New Pension System Proposal

Discussion Paper in Brief

The WSCC is undertaking a review of the pension compensation system. This system provides long term workers' compensation for permanently injured workers. If supported by our stakeholders, the WSCC will recommend significant legislative changes. The proposal will move from a pension for life system, based solely on percentage of permanent medical impairment (PMI) and earnings at the time of injury, to a dual system that provides noneconomic loss (NELP) and long-term earning loss benefits (ELB).

This Discussion Paper in Brief is for interested stakeholders who want a summary of the WSCC pension system proposal. This brief outlines the four main elements of the proposal, including a table with the changes from the current system to the proposed new system. The full-length *Discussion Paper* can be found on the WSCC website. At the end of this brief you will see a link to our online survey where you can provide your feedback.

WSCC Current Pension System

The WSCC currently provides pensions for life to claimants with permanent medical impairments whose injury or occupational disease arose out of and during the course of employment; or to a claimant's spouse or dependents in the case of a workplace death. Application of pensions is described in policies 06.01 Pension Entitlement, 06.02 Pension Conversions and Advances, and 06.03 Calculation of Permanent Compensation available on the WSCC website.

There are on average 1,100 active pension compensation claims in the WSCC system, with an average cost of $15 million per year, accounting for 48% of all claims costs.

New Pension System Proposal

A) Non-Economic Loss Payment (NELP) Recommendation

Provide for a Non-Economic Loss Payment (NELP) once the claimant has reached maximum medical recovery and a Permanent Medical Impairment (PMI) is determined. The payment would be a one-time lump sum based on their PMI, as currently defined in the American Medical Association Guide to the Evaluation of Permanent Impairment, and would allow for reassessment if the impairment deteriorates.

The recommended NELP calculation would be straightforward, transparent, and easy to calculate. In line with four other Canadian workers' compensation boards, we are recommending that NELP

be calculated by multiplying the claimant's PMI by the Year's Maximum Insurable Remuneration (YMIR) for the year of their injury or diagnosis.

B) Long-Term Earning Loss Benefits (ELB)

Provide for a Long-Term Earning Loss Benefit (ELB) that would be calculated based on 90% of the difference between the claimant's pre-injury net average earnings and post-injury actual or net estimated capable earnings, whichever is greater, offset by 50% of any net Canadian Pension Plan Disability benefits received related to the compensable injury, up to YMIR. ELB would be adjusted annually in line with the current practice for Supplementary Pension Increases.

ELB would continue until the claimant no longer has loss of earnings, or until the claimant is eligible for a Government of Canada Old Age Security (OAS) pension (currently 65). However, if the worker is two years below the age eligible for OAS (currently 63) or older at the time of injury or diagnosis the worker would be entitled to ELB for up to 24 months.

Workers who receive ELB would also be entitled to a retirement benefit to help mitigate loss of retirement income when their ELB ends.

C) Determination of Estimated Capable Earnings

As a last resort, after all reasonable vocational rehabilitation or re-employment options have been exhausted, the WSCC may estimate the claimant's capable earnings in suitable employment and/or occupation. This estimation would be considered when: despite ability, a claimant does not engage in employment; or a claimant is not able to secure suitable employment; or a claimant engages in employment which fails to maximize earning capacity.

The WSCC would use regional, national, and/or specific employer resources to identify suitable employment that may reasonably exist in the current labour market. Wage scales applied to suitable employment would be based on identified specific employment opportunities, union rates, or the wage scale in the Canadian Province or Territory where the claimant resides. Where the claimant resides outside of Canada, or a wage scale is unavailable, a Canadian national wage scale would be used.

D) Young, New, and Workers Re-entering the Workforce

WSCC would recognize the unique situation for young workers under age 25, and/or worker's entering or re-entering the workforce, and review loss of earning benefits on a case-by-case basis. In some cases, earning loss benefits would need to be calculated based on the difference between

capable earnings and pre-injury net earnings or post-injury net actual earnings, whichever is greater.

E) Dependent Benefits

In keeping with the intent of this proposal changes are recommended to spousal and dependent payments. The definitions of spouse and dependent would remain unchanged; who would be entitled to compensation does not change.

