YUKON WORKERS' COMPENSATION HEALTH AND SAFETY BOARD

SUBJECT: Finance and Administration

POLICY NO.: FN-06

BOARD APPROVAL:

APPROVAL DATE: August 15, 2006

BOARD ORDER NO.

REVOKED

JUL 0 1 2008

EFFECTIVE DATE: October 1, 2006

POLICY STATEMENT

POLICY: **ANNUITIES**

Application

This policy applies to the Board of Directors, president and staff of the Yukon Workers' Compensation Health and Safety Board (YWCHSB), and to employers and workers covered by the *Workers' Compensation Act* R.S.Y. 1986, 1992 and 2002.

Section Reference

The proposed policy is based on Section 41 of the *Workers' Compensation Act* R.S.Y. 2002 (the Act) which states that if an injured worker has received compensation for the same disability for at least 24 months, the YWCHSB shall pay the worker an annuity. The annuity is equal to 10 per cent of the total compensation for loss of earnings paid to the worker together with accrued interest. This annuity is payable to the worker at age 65.

The policy is also based on section 48 of predecessor legislation (as it was in force prior to January 1, 1993), which states that an annuity is payable to a worker if he or she has received compensation for a period exceeding 24 consecutive months.

Definitions

Annuity	An annuity is the payment of money in a fixed amount for a fixed or variable period of time.
Annuity Fund	An annuity fund is the total amount of accumulated capital and accrued interest set aside to provide for a worker's retirement at age 65.
Accrued Interest	Accrued interest is the interest income that is earned on a worker's annuity fund.
Compensation Benefits	Compensation benefits are payable to a worker for the loss of earnings from a work related disability. Compensation benefits do not include any benefits payable for a permanent impairment.
Family Dependent	For the purposes of this policy family dependent means any of the following direct family members: spouse, common-law spouse or children under the age of 18. It may also include any direct member of the family of the worker who is wholly or partially dependent on the worker's income for the ordinary necessities of life.
Termination Date	The termination date is the date at which the annuity contributions and accrued interest cease to accumulate.

Objective

This policy provides principles and guidelines on annuities to decision makers, injured workers, employers and investment counselors.

Policy Statement

1.0 QUALIFICATION FOR ANNUITY

A. Qualification period

The date of a worker's disability determines to which *Act* that worker's claim will be subject. The qualification period for retirement annuities differs under each *Act* and are as follows:

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For injuries occurring after 1982 and before January 1, 1993
Workers who receive compensation for a period exceeding 24 consecutive months qualify for a retirement annuity fund. *(Workers' Compensation Act, 1986)*

For injuries occurring on or after January 1, 1993
Workers who receive compensation in respect of the same disability for at least 24 months qualify for a retirement annuity. *(Workers' Compensation Act, 1992)*

For workers who are at least 63 years of age at the initial time of injury, the qualifying period is 24 months.

B. Eligible periods
Compensation benefits must have been paid to a worker in a particular month for it to be considered eligible for inclusion in the annuity qualification period.

2.0 AMOUNT OF ANNUITY

A. Percentage
Ten percent of a worker's compensation benefits will be set aside to provide for a retirement annuity.

The amount set aside is not deducted from a worker's benefits, but is over and above the compensation benefits paid to the worker.

B. Retroactive Adjustments
If a worker who has qualified for a retirement annuity receives retroactive compensation benefits then, for the purposes of calculating the annuity contributions and corresponding interest, those benefits are considered to have been received in the effective period of the benefits and not at the time of payment.

For example, consider a $5,000 payment to a worker on May 31, 2005, for retroactive compensation benefits of $1,000 per month, with an effective period from January 1 to May 31, 2002. The retroactive benefits are considered to have been received from January to May, 2002 and not in May 2005. The worker would be entitled to annuity contributions (10% of $1,000 per month, or $100 per month), from January to May 2002 (assuming the worker qualifies for an annuity). The corresponding interest on those annuity contributions would be calculated from January through May 2002, not from May 2005.

3.0 INTEREST

A. Rate

The annual annuity interest rate (interest rate) to be applied to a worker's annuity fund is the 10-year Government of Canada Bond rate (bond rate). Starting in 2006, the interest rate is to be set prospectively for the coming fiscal period on January 1 (the interest rate being the effective yield of the bond rate on the first business day of the year, as reported by the Bank of Canada).

If a worker's annuity fund is paid out during the year, the annual annuity interest rate will be applied proportionally to the part of the year, up to the termination date of the annuity.

B. Frequency and Compounding

Interest will be calculated daily and compounded annually. The daily interest calculation will begin on the day following the effective date to which the corresponding compensation benefits are payable.

C. Interest Termination Date

Interest accrual ceases on the worker's 65th birthday or on the day of the worker's death, whichever comes first.

4.0 REPORTING

A. Annual Reporting

Workers who have qualified for an annuity will be sent an annual annuity statement. The statement will detail each worker's annuity fund, calculated as at December 31, and will be sent to workers by April 30 of the following year.

The statement will include, but not limited to, the following:

- the accumulated principal, to date;
- the accumulated interest; and
- the worker's designated family dependant.

B. *Ad Hoc* Reporting

Workers can request an annuity statement at any time during the year, provided that the request is submitted in writing by the worker or the worker's designated representative.

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5.0 PAYMENT OF ANNUITY FUNDS

A. Workers at age 65

At age 64, a worker must submit notarized documentation to confirm their age. A worker's annuity fund, which consists of accumulated annuity contributions and accrued interest, is payable at age 65. There is no provision for early retirement.

- *Lump Sum Payment to Worker*

  If, at age 65, a worker's accumulated annuity fund is below a minimum amount, as set by Board Order, then the annuity fund is paid to the worker in a one-time lump sum payment. Investment of those funds is at the discretion of the worker. Payments made directly to workers will require their Social Insurance Number in order to complete Canada Revenue Agency tax reporting requirements.

  For annuities and interest under predecessor legislation, this policy does not preclude applications to have lump sums paid into an established superannuation plan.

- *Annuity Purchase*

  If a worker's accumulated annuity fund exceeds the minimum amount, as set by Board Order, then the worker must purchase an annuity from an external investment organization of their choice. There is no restriction on the term of annuity purchased.

  The costs, if any, of consulting an investment firm regarding the purchase of an annuity are borne by the worker.

B. Death of Worker before age 65

- *Payment*

  If a worker dies before age 65, the worker's annuity fund shall be paid in a one-time lump sum payment to the worker's designated family dependant.

- *Designated Dependent*

  Workers are required to designate a family dependant upon initial qualification for an annuity fund. A *Designated Dependent Declaration* shall be sent to all eligible workers. Once the worker's designated family dependant is established, it's the worker's responsibility to advise the YWCHSB of any required changes.

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C. Unclaimed Annuity Funds

An unclaimed annuity fund is retained as a liability of the YWCHSB for seven years from the date of the worker's 65th birthday or a worker's death, if the worker dies before age 65. During that time, the YWCHSB will make every reasonable effort to locate the worker or the worker's designated family dependant in order to arrange payment of the annuity.

After seven years, in the absence of any other legislative obligation, if a worker or a worker's designated family dependant cannot be located, the worker's annuity fund reverts to the Compensation Fund, pending any further legislation. At such time, the YWCHSB has no further liability to pay the annuity funds to the worker or the worker's designated family dependant.

D. Minimum Compensation

Minimum compensation provisions will be applied as outlined in Policy CL-56, "Minimum Compensation".

References

Policy CL-56, "Minimum Compensation"
Board Order 2005/01

History

Policy FN-06, "Annuities" - effective July 12, 1994; revoked October 1, 2006.

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