



**SIGNS OF CHANGE** >

## Our Vision >

Nova Scotians – safe and secure from workplace injury.

## Our Mission >

We set the standard for workplace injury insurance. We inform and inspire Nova Scotians in the prevention of workplace injury, but if it occurs, we support those whose lives it touches by championing a timely return to safe and healthy work.



Featured in the photo, Jeremy Dort, who works for Econo Renovations, stands in front of scaffolding as he adjusts his full body harness, which is part of the fall arrest system, before beginning any work.

Econo Renovations has a Certificate of Recognition (COR) from the Nova Scotia Construction Safety Association (NSCSA) and was one of 1,309 employers to receive a rebate from the WCB's Practice Incentive Rebate Program in 2014. Developed in partnership with NSCSA and the Nova Scotia Trucking Safety Association, this program offers rebates to employers in the trucking and construction industries who received either a COR from NSCSA or a WCB Safety Certified Accreditation.

**Did you know?** Advancing the goals of the Workplace Safety Strategy, the Province introduced new workplace health and safety regulations in 2013 to increase protection from falls on the job and improve safety for highway workers. Companies on a worksite with a risk of falling from a height of more than three metres now must show proof of adequate fall-protection training.

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# Year at a Glance >

(Dollar amounts in millions)	2014	2013	2012
Number of Covered Employers (Assessed and Self Insured)	18,700	18,700	18,800
Percentage of Labour Force Covered (Assessed and Self Insured)	73	72	71
Number of Claims Registered	24,974	25,050	26,422
Number of Compensable Time-Loss Claims Registered	5,953	6,034	6,341
Duration Index – Composite, In Days	102	99	99
Targeted Average Assessment Rate (per \$100 of assessable payroll)	\$2.65	\$2.65	\$2.65
Actual Average Assessment Rate	\$2.67	\$2.66	\$2.65
Assessable Payroll (billions)	\$10.0	\$9.6	\$9.5
Assessment Revenue	\$306.0	\$296.8	\$291.8
Investment Income	\$135.3	\$190.2	\$116.5
Administration Costs	\$50.1	\$47.0	\$45.6
Legislated Obligations	\$14.6	\$12.6	\$11.9
Claims Costs Incurred	\$202.6	\$205.2	\$199.6
Comprehensive Income	\$97.8	\$52.2	\$62.2
Assets (billions)	\$1.5	\$1.4	\$1.2
Liabilities (billions)	\$2.0	\$1.9	\$1.8
Percentage Funded Ratio	76.9%	71.4%	66.5%
Timeliness of First Payment to Injured Workers (percentage of payments made within 15 days of injury – 12 month average)	72.7%	75.5%	76.5%
One-year Investment Returns	10.4%	15.7%	11.5%
Injury Rate: Time-Loss Claims per 100 Covered Workers	1.82	1.86	1.96

- An injury rate of 1.82 time-loss claims per 100 covered workers marks a reduction of more than 35 per cent since 2005.
- The total number of time-loss claims in 2014 is 5,953, a decrease from the 2013 total of 6,034.
- Health/Social Services is the largest industry sector in the province and accounts for the highest volume of time-loss claims at 1,586 in 2014, which is more than twice as many as the next closest sector.
- 4 of the 5 largest industries in the province saw drops in their injury rate in 2014 from 2013.
- The volume of new Extended Earnings Replacement Benefits (EERBs) awarded in 2014 was less than half the volume awarded in 2007 (almost 57 per cent less).
- In 2014, we received 1,524 appeals in Internal Appeals, a 9 per cent decrease from the 1,671 appeals received in 2013.

# NOVA SCOTIANS – SAFE AND SECURE FROM WORKPLACE INJURY



*The WCB Board of Directors consists of four employer and four worker representatives, along with a Chair and Deputy Chair. The Board is responsible for representing stakeholder viewpoints while considering the interests of the WCB and the system overall. (L-R, Back Row, Standing) Janet Hazelton, Worker Representative; Angus Bonnyman, Employer Representative; James Melvin, Employer Representative; Betty Jean Sutherland, Worker Representative; Dean Tupper, Worker Representative; Brad Fraser, Executive Corporate Secretary; (L-R, Front Row) Luc Erjavec, Employer Representative; Phil Veinotte, Employer Representative; Stuart MacLean, Chief Executive Officer; Elaine Sibson, Chair; Chris Power, Deputy Chair.*

# Reflecting on our accomplishments, planning for the future



*Message from Elaine Sibson, Chair, on behalf of the Board of Directors*

The last five years as Chair of the Board of Directors of the Workers' Compensation Board of Nova Scotia have been some of the most rewarding and challenging of my career.

I have had the privilege of working with a group of people who want to make a difference in our province. Quite simply, they are here for a specific purpose: They want to make Nova Scotia a safer place to work, and they want workers to return home to their families without injury. This purpose is achievable. I want to thank the Board members, WCB staff and, in particular, our CEO Stuart MacLean, for their steadfast commitment to this goal.

The year 2014 also marked the final year of our 2010-2014 strategic plan. Over the course of that plan, together with our partners, we have helped reduce the human and economic impact of workplace injury, driven by the principle that we will not succeed in isolation, but that success depends on how we work with others.

This approach was even more evident in 2014 as we engaged in thoughtful and extensive conversations with Nova Scotians to inform our next strategic planning process. My colleagues on the Board and I had the privilege of speaking with Nova Scotians through a special summit, and consultations

about what is needed to improve workplace safety and achieve safe and timely return to work, for the benefit of all Nova Scotians. The passion for doing things better, even if it's not how things have been done before, also came through. These themes, coupled with our current strategic priorities, will guide the work of the new strategic plan, and our work in 2015, a bridge year between strategic plan timeframes.

Change, in many ways, is what we stand for – change in Nova Scotia's workplace safety culture, and change in the impact of workplace injury on the fabric of our province. And this year things are changing for us at the WCB. We are developing a new strategic vision that will guide our work over the next five years. We are changing the way we serve others, changing the way we make decisions, changing the technology we use, and changing how we support all of those involved in the return-to-work process.

We have, over the past decade, contributed to changes in how workplace safety is viewed in this province. Fewer people are injured, and when they are injured, they go back to work more quickly than they did a decade ago. Nova Scotians, through media and in communities, are talking about safety more than ever before. Community newspapers, as just one example, are running editorials about the importance of fishermen coming

home safely. These elevated safety conversations are due in no small measure to the work of so many dedicated safety leaders within the system. It has been a privilege to play a role in this change.

As I reflect on my time as Chair, I am particularly proud of the progress that has been made to move us closer to a system that is financially self-sustaining. For the third consecutive year, we are reporting a total comprehensive income that moves us closer to retiring our unfunded liability, and brings us to 76.9 per cent funded. Notably, in 2014, we finished the year with \$97.8 million in total comprehensive income, which is due in part to higher investment income and higher than expected actuarial experience adjustments.

Today, we are also working with partners in new ways, and these partners are a key consideration in governance and in leadership. Along with our close colleagues at the Nova Scotia Department of Labour and Advanced Education and other industry stakeholders and partners, we are working to foster new ways of thinking about how workplace safety can become business reality.

And, as a Board we continue to examine our existing policies to ensure they are appropriately addressing injury claims under the Act. In 2014, we made important

changes to our noise-induced hearing loss and psychological injury policies. Our policy agenda and discussions around it are yet another example of the ever-changing issues affecting our covered workforce.

Change is happening in the workplaces we serve, perhaps like never before. Health authority amalgamation is a fundamental change to an industry with nearly a third of the time-loss injury in our province. And, the workforce overall is changing: People are working longer in life, and they are working differently. Claims are becoming more complex, and we are seeing population health, mental health, and overall demographic realities manifest themselves in claims management. It is an intensely interesting and challenging time in workers' compensation.

It is also why we must maintain our long-term focus. Social change for the better is a long-term strategy. It is a journey that comes with ups, downs, and nimble navigation of what each day brings.

But, in the long term, there is progress.

In 2014, we welcomed new Board members Angus Bonnyman and Luc Erjavec to the table to join in that progress, and we said farewell to Hugh MacArthur who resigned from the Board. And in this final year for me as Chair, and on behalf of my close colleagues Jim Melvin and Betty Jean Sutherland, who have given many years of service and who step down as directors, I take great pride in how far we have come.

It has truly been a pleasure to be part of all that we have accomplished. We have made great strides toward a Nova Scotia safe and secure from workplace injury.

Looking out into the future, we are on the right path. And our journey must continue. Even, and perhaps especially, when it seems to be at its most challenging.

Change, if it is right and needed, is not often easily achieved. And the true measure of leadership is staying the course, realizing the vision, and delivering on a better tomorrow.



Elaine Sibson  
Chair, WCB Board of Directors

*Change, in many ways, is what we stand for – change in Nova Scotia's workplace safety culture, and change in the impact of workplace injury on the fabric of our province.*



## SIGNS OF CHANGE



*Alex Keaveny (L) and Peter Craig (R), Crown Attorneys with the Nova Scotia Public Prosecution Service (PPS), are responsible for prosecuting violations of the Occupational Health and Safety Act. In 2014, PPS and LAE collaborated to create an additional Crown Attorney position to increase the focus on workplace safety cases. In addition to prosecuting these highly specialized cases, Alex and Peter provide training to investigators and give legal advice during investigations. This initiative is one way the Province is delivering on the Workplace Safety Strategy's commitment to enforcement.*





## SIGNS OF CHANGE

*Small and medium businesses in Nova Scotia, including many Nova Scotia truckers, have unique health and safety business needs. In 2014, the WCB continued to work with the Department of Labour and Advanced Education, employers and industry partners to develop materials specifically for small and medium businesses. Here, Jonathan Ellis with Fisher Transport keeps safety top of mind as he prepares his truck to transport milk.*

# Signs of change – becoming the safest place to work in Canada



In 2014, Nova Scotia is telling a new story when it comes to workplace safety and the value of safe, healthy work in our province.

Like never before, we are seeing a new level of conversation, and a new commitment to action, toward better outcomes for workers, for employers, and our province. We also saw continued progress in injury reduction, with the total number of time-loss injuries falling below 6,000 and the injury rate dropping further compared to 2013.

Nova Scotia's injury rate – the number of workers who suffer a time-loss injury per 100 workers – was 1.82 this year, down from 1.86 in 2013. This result is consistent with the long-term improvements we have seen in the injury rate and speaks to the impact of strategies we have in place to change the culture of workplace safety and return to work in this province. For the third consecutive year we are also reporting a total comprehensive income that moves us closer to meeting our goals of retiring our unfunded liability.

These results are just some of the positive signs of change we saw in 2014 as we work purposefully to become the safest place to work in Canada. Signs of a commitment to safety are everywhere, from the halls of government, to our workplaces and in our communities. For example, personal floatation devices (PFDs) are more visible on wharves and vessels than ever before, and conversations about fishing safety are top of

mind. In the healthcare sector, a leadership commitment to reducing the number one cause of injuries is fostering environments that include safe patient lift and transfer programs. And, safety rebate programs are sparking greater investments in safety in the construction and trucking industries.

There are many other examples, and many partners share our vision. Perhaps most notably, our partnership grew and flourished with the Department of Labour and Advanced Education (LAE) during the second year of the execution of the Workplace Safety Strategy for Nova Scotians. We were pleased to see LAE add additional OHS Officers, who will add to the capacity for enforcement and education. As part of the work of the strategy, tools to support small and medium workplaces were developed. In addition, in 2014, the Province also created an additional Crown Attorney position to increase the focus on workplace safety cases. These are all examples of real progress toward a safety culture and of the importance of working with others.

In 2014 we continued to lead a conversation toward industry-driven improvements in fishing safety. It's another way we continued to implement Nova Scotia's Workplace Safety Strategy and its various streams of work. Our work, which includes improving fishing safety, and supporting all injured workers and their families when injuries do occur, is all driven by our belief in what matters most – those moments outside of work that safe,



*WCB CEO Stuart MacLean*

healthy, work allows us to enjoy. To achieve this, we collaborate with safety associations and partners who continue to make important contributions to keeping workers safe. This year, both the Nova Scotia Trucking Safety Association and the Nova Scotia Construction Safety Association celebrated notable milestones of 15 and 20 years, respectively.

The unwavering belief that one fatality is too many is at the heart of everything we do at the WCB, and the human impacts of workplace injury serve as stark reminders of the importance of our work. In 2014, there were 19 workplace fatalities – five acute and

14 chronic. In 2013, there were 34 workplace fatalities – 17 acute and 17 chronic.

One workplace fatality is too many, and this reduction in human tragedy must continue.

Despite a year filled with important achievements, 2014 has not been without its challenges. Although it remains below historical levels, the amount of time injured workers spend off the job after injury increased in 2014. While we have much to be proud of, we remain firmly focused on supporting even better outcomes in 2015.

Our work in 2014 also included planning better ways to do business now and for the future. This year marked the final year of our 2010-2014 strategic plan. Under the oversight of the Board of Directors, we spent considerable time hearing from Nova Scotians to inform our new strategic direction. The progress we made in 2014, and over the last five years, will help guide our work and outcomes in 2015 as we finalize our next five-year strategic plan.

Our long-term progress tells us we are on the right path. Fewer people are being hurt on the job, and when they are, they go back to work more quickly. We have also seen encouraging progress with regard to the long-term, legacy impact of workplace injury.

*Nova Scotia can be better, and we all have a role to play in achieving this success.*

However, as we look to the future, we know we are also facing new types of business challenges such as an aging workforce, more complex claims and adapting to new ways of doing business. We cannot become the safest place to work in Canada if we keep doing business as usual. As a result, much of 2014 also focused on charting the course to working differently here at the WCB.

We are making improvements to the way we write and make decisions based on direct feedback from those we serve. What this will mean is better, stronger communication with injured workers and employers at a time when they need it most. We are also making important investments in our people, our technology platforms and in the way we provide service as part of this change journey.

Our work continued to be guided by an exceptionally committed Board. In particular, I want to thank Elaine Sibson, Chair of the Board of Directors, who will complete her term in early 2015. Her leadership has been instrumental to the successes we've experienced in workplace safety, and I am thankful for her vision and passion.

I want to thank all of our Board members for their hard work and dedication. We welcomed two new Board members in 2014, Angus Bonnyman and Luc Erjavec, and Hugh MacArthur resigned from the Board. As this report becomes public, we will be saying farewell to Jim Melvin and Betty Jean Sutherland as they step down as directors.

With signs of a safety culture taking shape in Nova Scotia, our work has never been more important than it is today. Acting for long-term change means taking meaningful, deliberate steps forward. It's this accountability that is outlined in the 2014 report, *Now or Never*, led by our former Chair Ray Ivany, on the state of Nova Scotia's economic prosperity. This approach to transforming our communities into the best they can be shares a driving principle with the work we do: Workplace injury costs all of us. Nova Scotia can be better, and we all have a role to play in achieving this success.

This unwavering commitment will continue to guide our work, as we make progress, every day, toward making Nova Scotia Canada's safest place to work.



Stuart MacLean  
Chief Executive Officer



## SIGNS OF CHANGE >

*The WCB has partnered with Annapolis Valley Health to centrally coordinate more timely access to surgical care for injured workers in support of safe and timely return to work. Featured in the photo, Dr. David Johnston, Orthopaedic surgeon with Capital Health, is one of several surgeons in Nova Scotia participating in the program. For more information about the program, visit [wcb.ns.ca/surgeries](http://wcb.ns.ca/surgeries).*



## SIGNS OF CHANGE

*Eyoab Begashaw (L), Co-ordinator of Business Services and Support, Office of the Employer Advisor Nova Scotia; and Kate Allen, Business Counsellor, Canadian Federation of Independent Business (CFIB); take part in afternoon discussions at a special event focused on small and medium-sized businesses. Held in December, the event coincided with the 2nd annual Leadership Matters event for business leaders, organized by WCB and the Department of Labour and Advanced Education.*

## Working collaboratively for success >

The year 2014 marks a decade of my role in responding to questions, concerns and complaints related to the service provided by the WCB. Through my conversations with workers, employers, injured workers' groups and Members of the Legislative Assembly (MLAs), who also raise the concerns of their constituents to me, I am reminded of just how important it is for workers and employers to have an avenue for issue resolution that is impartial and easy to access. In my role as Client Relations Officer it's my responsibility to listen to workers and employers, always be approachable, respectful, honest and forthright, and to help bring resolution to their issue.

Inquiries to my office remain confidential and I regularly report on my work directly to the WCB Board of Directors.

In 2014, I received 1,360 inquiries and 26 formal complaints. Sixteen complaints were substantiated, or partially substantiated, and the majority were filed by injured workers. Through these complaints the WCB is informed of issues that can help us improve our programs and services and they are an important factor in our service delivery.

I truly enjoy the opportunity I have to serve Nova Scotians from across the province. Through my interactions I have gained more knowledge about the workers' compensation system, developed a better understanding of people and their service expectations, and a better understanding of the current issues facing injured workers and employers.

I'm fortunate to also have the opportunity to work with elected members of our provincial and federal governments, the Nova Scotia Office of the Ombudsman, and representatives who support the Workers' Advisers Program (WAP) and the Workers' Compensation Appeals Tribunal (WCAT). I appreciate these relationships, and I look forward to continuing our work together in 2015.



Tim McInnis  
Client Relations Officer



*Tim McInnis (R), Client Relations Officer reviews a claim with Christine Delisle-Brennan (L), Ombudsman for the Province of Nova Scotia.*



## SIGNS OF CHANGE

*Hundreds of people watch from the wharf as captain Cory Nickerson and his crew demonstrate a water rescue technique prior to the start of the Wedgeport Tuna Tournament. Executed in industry partnership with WCB, LAE, the Fisheries Sector Council, the Fisheries Safety Association, and the Nova Scotia Community College, more than 30 similar drills were held across the province in 2014 to raise awareness about fishing safety and to prepare fishermen to deal with emergencies.*

## Plans and progress

The WCB is pleased to report on progress made during the final year of our 2010–2014 Strategic Plan. Over the past five years we have worked diligently with our partners to reduce the impact of workplace injury in Nova Scotia. As work begins on our new strategic plan, we will continue to advance Nova Scotia’s workplace safety priorities and objectives, guided through this strategy bridge year by our 2015 Corporate Plan.

In 2014, we made progress on each of our strategic priorities and fulfilled our commitment to work in partnership with workers, employers and our stakeholders to make workplaces safer, to help workers manage the impact of injury and make a safe and timely return to the workplace, and to ensure that more Nova Scotians return home to enjoy what matters most at the end of each work day.

There were fewer workplace injuries in 2014. Our injury rate – the number of workers who suffer a time-loss injury per 100 covered workers – reached a new low of 1.82. While shy of our target of 1.80, this result still speaks to progress and is an improvement from 1.86 in 2013. This result continues the steady improvement of the past decade, over which time Nova Scotia’s injury rate has improved by more than 35 per cent. The number of new time-loss claims also reached a new milestone, dropping below 6,000 claims for the very first time with a total of 5,953 claims registered.

In 2014, we also advanced other key strategic priorities. We improved the financial position of the WCB, reduced our unfunded liability, and achieved funding of 76.9 per cent. In particular, we were pleased to finish the year ahead of our projected total comprehensive income due in part to more than expected in investment income and favourable experience adjustments. Following our current path, and with stability in the financial markets, we are on track to retire the unfunded liability between 2019–2023.

We continued to build stakeholder and public confidence by operating in a spirit of openness, and by introducing new ways of doing our work that will make it easier for our customers to communicate and do business with us. We made service improvements, guided by new service principles that set a high standard for how we do everything that we do. In keeping with our principles, we began to address issues earlier in the claim appeal process, and we began the move to making claim decisions simpler and easier to understand. These efforts will continue into 2015.

We made technology improvements that support better service. We re-designed our website and developed an online registration form for employers, which will be available in 2015, and upgraded our internal capabilities. We also undertook extensive planning and preparation to enable more technology upgrades in the months and years to come.

In 2014, there were five acute fatalities compared to 17 in 2013. In fact, the number of acute workplace fatalities is at its lowest point in several years. And while one workplace fatality is too many, we believe that this level of improvement, driven by significant effort on the part of workers, employers and safety advocates, and supported by a heightened level of public awareness about workplace safety issues, will help to sustain a greater sense of urgency and more action to prevent workplace injuries in coming years.

As Nova Scotians, we are concerned about workplace safety. We’re concerned about the toll injury takes on workers and their families. We’re concerned about the costs of injury and the impacts on our provincial economy. Nova Scotians have told us they want our province to be the safest place to work in Canada. The WCB is committed to helping make that happen.

At the WCB we use a balanced scorecard to track our performance. Indicators are grouped into four quadrants: Service, Operations, Employees and Financial. In 2014, we exceeded most of our targets and we did not meet others. And while over the longer term all of our results have been positive, we remain focused on supporting better outcomes, in 2015 and beyond.

## Balanced Scorecard Measures

	Actual '13	Actual '14	Target '14	Target '15	Target '19
<b>Service</b>					
Worker Satisfaction Index <sup>1</sup>	73%	75%	70%	70%	70%
Employer Satisfaction Index	79%	79%	70%	70%	70%
<b>Operations</b>					
Time-loss injuries per 100 covered workers	1.86	1.82	1.80	1.80	1.59
Duration index – composite, in days	99	102	99	102	91
Time-loss days paid per 100 covered employees	226	226	215	222	177
Cost of New Extended Earnings Replacement Benefits (\$M)	\$53.1	\$46.8	\$50.7	\$49.0	\$50.5
Return to Employability	96%	96%	96%	96%	96%
<b>Employee</b>					
WCB Employee Satisfaction Index	75%	73%	70%	70%	70%
<b>Financial</b>					
Claims payments for the last 3 years per \$100 of assessable payroll (payment ratio)	\$0.653	\$0.656	\$0.665	\$0.643	\$0.554
Administrative costs per \$100 of assessable payroll (excluding prevention costs)	\$0.37	\$0.38	\$0.39	\$0.39	\$0.38
Return on investment					
Five-year Rate of Return	9.8%	9.6%	Exceed Benchmark Portfolio Return		
Five-year Target	10.1%	9.1%			

<sup>1</sup> The Worker Satisfaction Index does not include workers on long-term benefits or those with claims for little or no time-loss.

