WORK SAFE. FOR LIFE.
WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

WCB Nova Scotia
Annual Report 2019

Nova Scotians – safe and secure from workplace injury

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In 2019, we achieved the biggest milestone of WCB Nova Scotia's multi-year transformation – the implementation of our new core systems. Julie Robichaud, Manager Account Compliance and Support Services, was one of several trainers who led sessions for WCB employees.

The WCB Nova Scotia Annual Report 2019 is available online: annualreport.wcb.ns.ca. Learn more about our Board of Directors, our people and our work.

Year at a Glance

Year at a Glance (Dollar amounts in millions unless noted)	2019	2018	2017
Number of Covered Employers (Assessed and Self-Insured)	19,000	19,800	19,500
Percentage of Labour Force Covered (Assessed and Self-Insured)	73	74	75
Number of Claims Registered	24,900	24,584	23,952
Number of Compensable Time-Loss Claims Registered	5,663	5,819	5,906
Composite Duration Index (in days)	147	127	117
Targeted Average Assessment Rate (per $100 of assessable payroll)	$2.65	$2.65	$2.65
Actual Average Assessment Rate	$2.66	$2.64	$2.66
Assessable Payroll (billions)	$11.7	$11.3	$10.9
Assessment Revenue	$320.0	$305.5	$295.8
Investment Income (Loss)	$245.5	$(25.3)	$163.2
Administration Costs	$59.4	$56.7	$53.8
Legislated Obligations	$17.2	$16.3	$15.7
Claims Costs Incurred	$202.8	$202.0	$186.4
Comprehensive Income (Loss)	$229.6	$(86.5)	$100.3
Assets (billions)	$2.0	$1.8	$1.8
Liabilities (billions)	$2.1	$2.1	$2.0
Percentage Funded Ratio	96.5%	85.5%	89.4%
One-year Investment Returns	13.6%	-1.0%	10.3%
Injury Rate: Time-Loss Claims per 100 Covered Workers	1.67	1.72	1.76

Message from the Chair and Board of Directors

The COVID-19 pandemic has underscored for all of us the things that are really important – the well-being of family, friends, and colleagues, and the ongoing success of Nova Scotia and Canada.

Although this Annual Report covers 2019, it is being completed in June 2020, and therefore, with the knowledge of how our world has dramatically changed.

Coming into the year, the Board of Directors identified several priorities. Those included continued progress towards the elimination of the unfunded liability, and the implementation of our much anticipated digital, cloud-based platform to improve service delivery and meet the expectations of our stakeholders. We also very much looked forward to beginning consultations to support our desire to provide coverage to the most vulnerable of workers, many of whom have no insurance coverage at all. Finally, it was important to us to introduce the idea of innovation to the organization, with a view to further improving our results in the future.

Measured against our stated goals, WCB Nova Scotia met or exceeded our expectations. Our funded percentage was 96.5 per cent at the end of the year, and our new systems are now in use. Stakeholder support for providing insurance coverage for the province's most vulnerable workers was very strong – as was support for extending coverage to include the approximately 40 per cent of employers not covered by WCB. As a Board, we see the pieces and the thinking lining up to create real potential for innovation.

Jeff Brett

Betty Jean Sutherland

I also wish to acknowledge two departing Board members. In 2019, Jeff Brett and Betty Jean Sutherland, worker representatives, completed their terms. WCB Nova Scotia extends sincere thanks to both Jeff and Betty Jean for their service to the Board.

Overall, 2019 was a great year of achievement, with a lot of momentum going into 2020.

More than six months later, with our lives feeling upside down and challenges faced by organizations everywhere when it comes to service delivery, the WCB is adjusting to a new world, like so many others. We know that our system implementation saw a number of challenges in its early days, and these have had impact for those we serve. We appreciate their patience. Further, like other funds across the world, we saw market declines in the first half of 2020, and the funded percentage reported here has been reduced.

Rodney Burgar
Chair, WCB Nova Scotia
Board of Directors

Still, we have moved forward in 2019. In particular, the Board of Directors is very proud of how the WCB responded to the pandemic. Enabled by technology, our employees rose to the challenge and managed to continue all of our core services while working from their homes. This move could only have happened with employees who really care about what they do, and was also largely enabled by a digital, cloud-based platform.

