decrease in the total liabilities adjustment of $637 (December 31, 2022 – increase of $1,219).