The composite duration index, a complex measure for average claim duration, is an important measure that has shown improvement over the long term. In 2014, however, the index did not drop as we anticipated and we did not achieve our target. The number of time-loss days paid per hundred covered employees also didn't reach the level of improvement we expected, and stayed the same for the second straight year in 2014, at 226 days. Improving return-to-work outcomes, while always a top priority, will be a particular area of focus for us in 2015.

The balanced scorecard tells only part of the story about the progress made in 2014. Over the past year, we've had more opportunities to talk with Nova Scotians, and they've told us about safety taking hold in workplaces where it didn't exist before. They've told us about how a personal floatation device helped save a loved one's life, how wearing fall

protection brought a loved one home safely, and how our messages about coming home safe to do the things that really matter made them think twice about how they do the work they do.

We have also seen new levels of collaboration and partnership growing from the Workplace Safety Strategy, with new tools and resources developed to help businesses build a stronger culture of safety. We've seen leaders representing labour, government and the private sector, coming together, adopting a common safety vision, and collaborating on new ways to improve safety outcomes in our province. Young Nova Scotians are part of the conversation too. Throughout the summer we invited them through social media to make the connection between safety at work and a long, healthy, and active life outside of work, and more than 4,000 responded. This past year has therefore been a time of change and a time of progress.

## SERVICE >

### Nova Scotia's Workplace Safety Strategy

In 2014, the WCB worked with the Nova Scotia Department of Labour and Advanced Education and our many safety partners to advance the goals of the Workplace Safety Strategy. As part of the strategy's implementation there were some significant new safety tools, supports and resources developed and delivered for employers and employees. These included:

- A workplace safety toolkit designed for small and medium business, to provide more extensive prevention and return-to-work resources.
- An enhanced administrative penalties model, which will include a graduated system of enforcement, a greater focus on education and relationship building, with revenues from penalties going to workplace safety initiatives.
- A province-wide inspection blitz within the construction industry, which saw inspectors visiting 66 potentially high-risk sites where they noted an increase in compliance related to fall-protection regulations.

**94%** OF NOVA SCOTIANS SURVEYED IN 2014 SAID **SAFETY IN THEIR DAILY WORK** IS IMPORTANT OR CRITICALLY IMPORTANT. IN THE LAST 11 YEARS **THAT'S AN INCREASE OF** **12%**

- Five additional OHS Officers were added to the team at the Department of Labour and Advanced Education, and LAE collaborated with the Nova Scotia Public Prosecution Service to create an additional Crown Attorney position dedicated to issues pertaining to workplace safety.
- New workplace health and safety webinars for Nova Scotia’s teachers, which are hosted within the Department of Education’s Professional Learning Digital Video Library.
- Commencement of a consultation process to inform the development of improved workplace health and safety regulations.
- We brought the *What Matters Most* workplace safety social marketing campaign closer to communities through community signage.

Efforts continue to encourage all Nova Scotians to take ownership of the vision outlined in the Workplace Safety Strategy – to make Nova Scotia the safest place to work in Canada. For the second year in a row, the WCB and the Department of Labour and Advanced Education hosted a *Leadership Matters* conference. The event brought together a group of senior leaders across Nova Scotia from the public and private sectors and focused on the importance of leadership in building a culture of workplace safety. A half-day safety summit for associations and groups that support small and medium-sized organizations followed the larger event.

## Fishing Safety Action Plan

Throughout 2014, the WCB, Department of Labour and Advanced Education and the Department of Fisheries and Aquaculture, with support from the Fisheries Safety Association of Nova Scotia (FSANS) and the Nova Scotia Fisheries Sector Council (NSFSC), have been working together to facilitate the development of an industry-led Fishing Safety Action Plan for Nova Scotia. Key industry representatives were invited to form a Safe at Sea Alliance – the group who will ultimately endorse the plan. The working group also engaged fishermen from across the province, their families and their communities in conversations about fishing safety, seeking their input on what needs to change to make the industry safer.

We also engaged other government departments and agencies in a position to help facilitate the changes needed. This included Fisheries and Oceans Canada, Transport Canada, the Transportation Safety Board of Canada, Environment Canada, the Canadian Coast Guard and the Nova Scotia Community College. Industry and government groups came together under the Safe at Sea Alliance umbrella and, using the input gathered from industry, outlined the short-, medium-, and longer-term actions to address fishing safety in Nova Scotia. The list of issues and actions falls under several key areas: Lack of understanding or inconsistency



in regulations, be they federal or provincial; limited attention to safety plans or safety drills; opportunities to improve fisheries management; fatigue, compounded by drugs and alcohol; and opportunities to improve weather forecast services. The final Fishing Safety Action Plan will be launched in 2015.

In addition to the formal Fishing Safety Action Plan, work to promote fishing safety and raise awareness at the grassroots level also continued in 2014. Through various activities, an operational partnership between the WCB, LAE, FSANS and the NSFSC continues to help bring province-wide attention to this important topic. These activities include advertising and social media campaigns, media relations, community events and emergency safety drills, or “man overboard drills,” which were organized with the additional help of the Nova Scotia Community College.



Grade Six students added their voice to the fishing safety conversation in 2014 through a poster contest. Winning posters were featured in ads and a 2015 Fishing Safety Action Plan calendar.

## Writing Better Decisions

In 2014, WCB internal teams improved the way we work together to resolve first-level claim decision appeals, and began to adopt a plain language writing approach for claim decisions, with the help and support of three dedicated Coaches within our Service Delivery teams. These changes are aimed at making our decisions more structurally consistent and easy to understand, which will make the appeal process less litigious, and resolve issues sooner in the appeal process.

It's all part of overall efforts to improve our service, and began with extensive consultation with employees and system partners back in 2012.

An early assessment indicates that for some claim appeals, the increased collaboration between case workers and hearing officers has already led to a speedier resolution of issues.

## Rewarding Safety Improvements

In 2014, programs introduced as part of rate enhancements launched in 2013 began issuing the first cheques to qualifying businesses. A total of \$2.58 million was issued under both the Practice Incentive Rebate Program and the Conditional Surcharge Refund Program.



As part of the Practice Incentive Rebate Program, rebate cheques were issued as part of a pilot program for trucking and construction employers whose health and safety programs met the requirements of a recognized safety accreditation: 1,309 qualifying employers in these two industries received a total of \$1.58 million in rebates.

Developed in partnership with the Nova Scotia Construction Safety Association (NSCSA) and the Nova Scotia Trucking Safety Association (NSTSA), the program is funded by employers and offers rebates on workplace insurance premiums for businesses who have received either a Certificate of Recognition (COR) from NSCSA or a WCB Safety Certified accreditation. The program encourages employers to implement effective health and safety management systems as an important step toward reducing the risk of workplace injuries. The Practice Incentive Rebate Program will also pay rebates in 2015 to businesses that qualified in 2014.

Under the Conditional Surcharge Refund Program, for the first time, 22 businesses received surcharge refunds in 2014 totaling \$1 million, for making qualifying investments in health and safety. The intent of the program is designed to encourage employers in a surcharge position to make qualifying investments in safety to reduce workplace injuries. Surcharges start at 20 per cent and are cumulative year over year.

## Drug Formulary Changes

Work continued in 2014 to enhance prescription drug formularies to ensure injured workers receive the appropriate drugs to effectively support a safe recovery and return to work. Drug coverage rules and controls, based on best practice and national treatment guidelines, will be implemented. Medavie Blue Cross, our strategic partner, will also expand their role in our formulary management by administering a new special authorization process on our behalf. The changes, to be implemented in 2015, are aligned with the recommendations of the *First Do No Harm Report*, published by the Canadian Centre on Substance Abuse, and the *Right Tool for the Job* campaign, which is led by the College of Physicians and Surgeons of Nova Scotia.

To minimize the risk of interrupting existing prescriptions, current injured workers will maintain current levels of coverage. All prescriptions for injuries occurring after implementation of the changes will be subject to the new rules and processes.

The changes will help to ensure injured workers have access to the right drugs, in the right quantity, for the right period of time, to support their recovery. The changes also include measures to ensure prescribed drugs are less likely to create new problems, such as addiction.

## Centralized Surgical Services Program

Research shows the longer someone is away from work due to an injury, the less likely they will ever return to their job. To help injured workers get speedier access to the surgical care they need as part of recovery and return-to-work plans, the WCB partnered with Annapolis Valley Health (AVH) to take advantage of unused public operating room capacity to provide timely surgery services. The new program began in April.

WCB, like all similar organizations across Canada, operates outside the terms of the *Canada Health Act*. This new program benefits injured workers and all Nova Scotians because it uses available operating room time and surgeon capacity not funded by the public system to provide surgical care to injured workers, in an effort to support a safe and timely return to work.

## Employer Services Improvements

In 2014, the WCB continued to make service enhancements to meet the changing needs of those we serve and to help us work smarter. Leveraging technology, we are working to simplify the way we register and classify employers for WCB coverage. We have refined the registration process and developed a new online registration form, which will be available in 2015. The re-designed form will allow employers to register with the WCB online through the WCB's website.

## The WCB's New Service Principles

The WCB's service paradigm has evolved in recent years to focus on service excellence. In 2014, we developed a shared set of service principles that are helping us establish a common understanding about what good service is and how to deliver it. The principles were developed based on feedback from workers and employers about their service expectations and in close conversations with WCB employees.

### Our Service Principles

As a WCB team member, I am focused on delivering the best service I can to help others succeed. I provide great service when I:

- 1. Act respectfully.**  
Treat people with dignity and sincerity.
- 2. See the person first.**  
Approach every situation with an open mind and patiently consider other perspectives.
- 3. Communicate with purpose.**  
Achieve understanding through clarity in words and actions.
- 4. Find the best solution.**  
Approach challenges with enthusiasm and creativity.
- 5. Own my work.**  
Stand by the service I provide and take pride in my work.
- 6. Keep getting better.**  
Take action by being proactive and innovative.

NOVA SCOTIA'S **INJURY RATE DROPPED TO 1.82**  
DOWN FROM 1.86 IN 2013.

## Service Performance

Service	Actual '13	Actual '14	Target '14	Target '15	Target '19
Worker Satisfaction Index <sup>1</sup>	73%	75%	70%	70%	70%
Employer Satisfaction Index	79%	79%	70%	70%	70%

<sup>1</sup> The Worker Satisfaction Index does not include workers on long-term benefits or those with claims for little or no time-loss.

### Service Measures of Success

We base our success on feedback from the people we serve. On a quarterly basis we ask injured workers and employers to rate the service they receive from the WCB, and we use that information to identify areas for focus and improvement. Approximately 1,500 injured workers and 1,000 employers are contacted annually through these surveys. We use the survey results to calculate a satisfaction index for each group, and we track our performance against our annual target. In 2014, both our injured worker and employer indices were above target.

### Service Outlook

In the coming year the WCB will embark on an ambitious program of business transformation, as we continue to work with our partners to deliver the Workplace Safety Strategy for Nova Scotians.

We believe there is strong alignment between the work we do to reduce the impact of injury and the themes brought forward by the report, *Now or Never: An Urgent Call to Action for Nova Scotians*, which was developed by a committee chaired by Ray Ivany in 2014.

In order to build a stronger and more vibrant economy in Nova Scotia, we believe safety needs to play an important role. By reducing the human and financial impact of injury, we can help to secure prosperity, and attract more investment. We believe that safer workplaces can support a better quality of life for everyone who lives here.

This year we will have significant opportunities to work together with our partners and stakeholders to reduce the impact of injury. Through our partnership with the Department of Labour and Advanced Education we will continue our efforts to make Nova Scotia the safest place to work in Canada. We will make progress under each of the six Workplace Safety Strategy themes, which include cultivating safety leadership, building a culture of safety, training and education, creating resources for small and medium business, measurement, and enforcement.

We will reach out to workers and employers within their work environments to positively impact the day-to-day decisions they make about safety. We'll talk to young workers in ways and through channels that are meaningful and that help to heighten understanding about the role workplace

safety plays in their ability to enjoy a productive life at work, and an active life after work. We'll work more closely with our safety partners and help them as they work toward better outcomes for their constituents.

In 2015, we will integrate our new service principles into everything that we do. We will also continue to advance our core business: Preventing workplace injury and helping injured workers make a safe and timely return to the workplace, and providing support to workers and families affected by tragedy.

We'll emphasize the importance of having an effective return-to-work program, and we'll help employers develop the approaches, tools and supports they'll need to help injured workers stay connected to the workplace and ultimately return to safe and productive work.

As we continue to make important investments in our people, business processes and technology, and in the way we provide service, we will maintain our targets for service measures at 70 per cent until 2019.



*The “What Matters Most” injury prevention social marketing campaign took its message into communities across Nova Scotia.*

*Top photo: For Tanya Newell, WCB Workplace Consultant, (C) and her husband, Ray (L), watching their son Dexter (R) play soccer was one of those great moments made possible by workplace safety.*

*Bottom Photo: Families who spent time in arenas might have seen their children glide past this sign on the ice, reinforcing the importance of life’s little moments.*

## OPERATIONS >

### Social Marketing

In 2014, we continued to spark and elevate conversations in media, and among communities and families, in order to protect and cultivate the moments that matter most – moments made possible by workplace safety and return to work.

The *What Matters Most* social marketing campaign, developed in partnership with the Department of Labour and Advanced Education was expanded in 2014 to include focused community and workplace engagement. Unique and vivid signs were placed around the province reminding passersby that the most important reason for making their workplace safe is to enjoy

the moments that matter outside of work. In addition, an online interactive safety quiz was developed for workplaces to challenge workers and employers to test their knowledge about safety.

The *What Matters Most* campaign won gold in the internationally recognized MarCom Awards. Closer to home, post-campaign testing revealed that more than half of those surveyed recalled seeing the TV ad, with more than 93 per cent having highly favourable opinions of it. The majority of Nova Scotians who saw the ad agreed it made them more concerned about workplace safety, workplace injury and its impact. More significantly, a third of viewers said the ad motivated them to change their workplace behaviour as a result of their exposure to the campaign.

To help keep the reasons to work safely top of mind for young workers, we also held a unique online contest for workers aged 16 to 25 years. Through the contest, we encouraged them to share their favourite summertime activities via Instagram, tagged with #thismatters, for the chance to win a summer bonus prize.

In partnership with the Department of Labour and Advanced Education, the Fisheries Safety Association of Nova Scotia and the Nova Scotia Fisheries Sector Council, we continued to promote safety in the fishing industry through various channels including print, radio and social media. Our new Fishing Facebook page has attracted hundreds of industry followers, and is providing a platform for

sharing stories about working safely on and around the sea.

We continued to work with safety associations in support of mutual injury prevention goals. This work included a new campaign with the Nova Scotia Trucking Safety Association to raise awareness about the risk of slip and trip injuries during the winter months.

The WCB also continued to support people and families who have been impacted by a workplace tragedy. In partnership with the Department of Labour and Advanced Education, our Day of Mourning Campaign asked Nova Scotians to remember those who have died or been injured in the workplace. And, through our partnership with Threads of Life, we helped bring families together to share their stories and insights about workplace tragedy.

### **Violence Prevention in Healthcare Facilities**

In 2014, the WCB continued to work with our healthcare partners at the Nova Scotia Health and Community Services Safety Association (AWARE-NS) to develop and deliver guidance and program materials to reduce the risk of injuries due to violence and aggression in healthcare settings. Several modules were co-developed and have been put to good use as part of ongoing safety training programs in care facilities across the province. All of the materials are hosted and available on the AWARE-NS website at [www.awarens.ca](http://www.awarens.ca).

### **Soteria**

In 2014, the WCB continued to participate in the Soteria partnership, which includes District Health Authorities, the IWK Health Centre, AWARE-NS, the Department of Health and Wellness and the Health Care Human Resources Sector Council of Nova Scotia. The goal of Soteria is to reduce the risk of musculoskeletal injuries – the number one cause of injuries in the healthcare sector.

To support the Soteria Provincial Initiative to address musculoskeletal injuries, a best practice comprehensive Safe Resident Handling Program has been developed to specifically support long-term care homes.

We know that musculoskeletal injuries are the most common time-loss claims reported to the WCB by healthcare workers and that 50 per cent of these claims are linked to some type of manual lift or transfer task (e.g. patient lifting, transferring and repositioning). We also know that the implementation of a comprehensive safe lift, transfer and repositioning (SLT&R) program is the best practice approach that will reduce workplace injuries.

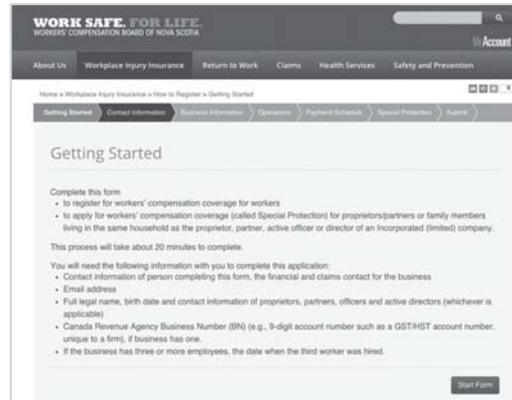
To support workplaces implementing SLT&R programs, a train-the-trainer SLT&R workshop was developed and implemented in 2014. Through this approach, peer champions use the knowledge gained to develop SLT&R programs at their workplaces.

IN 2014, TOTAL TIME-LOSS CLAIMS **DROPPED BELOW** **6,000.**  
**THAT'S THE LOWEST** IT'S BEEN SINCE STARTING TO MEASURE IT THIS WAY.

## Transforming our business

We introduced several technological enhancements during 2014 aimed at improving our service, making us more efficient, and moving us away from paper-based processes. This included:

- Introducing a credit card payment option for owner operators and individuals to pay premiums.
- Updating both our internal intranet and our external corporate website, making it easier for everyone to quickly and easily access information they need. We also made our external corporate website compatible with mobile technologies, so the information on the site can be accessed wherever and whenever our stakeholders need it.
- Making improvements to the technology and tools available to WCB employees, including developing a framework to organize and access information to help us do our work better.
- Developing an online employer registration portal, which provides employers with the ability to register for coverage online instead of by mail or fax.



Business transformation, enabled by technology, is one of several core strategies that are interrelated and foundational to shifting our business performance from good to better and to ensure we are well positioned to meet the needs of our stakeholders today and well into the future. Over the last few years, we have undertaken architecture work to lay the foundation for a phased migration to modernize our operations.

In 2014, we enhanced our understanding of the need for business transformation at the WCB and took preliminary steps to plan for that change.

## 2014 Program Policy Agenda

In 2014, the Board of Directors took action on the following program policy items:

- Approved a revision to Policy 2.1.1R11 (Workers' Travel Expenses for Health Care) and Policy 4.2.4R12 (Workers' Travel Expenses for Vocational Rehabilitation) to reflect a change to injured workers' travel rates.
- Approved final revisions to Policy 1.2.5AR1 (Occupational Hearing Loss), which clarifies the WCB's approach to the adjudication of these claims.
- Approved a new Psychological Injury Policy 1.3.9 that establishes criteria for the individualized adjudication of psychological injury claims under the Act.
- Approved a minor revision to the earnings policy.

## New Five-Year Strategic Plan

In consultation with Nova Scotians, the WCB is taking steps to ensure we build on our long-term positive trends and ultimately facilitate a deeper workplace safety culture in the province. In 2014, we began to develop a new five-year strategic plan. We began with consultation, led by the senior leadership team, who talked with stakeholders about our direction and plans to 2020. Input on the plan has been sought from various sectors, including labour and injured workers'

groups, industry groups, academia, safety associations and other system partners.

Stakeholders will be invited to review a draft strategic plan in 2015 to validate that we have interpreted the feedback appropriately. The Board of Directors will then approve a strategic plan that strikes the right balance between the needs of workers and the interests of employers moving forward. When complete, the plan will describe the strategies the WCB will implement to make advances in workplace safety and safe and timely return to work for the benefit of all Nova Scotians.

## 2014 Mainstay Awards

The Mainstay Awards are presented annually by the WCB and the Department of Labour and Advanced Education. The awards honour employers and individuals who have demonstrated a strong commitment and significant contribution to building a strong culture of workplace safety in Nova Scotia, in keeping with the goals of the province's Workplace Safety Strategy.

In 2014, 10 awards were presented at a ceremony in Halifax during NAOSH Week in May. CKF Inc. of Hantsport took home top honours as the Safety Award of Excellence winner.



*CKF Inc. was the recipient of the 2014 Mainstay Safety Award of Excellence for an Organization. Accepting the award in May 2014, (L-R), Chad MacDonald, Operations Engineer; Laurie Alders, Risk Manager; Gary Oickle, Employee Representative on OH&S Committee; Ian Anderson, President; and Chris Smith, Plant Manager.*

Other recipients of 2014 Mainstay Awards were:

- **Safety Award of Excellence, Individual**  
Eric Lefort (NSCC Marconi Campus)
- **Employer Return-to-Work Champion**
  - Nova Scotia Liquor Corporation
  - Annapolis Valley Health
- **Safety Transformation**  
Canada Post
- **Special Award for Small Business**  
CarbonCure Technologies
- **Individual Safety Champion, and Health and Safety Educator**  
Trina Peterson (Nova Scotia Youth Facility)

- **Individual Safety Champion**  
Dave Shannon (Dave's Commercial Cleaning)
- **Employer Safety Champion**  
EllisDon

The Mainstay Awards invite submissions each year between September and January. Judging takes place from February to April, and the annual Mainstay presentation event is held in conjunction with the Workplace Safety and Insurance System AGM during NAOSH Week.



