

Clause embodied in Report No. 4 of the Policy and Finance Committee, as adopted by the Council of the City of Toronto at its regular meeting held on April 23, 24, 25, 26, 27, and its special meeting held on April 30, May 1 and 2, 2001.

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Workplace Safety and Insurance Board - Administration Rate Increase

(City Council at its regular meeting held on April 23, 24, 25, 26, 27, and its special meeting held on April 30, May 1 and 2, 2001, amended this Clause by adding thereto the following:

“It is further recommended that the Premier of Ontario be requested to review the current salary of the President and Chief Executive Officer of the Workplace Safety and Insurance Board.”)

The Policy and Finance Committee recommends the adoption of the following report (March 22, 2001) from the Chief Financial Officer and Treasurer:

Purpose:

To determine the feasibility of requesting the Provincial Auditor to review the administrative costs of the Workplace Safety and Insurance Board (WSIB) given the extraordinary cost increases outlined in a staff report to the Toronto Transit Commission (TTC).

Financial Implications and Impact Statement:

Increased WSIB administration costs are projected to result in tax pressures of \$4.5 million in 2001 and an additional \$0.3 million in 2002. These cost increases are included in the 2001 Non-Program operating budget pressures relating to benefit costs. Furthermore, these increased administration costs will add \$17.2 million to the accrued benefit liabilities for past WSIB claims.

Recommendations:

It is recommended that:

- (1) City officials continue to work with both AMO, the Schedule 2 Employers' Group, and the Workplace Safety and Insurance Board to find ways to reduce WSIB administration costs;
- (2) in the event that administration cost reductions are not found, then the Workplace Safety and Insurance Board be requested to finance an independent value-for-money audit for the Schedule 2 Industry Sector;

- (3) the audit include the full participation of the Schedule 2 community in the development of the terms of reference for this audit; and
- (4) the appropriate City officials be authorized and directed to take the necessary actions to give effect thereto.

Background:

The Policy and Finance Committee at its meeting held on March 28, 2000, had before it a communication dated February 10, 2000 from the General Secretary of the TTC. The communication advised that the TTC on February 9, 2000, received Staff Report No. 19 dated January 24, 2000 entitled "Workplace Safety and Insurance Board – Administration Rate Increase". The TTC forwarded a copy of the report to the Policy and Finance Committee with a request that it consider the possibility of requesting that the Provincial Auditor review the administrative costs of the WSIB given the extraordinary cost increases outlined in the TTC staff report.

The Policy and Finance Committee referred the aforementioned communication to the Chief Financial Officer and Treasurer for report thereon to the Policy and Finance Committee.

Comments:

Under *the Workplace Safety and Insurance Act*, the rights and obligations of employers in Schedule 1 and Schedule 2 are fundamentally different and distinct.

Schedule 1 employers operate under the collective liability principle, i.e. they participate in a collective liability scheme under which they are liable to make premium contributions to an accident fund administered by the Workplace Safety and Insurance Board, based on their classification unit and their payroll.

Schedule 2 employers do not participate in a collective liability scheme. They are individually liable to pay compensation and health care costs associated with work-related injury and illness and an administration fee (percentage of these costs) to the Workplace Safety and Insurance Board. Schedule 2 employers include:

- (i) firms funded by public funds (from the federal, provincial and/or municipal governments);
- (ii) firms legislated by the Province but self-funded; and
- (iii) a number of other firms which are privately owned but involved in federally-regulated industries such as telephone, airline, shipping or railway.

Firms that meet the above-listed criteria would be placed in Schedule 1, if they were deemed to be separate entities and were unable to provide evidence that they could not go bankrupt. Schedule 2 employers can voluntarily apply to join Schedule 1, but larger employers are increasingly choosing to remain in Schedule 2 or move back to it. Because the Schedule 2

system is essentially a “pay as you go” system, Schedule 2 employers are able to directly and immediately reduce their workplace safety and insurance costs through prevention initiatives and active claims management, whereas Schedule 1 rates are lowered only if everybody within a classification unit performs well.

The City’s agencies, boards and commissions are a mixture of Schedule 1 and Schedule 2 employers, with the larger of these organizations typically being in Schedule 2. Examples of each are provided in the following table:

Schedule 1			Schedule 2		
-	Enwave District Energy Corporation		-	City of Toronto	
-	Toronto and Region Conservation Authority		-	Toronto Police Services	
-	Hummingbird Centre for the Performing Arts		-	Toronto Public Library Board	
-	Arenas and Community Centres (e.g. George Bell Arena, North Toronto Memorial Arena)		-	Toronto Parking Authority	
-	Toronto Zoo		-	Toronto Hydro	
			-	Toronto Transit Commission	

* Information in this table was acquired from a combination of the Occupational Health, Safety and Workers’ Compensation Unit’s files and the Workplace Safety and Insurance Board.

