

 <p>Yukon Workers' Compensation Health and Safety Board</p>	Part:	Finance, Investments & Administration		
	Board Approval:	<i>Original Signed by Chair</i>	Effective Date:	July 1, 2008
	Number:	FA-06	Last Revised:	
	Board Order:	2008	Review Date:	

ANNUITIES

GENERAL INFORMATION

The *Workers' Compensation Act* S.Y. 2008 (the "Act") provides for an annuity where a worker has received compensation in respect of the same work-related injury for at least 24 months. This policy provides principles and guidelines for the entitlement to and payment of annuities.

DEFINITIONS

1. **Annuity:** the payment of money in a fixed amount for a fixed or variable period of time.
2. **Annuity Fund:** the total amount of accumulated capital and accrued interest set aside to provide for a worker when a worker becomes entitled to receive benefits under Part 1 of the *Old Age Security Act*, R.S.C. 1985, c. 0-9 ("*Old Age Security Act*").
3. **Accrued Interest:** the interest income that is earned on a worker's annuity fund.
4. **Bond Rate:** the 10-year Government of Canada Bond rate, being the effective yield of the bond rate on the first business day of the year, as reported by the Bank of Canada.
5. **Compensation Benefits:** benefits payable to a worker for the loss of earnings from a work-related injury not including any benefits payable for a permanent impairment.
6. **Dependent:** 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.
7. **Termination Date:** the date at which the annuity contributions and accrued interest cease to accumulate.

POLICY STATEMENT

1. Qualification For Annuity

a) Qualification period

The date of a worker's injury determines which *Act* applies to the worker's entitlement to an annuity. The qualification period for retirement annuities differs under each *Act* and are as follows:

For injuries occurring before 1983

There are no annuity provisions.

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 injury for at least 24 months qualify for a retirement annuity. (*Workers' Compensation Act, 2008*)

If a worker is at least the age where he/she is entitled to receive benefits under the *Old Age Security Act* and suffers a work-related 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.

c) Designated Dependent Declaration

All injured workers entitled to an annuity must complete a *Designated Dependent Declaration which will specify to whom the worker's annuity fund will be paid in the event of the worker's death.*

2. Amount of Annuity

a) Percentage

Ten per cent (10%) 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 an annuity receives retroactive compensation benefits the contributions and corresponding interest are considered to have been received in the effective period of the benefits and not at the time of payment.

For example, consider a five thousand dollars (\$5,000.00) payment to a worker on May 31, 2005, for retroactive compensation benefits of one thousand dollars (\$1,000.00) 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 per cent (10%)) of one thousand dollars (\$1,000.00) per month, or one hundred dollars (\$100.00) 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. 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). The interest rate is 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 when a worker becomes entitled to receive benefits under the *Old Age Security Act* or on the day of the worker's death, whichever comes first.

4. Reporting

a) Annual Reporting

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

The statement includes, but is not limited to, the following:

- i) the accumulated principal to date;
- ii) the accumulated interest; and
- iii) the worker's designated family dependent.

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.

5. Payment of Annuity Funds

a) When a Worker Becomes Entitled to Receive Benefits Under the *Old Age Security Act*

One year before being entitled to their annuity, 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 when a worker becomes entitled to receive benefits under the *Old Age Security Act*. There is no provision for early retirement.

i) Lump Sum Payment to Worker

If, at age 65, a worker's accumulated annuity fund is below a minimum amount, as set by Order of the Board of Directors, 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.

Chair

ii) Annuity Purchase

If a worker's accumulated annuity fund exceeds the minimum amount, as set by Order of the Board of Directors, 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 He or She is Entitled to Receive Benefits Under the *Old Age Security Act*

i) Payment

If a worker dies before he or she becomes entitled to receive benefits under the *Old Age Security Act*, the worker's annuity fund shall be paid in a one-time lump sum payment to the worker's designated family dependent.

ii) Written Direction

Written direction as stated in subsection 32(5) of the *Act* is provided through the worker's *Designated Dependent Declaration*.

iii) Designated Dependent

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

c) Unclaimed Annuity Funds

An unclaimed annuity fund is retained as a liability of the YWCHSB for seven years from the date a worker becomes entitled to receive benefits under the *Old Age Security Act* or a worker's death, if the worker dies before the worker becomes entitled to receive benefits under the *Old Age Security Act*. During that time, the YWCHSB will make every reasonable effort to locate the worker or the worker's designated family dependent 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 dependent 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 dependent.

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6. Minimum Compensation

Minimum compensation provisions will be applied as outlined in the YWCHSB policy, "Minimum Compensation."

APPLICATION

This policy applies to the Board of Directors, President/CEO and staff of the YWCHSB, and workers covered by the *Workers' Compensation Acts* 1986, 1992, 2002 and 2008.

EXCEPTIONAL CIRCUMSTANCES

In situations where the individual circumstances of a case are such that the provisions of this policy cannot be applied or to do so would result in an unfair or an unintended result, the YWCHSB will decide the case based on its individual merits and justice in accordance with YWCHSB policy, "Merits and Justice of the Case." Such a decision will be considered for that specific case only and will not be precedent setting.

APPEALS

Decisions made by the YWCHSB under this policy can be appealed directly in writing to the hearing officer of the YWCHSB in accordance with subsection 53(1) of the *Act*. Notice of the appeal must be filed within 24 months of the date of the decision by the YWCHSB, in accordance with section 52 of the *Act*.

ACT REFERENCES

Sections 32, 52 and 53
Workers' Compensation Act, 1986
Part 1 of the *Old Age Security Act* R.S.C. 1985, c. 0-9

POLICY REFERENCES

EL-02, "Minimum Compensation"
EN-02, "Merits and Justice of the Case"

HISTORY

FN-06, "Annuities", effective October 1, 2006, revoked July 1, 2008.
FN-06, "Annuities", effective July 12, 1994, revoked October 1, 2006.

Chair