*Ryan Leedham, 2014 Skills Canada National Competition gold medalist for aircraft maintenance and resident of Brookfield, Nova Scotia, will compete at the WorldSkills International competition in São Paulo, Brazil, in August of 2015. The WCB is proud to support Skills Canada Nova Scotia's Career Showcase, where students like Ryan get a chance to demonstrate their expertise in their chosen trade.*



*Through the Workplace Safety Strategy, the WCB, the Department of Education and Early Childhood Development and the school boards provided safety resources to students during Service Learning Week. (L-R) Sam Purdy, Miranda Tanner and Andrew Whynot, Grade 11 students, Liverpool Regional High School.*

### **Workplace Safety Education**

Supporting the Workplace Safety Strategy, our work with Nova Scotia students, teachers and instructors in 2014 included a number of activities:

- Consulting and contributing to the e-textbook *My Co-Op: The Guide to Co-Operative Education Success* used by Grade 10-12 Co-Op students.
- Working with the Department of Education and Early Childhood Development (EECD) to complete the new "Risk Assessment for Independent Student Learning Activities in the Community" for use by all teachers with students going out on independent learning projects.

- Developing and delivering three new workplace health and safety webinars for Grade 9-12 teachers, “Risk Assessment for Independent Student Learning Projects,” “Healthy Living 9: Addressing the OHS Outcome,” and “Risk Assessment Requirements for 10-12, Co-Op.”

The webinars may be viewed on EECD’s Digital Video Library at <http://dvl.ednet.ns.ca>.

Continuing our support to non-profit and alternate learning sites, we gave presentations and provided resources to Junior Achievement Nova Scotia, Techsploration, Skills Canada Nova Scotia, and the Nova Scotia Youth Centre. We were also pleased to maintain our work with adult learners by supervising close to 400 hours of practicum time with students studying occupational health and safety at the Nova Scotia Community College and at Dalhousie University.

### Health and Safety Research

Our health, safety and injury prevention research program supports projects with potential for direct benefit to Nova Scotia workplaces. In 2014, this included research into vibration-dampening technology for truck seats, exploring how safety communication may be impacted by literacy levels, and a unique approach to preventing soft tissue injuries in home care workers being explored by a Nova Scotia university research team. Completed WCB-supported research projects are posted at [wcb.ns.ca](http://wcb.ns.ca) – click on ‘Safety & Prevention’ and ‘Prevention Research.’

### Working together with our healthcare providers

In 2014 we continued to work closely with our healthcare partners toward a safe and timely return to work for injured workers. Advances included:

- Working with chiropractors and physiotherapists to enhance functional restoration services for injured workers.
- Conducting lectures for Dalhousie medical students on soft tissue injuries.
- Sponsoring the 88th Annual Dalhousie University Family Physician Refresher.
- Collaborating with Doctors Nova Scotia and Nova Scotia physicians to improve return-to-work outcomes.
- Partnering with Annapolis Valley Health to provide more timely access to surgical care for injured workers.

### Operations Measures of Success

The continued improvement in our province’s injury rate affirms that the work that the WCB and all of our safety partners and stakeholders are doing to advance the Workplace Safety Strategy is having a positive impact. Our new rate of 1.82 is even more impressive when compared to just five years ago, when our rate was 2.26.

Improvement in our measures for average claim durations, which are reflected in our composite duration index, slowed this year, and we achieved an index of 102 on a target of 99. Over time however there has been significant improvement in helping injured workers make a safe and timely return to work: Since 2009, the total number of paid days lost to injury has declined by more than 240,000 days.

**1** **WORKPLACE FATALITY IS TOO MANY.**

---

IN 2014, THERE WERE 5 ACUTE FATALITIES. THERE WERE 17 IN 2013.

We know that one workplace fatality is too many.

While we remain concerned about the number of workplace tragedies experienced in Nova Scotia, this year we were encouraged to see a reduction in that number. In 2014, there were five acute fatalities, compared to 17 in 2013. We will continue to focus on the goal of reducing workplace tragedies, and we are seeing more focused effort and attention by all safety partners, especially in fishing and construction, to achieve better outcomes.

## Operations Outlook

In 2015, the WCB will continue to work with the Department of Labour and Advanced Education and our many safety partners to deliver the Workplace Safety Strategy for Nova Scotians. We'll build on the progress made in the strategy's first two years to provide even more health and safety support to workers and employers through the strategy's six strategic themes.

We'll develop our new strategic plan for 2016–2020, incorporating the input of

our stakeholders, our partners and our employees. While the details are still being determined, we know that supporting the future prosperity of our province means we will need to be ambitious and challenge ourselves to work in new and different ways. We'll make sure WCB leaders and employees are ready to take on those challenges successfully.

We'll increase efforts to bring our tools, resources, messages and support closer to Nova Scotia workplaces. This includes working more closely with our partners and especially with safety and sector associations and supporting their efforts to influence positive change within the industries they represent.

We will encourage new conversations about safety and especially about return to work. We'll challenge traditional thinking about workplace injury, help employers develop effective return-to-work plans, and continue to work with healthcare service providers to make sure we are all aligned in achieving the best possible outcomes and a safe and timely return to the workplace for all injured workers.

We will leverage technology to improve our service. We will introduce new ways for workers, employers and stakeholders to do business with us. We'll strive to be more efficient and easier to do business with. We'll develop more of our materials in formats and on platforms that make them easier to access, no matter where you are or what device you're using.

We will work closely with the Department of Labour and Advanced Education, and all of our safety partners, because together we make things happen. We will also seek out and cultivate new relationships that help us address health and safety issues and bring us closer to the realization of our vision – Nova Scotia, safe and secure from workplace injury.

We will work tirelessly to improve our key performance indicators, which include the injury rate, composite duration index, time loss days paid per 100 covered employees, cost of new extended earnings replacement benefits, and return to employability. Where we are able to influence outcomes, we will do all we can to make sure our results are moving in the right direction. And that means

## Operations Performance

Operations	Actual '13	Actual '14	Target '14	Target '15	Target '19
Time-loss injuries per 100 covered workers	1.86	1.82	1.80	1.80	1.59
Duration index – composite, in days	99	102	99	102	91
Time-loss days paid per 100 covered employees	226	226	215	222	177
Cost of New Extended Earnings Replacement Benefits (\$M)	\$53.1	\$46.8	\$50.7	\$49.0	\$50.5
Return to Employability	96%	96%	96%	96%	96%

helping more Nova Scotians return home safely at the end of each working day.

## EMPLOYEES >

### Employee Engagement

WCB employees take pride in making a difference for the people we serve. Our employees strive to help employers prevent workplace injuries. They do their best to serve injured workers and help them manage the impact of injury and make a safe and timely return to the workplace when injury occurs. We know that everything we do helps us achieve that dual mandate, and we're committed to making improvements that allow us to be more effective in our work. We don't shy away from challenge, we're open to new approaches, and we know that better results are only possible when we work together — internally, and with all of our safety partners.

Making sure employees remain connected to our vision, mission and brand continues to be a key strategic objective. As part of our employee engagement strategy in 2014, employees provided direct input on the development of our service principles, the re-development of our corporate website, and helped map the way forward for several change initiatives. Regular employee meetings provided a regular forum for input, and the annual employee opinion survey, which achieved an 85 per cent response rate, provided valuable employee feedback on a variety of workplace topics.

### Leadership Development

Now more than ever, as the WCB embarks upon an ambitious program of change and service improvement, we need leaders who are well-positioned to support their teams and help them adapt to new ways of doing their work. The WCB continued its leadership development training series in 2014, adding modules that build leadership, coaching and performance management capacity.

### Competency Framework and Learning Strategy

As the WCB continues to evolve its service delivery and performance outcomes, there is increasing recognition that the nature of the work is changing. As a result, in 2014 we continued to invest in learning and development opportunities for employees to ensure we foster the skills needed to deliver excellent service.

### Top Employer Awards

In 2014, the WCB was recognized for the sixth year in a row as a Top Employer in Atlantic Canada, and as a Top Employer in Nova Scotia. The Top Employer program recognizes the employers in each jurisdiction that lead their industries in offering exceptional places to work.

### Inspire Award

The Inspire Award Program recognizes the exceptional efforts of our employees to make a difference for the people we serve, by living our values and demonstrating a commitment to achieving our priorities. Employees are nominated for this honour by their colleagues, and values-based awards are bestowed in three categories: Can-do Attitude, Safety Champion, and Caring and Compassionate.

The winners in 2014 were:

- Michelle Gabriel, Case Manager (Caring and Compassionate)
- Daniel Makhan, Manager, IST – Government and Self Insured (Can-do Attitude)
- Deborah Eddy, Manager IST – Wholesale and Utility, and Bob Westhaver, Workplace Consultant IST – Government and Self-Insured (Safety Champion)

### WCB in the Community

WCB employees are committed to helping people in need in our communities. Every week and throughout the year, we raise funds that provide support to more than 30 charities across the province. This also includes special draws, bake sales and donation appeals to help individuals and families experiencing personal difficulty.



*WCB employees donated enough toys to the C100's Cineplex Cinema Toy Drive to stuff 218 gift bags for families in need. WCB employees have been collecting toys for the annual toy drive for more than 15 years.*

### Employees Measures of Success

In 2014, 85 per cent of WCB employees submitted an opinion survey, and those results are helping us to develop a better understanding of the factors that influence the strengths and opportunities within our WCB workplace.

Overall, employees are satisfied with their employment and many of our measures remain above those for other organizations like us across Atlantic Canada. Workplace morale remains high with nearly all employees reporting they feel motivated to do a good

job. Employees look forward to coming to work, and feel a sense of accomplishment from their work. Employees also told us they want to be involved in decisions that affect their work, and they expressed some concern about the workload and level of change our organization will face in the coming years.

We will use this feedback to help guide change management and engagement efforts in 2015. That change management and employee engagement will continue to be guided by principles of transparency, accountability and open discussion.

### Employees Outlook

In the coming year we will engage our employees in getting our organization ready to move forward into a new era of service that's based on the needs and preferences of the people we serve. We will also find ways to make our service principles operational, so that the work we do is more directly guided by these principles.

We recognize that the coming years will bring significant change. We will continue to build the right programs and create the right environment to ensure our employees and our leadership team develop the right skills and have the support they need through this time, as we improve our services and business processes.

## FINANCIAL >

### Financial Measures of Success

We track our financial success using three key metrics: Claims costs, administrative costs and return on investment. The achievement of our financial targets is tied to reducing the frequency of injury, ensuring injured workers return to work in a safe and timely manner, and managing administrative costs and investment returns.

### Employees Performance

Employee	Actual '13	Actual '14	Target '14	Target '15	Target '19
WCB Employee Satisfaction Index	75%	73%	70%	70%	70%

## Financial Performance

From a financial perspective in 2014, the WCB performed well on all our financial targets. In general, we saw improvements in overall claims payments for the past three years, and we exceeded the target for claim payments for the last three years per \$100 of assessable payroll. In addition, our savings targets were met for short-term disability, long-term disability and healthcare. We have a net positive actuarial adjustment of \$61.7 million primarily related to fewer long-term earning loss awards than expected.

We also outperformed the target for administrative costs per \$100 of assessable payroll primarily due to lower than expected administrative costs.

Global financial markets positively impacted investment returns in 2014 and contributed to a comprehensive income of \$97.8 million. We met the five-year rate of return investment target with a strong absolute return of 9.6 per cent and exceeded the 9.1 per cent

benchmark by 0.5 per cent. In 2014, changes to the portfolio structure included a search for an Outsourced Chief Investment Officer (OCIO) solution, with Mercer Global Investments Limited selected as the successful candidate in December 2014. More details about our investment returns and the unfunded liability are included in the Management Discussion and Analysis section of this report.

The financial performance contributed to an overall improvement in our financial position. At the end of 2014, the WCB is 76.9 per cent funded, up from 71.4 per cent funded in 2013.

## Financial Outlook

With a continued focus on financial sustainability, we will work to achieve future targeted reductions in claims payments for the last three years per \$100 of assessable payroll. In the short term, administration costs are forecast to increase slightly as we

adopt new technologies, but over time, this will be a cost-neutral strategy. As always, the WCB will monitor and evaluate the balance between administration costs and service quality and adjust that balance to best meet the needs of stakeholders and system goals.

The WCB continues to ensure our investment portfolio is well diversified among a variety of asset classes and managers. In 2015, an OCIO strategy will be implemented adding a variety of managers in order to optimize returns and manage risk. In addition, we will undertake an asset liability study and review if there are alternative investment opportunities for the WCB investment fund. Investment strategies and performance are monitored to confirm that the investments support the liabilities.

## Financial Performance

Financial	Actual '13	Actual '14	Target '14	Target '15	Target '19
Claims payments for the last 3 years per \$100 of assessable payroll (payment ratio)	\$0.653	\$0.656	\$0.665	\$0.643	\$0.554
Administrative costs per \$100 of assessable payroll (excluding prevention costs)	\$0.37	\$0.38	\$0.39	\$0.39	\$0.38
Return on investment			Exceed Benchmark Portfolio Return		
Five-year Rate of Return	9.8%	9.6%			
Five-year Target	10.1%	9.1%			

# In the last **7 years** we've seen encouraging shifts in workplace safety culture.



**3 in every 4** employers say their workplace has a **written health and safety policy.**

That's an increase of since 2007.

**19%**



**9 in 10** employers say their workplace reviews **health and safety responsibilities with all employees.**

That's an increase of since 2007.

**8%**



Almost **two-thirds** of employers (64%) report having a **JOSH committee or representative.**

That's an increase of since 2007.

**21%**



**74%** of employers say their workplace has a **written health and safety program.**

That's an increase of since 2007.

**17%**



**90%** of employers say their workplace has a **process to address workplace hazards.**

That's an increase of since 2007.

**8%**



**8 in 10** employers say their organization has a **process for investigating root causes of injuries.**

That's an increase of since 2007.

**12%**

\* Information is adapted from the results of WCB's 2014 survey to registered employers from across Nova Scotia. A total of 1,000 interviews are conducted via telephone over the course of a year (250 interviews quarterly), for an overall annual margin of error +/- 3.1 percentage points, 19 times out of 20.



## SIGN OF CHANGE

*Delegates at the 2nd annual Leadership Matters Conference organized by the WCB and LAE heard from J.P. Deveau (L), CEO of Acadian Seaplants and Rick Clarke (R), President of the Nova Scotia Federation of Labour. Each brought their unique workplace safety perspectives to the table, but both had a common theme – only by working together and sharing best practices will we get closer to being the safest place to work in Canada.*



## SIGNS OF CHANGE

*Niko Mitsiopoulos, WCB Professional Practice Coach, and Elizabeth Hodder, WCB Case Manager in Cape Breton, discuss new approaches to claim decision making and writing. In 2014, the WCB introduced a new approach for making and writing claim decisions to ensure they are consistent and easy to understand. This will mean better communication with injured workers and employers at a time when they need it most.*

# Management's Responsibility for Financial Reporting



The financial statements of the Workers' Compensation Board (WCB) of Nova Scotia are prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and assets are properly safeguarded. Internal audit service providers perform periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The WCB's Board of Directors has approved the financial statements included in this annual report. The Board of Directors is assisted in its responsibilities by the Finance, Audit and Risk Committee. This committee reviews and recommends approval of the financial statements and meets periodically with management, the independent actuaries, and the internal and external auditors concerning internal controls and all other matters relating to financial reporting.

The firm of Eckler Partners Ltd. has been appointed as independent consulting actuaries to the WCB. Their role is to complete an independent annual actuarial valuation of the benefits liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial principles.

Ernst & Young LLP, the external auditors of the WCB, have performed an independent audit of the financial statements of the WCB in accordance with auditing standards generally accepted in Canada. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Stuart MacLean  
Chief Executive  
Officer

Leo D. McKenna, CA  
Chief Financial  
Officer



## SIGNS OF CHANGE

*At Roseway Manor, in Shelburne, Continuing Care Assistants, Dixie Huskins (L), Trudy DesChamp (C) and Tracey Perry (R), demonstrate safe handling techniques that they apply when lifting or transferring residents under their care. These techniques are part of a train-the-trainer approach facilitated by WCB and are just one element of a comprehensive program being developed and implemented at long-term care facilities like Roseway Manor to prevent musculoskeletal injuries among healthcare workers.*

# Management Discussion and Analysis >

**A**s an integral part of the annual report, the Management Discussion and Analysis (MD&A) provides further insight into the operations and financial position of the Workers' Compensation Board (WCB). The discussion and analysis should be read in conjunction with the audited financial statements and supporting notes. Management is responsible for the reliability and timeliness of the information disclosed in the MD&A.

## Forward-looking Information

This report contains forward-looking information and actual results may differ materially. Forward-looking information is subject to many risks and uncertainties as this information may contain significant assumptions about the future. Forward-looking information includes, but is not limited to, WCB goals, strategies, targets, outlook and funding strategy.

Risk and uncertainties about future assumptions include, but are not limited to, the changing financial markets, industry mix related to the covered workforce in Nova Scotia, the economy, legislation, accounting standards, appeals and court decisions, and other risks which are known or unknown. We caution the reader about placing reliance on forward-looking information contained herein.

## STATEMENT OF FINANCIAL POSITION >

The WCB's financial position was strengthened in 2014. Assessment revenue increased and investment returns were strong. Declines in injury frequency, the number of new long-term earnings loss awards and positive actuarial experience adjustments contributed to the improved financial position.

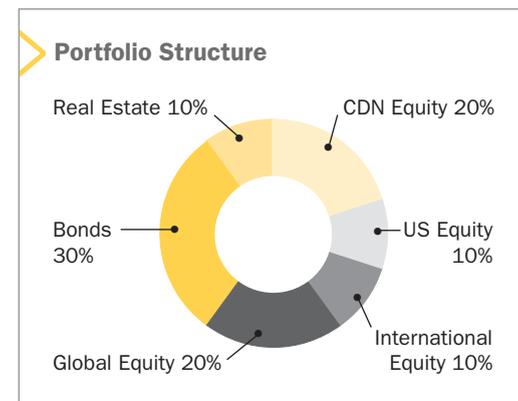
## Investments

Benefits for injuries occurring in a year are paid in the year of injury and, for some workers, for many years after the injury. The WCB maintains an investment portfolio to secure the payment of benefits in the future.

### Portfolio Structure

The portfolio's target asset mix remains unchanged compared to 2013. The benchmark portfolio reflects the fund's long-term risk tolerance. At any given time, the fund's asset allocation may differ from the benchmark. The benchmark is useful for assessing performance of the fund.

The WCB uses two different investment strategies for different asset classes. The first is an active investment strategy where the investment manager is charged with exceeding the market index returns. The second is a passive investment strategy



where the investment manager is charged with achieving market index returns. The WCB continues to use an active management strategy for U.S., international, global, and one-half of the Canadian equities as well as real estate investments and passive strategies for fixed income and the other half of Canadian equities. The WCB also uses a passive currency hedging overlay strategy with a hedge ratio of 50 per cent of the total foreign currency exposure.

### Capital Markets Review

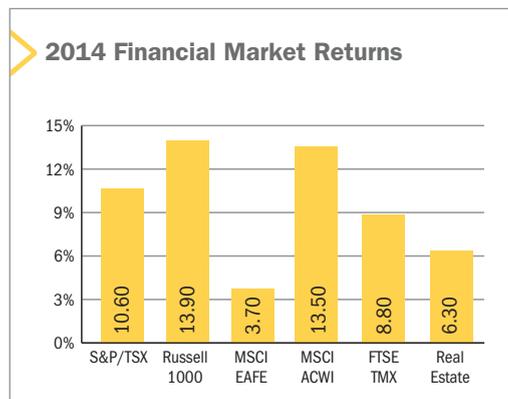
In 2014, all major stock market indices posted positive returns for the year. Steady returns were present in the first half of the year with some periods of volatility in the third quarter. The fourth quarter saw volatility stemming, followed by a return to steady gains.

US equities posted another year of strong performance benefitting from low interest rates and a strengthening economy. Canadian equities fared well, with a double-digit gain amid challenges from the steep decline of oil prices in the last half of 2014 having a major effect on the resource-heavy Canadian index. European equities were flat and results by country were mixed. China joined the US to top the list of 2014's best-performing equity markets among larger economies, while Russia completed the bottom of the list due to the falling ruble, oil prices and recession. The FTSE TMX Canada Universe Bond Index saw strong returns as the drop in oil prices and a weaker global economic outlook pushed inflation expectations lower and helped push back market views of when the Bank of Canada would begin hiking interest rates. Real estate markets generated positive returns for the year.

### Portfolio Performance

Manager objectives are before investment management fees and are based on a five-year moving average. The active manager's objective is to exceed the return generated by the benchmark portfolio as follows:

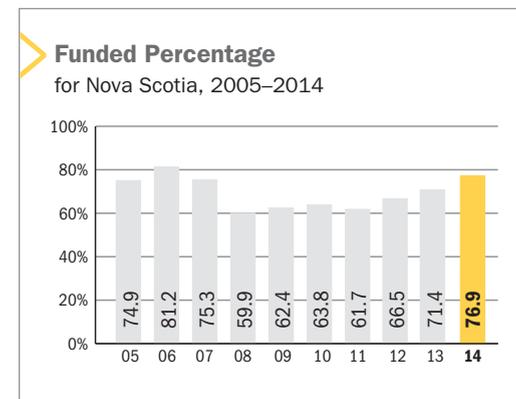
- 2.0 per cent for Canadian and international equities,
- 1.0 per cent for U.S. equities, and
- 3.0 per cent for global equities.



For the indexed manager, the objective is to match the return generated by the fund benchmark portfolio for nominal bonds and Canadian equities within +/- 0.10 per cent. The real estate manager's objective is to exceed the combined total of the return generated by 85 per cent of the IPD All Property Index plus 15 per cent of the FTSE TMX Canada 91-Day Treasury Bill Index.

The five-year fund return of 9.6 per cent was a strong return in absolute terms and exceeded the 9.1 per cent benchmark return by 0.5 per cent. The Plans and Progress section of the annual report discusses this in more detail.

In 2014, the one-year investment return on the externally managed portfolio was 10.4 per cent, which was ahead of the benchmark return of 10.2 per cent, resulting in value added of 0.2 per cent. Asset classes contributing to the value added during the year included real estate and Canadian equities.