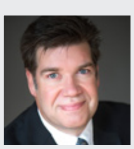
In the longer term, we will have important questions to answer. The challenge will become how to operate safely, while leveraging at least some remote work. There is an opportunity here. It will challenge us to make innovation a real thing, and not just a fancy buzzword. What types of work can we do differently, more effectively and more efficiently? That will begin to be our focus in 2020, and the years that follow.

The members of the Board of Directors know that our employees will continue to demonstrate their commitment, resilience and ingenuity as they come up with solutions during this challenging time.

We look forward to their continued commitment to service, and to innovation, which has made 2019 the success it was, and that holds such potential for the years ahead.

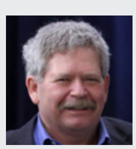
Rodney Burgar
Chair, WCB Nova Scotia Board of Directors

Robert Patzelt, Deputy Chair



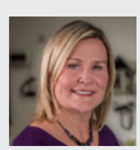
Steve Ashton, Employer Rep

Angus Bonnyman, Employer Rep



Rick Clarke, Worker Rep

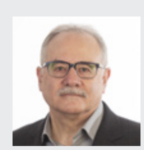
Luc Erjavec, Employer Rep



Janet Hazelton, Worker Rep

Duncan Williams, Employer Rep

Jacquie Bramwell, Worker Rep



Blair Richards, Worker Rep

Message from the Chief Executive Officer

Like many organizations, we find ourselves in a changed world as we share our 2019 Annual Report.

The months since the end of 2019 have challenged us like never before – as employees, as leaders, as organizations, as a province, and as a country.

As it so often does, the incredible resilience of our people has helped us get through adversity.

As we emerge from the pandemic's grip, across our organization and across the province, there is a feeling that whatever may come, we can work through it, together.

Throughout my career, I have seen the resilience of Nova Scotia. I have seen it in our employees, and in the workers and employers we serve every day.

And as I look back, a similar spirit underpins WCB's contribution to Nova Scotia during 2019.

After years of foundational work, our claims and assessment systems became powered by new, cloud-based technology. This major, long-term investment has reinvented the way our people work – change they took on with a powerful can-do attitude. Our people, alongside those we serve, continue to work together to ensure our systems support our work effectively.

In the bigger picture, looking forward, our business transformation sets the stage for improvements in our future service, which simply have not been possible until now.

We moved closer to eliminating the unfunded liability in 2019, and at the end of the year, our funded ratio reached 96.5 per cent. In the first half of 2020, like most other funds, we have lost some of that financial progress, but we know our balanced and diverse investment approach will help to minimize this recent impact. In discussing our financial progress, I also must acknowledge my friend and colleague, Leo McKenna, who retired from our Executive team recently. Leo has contributed invaluably to this organization and our progress, and all of us wish him well in retirement.

A single workplace fatality is one too many. In 2019, 22 families lost someone either at work, or because of their work. That included five Nova Scotians lost to traumatic workplace injuries or events on the job. While lower than in previous years, zero is the only acceptable number when it comes to this kind of tragedy.

Nova Scotia's injury rate reached a new low of 1.67 injuries per 100 covered workers – progress that is due to the efforts of many across our province, and a new low for this measure of workplace injury's impact. That work must continue, as we address the issues that continue to face sectors like long term care and home care.

Stuart MacLean
CEO, WCB Nova Scotia

On the other hand, too much time is still lost to workplace injury in Nova Scotia. The length of an average claim increased in 2019, owing to a number of factors. We continue to see the impact of increasingly complex injuries, with mental health playing an ever increasing role. Workers are facing more psychological injuries, but there are often also psychological considerations to physical injuries. Nova Scotia's aging population is also a factor in higher claim durations, and there were also some service delays in the early days of adapting to our new systems.

As the last few months have shown us in Nova Scotia, workers on the front lines of trauma and adversity face more than most of us can imagine. In late 2018, legislative changes adding the benefit of presumption for workers in emergency service occupations became effective, meaning that these workers no longer need to re-live their experiences through the claims approval process. Throughout 2019 our teams supported more workers and employers dealing with psychological injuries, in part due to this presumptive clause. We consider our work to support these front-line workers as one of the most important things we do, and it is work that will only continue to grow.

I am proud of all that we have accomplished in 2019.

We have continued our progress in reducing workplace injury's impact, while positioning the organization for the future.

While we can never know for sure what challenges may lie ahead, at WCB Nova Scotia, we are confident and ready to face them, together.