The City of Toronto is a Schedule 2 employer and as such fully funds all compensation and administration costs. The City’s Occupational Health, Safety and Workers’ Compensation unit in the Human Resources Division of the Corporate Services Department, through the Schedule 2 Employers’ Group and Association of Municipalities of Ontario (AMO), has been involved in an ongoing dialogue with the WSIB regarding increased administration costs since December 1999.

In December 1999, the WSIB proposed an increase from 19.00 percent to approximately 27 percent for the 2000 administration rate. All WSIB payments are multiplied by this rate to determine the administration costs that the City has to pay to WSIB. They attributed the need for this significant increase to:

- (i) Underestimation of Schedule 2 administration costs for the past several years;
- (ii) Y2K compliance;
- (iii) Legislative changes;
- (iv) Transfer of health and safety costs from the Ministry of Labour to the WSIB; and
- (v) Introduction of new WSIB program areas.

For many Schedule 2 employers, their 2000 budget had been finalized long before the WSIB proposed this increase. At the request of the Schedule 2 Employers' Group, the WSIB agreed to freeze the administration rate at 19.00 percent of WSIB payments for 2000 on the understanding that the required increase for 2000 be amortized over the next 5 years. This contributed to the increase from 19.00 percent to 31.62 percent that is now proposed for 2001 and will add about \$4.5 million to the annual WSIB costs for the City. An additional increase of \$0.3 million is anticipated for 2002 over 2001.

Below is a summary of the projected WSIB costs for the City for the period from 2000-2002:

Projected City of Toronto WSIB Costs (incl. ABC's)					
(\$000's)					
	2000	2001	2001 Increase over 2000	2002	2002 Increase over 2001
Administration					
City Programs	\$4,930	\$8,230	\$3,300	\$8,430	\$200
TTC	740	1,200	460	1,230	30
Police	910	1,510	600	1,550	40
Other	<u>200</u>	<u>330</u>	<u>130</u>	<u>340</u>	<u>10</u>
 Total Administration	 \$6,780	 \$11,270	 \$4,490	 \$11,550	 \$280
 Add: Benefit Payments	 <u>35,680</u>	 <u>35,730</u>	 <u>50</u>	 <u>36,400</u>	 <u>670</u>
 Total Benefits and Administration	 <u>\$42,460</u>	 <u>\$47,000</u>	 <u>\$4,540</u>	 <u>\$47,950</u>	 <u>\$950</u>

The Schedule 2 Employers' Group and AMO plan to concentrate their efforts on working with the WSIB to not only prevent future surprise increases in administration costs, but to look for ways to lower these costs significantly. Strategies being discussed with AMO at this time include:

- (a) requesting the WSIB to finance an independent value-for-money audit of the Schedule 2 Industry Sector with full participation of the Schedule 2 community in the development of the terms of reference for this audit;
- (b) requesting WSIB Senior Management to review the applicability and effectiveness, for Schedule 2, of current programs mandated by the WSIB;
- (c) requesting that a Section 168 audit of WSIB administration practices be undertaken. (*Section 168 of the Workplace Safety and Insurance Act* stipulates

that the Board of Directors ensures that at least one WSIB program be audited each year for cost, efficiency, and effectiveness);

- (d) requesting that the Provincial Auditor review the administration fee increase.

The preference of the City's Occupational Health Safety and Workers' Compensation staff is to continue to work with the Schedule 2 Employers' Group, AMO, and the WSIB to find ways to reduce WSIB administration costs. Should such reductions not be found, then the WSIB should be strongly urged to support an independent audit. To add weight to this request, the City of Toronto should be prepared to contribute funding to an independent audit if necessary. Other Schedule 2 employers have indicated that they would be willing to make financial contributions for a jointly funded independent audit. Staff will report back to Council should this course of action be deemed necessary.

Conclusion:

Due to the extraordinary increases in the WSIB Schedule 2 employer administration rates expected for 2001, it is recommended that staff continue to work with the Schedule 2 Employers' Group, AMO, and the WSIB to find ways to reduce WSIB administration costs. Should such reductions not be found, staff should urge the WSIB to support and fund an independent value-for-money audit of the WSIB administration as it pertains to Schedule 2 employers.

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(Councillor Augimeri, at the regular meeting of Council held on April 23, 24, 25, 26 and 27, 2001, and the Special Meeting of Council held on April 30, 2001, and May 1 and 2, 2001, declared an interest in the foregoing Clause, in that her husband is a former Chair of the Workers' Compensation Board.)