As the investments are held to meet payment obligations that extend many years into the future, the valuation of investments at a point in time provides a view of the financial position of the WCB at only that point in time. Note 7 of the financial statements describes the volatility of the portfolio.

### Benefits Liabilities

The WCB's benefits liabilities represent the actuarial present value at December 31, 2014 of all expected healthcare payments, short-term disability benefits, long-term disability benefits, survivor benefits and rehabilitation payments that will be made in future years, which relate to claims arising from events that occurred on or before December 31, 2014 and include a provision for latent occupational diseases. The benefits liabilities figure represents the best estimate of the payments that would be required if these liabilities were settled in cash on December 31, 2014.

The benefits liabilities grew by \$27.8 million or 1.5 per cent as set out in detail in Note 11 to the financial statements. The change is attributable to the change in the present value of benefits payable in future years, as calculated through the annual actuarial valuation process, which takes into account claims costs incurred, claims payments made, growth in present value of the benefits liabilities and actuarial experience adjustments and assumption changes.

### Unfunded Liability

The WCB's liabilities total \$1.966 billion and assets total \$1.511 billion, with an unfunded liability of \$454.4 million at the end of 2014. The WCB's funding percentage increased from 71.4 per cent in 2013 to 76.9 per cent.

## STATEMENT OF COMPREHENSIVE INCOME >

The operating results for 2014 and 2013 may be attributed to the following factors:

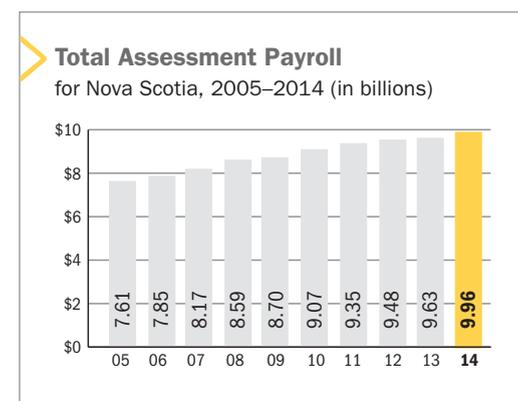
(\$000's)	2014	2013
Assessment revenue in excess of current year costs	\$ 40,356	\$ 33,571
Investment income above liability requirements	20,102	77,689
Actuarial liabilities less than previously anticipated	42,301	18,902
Actuarial adjustment – occupational disease in latency	(1,198)	(80,773)
Other comprehensive (loss) income from actuarial (losses)/gains on post-employment benefits	(3,769)	2,769
Total comprehensive income	\$ 97,792	\$ 52,158

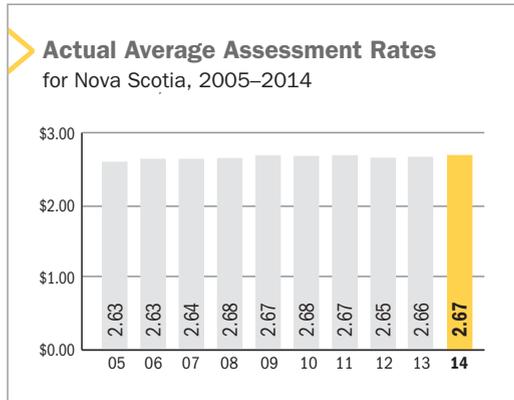
### Assessment Revenue

The WCB receives two types of assessment revenue. Most employers pay an insurance premium with rates established based on prior years' experience. Federal and provincial government agencies and departments are self-insured. Rather than paying an insurance premium, they reimburse the WCB for claims payments made on their behalf plus an administration fee. Total assessment revenue increased \$9.1 million (3.1 per cent) from 2013 levels.

Revenues from insured firms increased \$11.2 million (4.4 per cent) from 2013 revenue. This increase is primarily attributed to an increase in assessable payroll of 3.4 per cent. Increases to the payroll base reflect the net impact of an increase in the maximum assessable earnings for individuals, an inflationary increase in wages, and a stable covered workforce. The actual

average assessment rate, net of surcharge refunds and practice incentive rebates, increased from \$2.66 in 2013 to \$2.67 in 2014. The targeted average assessment rate remained constant at \$2.65 from 2013 to 2014. The fact that the actual rate exceeds the target indicates that the mix of payroll amounts submitted by employers in high-rate industries and those submitted by employers





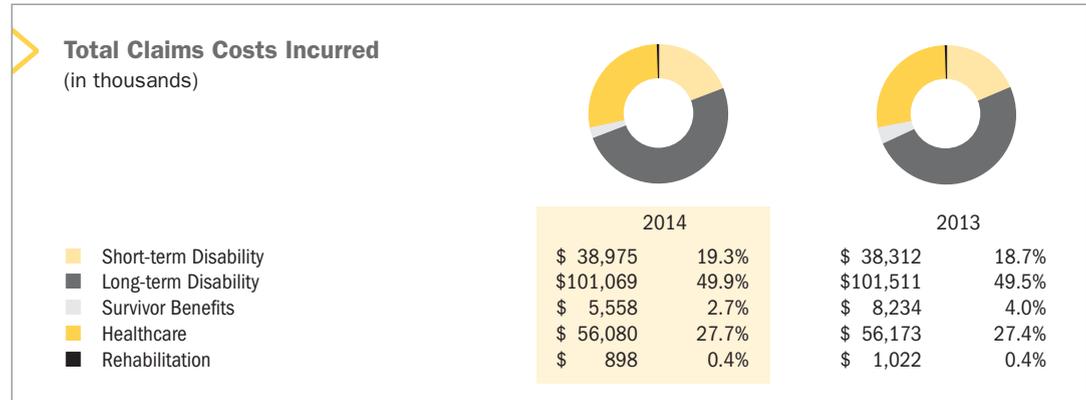
in low-rate industries was slightly different than anticipated.

The self-insurers experienced lower claims payments in 2014, primarily for long-term disability and survivor benefits payments. The 2014 self-insured administration fees have decreased slightly from the prior year and are calculated based on 2013 claims payments and administration costs.

### Investment Income

Investment income is derived from the investment portfolio managed by external investment managers. Total investment income was \$135.3 million for 2014, a decrease of \$54.0 million (28.9 per cent) from 2013.

In 2014, the annual investment return on the externally managed portfolio was 10.4 per cent compared to 15.7 per cent in 2013. The decrease was the result of a decrease in realized gains (\$51.4 million), and a decrease in the gains from changes



in fair market value (\$25.0 million), offset by a net increase in foreign currency gains (\$6.4 million), an increase in interest and dividend income (\$15.1 million) and a decrease in investment manager fees (\$0.1 million). The WCB recognizes changes in market value of investments in the year of occurrence as income.

### Claims Costs Incurred

Claims costs incurred are an estimate of the costs related to injuries which occurred in 2014. These estimates take into account both unreported claims and claims reported but as yet unpaid. The liabilities include a provision for the future cost of administering claims that occurred on or before December 31, 2014. New in 2013 was the addition of an estimated liability for the cost of latent occupational disease accruing in the year. The incremental change for occupational disease liabilities was accrued in 2014. The liability does not include an allowance for any changes to present policies and practices or for the extension of new coverage types.

Claims costs incurred decreased by \$2.7 million (1.3 per cent) from 2013. Several factors influenced this aggregate result as discussed below.

Claims costs incurred for short-term disability increased 1.7 per cent in 2014 due to inflation and a slight increase in the average time injured workers were off the job. The injury rate dropped to 1.82 in 2014 from 1.86 in 2013.

The 0.4 per cent decrease in long-term disability costs resulted from a variety of factors. The volume and amount of new awards was the main driver of the cost decrease. In 2014, new permanent impairment awards had a lower average impairment rating and a larger portion of earnings loss was mitigated compared to 2013.

From 2011 to 2014, we saw significant reductions in Extended Earnings Replacement Benefits (EERB) volumes. In 2014, this positive experience led to a decrease in the volume of long-term awards predicted from

injuries that occurred in 2014 and prior years. In 2015, we expect this to continue resulting in a further reduction in long-term disability costs as the experience ratio continues to decrease. The factors discussed, along with positive experience related to mortality led to a \$59.9 million favourable experience adjustment in long-term disability.

Healthcare costs decreased 0.2 per cent in 2014 following payments that were approximately 3 per cent less than expected. The majority of the payment savings occurred in the early durations (i.e. recent injury years). For individuals whose injuries occurred five or more years in the past, payments were higher than expected. Payments at later durations have greater influence on the overall medical liability as they affect the future cash flow projections for more accident years.

Survivor costs have decreased by almost 32.5 per cent (\$2.7 million) in 2014. Claim volumes and costs in this area fluctuate year to year, and are not necessarily indicative of a trend.

Non-income rehabilitation costs are costs other than wage replacement benefits paid to workers in rehabilitation programs or workers receiving assistance with home or workplace modifications, that is, the cost of the programs themselves. In 2014, rehabilitation costs decreased from 2013 by 12.1 per cent (\$0.1 million). Fluctuations occur in rehabilitation costs as significant costs incurred on a small number of claims have a notable impact.

### **Growth in Present Value of Liabilities, Change in Assumptions and Actuarial Experience Adjustments**

The benefits liability is calculated based on historical claims payment data coupled with assumptions about future experience. The growth in the present value of benefits liabilities is the increase in the present value of prior years' obligations due to an interest amount reflecting the time value of money. In 2014, this amount was \$115.2 million or approximately 6.1 per cent of the benefits liabilities. This amount varies slightly by benefit category as the expected inflation component varies. Based on the long-term assumptions for inflation and investment returns, we expect growth to occur at approximately 6.0 per cent annually.

In 2014, there was a change in actuarial assumptions with the assumed Consumer Price Index (CPI) rate decreasing to 2.5 per cent from 3.0 per cent, increasing the benefits liability by \$19.4 million. All liabilities were calculated using an underlying assumption of 3.5 per cent for the real rate of return on assets and a rate of increase in the CPI equal to 2.5 per cent in 2014 (2013 – 3.0 per cent). The gross rate of return that results from the CPI and the real rate of return assumptions is 6.0 per cent in 2014 (2013 – 6.5 per cent). The Bank of Canada aims to keep inflation at the 2 per cent midpoint of an inflation-control target range of 1 to 3 per cent. Lowering the inflation assumption to 2.5 per cent is within the range and in line with the inflation assumptions of similar organizations.

In 2014, there were favourable actuarial experience adjustments of \$61.7 million. These adjustments represent the difference between what was predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred in the year.

In 2014, the volume of new Permanent Impairment Benefits (PIBs) and EERBs awarded on insured claims was well below the volume assumed in the actuarial assumptions. This positive experience had a favorable impact on claims costs incurred and was substantially all of the overall favorable experience adjustment of \$61.7 million related to prior years' injuries. We expect this experience to continue in the next few years and to result in continued favourable experience in long-term disability. The timing and magnitude of the savings is difficult to predict until a series of representative data emerges over the next few years.

Recent years have been producing fewer EERBs with 285 in 2014 compared to the 485 average from 2002 to 2005. For example, for injury year 2005, EERBs awarded as of December 31, 2006, the year following injury, totaled 68. For injury year 2013, EERBs awarded as of December 31, 2014, the year following injury, totaled 22.

The number of PIBs awarded in 2014 was 5.4 per cent lower than in 2013, decreasing from 1,267 to 1,199. Volumes continue to be substantially lower than in prior years when they peaked at close to 1,800 in 2007.

## Administrative Costs

Administrative expenditures in 2014 totaled \$47.5 million, an increase of \$2.8 million or 6.4 per cent from 2013. This is primarily due to a \$2.7 million increase in salary, salary-related benefits and staff expenses due to negotiated collective agreement adjustments. The balance of administrative expenses remained stable compared to the prior year.

## Legislated Obligations

The WCB reimburses the Province of Nova Scotia for the operating costs of the Occupational Health and Safety Division of the Department of Labour and Advanced Education, the Workers' Advisers Program and the Workers' Compensation Appeals Tribunal. The WCB and the Province of Nova Scotia have different fiscal years. The WCB's year-end is December 31, and the Province's year-end is March 31. The WCB's expenses for legislated obligations are estimates based on the forecasts of expenditures supplied by the Province of Nova Scotia. The legislated obligations expenses reported by the WCB and the amounts reported by the province can vary significantly.

## Total Comprehensive Income

In 2014, total revenues of \$441.2 (\$305.9 million in assessment revenues plus \$135.3 million investment income) less total expenditures of \$339.7 million, and the re-measurement of post-employment benefit liabilities of \$3.7 million yielded total comprehensive income of \$97.8 million.

The funding strategy prepared in June 2014 estimated a total comprehensive income for 2014 of \$15 million. The impact of this variance on future years will be evaluated as discussed in the funding strategy section below.

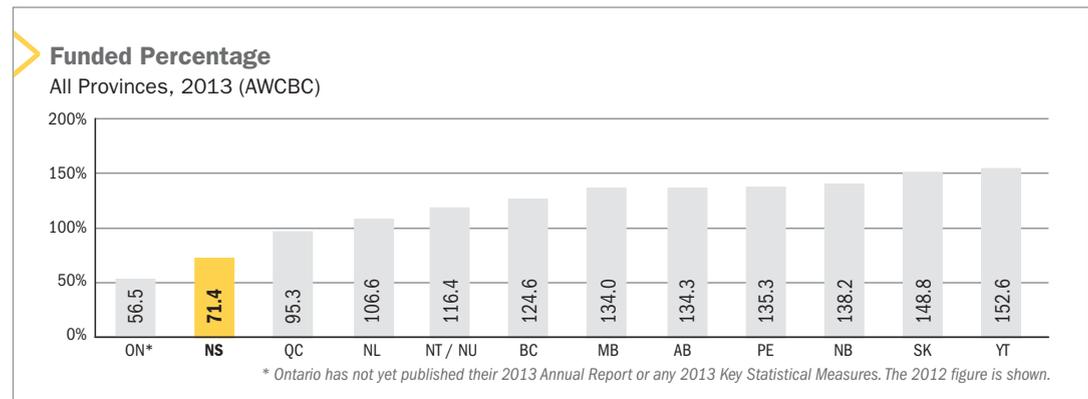
## STATEMENT OF CASH FLOWS

Cash decreased in 2014 because cash utilized for benefit payments and operations was slightly more than the cash generated through assessments premiums.

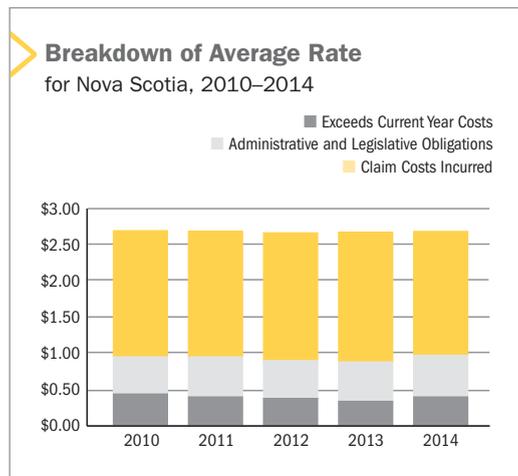
## FUNDING STRATEGY

The funding of the WCB involves the funding of current year injuries and ensuring that sufficient funds are available to fund benefits awarded in the past. In Nova Scotia, the invested assets are not currently sufficient to fund these past injuries and this shortfall is the unfunded liability. The funding strategy maps out our approach to eliminate this unfunded liability between 2019 and 2023. Each year, premiums are collected from employers based on a targeted average rate of \$2.65 per \$100 of assessable payroll.

In 2014, the portion of the \$2.67 actual average rate required to fund the estimated cost of injuries that occurred in the year is \$1.70 with administration and legislated obligations costs absorbing an additional \$0.57. The remaining \$0.40 is available to be applied to reduce the unfunded liability and any shortfall of investment income to liability growth.



Since 2010, the breakdown of the average rate is as follows:



One of the main components of the funding strategy is to substantially reduce the cost of current claims through aggressive prevention and return-to-work programs and through a five-year program of transformational change in the way we deliver service. The goal is to reduce the combined cost of current year injuries and administrative and legislated obligations from the current \$2.27 to \$1.97; and to eliminate the unfunded liability. Additionally, the strategy relies on healthy growth in the payroll base over the next 10 years in order collect sufficient funds to eliminate the unfunded liability.

Another key component of the funding strategy is the return on invested assets. Between 1995 and 2006, average investment returns exceeded the growth in the benefits liability by about one per cent, improving the funded position of the WCB despite the

addition of chronic pain and other significant benefit enhancements. In 2007 and 2008, investment returns dropped substantially as markets fell significantly. Returns have been encouraging in the past few years, with the annualized 10-year return as of December 2014 of 6.8 per cent exceeding the current long-term assumption of 6.0 per cent. In order to achieve our funding goals, investment returns must meet or exceed the growth in liabilities (currently 6.0 per cent) between now and full funding.

The WCB's annual revision to the funding strategy in June 2014 maintained our previously published estimate of full funding between 2019 and 2023. The funding period was partially based on an estimated total comprehensive income for 2014 of \$15 million. The actual total comprehensive income for 2014 was \$97.8 million. This is \$82.8 million more than expected in the funding strategy. The 2014 variances include:

- Investment income \$45 million more than expected.
- Actuarial adjustment (includes change in inflation assumption) \$22 million more than expected.
- Growth in benefits liability \$10 million less than expected
- Claims costs incurred \$5 million less than expected.
- Assessment Revenue \$3 million more than expected.
- Administrative and Legislative Obligations costs \$1.8 million less than expected, and
- Offset by a \$4 million loss on the re-measurement of post-employment benefits.

Given the number of variables affecting the funding position, annual variances are expected. The positive 2014 actual results improved the funded position to 76.9 per cent from the expected 73.8 per cent in the current funding strategy.

Many factors influence the funding strategy. Assumptions about these factors are not based on short-term results. Annual investment returns, by their nature, are unpredictable and not guaranteed to be sustained over the long term. The WCB's funding strategy, including decisions about assessment rates and benefits, should continue to be based on long-term expectations for investment returns.

The WCB Board of Directors will conduct an annual review of our funding strategy in connection with the annual business planning and budgeting process. We are confident that we will remain on track to achieve the aggressive operational goals set for claim durations and injury rate; however we recognize that investment returns are a critical component of the funding plan that is largely outside the control of the WCB.

Note 11 of the financial statements details areas of uncertainty, including actuarial experience, which may have a significant impact on the WCB's benefits liabilities and funding strategy.

## RISK AREAS >

Given the nature of our operations, the WCB is inherently susceptible to risks that, if unmitigated, could lead to significant financial consequences. Benefit costs, investment returns, economic conditions, fraudulent activities and technology risk are all considerations that can affect the WCB's performance and financial results.

### Benefit Costs

Benefit costs are affected by injury rates and by claim durations. The average rate paid by employers for workplace injury insurance is affected by benefit costs. Over the past decade, there have been significant changes in the breakdown of benefits cost per \$100 of assessable payroll. For example, benefits related to chronic pain had a significant impact on the volume of permanent impairment and extended earnings loss awards granted between 2005 and 2008. This had an impact on the volume of expected

permanent awards from 2009 to 2013 resulting in a substantial increase in LTD costs per \$100 of assessable payroll during that period.

Additionally, and in response to claims for benefits related to chronic pain, investments were made in healthcare and administration to facilitate injury prevention and improve return-to-work outcomes. These investments led to a sustained period of decreasing short-term disability costs through reduced injury rates and decreasing average duration of injuries. In recent years, the cost of healthcare per \$100 of assessable payroll has been decreasing as a result of decreases in the volume of injuries and enhanced contract management. In 2014, and for the first time in over a decade, long-term disability costs have decreased. This is the result of reduced claim volumes and improved return-to-work outcomes and is expected to continue into the next several years.

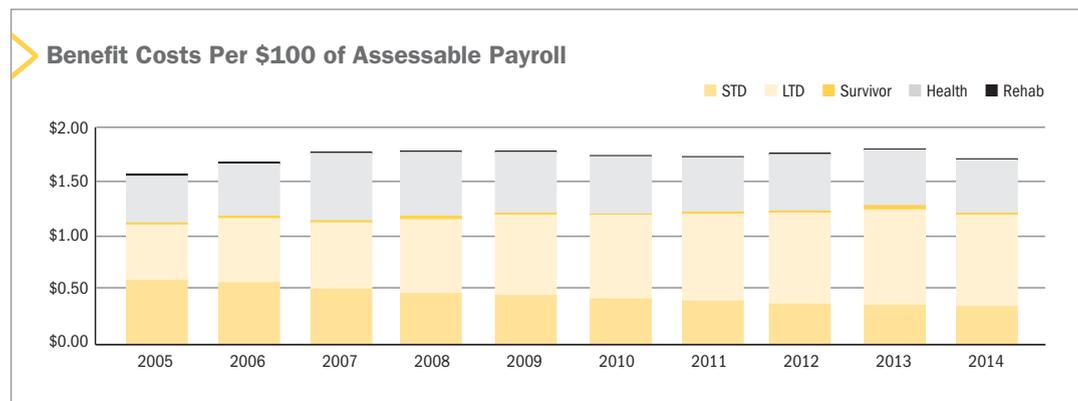
In 2014, the portion of the rate used to fund current year claims costs decreased

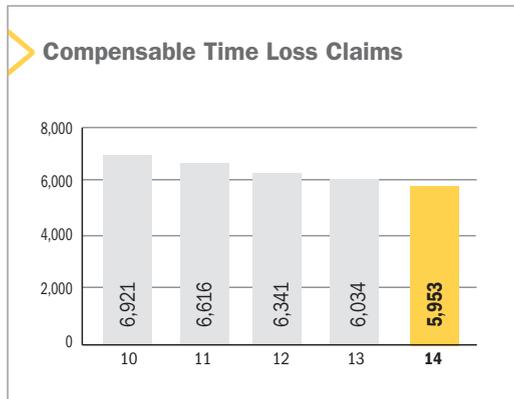
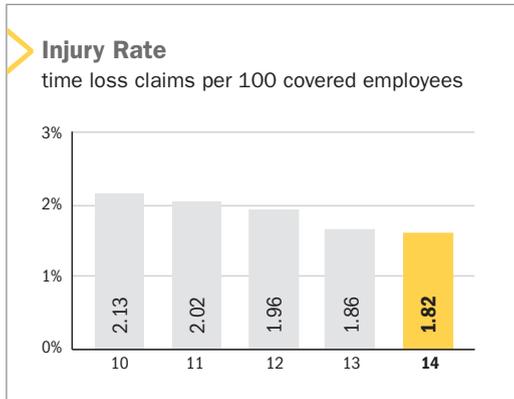
by 4 per cent from \$1.78 in 2013 to \$1.70. The decrease was slightly offset by an increase in the portion of the rate used to fund the costs of administration and legislated obligation which grew from \$0.54 in 2013 to \$0.57 in 2014. At \$2.27, the combined system costs are down 2 per cent from 2013 leaving \$0.40 to apply to the unfunded liability and any shortfall of investment income to liability growth. Over the next 10 years, the funding strategy contemplates a further 16 per cent reduction in system costs to \$1.97 in the year full funding is achieved. Although forecasts are subject to revision to reflect emerging trends and experience, at present, we expect that reductions in the injury rate and claim durations will yield the required savings.