It is recommended that dependents be considered as a whole, and benefits adjusted to ensure fair allocation up to 90% of the deceased worker's net average earnings including long-term earning loss benefits when applicable. The allocations, after identifying all impacted dependents would be monthly payments equal to:

- Dependent Children: 10% of net average earnings until age 19.
- Guardian(s) (not including Primary Spouse): 10% of net average earnings until youngest
- dependent child in their care turns 19.
- Other Spouse (based on proven financial dependency): up to 20% of net average earnings until the worker would have turned 65 (if the Other Spouse had no proven financial dependency, but was the guardian of dependent children, they would be considered as a Guardian only).
- Other Dependents (e.g. Dependent Parent) (based on proven financial dependency): up to 10% of net average earnings until the worker would have turned 65.
- Primary Spouse: 90% of net average earnings less total percentage allocated to all other identified dependents until the worker would have turned 65.

Learn more and share your opinion

If you want to learn more about the details of the proposals please read the full-length discussion paper available on the WSCC website.

To share your opinion please complete the survey available at: https://www.surveymonkey.com/r/WSCCPensionEng.

Contact PensionFeedback@wscc.nt.ca or PensionFeedback@wscc.nu.ca if you have additional questions, or to learn more about the online town hall style meetings that will happen throughout September.

Key points for easy comparison of the current pension system with the new pension system proposal

Current Pension System	New Pension System Proposal
Pension for Worker ○ Pension for life is paid to a claimant who is injured or falls ill at work and does not fully recover from their injury or illness. ○ Their unrecovered workplace injury is called a permanent medical impairment (PMI). ○ The impact of the worker's PMI is evaluated according to the *American Medical Association Guide to the Evaluation of Permanent Impairment* ○ A worker's lifetime pension is calculated by multiplying their PMI by 90% of the worker's total earnings at the time of their injury, up to a pre-set maximum amount, which the WSCC calculates every year. This amount is called Year's Maximum Insurable Remuneration (YMIR). ○ If a person's pension is calculated as being fewer dollars than 2.75% of the YMIR for a year, then the pension is increased to 2.75% of YMIR. ○ Every year after the calculation of the injury, the WSCC increases the pension according to a Supplementary Pension Increase (SPI). This increase makes sure a worker's pension keeps the same purchasing power over time. ***Pension for Dependent*** ○ In the event of a workplace incident resulting in death, a dependent surviving spouse receives a monthly pension for life. The monthly pension is equal to 3.08% of YMIR in the year of the worker's death. The WSCC pays an additional lump sum payment equal to 30% of YMIR in the year of the worker's death. ○ A surviving child who is dependent on the worker, and under 19 years of age, receives a monthly pension equal to 0.625% of YMIR in the year of the worker's death. Benefits will extend beyond age 19 if the child is enrolled in an academic institution and will end when they have been granted a degree or diploma for the	***One-Time Pension Payment for Worker*** ○ A one-time pension payment for a worker known as a Non-Economic Loss Payment (NELP) would be paid. NELP is not paid to compensate a claimant for lost wages, but rather to compensate for a permanent medical impairment arising from a workplace injury or illness. ○ NELP would be calculated by multiplying the claimant's PMI by the YMIR for the year of their injury or diagnosis. ***Ongoing Earnings Loss Benefit*** ○ A new payment called the Long-term Earnings Loss Benefit (ELB) would be paid to a claimant that has a permanent medical impairment after reaching maximum medical recovery. ○ The ELB would be calculated based on 90% of the difference between the claimant's pre-injury net average earnings and post-injury actual or estimated capable earnings, whichever is greater, offset by 50% of any net Canadian Pension Plan Disability benefits received related to the compensable injury, up to YMIR. ○ ELB would be adjusted annually in line with the current practice for Supplementary Pension Increases. ○ Recognize the unique situation for young workers under age 25, and/or worker's entering or re-entering the workforce. Their capable earnings will be estimated according to the YMIR or the person's potential career/earning. ***Benefits for Dependents*** Under a new system, monthly benefits for dependents would be broken down as follows: ○ Dependent Children: 10% of worker's net average earnings until age 19. ○ Guardian(s) (not including Primary Spouse): 10% of net average earnings until youngest dependent child in their care turns 19.

first time or completed a course in technical or vocational training.	○ Other Spouse (based on proven financial dependency): up to 20% of net average earnings until the worker would have turned 65 (if the Other Spouse had no proven financial dependency, but was the guardian of dependent children, they would be considered as a Guardian only). ○ Other Dependents (e.g. Dependent Parent) (based on proven financial dependency): up to 10% of net average earnings until the worker would have turned 65. ○ Primary Spouse: 90% of net average earnings less total percentage allocated to all other identified dependents until the worker would have turned 65