### Injury Rate

The injury rate is one of the most significant drivers of benefit costs and the focus of the WCB's attention for risk mitigation. At the end of 2014, the injury rate was 1.82 time-loss injuries per 100 covered workers and is down from 1.86 in 2013.

As of December 31, 2014, there were approximately 3,100 fewer time-loss injuries than in 2005 reflecting an average annual decrease of almost 5 per cent since 2005. While this is significant progress, cost reductions did not occur as originally expected. This was partially because the majority of the decrease in injury volume over the last nine years was among lower-cost injuries, and because savings from long-term disability costs take longer to materialize.





Long-term disability cost reductions started to emerge in 2014 as the volume of long-term awards is less than assumed in previous valuations. This experience is expected to continue for the next several years and further long-term disability cost reductions will result.

## Claim Durations

In Nova Scotia, injured workers stay on short-term benefits longer than in many other provinces and a higher proportion go on to receive long-term benefits. The WCB's early intervention and return-to-work philosophy is anticipated to reduce claims costs incurred over time by shortening durations and reducing the number of workers going on to long-term disability.

Claim durations are significantly influenced by the persistence of injuries that occur in the workplace. For purposes of tracking performance and estimating future cost savings, claims are divided into two categories; over and under 10 weeks. Future savings assume that injuries will be prevented in proportion to the historical split between claims over and under 10 weeks. As noted, in recent years, we have seen a significant reduction in the volume of time loss injuries. However, the decrease has occurred primarily in the shorter, low cost, low complexity claims. If the mix of claims does not trend closer to historical levels, duration targets will not be met and the funding strategy may be impacted.

## Investment Returns

The WCB's assets are diversified among a variety of asset classes in order to optimize returns and manage risk. Investment management for long-term investments is delegated to external investment managers. The external investment managers are required to comply with the WCB's Statement of Investment Policies and Objectives (SIPO) that outlines permissible investments. The SIPO is designed so the portfolio will secure payment of the long-term liabilities of the WCB.

Some risks cannot be directly controlled by the WCB. These risks include market volatility and interest rate changes. Investment returns that are different than the long-term expectation for returns in the funding strategy can have a significant impact on our funding position.

The funding strategy has a real rate of return assumption of 3.5 per cent. Analysis indicates that 3.5 per cent is a realistic real rate of return based on 10-year running averages, 30-year running averages and 75-year running averages. The real rate of return coupled with our long-term CPI assumption of 2.5 per cent, yields a nominal rate of 6.0 per cent. During 2011 an asset liability study was completed. One benefit of the study was confirmation of the reasonableness of the asset allocation strategy used to diversify the investment portfolio. Results of this study supported the current investment strategy and give us some confidence that a long-term investment return of 6.0 per cent is a reasonable expectation.

## Economic Conditions

The benefits liabilities of the WCB are partially indexed to the Consumer Price Index (CPI) on an annual basis. Payments to benefit recipients are increased by one-half of the Nova Scotia Consumer Price Index at the beginning of each calendar year. Any change to this formula would impact our liabilities and costs. Significant fluctuations in CPI represent a risk to the WCB. While CPI has been fairly stable in recent years, the risk exists that CPI may fluctuate due to unforeseen economic developments. We are also susceptible to cost increases in the healthcare system where in recent years the rate of growth has been greater than general inflation.

Nova Scotia's employment is expected to remain stable in 2015. This is expected to have minimal impact on the WCB covered workforce. Slow growth or contraction of the economy could impact the funding strategy where the growth in payroll falls below the funding strategy expected level.

## Fraud

The WCB provides workplace injury insurance to 18,700 employers and about 327,600 workers across Nova Scotia and uses the services of thousands of service providers. The significant volume and value of the monetary transactions that occur create a risk to the WCB of fraudulent activity by internal and external stakeholders. To proactively strengthen the management of this risk, the WCB performs data quality and integrity checks, implements internal controls, follows a policy framework, and employs a Special Investigations Unit.

## Technology

The reliability of WCB's information technology is crucial to supporting the organization's operations and safeguarding personal records. A system failure or security breach would be a significant risk to the WCB. The organization has taken steps to mitigate this risk by investing in technology, maintaining backup systems and processes, developing staff expertise and having a disaster recovery plan for information technology purposes.

In support of our mission, the WCB is embarking on a comprehensive program of business transformation, which will take place over the next several years.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The WCB follows International Financial Reporting Standards (IFRS). IFRS requires that management make assumptions and estimates. Financial statement Note 3 "Significant Accounting Policies" and Note 4 "Accounting Judgments and Estimates" outline the WCB's significant accounting policies and estimates.

## Investments

Assets are accounted for at fair value as at the reporting date. Fixed income and equities are valued based on publicly traded market prices and real estate is based on fair value of the underlying real estate assets. The WCB has designated its portfolio as "fair value through profit and loss". As a result, reported investment income is affected by the changes in fair market values of the investments held. These changes in fair value are recorded directly in income in the period the changes occur. This adds to the volatility of reported investment income from year to year.

## Actuarial Valuation of the Benefits Liabilities

The benefits liabilities determined in the financial statements are estimated using many actuarial assumptions. The two most significant assumptions are the long-term discount rate and the long-term inflation rate. The liability estimates are highly sensitive to small changes in these assumptions.

Measurement uncertainty associated with the actuarial valuation of our benefits liabilities is high because of the amount, timing, and duration of the benefits. Selection of the appropriate discount rate is subjective and is affected by external factors, which management cannot control. Actual future results will vary from the actuarial valuation estimate and the variations could be material. For example, a reduction in the real rate of return from 3.5 per cent to 2.5 per cent, holding inflation at 2.5 per cent, would increase the benefits liabilities by approximately \$152.9 million and would increase annual incurred costs by an estimated \$14.1 million. A sensitivity analysis relating to insurance risk is included in Note 11 of the financial statements.

## Outlook

The WCB operates as a going concern. The funding strategy supports the WCB's ability to remain financially sustainable while maintaining the system and balancing worker and employer needs.

Over time, funding reflects the balance struck between the level of benefits, rates charged to employers and the WCB's funding position. When financial results are different than the target, whether better or worse, the choice becomes adjust benefits, adjust rates or lengthen or shorten the period over which the unfunded liability is eliminated. As the level of benefits is set by the Legislature, subject to interpretation by the Courts, the funding equation is not entirely within the control of the WCB as the neutral administrator.

In 2014, the funding position was strengthened; primarily attributable to investment market returns and favourable experience adjustments for injuries that occurred in prior years. The positive performance in 2014 increases the probability that we will be able to stay on plan and eliminate the unfunded liability between 2019 and 2023.

The Board of Directors will revisit the funding strategy as part of the annual budget process in June 2015. During 2014, the WCB consulted with stakeholders across the province with respect to our Strategic Plan. On an ongoing basis, the WCB consults stakeholders on a number of topics, which includes conversations about the appropriate level of benefits, rates charged to employers and the WCB's funding position. The Board of Directors will consider the points of view raised by stakeholders during the 2015 update to the funding strategy and the development of the Strategic Plan for 2016–2020.

The WCB recognizes that there will be variances from the funding strategy each year. The funding strategy contains numerous assumptions about future financial performance and spans many years. The length of the period, coupled with the number of assumptions, makes the funding strategy fairly sensitive to changes. Small changes in the early years potentially have a considerable impact in the later years.

Although the funding strategy clearly labels assumptions as such, many users may credit the strategy with more certainty and precision than warranted given the number and nature of assumptions it contains. Users should remember that the funding strategy is our best estimate of what will happen given the assumptions. As noted in previous annual reports and the funding strategy, actual results will differ from the projections and these differences may be material.



## SIGNS OF CHANGE

*John Garth Macdonald is pictured with wife Michelle, at home in Antigonish. John, a paramedic with 25 years' service, was diagnosed with post-traumatic stress disorder (PTSD) in 2011. For two years he worked closely with his WCB Case Worker Annette Hickey, his employer, his family and his healthcare providers to make a safe return to work. John credits his wife, family, psychotherapy and support from WCB as critical to his challenging recovery. In 2014, the WCB approved a new psychological injury policy to clarify the compensability of psychological injury.*

# Independent Auditors' Report



To the Members of the Board of Directors  
Workers' Compensation Board of Nova Scotia

We have audited the accompanying financial statements of the Workers' Compensation Board of Nova Scotia, which comprise the statement of financial position as at December 31, 2014 and the statements of comprehensive income, changes in the unfunded liability, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board of Nova Scotia as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst + Young LLP*

Chartered Accountants  
Halifax, Canada,  
March 20, 2015

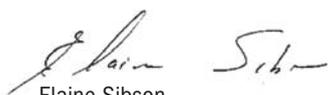
## STATEMENT OF FINANCIAL POSITION

as at December 31 (thousands of dollars)

	2014	2013
<b>Assets</b>		
Cash & cash equivalents	\$ 3,804	\$ 6,359
Receivables (Note 5 and 17)	25,378	23,911
Investments (Note 6)	1,476,748	1,341,322
Property and equipment (Note 8)	4,402	4,607
Intangible assets (Note 9)	917	591
	<u>\$ 1,511,249</u>	<u>\$ 1,376,790</u>
<b>Liabilities and Unfunded Liability</b>		
Payables and accruals	\$ 33,801	\$ 30,658
Lease liabilities	171	246
Post-employment benefits (Note 10)	28,158	22,381
Benefits liabilities (Note 11)	1,903,556	1,875,734
	<u>1,965,686</u>	<u>1,929,019</u>
Unfunded liability	(454,437)	(552,229)
	<u>\$ 1,511,249</u>	<u>\$ 1,376,790</u>

Commitments (Note 19)

Approved on behalf of the Board of Directors on March 20, 2015:



Elaine Sibson  
Chair, Board of Directors



Jim Melvin  
Chair, Finance, Audit,  
and Risk Committee

The accompanying notes are an integral part of the financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

year ended December 31 (thousands of dollars)

	2014	2013
<b>Revenue</b>		
Assessments (Notes 12 and 17)	\$ 305,968	\$ 296,819
Investment income (Note 6)	135,271	190,226
	<u>441,239</u>	<u>487,045</u>
<b>Expenses</b>		
Claims costs incurred (Notes 11, 16 and 17)	202,580	205,252
Growth in present value of benefits liabilities and actuarial adjustments (Note 11)	72,868	93,635
Adjustment to benefits liabilities for occupational disease in latency (Note 11)	1,198	80,773
Administration costs (Notes 13 and 17)	47,520	44,669
System support (Note 14)	936	758
Legislated obligations (Note 15)	14,576	12,569
	<u>339,678</u>	<u>437,656</u>
<b>Excess of revenues over expenses</b>	<u>101,561</u>	<u>49,389</u>
<b>Other comprehensive (loss) income</b>		
Re-measurement of post-employment benefits (Note 10)	(3,769)	2,769
<b>Total Comprehensive income</b>	<u>\$ 97,792</u>	<u>\$ 52,158</u>

The accompanying notes are an integral part of the financial statements.

## STATEMENT OF CHANGES IN THE UNFUNDED LIABILITY

year ended December 31 (thousands of dollars)

	2014	2013
<b>Unfunded liability excluding accumulated other comprehensive income</b>		
Balance, beginning of year	\$ (546,488)	\$ (595,877)
Excess of revenues over expenses	101,561	49,389
	\$ (444,927)	\$ (546,488)
<b>Accumulated other comprehensive income</b>		
Balance, beginning of year	\$ (5,741)	\$ (8,510)
Other comprehensive (loss) income	(3,769)	2,769
	\$ (9,510)	\$ (5,741)
<b>Unfunded liability end of year</b>	<b>\$ (454,437)</b>	<b>\$ (552,229)</b>

The accompanying notes are an integral part of the financial statements.

## STATEMENT OF CASH FLOWS

year ended December 31 (thousands of dollars)

	2014	2013
<b>Operating Activities</b>		
Cash received from:		
Employers, for assessments	\$ 301,706	\$ 296,396
Net investment income	75,321	129,150
	377,027	425,546
Cash paid to:		
Claimants or third parties on their behalf	(243,241)	(250,909)
Suppliers, for administrative and other goods and services	(59,361)	(52,397)
	(302,602)	(303,306)
Net cash provided by operating activities	74,425	122,240
<b>Investing Activities</b>		
Increase in investments, net	(75,474)	(113,361)
Purchases of equipment	(1,506)	(1,352)
Net cash used in investing activities	(76,980)	(114,713)
<b>Financing Activities</b>		
Change in bank indebtedness	-	(1,168)
Net cash used in financing activities	-	(1,168)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(2,555)</b>	<b>6,359</b>
Cash and cash equivalents, beginning of year	6,359	-
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,804</b>	<b>\$ 6,359</b>

The accompanying notes are an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

year ended December 31 (thousands of dollars)

### 1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia (WCB) is a board established by the Nova Scotia Legislature in 1917, under the *Workers' Compensation Act (Act)*, and is exempt from income tax. The address of the WCB's primary operations is 5668 South Street in Halifax, Nova Scotia. Pursuant to the Act, the WCB strives to prevent workplace injury, but when it occurs, supports injured workers and their employers to achieve a timely return to safe and healthy work; administers the payment of benefits to injured workers; levies and collects assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and invests funds held for future benefit payments.

The current Act came into force February 1, 1996. Various amendments have since occurred to the Act and have received Royal Assent.

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 20, 2015.

### 2. BASIS OF PREPARATION

#### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies applied in preparation of these financial statements are set out below.

#### Going concern

The WCB has assessed all relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy in place for the elimination of the unfunded liability.

#### Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

These financial statements are prepared and rounded in thousands of Canadian Dollars unless otherwise stated.

### 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared within the framework of the following accounting policies:

#### a) Cash and Cash Equivalents

Money market instruments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates fair market value.

Bank indebtedness includes the utilization of a line of credit. Cash advances from the line of credit bear interest at the bank's prime interest rate less 1 per cent.

#### b) Assessments Revenue and Receivable

Premiums are billed when employers report their employees' insurable earnings for an applicable assessment year. For employers who have not reported, premiums are estimated based on historical experience and any difference between actual and estimated premiums is adjusted in the following year. As a significant portion of premium income for the year is not received until after year end, the amount recorded is a combination of actual and estimate based on statistical data. The difference between the estimate and the actual income received is adjusted to income in the following year. Historically, the difference has not been material.

#### c) Investments

The WCB has designated all portfolio investments as fair value through profit and loss. Realized gains and losses on the sale of investments and unrealized gains and losses arising from the change in the fair value of investments are recorded in investment income in the period in which they arise. All purchases and sales of portfolio investments are recognized on the date the trades are executed. Income from interest, dividends and investment foreign currency gains and losses are recognized as investment income in the period earned. Investment income is presented net of investment expenses.

The following determines fair value of investments:

- Equities are valued at quoted market prices at year end as per security exchanges.
- Pooled fund units (securities and fixed income) are valued at their year end net asset values as determined by the fund managers.
- The fair value of real estate fund units is based on independent property appraisals net of fund liabilities as determined by the fund manager.
- Forward foreign exchange contracts are recorded at the current unrealized gain or loss position at year end based on quoted market prices for the underlying currencies.

#### d) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and when applicable, write-downs for impairment. Depreciation is charged using the straight-line method over the estimated useful life of the asset. A useful life of 10 to 40 years is used for building components and from 5 to 20 years for furniture and facilities, equipment and computer hardware. With the exception of equipment under finance leases, in the year of acquisition, a half year's amortization is taken. The useful lives of items of property and equipment are reviewed at each balance sheet date and adjusted if required.

#### Finance Leases

Finance leases transfer to the WCB substantially all the risks and benefits of ownership of the leased property. These leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned to interest charges and the reduction of the lease liability until the liability is reduced to zero at the end of the lease term. Leased assets are depreciated over the useful life of the asset or over the lease term, whichever is shorter.

#### e) Post-Employment Benefits

Costs for employee future benefits, other than pensions, are accrued over the periods during which the employees render services in return for these benefits. The projected unit credit method is used to calculate the defined benefit obligations and current service costs. Actuarial gains and losses arise from the actual experience of the plan's liabilities for a period and are recorded through other comprehensive income with no subsequent reclassification to comprehensive income. Current service and interest costs are recorded through comprehensive income in the period in which they arise. Discount rates are based on the market yields of high quality corporate bonds.

#### f) **Benefits Liabilities**

An independent actuary completes a valuation of the benefits liabilities of the WCB at each year end. The benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for injuries which occurred in the current fiscal year or in any prior year including exposure for occupational diseases. The benefits liabilities includes provisions for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and for future costs of administering existing claims. Changes to the benefits liability arising from growth in present value, changes in actuarial assumptions and actuarial experience adjustments are recognized in expense annually based on the year end actuarial valuation. The benefits liabilities are accounted for using IFRS 4 – Insurance contracts.

#### g) **Foreign Currency Translation**

Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for investments.

#### h) **Financial Instruments**

The WCB early adopted IFRS 9 – Financial instruments (2009), which requires financial instruments to be classified as either amortized cost, or fair value through profit and loss. The applicable financial instruments for the WCB are as follows:

- Accounts receivable and payable – recorded at amortized cost
- Investments – recorded as fair value through profit and loss

The carrying values of accounts receivables and payables approximate fair values because of their short-term maturity and/or underlying terms and conditions. The WCB's accounts receivable are not subject to significant concentration of credit risk because the accounts are owed by a large number of employers, the Province of Nova Scotia and the Government of Canada on normal credit terms.

The investment portfolio does not contain any derivatives intended for speculation or trading purposes. The portfolio includes a currency overlay hedge strategy as described in Note 7. The WCB has elected not to apply hedge accounting.

#### i) **Intangible Assets**

Intangible assets are stated at cost, less accumulated depreciation and when applicable, write-downs for impairment. Intangible assets consist of externally purchased and internally generated software applications, and process development costs. To qualify for capitalization, the intangible asset must be separately identifiable, the WCB must have control of the asset and the asset must have future economic benefits.

Depreciation is charged on a straight-line basis over a period of 5 to 10 years for internally generated software and process development costs, with one half year's depreciation taken in the year of completion.

Expenditures related to the research phase of an internal project are recognized as an expense in the period incurred. Software purchases are depreciated on a declining-balance basis at an annual rate of 50 per cent. The useful lives of intangible assets are reviewed at each reporting date and adjusted if required.

#### j) **Asset Impairment Testing**

IFRS requires a test for impairment at least annually whenever there is objective evidence that the carrying value of an asset may exceed its fair value. Impairment tests must be conducted for an individual asset, an asset group or at the cash-generating unit level which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows of other assets.

Based on the analysis of the entity and its cash flows, the WCB has determined that it is a single cash generating unit. Impairment of assets at the entity level is unlikely as the WCB has the power under the Act to revise premiums to ensure the continuity of the workers' compensation system. Therefore, individual assets are monitored for impairment using a variety of qualitative considerations including, but not limited to: obsolescence, damage, reduction in asset performance, disposal or the existence of plans to discontinue the use of the asset. If an asset is deemed impaired, the asset is written off completely or subjected to accelerated depreciation, whichever is appropriate.

#### k) **Current and Future Accounting Policy Developments**

WCB staff monitors the pronouncements of the International Accounting Standards Board (IASB) and considers the impact that changes in standards may have on the WCB's financial reporting. The IASB has ongoing projects to improve existing standards and issue new standards, some of which will impact the WCB as follows:

##### **Current Year Policy Changes**

IAS 32, Financial instruments: presentation – This standard was amended to clarify when financial assets and financial liabilities may be offset. The guidance primarily affected the WCB's currency overlay financial positions. The investment risk disclosure has been updated to reflect the enhanced disclosures.

IFRIC 21 – Levies – The IFRS Interpretations Committee interpreted how liabilities related to cash outflows from payments determined by government through legislation or regulation would be applied. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The adoption of this standard did not have an impact on the financial position or performance of the WCB.

##### **Future Pronouncements**

IFRS 4 – Insurance contracts – A re-exposure draft was released on insurance contracts in 2013 proposing to change the basis of accounting for insurance contracts to fair value by changing the method of determining the discount rate. This standard change may have a significant impact on the financial statements of the WCB. The final standard is expected to be issued in 2015 with the effective date no sooner than three years afterwards. The estimated effective date is for years beginning on or after January 1, 2018.

IFRS 9 – Financial instruments – This standard applies to the classification and measurement of financial assets and liabilities as defined in IAS 39 and may have effect on the measurement and classification of the financial assets of the WCB. The WCB is in the process of assessing the impact of the adoption for the remaining phases of IFRS 9 which may have an impact on future financial statements. This revised IFRS 9 section has an effective date of January 1, 2018.

IAS 17 – Leases – The IASB has issued an exposure draft proposing a new accounting model for leases where the classification of operating leases would be eliminated and all leases will be recorded with assets and liabilities on the statement of financial position, with the exception of short-term leases. An effective date has not yet been determined.

#### **4. ACCOUNTING JUDGEMENTS & ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, in particular, benefits liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ materially from those estimates. Decisions of the WCB may be appealed to the Workers' Compensation Appeals Tribunal, subsequently to the Nova Scotia Court of Appeal, and finally, to the Supreme Court of Canada. Rulings by these bodies have the potential to impact benefits liabilities. Legislated

Obligations excluding the Workers' Compensation Appeals Tribunal are based on forecasts supplied by the Province of Nova Scotia with the actual billing through an order in council occurring post release of the annual report.

Information about the judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in detail in the following notes:

- Note 5 – Receivables
- Note 10 – Post-employment benefits
- Note 11 – Benefits liabilities
- Note 12 – Assessment revenue

## 5. RECEIVABLES

	2014	2013
Assessments	\$ 18,806	\$ 17,998
Self-insured employers	4,400	3,835
Assessments receivable	23,206	21,833
Harmonized sales tax rebate	616	644
Other	1,556	1,434
	<u>\$ 25,378</u>	<u>\$ 23,911</u>

Assessments receivable are net of an allowance for doubtful accounts of \$2,817 in 2014 (2013 - \$2,256). Other receivables are net of an allowance for doubtful accounts of \$1,157 in 2014 (2013 - \$1,091).

## 6. INVESTMENTS

	2014	2013
Equities		
Canadian	\$ 295,699	\$ 262,613
U.S.	160,253	138,489
Europe, Australasia and Far East	133,083	137,963
Global	292,667	273,680
	881,702	812,745
Fixed income	449,521	395,236
Real estate	146,057	137,157
Money market	1,534	1,701
Currency overlay	(2,374)	(5,818)
Accrued interest	308	301
	<u>\$ 1,476,748</u>	<u>\$ 1,341,322</u>

	2014	2013
<b>Investment Income</b>		
Interest and dividends	\$ 53,468	\$ 38,353
Realized gains from the sale of investments	37,232	88,660
Change in fair market value	56,508	81,547
Currency overlay loss	(6,417)	(12,736)
Portfolio management expenses	(5,520)	(5,598)
Net investment income	<u>\$ 135,271</u>	<u>\$ 190,226</u>

## 7. FINANCIAL RISK MANAGEMENT

In accordance with IFRS 7 – Financial Instruments, Disclosure, the following provides qualitative and quantitative information relating to market risk, interest rate and currency risks, credit risk and liquidity risk.

The WCB manages its investments in accordance with a Statement of Investment Policies and Objectives and manages investment risk by using a diversified portfolio both across and within asset classes engaging fund managers with a broad range of investment practices and styles. The WCB utilizes an independent consultant to benchmark performance of its fund managers.

### Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The following table presents the decrease to comprehensive income (CI) as a result of a potential adverse change in the key risk variable – the sector benchmark – for each equity mandate in the WCB's investment portfolio. Possible outcomes are estimated using the historical 5-year variability as measured by the standard deviation of each mandate.

Equities	2014		2013	
	% Change	CI Impact	% Change	CI Impact
<b>Canadian</b>				
1 standard deviation	11.9%	\$ (35,188)	14.6%	\$ (38,342)
2 standard deviation	23.8%	\$ (70,376)	29.2%	\$ (76,683)
<b>United States</b>				
1 standard deviation	12.6%	\$ (20,192)	14.8%	\$ (20,496)
2 standard deviation	25.2%	\$ (40,384)	29.6%	\$ (40,993)
<b>(EAFE)*</b>				
1 standard deviation	12.7%	\$ (16,902)	16.0%	\$ (22,074)
2 standard deviation	25.4%	\$ (33,803)	32.0%	\$ (44,148)
<b>Global</b>				
1 standard deviation	11.2%	\$ (32,779)	13.5%	\$ (36,947)
2 standard deviation	22.4%	\$ (65,557)	27.0%	\$ (73,894)

\*Europe, Australasia and Far East

### Interest rate risk

Fluctuations in interest rates can impact the market value of the fixed-term investment portion of the portfolio. Interest rate risk is mitigated through diversification of the term to maturities to partially match the duration of the benefits liabilities of 8.8 years. As at December 31, 2014, the duration of the bond portfolio was 7.4 years (6.7 years in 2013).

The following table presents the effect of an increase in market interest rates for the bond portfolio (which is held in pooled funds) and the resulting decrease to comprehensive income.

	2014	2013
Fixed Income	CI Impact	CI Impact
0.5% increase	\$ (16,251)	\$ (12,954)
1.0% increase	\$ (31,327)	\$ (25,056)

The credit ratings of the WCB's fixed-income securities at December 31 are listed in the table below. Credit ratings are based on information from Standard & Poor's, Moody's and Dominion Bond Rating Service.

Credit Rating	2014		2013	
	Total	%	Total	%
AAA	\$ 197,340	43.9%	\$ 174,299	44.1%
AA	106,986	23.8%	91,695	23.2%
A	104,738	23.3%	94,461	23.9%
BBB	40,457	9.0%	34,781	8.8%
Total	\$ 449,521	100.0%	\$ 395,236	100.0%

#### Currency risk

Currency risk is the risk of gain or loss due to movements in foreign currency rates as compared to the Canadian Dollar. To mitigate these risks the WCB has foreign exchange forward contracts to hedge approximately 50 per cent of the foreign currency denominated assets held in British Pounds, Euros, Japanese Yen, and US Dollars. Foreign exchange forward contracts are contracts to exchange an amount of one currency for another at a future date at a set price determined at contract inception.

The following table presents the effect of a 10 per cent appreciation in the Canadian Dollar as compared to the US Dollar, Euro, Japanese Yen and British Pound and the decrease to comprehensive income.

Currency	2014	2013
	CI Impact	CI Impact
USD	\$ (16,134)	\$ (13,442)
EURO	\$ (7,195)	\$ (6,994)
YEN	\$ (3,541)	\$ (3,286)
POUND	\$ (2,898)	\$ (2,929)

The fair market value of the WCB's overlay contracts positions:

Currency Overlay Contracts by Currency	2014	2013
	Position	Position
USD	\$ (5,212)	\$ (3,213)
POUND, EURO, YEN	\$ 2,838	\$ (2,605)
Total liability	\$ (2,374)	\$ (5,818)

#### Credit risk

Credit risk with financial instruments arises from the possibility that the counterparty to an instrument may fail to meet its obligations. The WCB mitigates credit risk through diversification, and a statement of investment policies and objectives that addresses asset mix and investment constraints with respect to the credit quality of short-term investments and fixed term investments.

#### Liquidity risk

The WCB has contractual obligations and financial liabilities and therefore is exposed to liquidity risk. The WCB monitors its current and expected cash flow requirements to ensure it has sufficient cash and cash equivalents to meet its liquidity requirements short and long term. In addition, the WCB maintains a line of credit with its principal banker to meet potential short-term liquidity requirements.

#### Fair value hierarchy

A fair value hierarchy is used to categorize valuation techniques used in the determination of fair value. Quoted market prices are categorized as Level 1, internal models using observable market information as inputs are Level 2, and internal models without observable market information as inputs are Level 3.

The following fair value hierarchy table presents information about the financial assets measured at fair value on a recurring basis as of December 31st.

2014	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 794	\$ 1,048	\$ -	\$ 1,842
Currency overlay	-	(2,374)	-	(2,374)
Equities	881,702	-	-	881,702
Fixed term investments	449,521	-	-	449,521
Real estate	-	-	146,057	146,057
	\$ 1,332,017	\$ (1,326)	\$ 146,057	\$ 1,476,748

2013	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 405	\$ 1,597	\$ -	\$ 2,002
Currency overlay	-	(5,818)	-	(5,818)
Equities	812,745	-	-	812,745
Fixed term investments	395,236	-	-	395,236
Real estate	-	-	137,157	137,157
	\$ 1,208,386	\$ (4,221)	\$ 137,157	\$ 1,341,322

Level 1 inputs are quoted prices. Level 2 inputs are market-based inputs that are directly or indirectly observable. Level 3 inputs are unobservable inputs, reflecting assumptions about market pricing using the best internal and external information available. There were no transfers between levels during either year.

The WCBNS holds units in real estate investments and the fair values are appraised annually by qualified external real estate appraisers. The fund manager may adjust individual property values periodically due to changing market conditions. The changes in the WCB's Level 3 fair value measurements from December 31, 2013 (\$137,157) to 2014 (\$146,057) consist of unrealized gains \$10,060 less sales of units \$1,160.

## 8. PROPERTY AND EQUIPMENT

	Land and Building <sup>1</sup>	Furniture and facilities	Equipment and computer hardware	Total
<b>Historical cost</b>				
<b>Balance at Jan. 1, 2014</b>	\$ 4,274	\$ 2,744	\$ 2,631	\$ 9,649
Additions	156	301	437	894
Disposals & retirements	(3)	(63)	(209)	(275)
<b>Balance at Dec. 31, 2014</b>	\$ 4,427	\$ 2,982	\$ 2,859	\$ 10,268
<b>Depreciation and impairment</b>				
<b>Balance at Jan. 1, 2014</b>	\$ 2,090	\$ 1,663	\$ 1,289	\$ 5,042
Current period depreciation	273	302	500	1,075
Impairment losses	(0)	2	22	24
Disposals & retirements	(3)	(63)	(209)	(275)
<b>Balance at Dec. 31, 2014</b>	\$ 2,360	\$ 1,904	\$ 1,602	\$ 5,866
<b>Carrying amount at</b>				
<b>Dec. 31, 2014</b>	\$ 2,067	\$ 1,078	\$ 1,257	\$ 4,402

	Land and Building <sup>1</sup>	Furniture and facilities	Equipment and computer hardware	Total
<b>Historical cost</b>				
<b>Balance at Jan. 1, 2013</b>	\$ 4,159	\$ 2,687	\$ 2,467	\$ 9,313
Additions	145	401	676	1,222
Disposals & retirements	(30)	(344)	(512)	(886)
<b>Balance at Dec. 31, 2013</b>	\$ 4,274	\$ 2,744	\$ 2,631	\$ 9,649
<b>Depreciation and impairment</b>				
<b>Balance at Jan. 1, 2013</b>	\$ 1,804	\$ 1,756	\$ 1,332	\$ 4,892
Current period depreciation	316	239	467	1,022
Impairment losses	-	12	2	14
Disposals & retirements	(30)	(344)	(512)	(886)
<b>Balance at Dec. 31, 2013</b>	\$ 2,090	\$ 1,663	\$ 1,289	\$ 5,042
<b>Carrying amount at Dec. 31, 2013</b>	\$ 2,184	\$ 1,081	\$ 1,342	\$ 4,607

<sup>1</sup> Includes \$155 for the cost of the land that the building is situated on. Land has an indefinite useful life and is not depreciated.

#### Finance leased assets

Equipment and computer hardware includes the following amounts where the WCB is a lessee under finance leases:

	2014	2013
Cost - capitalized finance leases	\$ 367	\$ 359
Accumulated depreciation	(206)	(122)
Net book value	\$ 161	\$ 237

Total additions of \$8 were added to equipment under finance leases during the year (2013 - \$219).

## 9. INTANGIBLE ASSETS

	Acquired software	Internally generated software	Internally generated processes	Total 2014
<b>Historical cost</b>				
<b>Balance at Jan. 1, 2014</b>	\$ 1,243	\$ 1,085	\$ 222	\$ 2,550
Additions	63	556	-	619
Disposals & retirements	(404)	(254)	(31)	(689)
<b>Balance at Dec. 31, 2014</b>	\$ 902	\$ 1,387	\$ 191	\$ 2,480
<b>Depreciation and impairment</b>				
<b>Balance at Jan. 1, 2014</b>	\$ 884	\$ 869	\$ 206	\$ 1,959
Current period depreciation	159	100	14	273
Impairment losses	10	8	2	20
Disposals & retirements	(404)	(254)	(31)	(689)
<b>Balance at Dec. 31, 2014</b>	\$ 649	\$ 723	\$ 191	\$ 1,563
<b>Carrying amount at Dec. 31, 2014</b>	\$ 253	\$ 664	\$ -	\$ 917

	Acquired software	Internally generated software	Internally generated processes	Total 2013
<b>Historical cost</b>				
<b>Balance at Jan. 1, 2013</b>	\$ 917	\$ 1,063	\$ 614	\$ 2,594
Additions	326	22	-	348
Disposals & retirements	-	-	(392)	(392)
<b>Balance at Dec. 31, 2013</b>	\$ 1,243	\$ 1,085	\$ 222	\$ 2,550
<b>Depreciation and impairment</b>				
<b>Balance at Jan. 1, 2013</b>	\$ 762	\$ 729	\$ 533	\$ 2,024
Current period depreciation	122	140	65	327
Disposals & retirements	-	-	(392)	(392)
<b>Balance at Dec. 31, 2013</b>	\$ 884	\$ 869	\$ 206	\$ 1,959
<b>Carrying amount at Dec. 31, 2013</b>	\$ 359	\$ 216	\$ 16	\$ 591

## 10. POST-EMPLOYMENT BENEFITS

The WCB provides post-employment benefits other than pensions (Note 20) consisting of retirement allowances, post-employment life insurance, dental and medical programs. An actuarial valuation was performed as at December 31, 2012.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations (ABO) as at December 31 are as follows:

	2014	2013
Discount rate, benefits expense for the year	5.00%	4.00%
Discount rate, accrued benefit obligation	4.25%	5.00%
Expected health care costs trend rate; decreasing annually by 0.25% increments to an ultimate rate of 4.00%	5.50%	5.75%
Drug claim increases trend rate; decreasing annually by 0.25% increments to an ultimate rate of 5.00%	6.50%	6.75%
Dental cost escalation	3.00%	3.00%
Retirement age assumption	59 years	59 years

#### Costs Arising in the Period

	2014	2013
Current service costs	\$ 1,130	\$ 1,283
Interest costs	1,168	974
Total employee future benefits expense	\$ 2,298	\$ 2,257

#### Accrued Benefit Obligation

	2014	2013
Beginning of year	\$ 22,381	\$ 23,228
Total employee future benefits expense	2,298	2,257
Actuarial loss (gains) on ABO through OCI (a)	3,769	(2,769)
Benefits paid	(290)	(335)
End of year	\$ 28,158	\$ 22,381

(a) The net actuarial loss as at December 31, 2014 arises from re-measurement of the liability at the end of fiscal 2014 using a lower discount rate.	2014 CI Impact	2013 CI Impact
Estimates are highly sensitive to changes in discount rates and in particular with health care.	1% decrease in the discount rate	\$ (6,506)    \$ (4,856)
	1% increase in the discount rate	\$ 4,815    \$ 3,646
The table below provides sensitivity for changes to the discount rate or the assumed health care cost trend rates with resulting increases/(decreases) to Comprehensive Income (CI).	1% decrease in the assumed health care cost trend rate	\$ 4,429    \$ 2,883
	1% increase in the assumed health care cost trend rate	\$ (6,023)    \$ (4,565)

## 11. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2014
Balance, beginning of year	\$ 95,134	\$ 1,194,186	\$ 125,508	\$ 349,750	\$ 4,982	\$ 1,769,560	\$ 106,174	\$ 1,875,734
Growth in present value of benefit liabilities	4,977	75,178	7,833	20,395	267	108,650	6,519	115,169
Change in actuarial assumptions (a)	(192)	16,632	2,666	(752)	(12)	18,342	1,100	19,442
Actuarial experience adjustments (c)	1,898	(59,940)	(3,601)	2,558	836	(58,249)	(3,494)	(61,743)
Total growth	6,683	31,870	6,898	22,201	1,091	68,743	4,125	72,868
Claims costs incurred	38,975	101,069	5,558	56,080	898	202,580	10,255	212,835
Less: Claims payments made	(42,167)	(126,768)	(13,946)	(62,130)	(1,195)	(246,206)	(12,873)	(259,079)
Balance, end of year	98,625	1,200,357	124,018	365,901	5,776	1,794,677	107,681	1,902,358
Change in liability for occupational disease in latency (d)	252	366	12	489	11	1,130	68	1,198
Balance, end of year	\$ 98,877	\$ 1,200,723	\$ 124,030	\$ 366,390	\$ 5,787	\$ 1,795,807	\$ 107,749	\$ 1,903,556

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2013
Balance, beginning of year	\$ 77,181	\$ 1,144,977	\$ 123,061	\$ 302,138	\$ 5,764	\$ 1,653,121	\$ 99,187	\$ 1,752,308
Growth in present value of benefit liabilities	4,942	73,648	7,753	19,450	374	106,167	6,370	112,537
Adjustment to benefits Liabilities(b)	-	-	9,048	-	-	9,048	-	9,048
Actuarial experience adjustments (c)	(1,636)	(25,333)	1,441	1,026	(1,866)	(26,368)	(1,582)	(27,950)
Total growth	3,306	48,315	18,242	20,476	(1,492)	88,847	4,788	93,635
Claims costs incurred	38,312	101,511	8,234	56,173	1,022	205,252	10,293	215,545
Less: Claims payments made	(40,627)	(125,366)	(24,837)	(61,992)	(1,039)	(253,861)	(12,666)	(266,527)
Balance, end of year	78,172	1,169,437	124,700	316,795	4,255	1,693,359	101,602	1,794,961
Liability for occupational Disease in latency (d)	16,962	24,749	808	32,955	727	76,201	4,572	80,773
Balance, end of year	\$ 95,134	\$ 1,194,186	\$ 125,508	\$ 349,750	\$ 4,982	\$ 1,769,560	\$ 106,174	\$ 1,875,734

- a) In 2014, there was a change in actuarial assumptions related to the assumed Consumer Price Index (CPI) rate decreasing to 2.50 per cent from 3.0 per cent, increasing the benefits liability by \$19,442. In 2013 there were no changes in actuarial assumptions.
- b) In 2013, there was an adjustment to the benefits liabilities. On April 16, 1999 amendments to the Workers' Compensation Act received Royal Assent. One of the provisions included in these amendments was to reinstate benefits to survivors who remarried effective January 1, 1999. On May 10, 2013 Bill No. 54, amending the effective date of reinstatement of survivor benefits, received Royal Assent. The effective date of the reinstatement was revised from January 1, 1999 to April 17, 1985. Retroactive benefits of \$9.048 million are included in the adjustments to the benefits liabilities and in the claims payments; a further \$1.117 million was attributable to self-insured claims.
- c) Actuarial experience adjustments represent the difference between what was predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred in the year.
- In 2014, actuarial experience adjustments decreasing the benefits liabilities totalled \$61,743. The adjustments included:
- A net decrease of \$46,200 as a result of lower than expected new Extended Earnings Replacement Benefits (EERBs) and Survivor awards.
  - A decrease of \$3,494 in the estimated cost of future claims administration.
  - A decrease of \$4,600 as a result of lower than anticipated inflation for awards in pay.
  - A decrease of \$10,800 as a result of mortality experience.
  - A net decrease of \$2,600 as a result of lower than expected payments in long-term disability and health care payments related to recent injury years.

- A net increase of \$7,500 to reflect increases in expected payments for older injury years, primarily health care related.
- Other non-specified actuarial adjustments resulted in a decrease to the benefits liabilities of \$1,549.

In 2013, actuarial experience adjustments decreasing the benefits liabilities totalled \$27,950. The adjustments included:

- A net decrease of \$17,800 as a result of lower than expected new Extended Earnings Replacement Benefits (EERBs) and slightly higher than expected volume of new survivor awards.
  - A decrease of \$4,000 as a result of actual payments less than expected due to positive experience trends, primarily in short-term disability and medical health care.
  - A decrease of \$9,000 as a result of lower than anticipated inflation for awards in pay.
  - A decrease of \$6,100 as a result of mortality experience.
  - A net increase of \$4,000 to revise the estimated liability for annuities.
  - A net increase of \$4,000 as a result of higher than expected payments at later duration, primarily health care related
  - Other non-specified actuarial adjustments resulted in an increase to the benefits liabilities of \$950.
- d) The Actuarial Standards Board introduced a new standard of practice for workers' compensation organizations, which requires the estimation of liabilities for occupational disease during the latency period rather than when the occupational disease is confirmed through diagnosis. An analysis of past experience was conducted in 2013 and concluded that the liability for occupational disease in the latency period is approximately 4.5 per cent of the total benefits liability. An adjustment increasing the benefits liability by \$80.773 million was made in 2013 as a result of the new standard. As of December 31, 2014 the liability for latent occupational disease is estimated at \$81.971 million and is included in the total benefits liability.

#### Actuarial Assumptions and Methods

All liabilities were calculated using an underlying assumption of 3.50 per cent for real rate of return on assets and a rate of increase in the CPI equal to 2.50 per cent in 2014 (2013 - 3.00 per cent). The gross rate of return that results from the CPI and the real rate of return assumptions is 6.00 per cent in 2014 (2013 - 6.50 per cent). The inflation assumptions and the resulting net interest rates for 2014 and 2013 are presented below:

2014 Category	Expected Inflation	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits (LTD)	0.5% + CPI	3.00%	3.00%
All other LTD, Survivor Pensions	50% * CPI	1.25%	4.75%
Health Care	1.75% + CPI	4.25%	1.75%
All Others	CPI	2.50%	3.50%

2013 Category	Expected Inflation	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits (LTD)	0.5% + CPI	3.50%	3.00%
All other LTD, Survivor Pensions	50% * CPI	1.50%	5.00%
Health Care	1.75% + CPI	4.75%	1.75%
All Others	CPI	3.00%	3.50%

**General Statement** - Given the statutory nature of its operations, the Board adopts a long-term view for running its business. A long-term perspective avoids overreaction to what may be a temporary trend and provides for more stable assessment rates. Economic assumptions are chosen to be consistent with the Board's approved investment and funding strategies, both of which consider very long-term trends. Demographic assumptions are chosen to reflect the Board's actual underlying experience. Given the significant statistical volatility associated with workers' compensation benefits, demographic assumptions are not updated each year in response to emerging experience. Rather, they are updated over time once enough experience is available to credibly suggest that deviations are due to actual trends rather than statistical fluctuations.

**Consumer Price Index** - The 2.50 per cent assumption for the rate of increase in CPI is chosen to be consistent with assumptions used by the Bank of Canada inflation controlled target rate of range of 1.00 to 3.00 per cent. This rate is consistent with long-term averages.

**Real Rate of Return** - The 3.50 per cent real rate of return assumption was chosen to be consistent with the Board's funding and investment strategies. It is based on expected long-term real return on the assets backing the benefit liabilities. Analysis of historical returns by Board staff has shown that 3.50 per cent appears to be a reasonable and prudent real return target (after investment expenses) given the Board's strategic asset allocation within the investment portfolio.

**Gross Rate of Return** - The gross rate of return assumption is derived as the sum of the Board's CPI and real rate of return assumptions. Given the assumptions for CPI of 2.50 per cent and real rate of return of 3.50 per cent, the gross rate of return assumption is 6.00 per cent.

**Benefit Inflation** - The inflation rates assumed for the specific benefit categories are based on their relation to general consumer price inflation, as follows:

*LTD & Survivor Benefits* - The Act specifies indexing for these benefits at a rate equal to 50 per cent of the change in the CPI. The assumption is 50 per cent of CPI or 1.25 per cent (i.e. 50 per cent of 2.50 per cent).

*Medical Aid Benefits* - The cost of medical care has historically increased at rates exceeding the general rate of inflation. To account for this, the assumption is that increases due to medical inflation and utilization will be 1.75 per cent higher than the general rate of inflation. As a result, medical inflation assumption is 4.25 per cent (i.e. 1.75 per cent + 2.50 per cent). The appropriateness of this rate is monitored on a regular basis.

*Supplementary Awards* - Supplementary awards provide an income tested benefit to certain claimants injured prior to March 23, 1990. The assumption is that indexing for supplementary awards will be 0.50 per cent higher than the general rate of inflation, or 3.00 per cent (2.50 per cent + 0.50 per cent). Past reviews of supplementary award experience has shown this assumption to be adequate.

*All Other Benefits* - All other benefits are subject to general inflation; therefore utilizing the same assumption as used for CPI (i.e. 2.50 per cent).

**Future Administration** - Future administrative expenses are assumed to be equal to 6.00 per cent of future benefit payments. This assumption is based on an internal review of past administrative expenses conducted by Board staff and is assessed each year to ensure that it remains appropriate.

**Occupational Disease** – The valuation includes a provision for all recognized occupational diseases that are expected to arise from past workplace exposures. In past valuations, occupational disease claims were recognized upon diagnosis of the covered occupational disease. In 2013, a review of past data was conducted by our independent actuaries to determine a reasonable estimate of the incidence of occupational disease in Nova Scotia Workplaces. The review concluded that an additional provision of 4.50 per cent of the total benefits liability was adequate to cover the cost of occupational disease in the latency period.

**Mortality** – Mortality for permanent awards is based on the 1983 Group Annuitant Mortality Table (GAM 1983) with a 10 per cent margin (i.e. mortality rates are reduced by 10 per cent to reflect on-going increases in life expectancy). This table was selected based on the results of a study of the Board’s mortality experience conducted during 2010. The study concluded that this table is reasonable based on the number of deaths that occurred among the injured worker population over the past several years.

**Future Permanent Awards** – Future EERB and Permanent Impairment Benefit (PIB) awards are assumed to occur in accordance with claims run-off tables. These run-off tables are based on the past claims patterns for the Board and are updated from time to time as emerging experience dictates. The run-off tables currently in use were developed for the 2008 valuation. Each year, actual claim experience is compared to that expected by the table and minor experience adjustments are implemented when warranted.

#### Sensitivity Analysis of Insurance Risk

The benefits liabilities determined in the report are estimated using many actuarial assumptions. The two most significant assumptions are the long-term real rate of return (3.50 per cent) and the long-term inflation rate (2.50 per cent). The liability estimates are highly sensitive to small changes in these assumptions.

Section 5460 of the actuarial standards of practice for Public Personal Injury Compensation Plans requires that the WCB (at minimum) provide sensitivity testing for certain specified scenarios.

The following table provides examples of sensitivity along with the implied investment rate. The scenarios tested can be summarized as follows:

- Scenario 1 tests the impact of a 100 basis point decrease in the assumed rate of investment earnings.
- Scenario 2 tests the impact of a 100 basis point increase in the assumed rate of inflation.
- Scenario 3 shows the impact of using a discount rate that is equal to the expected rate of return earned on a hypothetical fixed income portfolio, consisting of high-quality bonds of pertinent duration. This scenario can also be thought of as a market value based measurement of the benefits liabilities.
- Scenario 4 shows the impact of strengthening economic assumptions by reducing the assumed inflation rate by 50 basis points.
- Scenario 5 shows the impact of strengthening economic assumptions by reducing both the assumed inflation rate and real rate of return by 50 basis points.
- Scenario 6 provides an integrated test of the impact of a high inflation, low real rate of return environment.
- Scenario 7 provides the impact of a 1 per cent increase in the assumed health care inflation rate.

#### Sensitivity of Valuation Assumptions

	Assumptions			Change to Liabilities and Incurred Claims		
	Real Return	Inflation	Investment	Effect	Liabilities	Incurred Claims
1	2.5%	2.5%	5.0%	Increase	\$ 152,896	\$ 14,085
2	3.5%	3.5%	7.0%	Decrease	\$ (42,111)	\$ (2,680)
3	1.9%	1.7%	3.6%	Increase	\$ 302,544	\$ 26,881
4	3.5%	2.0%	5.5%	Increase	\$ 22,466	\$ 1,495
5	3.0%	2.0%	5.0%	Increase	\$ 97,655	\$ 8,387
6	2.5%	3.5%	6.0%	Increase	\$ 104,516	\$ 10,927
7	Increase Health Care Inflation Rate by 1.0%			Increase	\$ 42,857	\$ 3,287

#### Claims risk management

##### (a) Managing insurance risk

The WCB has an objective to manage claims risk. In addition to the inherent uncertainty of claims risk, which can lead to significant variability in the loss experience, performance from operations are significantly affected by factors external to the WCB.

Insurance risk associated with the volume and cost of claims is managed by focussing on performance at the System level, the industry level and the employer level. The balanced scorecard includes corporate performance measures for financial and operational results. Annually, these metrics are linked to the funding strategy and go through a targeting exercise where corporate targets are developed. Metrics are tracked and reported to the Board of Directors quarterly.

At the industry level, Integrated Service Teams are aligned by industry, in order to focus on a single industry, and add value from an injury prevention and return-to-work perspective. Work includes assisting the industry safety associations to understand the trends in their industries and target areas where value can be added. At the employer level, employer injury rate and trends are used to identify those employers that could improve results from a prevention and return-to-work perspective. In addition, the rate-setting model provides incentives through Experience Rating for employers to manage injuries and work to prevent future injuries.

##### (b) Concentration of insurance risk

A large proportion of the covered workers are employed in a relatively small number of workplaces. These workplaces receive more personalized services through Integrated Service Teams, including relationship management, prevention and return-to-work consulting. In addition to focusing on workplaces with a large number of employees, the NS Department of Labour and Advanced Education is provided with data to allow targeted occupational health and safety inspections.

### Claims Development Table

The following claims development table is a required disclosure under International Financial Reporting Standards. The top section of the table shows the total dollar amount expected to be paid on claims incurred in the accident year as estimated at various times. Note that claims paid are referred to as "cash flows" in the table so as to be clear that these figures do not include discounting.

To put the top section of the table in context, consider the entry in accident year 2008, and year of estimate 2008 (i.e. \$268,645). This figure was the estimated total cash flows expected to be

paid on accidents in 2008, as measured at December 31, 2008. The amount in accident year 2008, and year of estimate 2013 (i.e. \$256,798) provides the same figure re-estimated at a later date. Estimated cash flows in respect of individual accident years will continue to change over time to the extent there are changes in actuarial assumptions and experience is different than expected.

The lower section of the table shows the development of the liability (or present value of future cash flows associated with each accident year) for accident years 2006 through 2014, as well as the liability in respect of accidents prior to 2006.

### Claims Development Table

	Year of Estimate	Accident Year										Total	
		2006	2007	2008	2009	2010	2011	2012	2013	2014			
Estimated Total Cash Flow (including Past and Future Cash Flows)	2006	\$ 229,438											\$ 229,438
	2007	256,543	\$ 264,014										520,557
	2008	255,618	258,286	\$ 268,645									782,549
	2009	271,732	259,194	268,721	\$ 277,094								1,076,741
	2010	272,107	264,685	274,394	272,679	\$ 291,200							1,375,065
	2011	275,864	266,190	278,871	262,142	285,756	\$ 307,785						1,676,608
	2012	265,628	254,151	262,054	236,655	257,080	272,468	\$ 292,523					1,840,559
	2013	269,079	256,841	256,798	235,326	250,970	257,182	280,830	\$ 308,160				2,115,186
	2014	258,660	251,762	247,688	223,735	236,287	232,763	242,790	275,937	\$ 293,068			2,262,690
Current (2014) Estimate of Total Cash Flow		258,660	251,762	247,688	223,735	236,287	232,763	242,790	275,937	293,068			2,262,690
Total Cash Flows Paid to December 31, 2014		(132,441)	(120,498)	(108,174)	(92,246)	(84,514)	(72,865)	(63,570)	(51,641)	(25,196)			(751,145)
Estimated Future Cash Flows		126,219	131,264	139,514	131,489	151,773	159,898	179,220	224,296	267,872			1,511,545
Impact of Discounting		(50,156)	(54,858)	(58,726)	(57,019)	(64,854)	(70,068)	(78,267)	(100,020)	117,613			(651,581)
Liability in Respect of Accident Years 2006 to 2014		\$ 76,063	\$ 76,406	\$ 80,788	\$ 74,470	\$ 86,919	\$ 89,830	\$ 100,953	\$ 124,276	\$ 150,259			859,964
Liability in Respect of Accident Years 2005 and prior													858,512
Claims Administration													103,109
Liability for Occupational Disease in latency													81,971
Balance Sheet Liability at December 31, 2014													\$ 1,903,556

## 12. ASSESSMENT REVENUE

	2014	2013
Assessed employers	\$ 270,133	\$ 258,987
Self-insured employers (Note 16)	37,947	39,999
Assessment reporting penalties and interest	1,050	1,053
	309,130	300,039
Deduct: practice incentive rebates and surcharge refunds	(3,162)	(3,220)
	\$ 305,968	\$ 296,819

Practice incentive rebates and surcharge refunds were introduced in 2013. These programs continue and are voluntary and offer refunds and rebates to those registered workplaces that have met certain eligibility requirements. They are payable in the following year.

## 13. ADMINISTRATION COSTS

	2014	2013
Salaries and staff expense	\$ 37,569	\$ 34,861
Professional, consulting and service fees	3,632	3,358
Building operations	2,317	2,305
Communications	1,424	1,577
Services contracted	1,614	1,525
Depreciation	1,309	1,295
Travel and accommodations	844	820
Supplies	823	766
Training and development	606	535
	50,138	47,042
Change in liability for future administration costs	(2,618)	(2,373)
	\$ 47,520	\$ 44,669

#### 14. SYSTEM SUPPORT

System support costs are costs associated with providing support to the Workplace Safety Insurance System (WSIS) agencies and the Office of the Employer Advisor and the Office of the Worker Counsellor. The focus is on improving the ease of stakeholders interacting with the Workplace Safety and Insurance System agencies.

#### 15. LEGISLATED OBLIGATIONS

	2014	2013
Occupational Health and Safety	\$ 9,604	\$ 8,039
Workers' Advisers Program	3,240	2,635
Workers' Compensation Appeals Tribunal	1,732	1,630
Injured Workers' Associations*	-	265
	<u>\$ 14,576</u>	<u>\$ 12,569</u>

The WCB is required by the Act to reimburse the Province of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of the Nova Scotia Department of Labour and Advanced Education.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the Act to absorb the operating costs of the WAP.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the Act to absorb the operating costs of the WCAT.

Injured Workers' Associations provide advice and assistance to workers on workers' compensation issues. The WCB is required by the Act to provide funding to Injured Workers' Associations on such terms and conditions as the Minister of the Nova Scotia Department of Labour and Advanced Education deems appropriate, or the Governor in Council prescribes.

\* As of April 1, 2014, the Injured Workers' Association is combined with the Workers' Advisers Program.

#### 16. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers – federal and provincial government bodies – who directly bear the costs of their own incurred claims and an appropriate share of WCB administration costs.

	2014	2013
Revenue	\$ 37,947	\$ 39,999
Claims payments made		
Short-term disability	\$ 4,507	\$ 4,524
Long-term disability	16,609	17,087
Survivor benefits	3,425	4,656
Health care	7,089	7,412
Rehabilitation	32	29
	<u>31,662</u>	<u>33,708</u>
Administration costs	6,285	6,291
	<u>\$ 37,947</u>	<u>\$ 39,999</u>

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

#### 17. RELATED PARTY TRANSACTIONS

The WCB provides self-insured coverage to provincial government agencies and departments. The Province is considered a related party as the Province administers the Act through which the WCB is governed. The Province, as a self-insured employer, reimburses the WCB for its own incurred claims and a share of WCB administration costs. The amounts included in Note 16 for the Province of Nova Scotia are as follows:

	2014	2013
Revenue	\$ 7,582	\$ 7,771
Claims payments made	6,138	6,341
Administration costs	1,444	1,430
	<u>\$ 7,582</u>	<u>\$ 7,771</u>

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due from the Province of Nova Scotia are non-interest bearing and under normal credit terms. At December 31, 2014, the amount receivable from the Province of Nova Scotia was \$1,249 (2013 - \$718) for claims payments made and administration costs.

Key management personnel of the WCB (CEO, Vice Presidents, Directors and the Board of Directors) are deemed related parties. In addition, close family members of the key management personnel are also related parties of the WCB. There were no transactions or relationships with these related parties, with the exception of salaries and benefits shown below, that require disclosure.

**WCB Salaries and Benefits** (in actual dollars)

	2014					2013		
	Number of Individuals	Salary	Benefits	Other	Total	Notes	Number of Individuals	Total
Chair, Board of Directors	1	\$ 44,150	\$ 2,110	-	\$ 46,260		1	\$ 44,359
Board of Directors	9	155,850	7,594	-	163,444		9	159,497
	10	200,000	9,704	-	209,704	<sup>1</sup>	10	203,856
Chief Executive Officer	1	258,448	23,701	\$ 7,200	289,349		1	270,889
Chief Financial Officer	1	168,067	24,827	4,082	196,976		1	191,796
VP People and Planning	1	147,900	22,511	6,926	177,337		1	163,387
VP Prevention and Service Delivery	1	168,067	24,789	4,082	196,938		1	191,786
	4	742,482	95,828	22,290	860,600		4	817,858
Staff Salaries & Benefits (Average 2014-\$76,106; 2013-\$73,816)	435	28,926,577	4,984,272	328,037	34,238,886		425	31,661,633
Post-employment Benefits	-	-	2,332,816	-	2,332,816		-	2,270,398
Administration-Salaries & Benefits	449	\$ 29,869,059	\$ 7,422,620	\$ 350,327	\$ 37,642,006	<sup>2&amp;3</sup>	439	\$ 34,953,745

<sup>1</sup> The Chair's remuneration was based on a daily per diem allowance of \$300 in addition to an honorarium of \$20,000 annually, to a maximum of \$50,000 per year. All other Board members received a daily allowance of \$300 for attendance at Board meetings and related work. In addition to the per diem, the Deputy Chair received an honorarium of \$3,000 per annum and the Committee Chairs received an honorarium of \$2,000 per annum.

<sup>2</sup> Salary includes regular base pay. Benefits include the employer's share of the employee benefits - CPP, EI, pension, health/dental, life insurance and long-term disability. 'Other' includes vacation payout and travel allowance. Total salaries and benefits in 2014 of \$37,642,006 (2013 - \$34,953,745) varies by \$72,522 (2013 - \$92,415) from Note 13 in the financial statements due to travel allowance disclosed in 'Other', which is posted to 'Travel and accommodations' in Note 13.

<sup>3</sup> This figure represents the average number of employees on payroll during the fiscal year.

**18. INDUSTRY LEVIES**

As a result of Orders-in-Council or agreements with the industry associations, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of health and safety programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council or agreements with the industry associations. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the Statement of Comprehensive Income.

Industry	Payee	2014	2013
Construction	Nova Scotia Construction Safety Association	\$ 1,021	\$ 1,020
Trucking	Nova Scotia Trucking Safety Association	276	286
Fishing	Fisheries Safety Association of Nova Scotia	221	261
Forestry	Forestry Safety Society	146	142
Auto Retailers	Nova Scotia Automobile Dealers' Safety Association	124	121
Retail Gasoline	Retail Gasoline Dealers' Association	29	30
		<b>\$ 1,817</b>	<b>\$ 1,860</b>

**19. COMMITMENTS**
**Operating lease commitments**

The WCB leases office space under operating leases as follows:

The contractual lease agreement for Halifax office space has a non-cancellable term of four years which commenced on January 1, 2013. The agreement includes one renewal option for a period of three years with the base rent cost to be negotiated at fair market rates.

The contractual lease agreement for Sydney office space has a non-cancellable term of 10 years which commenced on November 1, 2009. The agreement includes two renewal options for a period of five years each with the base rent cost to be negotiated at fair market rates.

Lease payments recognized as an expense and included in administration expenses during the year were as follows:

	2014	2013
Basic rent <sup>1</sup>	\$ 640	\$ 624
Variable rent <sup>2</sup>	918	838
<b>Total rent expense</b>	<b>\$ 1,558</b>	<b>\$ 1,462</b>

<sup>1</sup> Basic rent represents the per-square-foot base rent paid (or minimum lease payments).

<sup>2</sup> Variable rent is the rent paid to reimburse the lessor for common area costs, insurance and property taxes.

The future aggregate minimum lease payments are as follows:

	2014	2013
Within 1 year	\$ 737	\$ 626
More than 1 year and up to 5 years	1,375	1,884
Later than 5 years	-	188
<b>Total</b>	<b>\$ 2,112</b>	<b>\$ 2,698</b>

#### Finance lease commitments

The WCB has finance leases for various items of equipment. Lease terms range from 3 to 5 years and have no terms of renewal, purchase options or escalation clauses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2014		2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	\$ 95	\$ 88	\$ 93	\$ 82
One to five years	86	83	173	164
Total minimum lease payments	181	171	266	246
Less finance charges	(10)	-	(20)	-
<b>Present value of minimum lease payments</b>	<b>\$ 171</b>	<b>\$ 171</b>	<b>\$ 246</b>	<b>\$ 246</b>

Leased assets are pledged as collateral for the related finance lease.

#### 20. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund (Plan), a contributory pension plan administered by the Pension Services Superannuation Plan Trustee Incorporated, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both employees and the WCB. Total WCB employer contributions for 2014 were \$2,504 (2013 - \$2,415) and are recognized as an expense in the period. The WCB is not obligated for any unfunded liability, nor does the WCB have entitlement to any surplus that may arise in this Plan.

#### 21. CAPITAL MANAGEMENT

The capital management objective reflects the mandate to pay benefits and to ensure the long-term financial sustainability of the Workers' Compensation System. The funding strategy outlines the WCB's planned approach to funding current operations and the eventual elimination of the unfunded liability. Funding of the Workers' Compensation System requires consideration of a number of complex variables and assumptions (rates, benefits, funding period and investment returns).

The WCB monitors the unfunded status based on the funding percentage. The funding percentage calculated by the ratio of total assets to total liabilities is 76.9 per cent (71.4 per cent in 2013).

# Actuarial Certificate



We have completed an actuarial valuation of the benefit liabilities for insured employers under the *Workers' Compensation Act of Nova Scotia* (the "Act") as at December 31, 2014, for the purpose of providing input to the Financial Statements of the Workers' Compensation Board of Nova Scotia (the "Board"). The valuation is in respect of assessed firms only, and does not include any provision for future payments in respect of self-insured firms.

Our estimate of the benefits liabilities of \$1,903,556,000 represents the actuarial present value at December 31, 2014, of all expected health-care payments, short-term disability benefits, long-term disability benefits, survivor benefits, rehabilitation and other payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2014. The liabilities include a provision for future administrative expenses. The liabilities also include an appropriate provision for potential occupational diseases in the latency period. No allowance has been made in these liabilities for any future deviations from the present policies and practices of the Board or for the extension of new coverage types.

Data required for the valuation has been provided by the Board. We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years. The liabilities have been allocated into six categories, namely: short-term disability;

long-term disability; survivors' benefits; health care; rehabilitation and administration. All liabilities have been calculated using underlying assumptions of 3.50% per annum for the real rate of return on invested assets and 2.50% per annum for the rate of increase in the Consumer Price Index. These assumptions are consistent with those in the Board's approved funding and investment strategies.

The CPI assumption equates to inflation rates for indexing benefits of 1.25% per annum in respect of long-term disabilities and permanent survivor benefits, because indexing for these benefits is specified under the Act as 50% of the rate of increase in the Consumer Price Index.

Liabilities in respect of permanent long-term disability and survivor benefits in-pay have been determined by projecting cash flows on an individual claimant basis using mortality as the only decrement.

Liabilities in respect of future permanent long-term disability and survivor benefits awards have been determined based on factors developed from historical patterns of permanent awards, and using mortality and valuation interest rate assumptions identical to those used in determining the existing pension and long-term disability liabilities.

The liabilities in respect of short-term disability, health care, rehabilitation and the non-permanent portion of survivors' benefits

have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 2.50% per annum has been used to project future cash flows for short-term disability claims, rehabilitation, and the non-permanent portion of survivors' benefits. For health care, we used an inflation rate of 4.25% per annum reflecting the greater expected inflation and utilization rate for this benefit category.

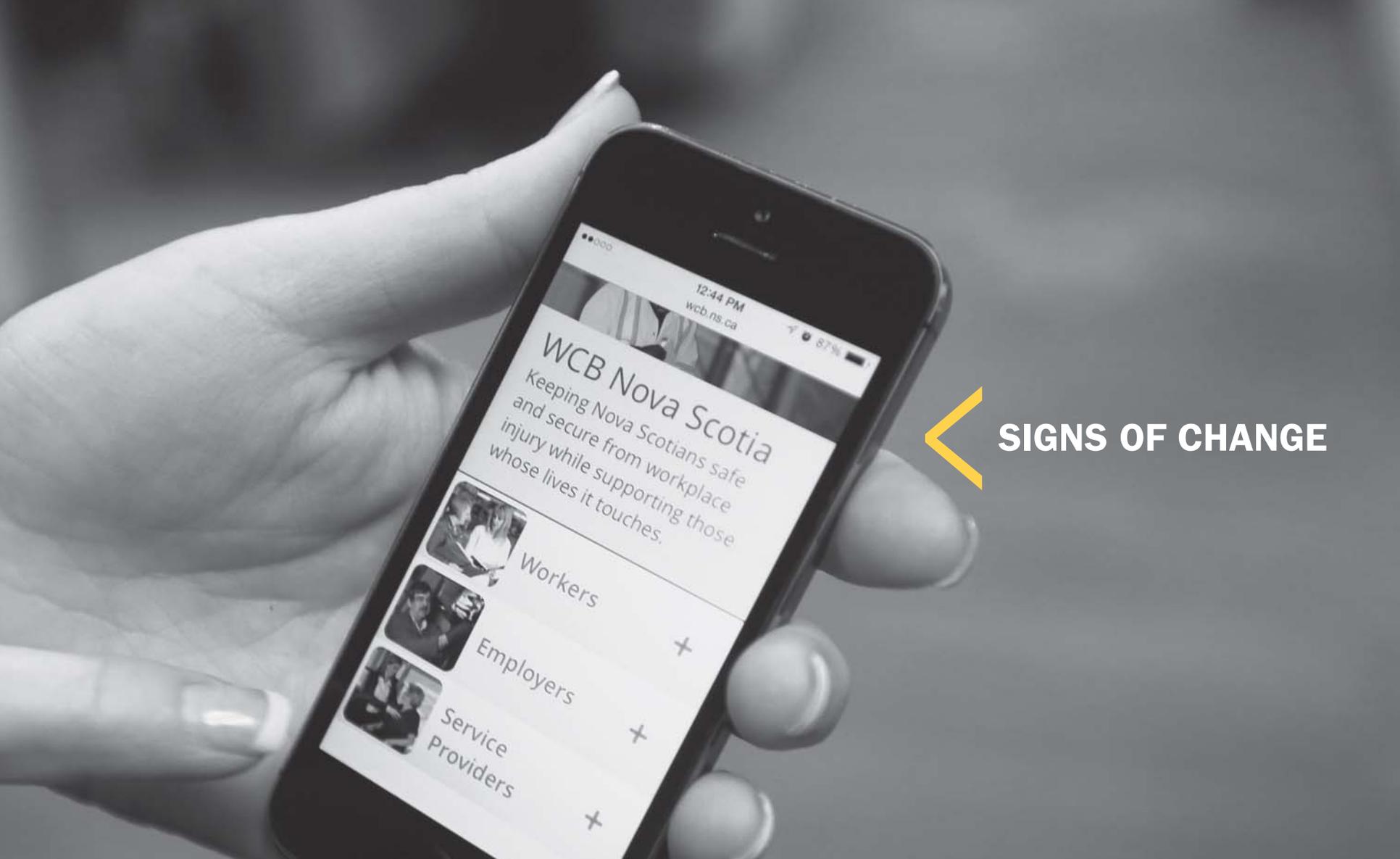
It is our opinion that:

- the data are sufficient and reliable for the purpose of this valuation;
- the actuarial assumptions and the methods employed are appropriate for the purpose of the valuation; and
- the amount of benefit liabilities makes appropriate provision for future benefit payments on accidents incurred prior to the valuation date.

Our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial practice in Canada. Further information on the data, assumptions, methods, and valuation results can be found in our actuarial valuation report.

Jeff Turnbull,  
FSA FCIA

Scott Mossman,  
FSA FCIA



## SIGNS OF CHANGE

*Nova Scotia employers and workers can now access information in a way that better meets their needs through the WCB's redesigned corporate website. The website, developed in 2014, is one of many ways the WCB is leveraging technology to better support access to workplace safety and return-to-work information.*



### Our Service Principles

As a WCB team member, I am focused on delivering the best service I can to help others succeed. I provide great service when I:

- 1. Act respectfully.**  
Treat people with dignity and sincerity.
- 2. See the person first.**  
Approach every situation with an open mind and patiently consider other perspectives.
- 3. Communicate with purpose.**  
Achieve understanding through clarity in words and actions.
- 4. Find the best solution.**  
Approach challenges with enthusiasm and creativity.
- 5. Own my work.**  
Stand by the service I provide and take pride in my work.
- 6. Keep getting better.**  
Take action by being proactive and innovative.

Service Matters

## SIGNS OF CHANGE

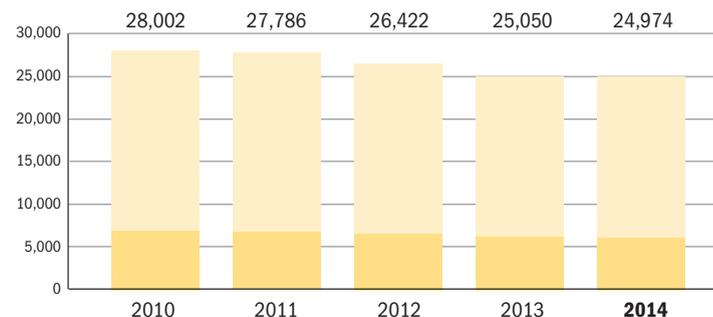
*In 2014, WCB employees co-created a set of service principles to guide our delivery of consistent and excellent service to both internal and external customers. In the photo, Rose Welsman, Mail Clerk, prepares some of the 50,000 pieces of mail we send monthly – just one of the ways service is delivered every day.*

## In 2014:

- The total number of claims registered decreased slightly from 25,050 in 2013 to 24,974 in 2014.
- Sprains and strains remain the most common type of time-loss injury, comprising 65.2 per cent of all 2014 compensable time-loss claims.
- At 30 per cent, back injuries comprise nearly one third of all time-loss injuries in 2014.
- Total assessable payroll has increased steadily since 2005. The current figure is \$9.96 billion, a 31 per cent increase from the 2005 figure of \$7.61 billion.
- The injury rate in Construction, the province's fourth largest sector, fell notably from 2.25 per cent in 2013 to 1.90 per cent in 2014.
- In 2014, there was a 34 per cent decrease in time-loss days paid in the Fishing Industry compared to the previous year. In addition to a 17 per cent payroll growth, this sector saw 12,000 fewer working days lost to workplace injury.

## 2014 Statistical Summary

### Status of New Claims



	2010	2011	2012	2013	2014
Compensable Time Loss	6,921	6,616	6,341	6,034	5,953
Other:					
No Compensable Time Loss	14,717	15,960	15,565	14,394	14,356
Not Pursued or Disallowed	6,364	5,210	4,516	4,622	4,665
Other Subtotal	21,081	21,170	20,081	19,016	19,021
<b>Total</b>	<b>28,002</b>	<b>27,786</b>	<b>26,422</b>	<b>25,050</b>	<b>24,974</b>
Fatalities <sup>2</sup>	23	27	32	34	19
Clients with Registered Claims <sup>1</sup>	24,771	24,519	23,548	22,410	22,410

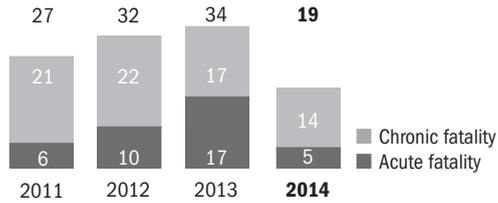
<sup>1</sup> Claims represented are those with accident dates during the report year. Time-loss claims are defined as those claims with accident dates in the report year which received a time-loss benefit during the report year, or within two months of the report year. Some WCB clients may have more than one injury/claim in a year, therefore, the number of clients with claims registered does not equal the number of claims registered.

<sup>2</sup> Fatalities include all workplace injuries that resulted in the death of a worker as reported by the OH&S Division of the NS Department of Labour and Advanced Education. The reporting methodology changed in 2011.

## Workplace Fatalities in Nova Scotia: 2014

**19** workplace fatalities occurred in Nova Scotia in 2014.

### Type of fatality



**5** deaths were classified as “acute,” and were caused by traumatic injuries at a workplace.

**14** deaths were classified as “chronic.” This includes two categories:

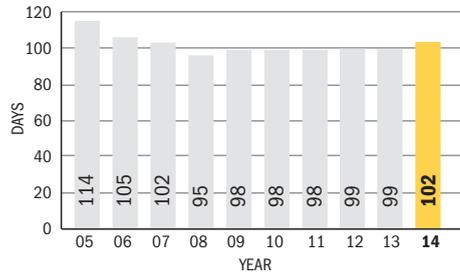
- 8 deaths related to occupational diseases or conditions, often from previous exposures; and
- 6 deaths occurring at a workplace, from other health conditions not necessarily related to the work, primarily cardiac events.

The average age of workers suffering a workplace fatality is **59**

*Beginning in 2011, the WCB and the Nova Scotia Department of Labour and Advanced Education's Occupational Health and Safety Division began reporting a single fatality number including both deaths at worksites, and deaths due to occupational disease or illness from previous exposures in a given year. Occupational disease fatalities are those which occurred in 2014, and are on record as of year end.*

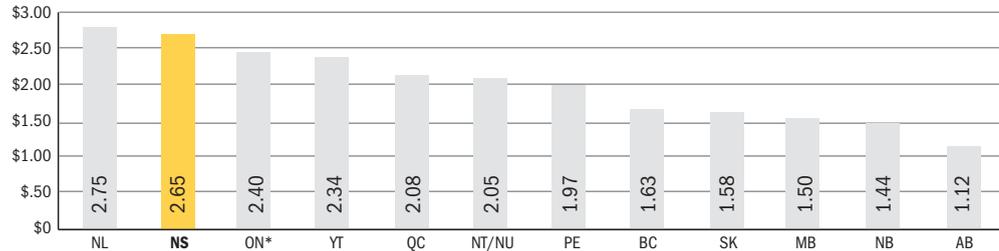
## Composite Duration Index

Using AWCBC Composite Method



## Targeted Average Assessment Rate

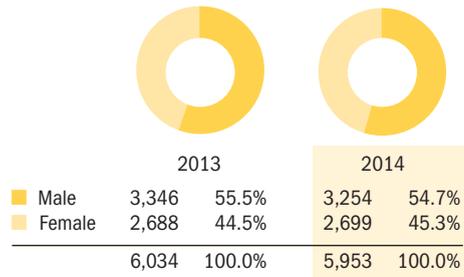
All Provinces per \$100 of assessable payroll, 2013



\* Ontario has not yet published their 2013 Annual Report or any 2013 Key Statistical Measures. The 2012 figure is shown.

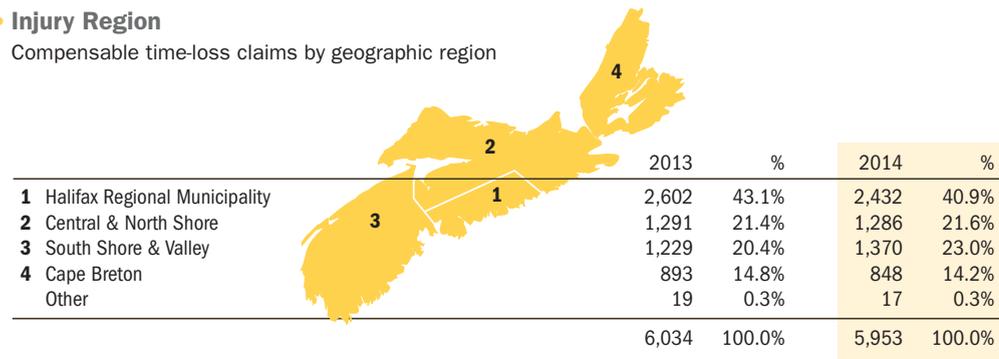
## Gender of Worker

Compensable time-loss claims



## Injury Region

Compensable time-loss claims by geographic region



## > Injury Frequency and Claim Volumes by Industry For Nova Scotia, 2014

	Excluding Self Insured Claims								Including Self Insured Claims			
	Assessable Payroll (\$ millions)	% of Total Assessable Payroll	Number of Claims Registered (No Self Insured)	% of Claims Registered (No Self Insured)	Number of Time Loss Claims (No Self Insured)	% of Time Loss Claims (No Self Insured)	Injury Frequency	Injury Frequency Last Year (2013)	Number of Claims Registered (Inc. Self Insured)	% of Claims Registered (Inc. Self Insured)	Number of Time Loss Claims (Inc. Self Insured)	% of Time Loss Claims (Inc. Self Insured)
Health/Social Services	2,022.3	20.3%	4,968	21.5%	1,586	29.2%	2.93	3.05	4,968	19.9%	1,586	26.6%
Retail Trade	1,303.2	13.1%	2,699	11.7%	587	10.8%	1.23	1.25	2,800	11.2%	616	10.4%
Manufacturing	1,265.9	12.7%	3,601	15.6%	725	13.3%	2.05	2.00	3,601	14.4%	725	12.2%
Construction	1,039.6	10.4%	2,274	9.9%	498	9.2%	1.90	2.25	2,274	9.1%	498	8.4%
Wholesale Trade	815.0	8.2%	1,570	6.8%	312	5.7%	1.33	1.35	1,570	6.3%	312	5.2%
Accommodation/Food/Beverages	541.4	5.4%	1,769	7.7%	389	7.2%	1.52	1.48	1,769	7.1%	389	6.5%
Transportation/Storage	506.8	5.1%	1,166	5.1%	321	5.9%	2.70	2.84	1,177	4.7%	322	5.4%
Business Services	468.2	4.7%	414	1.8%	102	1.9%	0.65	0.57	414	1.7%	102	1.7%
Communication/Utilities	429.2	4.3%	708	3.1%	136	2.5%	1.31	1.20	1,030	4.1%	244	4.1%
Government Services	376.9	3.8%	602	2.6%	154	2.8%	1.68	1.41	2,042	8.2%	533	9.0%
Other Services	337.6	3.4%	788	3.4%	193	3.6%	1.57	1.39	788	3.2%	193	3.3%
Educational Services	291.3	2.9%	708	3.1%	198	3.6%	2.23	2.17	709	2.8%	198	3.3%
Fishing/Trapping	224.1	2.3%	330	1.4%	113	2.1%	2.39	2.49	330	1.3%	113	1.9%
Real Estate/Insurance Agents	115.7	1.2%	184	0.8%	36	0.7%	1.09	0.74	184	0.7%	36	0.6%
Agriculture/Related Services	74.4	0.7%	161	0.7%	50	0.9%	2.14	2.04	161	0.7%	50	0.8%
Mining/Quarries/Oil Wells	69.0	0.7%	100	0.4%	13	0.2%	0.98	1.24	123	0.5%	13	0.2%
Logging/Forestry	44.9	0.5%	95	0.4%	21	0.4%	1.78	3.65	95	0.4%	21	0.4%
Finance/Insurance	32.0	0.3%	9	0.0%	1	0.0%	0.14	0.00	9	0.0%	1	0.0%
Unknown	0.0	0.0%	930	4.0%	1	0.0%	0.00	0.00	930	3.7%	1	0.0%
<b>Total</b>	<b>\$9,957.7</b>	<b>100.0%</b>	<b>23,076</b>	<b>100.0%</b>	<b>5,436</b>	<b>100.0%</b>			<b>24,974</b>	<b>100.0%</b>	<b>5,953</b>	<b>100.0%</b>

## > Claims Registered by Firms

Number of Firms	Number of Claims Registered 2014	% of all Firms	Number of New Claims Registered	% of New Claims Registered
12	200 or more	0.06%	4,767	19.09%
24	100 or more	0.13%	6,393	25.60%
58	50 or more	0.31%	8,904	35.65%
151	25 or more	0.81%	12,096	48.43%
406	10 or more	2.17%	15,873	63.56%
806	5 or more	4.31%	18,481	74.00%

## Nature of Injury

Compensable time-loss claims

	2013	%	2014	%
Sprains, Strains	4,081	67.6%	3,883	65.2%
Fractures, Dislocations	395	6.6%	450	7.6%
Contusion, Crushing, Bruise	419	7.0%	340	5.7%
Cut, Laceration, Puncture	298	4.9%	298	5.0%
Inflamed Joint, Tendon, Muscle	165	2.7%	253	4.3%
Other traumatic injuries and disorders	114	1.9%	247	4.2%
Concussions, Intracranial Injuries	171	2.8%	193	3.2%
All Other	242	4.0%	169	2.8%
Burns	95	1.6%	73	1.2%
Digestive system incl. hernias	54	0.9%	47	0.8%
<b>Total</b>	<b>6,034</b>	<b>100.0%</b>	<b>5,953</b>	<b>100.0%</b>

## Part of Body

Compensable time-loss claims

	2013	%	2014	%
Back	1,870	31.0%	1,783	30.0%
Multiple Parts	519	8.6%	611	10.2%
Shoulder(s)	593	9.8%	558	9.4%
Leg(s)	563	9.3%	531	8.9%
All other	464	7.7%	512	8.6%
Fingers	349	5.8%	339	5.7%
Arms(s) (above wrist)	254	4.2%	289	4.9%
Ankle	276	4.6%	256	4.3%
Wrist	207	3.4%	193	3.2%
Hand (does not include fingers)	189	3.1%	186	3.1%
Cranial region, including skull	197	3.3%	183	3.1%
Foot (does not include toes)	161	2.7%	145	2.4%
Pelvic Region	104	1.7%	134	2.3%
Neck	158	2.6%	123	2.1%
Chest	130	2.2%	110	1.8%
<b>Total</b>	<b>6,034</b>	<b>100.0%</b>	<b>5,953</b>	<b>100.0%</b>

## Source of Injury

Compensable time-loss claims

	2013	%	2014	%
Persons, Plants, Animals, and Minerals	2,052	34.0%	2,005	33.7%
Other Sources	830	13.7%	926	15.6%
Structures and Surfaces	964	16.0%	900	15.1%
Containers	605	10.0%	599	10.1%
Parts and Materials	517	8.6%	454	7.6%
Vehicles	289	4.8%	322	5.4%
Tools, Instruments, and Equipment	301	5.0%	300	5.0%
Machinery	243	4.0%	227	3.8%
Furniture and Fixtures	210	3.5%	195	3.3%
Chemicals and Chemical Products	23	0.4%	25	0.4%
<b>Total</b>	<b>6,034</b>	<b>100.0%</b>	<b>5,953</b>	<b>100.0%</b>

## Injury Event

Compensable time-loss claims

	2013	%	2014	%
Bodily Reaction and Exertion	3,101	51.4%	2,968	49.9%
Falls	1,004	16.6%	1,012	17.0%
Contact With Objects and Equipment	975	16.2%	990	16.6%
Other Events or Exposures	524	8.7%	541	9.1%
Transportation Accidents	150	2.5%	169	2.8%
Assaults, Violent Acts and Harassment	129	2.1%	151	2.5%
Exposure to Harmful Substances or Environments	147	2.4%	119	2.0%
Fires and Explosions	4	0.1%	3	0.1%
<b>Total</b>	<b>6,034</b>	<b>100.0%</b>	<b>5,953</b>	<b>100.0%</b>

## Age at Injury Date

Compensable time-loss claims

	2013	%	2014	%
Less than 20	143	2.4%	137	2.3%
20 to 24	481	8.0%	499	8.4%
25 to 29	526	8.7%	516	8.7%
30 to 34	534	8.8%	496	8.3%
35 to 39	607	10.0%	600	10.1%
40 to 44	752	12.5%	670	11.3%
45 to 49	838	13.9%	764	12.8%
50 to 54	933	15.5%	961	16.1%
55 to 59	713	11.8%	749	12.6%
60 to 64	352	5.8%	388	6.5%
65 or older	155	2.6%	173	2.9%
<b>Total</b>	<b>6,034</b>	<b>100.0%</b>	<b>5,953</b>	<b>100.0%</b>

## OUR VISION

Nova Scotians – safe and secure from workplace injury.

## OUR MISSION

We set the standard for workplace injury insurance. We inform and inspire Nova Scotians in the prevention of workplace injury, but if it occurs, we support those whose lives it touches by championing a timely return to safe and healthy work.

## OUR GOALS

The strategic goals of the WCB are as follows:

- With our partners, we are building a workplace safety culture.
- With our partners, we improve outcomes for safe and timely return-to-work.
- We are an organization with a skilled and committed team of employees with the knowledge and tools to provide excellent service, and who are proud of what they do.
- We are an organization providing excellent and efficient service that is open and accountable to the people we serve and the public.
- We are an organization that is financially stable and sustainable.

## OUR VALUES

Employees of the WCB model three corporate values:

- **Can-do Attitude**  
We will deliver on our promises and provide top-notch service.
- **Safety Champion**  
We will be a champion for workplace safety through our relationships and innovative solutions, and by keeping prevention and return-to-work at the heart of our business.
- **Caring and Compassionate**  
We will strive to walk a mile in workers' and employers' shoes. We will serve as we like to be served and provide those we serve with the respect and support they need to be successful.

**Halifax Office**

5668 South Street  
P.O. Box 1150  
Halifax, NS B3J 2Y2

Tel: 902 491 8999  
Toll Free: 1 800 870 3331  
Injury Reporting Fax: 902 491 8001

**Sydney Office**

404 Charlotte Street  
Suite 200  
Sydney, NS B1P 1E2

Tel: 902 563 2444  
Toll Free: 1 800 880 0003  
Fax: 902 563 0512

**Email**

[info@wcb.gov.ns.ca](mailto:info@wcb.gov.ns.ca)

**On the Web**

[wcb.ns.ca](http://wcb.ns.ca)  
[worksafeforlife.ca](http://worksafeforlife.ca)

**Employer Account Access**

[my-account.ns.ca](http://my-account.ns.ca)