Stuart MacLean
CEO, WCB Nova Scotia

Message from the Client Relations Officer

As Client Relations Officer, it is my privilege to help workers, employers, elected officials, and other stakeholders connect with the WCB Nova Scotia services and information they need. It is my responsibility to address concerns they may have about the service we provide and to help resolve any issues they may have in working with us, all while partnering with WCB's service delivery teams to identify service gaps and the impact on those we serve.

In 2019, I responded to 1,322 inquiries and 57 formal complaints. All complaints were from workers and related to timeliness and communications issues. The vast majority (46) of these complaints were substantiated. This represents a higher volume of calls than I've experienced in past years and I believe the organization's transition to our new systems was an underlying factor.

I was proud of how WCB employees rose to the challenge of adapting to new business processes and technology. Despite their best efforts, service levels were impacted during this transitional period. WCB employees were also frustrated to not always provide traditional levels of excellent service to workers and employers.

By the end of the year, inquiries and complaints had significantly subsided as service delivery teams became more familiar with and adept at using the new systems.

Looking ahead, I know the extraordinary challenges of COVID-19 in 2020 will have an impact on workplace injuries, return-to-work outcomes, and how workers and employers access and experience WCB services for some time to come.

Tim McInnis
Client Relations Officer,
WCB Nova Scotia

Like many workplaces, the WCB pivoted quickly to operate remotely during the pandemic and are working diligently to ensure we continue to offer high levels of service to Nova Scotians, leveraging alternative service options to achieve and maintain progress. This commitment to serving Nova Scotians to the best of our abilities under changing circumstances will continue during the months ahead.

Through it all, providing a compassionate and knowledgeable response to all inquiries and complaints will continue to underpin my work.

Executive Team

(L-R): Brad Fraser, Executive Corporate Secretary; Wendy Griffin, VP People and Change; Stuart MacLean, Chief Executive Officer; Leo McKenna, VP Corporate Services and Chief Financial Officer (retired); Shelley Rowan, VP Prevention and Service Delivery

After more than 25 years of deeply respected leadership, our Chief Financial Officer, Leo McKenna, will retire on June 30, 2020. Leo's wisdom, guidance, and leadership has had such a direct impact on not only the WCB's financial position, but our overall progress and the change we see in this province.

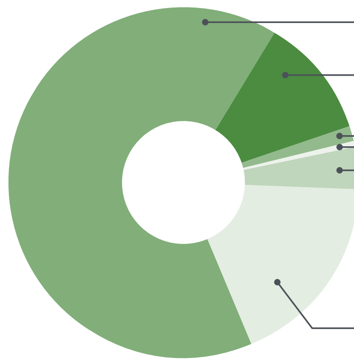
Our Financial Results

Our 2019 Financial Results continue to reflect our work of building a strong, stable, and sustainable system that will serve workers and employers today and in the years to come. At the end of 2019, our financial position was strengthened and we moved closer to the long-term goal of eliminating the unfunded liability. Like most funds, this changed in the first half of 2020, as we lost some financial progress. We have been able to minimize the impact with our overall funding strategy and a well diversified portfolio, designed to help us balance returns and risks.

For detailed financial results please see Management Discussion and Analysis and Financial Statements.

Our Costs

The assessment revenue collected by WCB Nova Scotia funds the entire workers' compensation system, including the Workers' Advisers Program (WAP), the Workers' Compensation Appeals Tribunal (WCAT), the Occupational Health and Safety Division of the Nova Scotia Department of Labour and Advanced Education, the Office of the Employer Advisor (OEA) and the Office of the Worker Counsellor (OWC).



Breakdown of the 2019 Actual Assessment Dollar

76.3% of every assessment dollar goes to pay for claims-related costs.

Assessable Payroll

Assessable payroll for covered employers in Nova Scotia grew significantly in 2019 to **$11.7 billion**. Payroll continued to grow, and there continued to be a decline in the rate of workplace injury.

Assessment Revenue

Assessment revenue for covered employers grew by 4.8 per cent in 2019 from 2018 to be **$320.0 million**. The growth has continued to allow WCB Nova Scotia to keep pace with rising costs within the system, while maintaining stability, reducing the unfunded liability, and modernizing WCB operations.

Investment Income

In 2019, we saw very strong investment returns, resulting in income of **$245.5 million**, moving us ahead in the plan to eliminate the unfunded liability. However, with the current economic climate as a result of COVID-19, we are seeing a reduction in investment returns and economic activity which could have a significant impact on the funded ratio in 2020. As per past adverse markets conditions, the portfolio is well positioned for recovery given the diversification of the fund.

Claim Payments

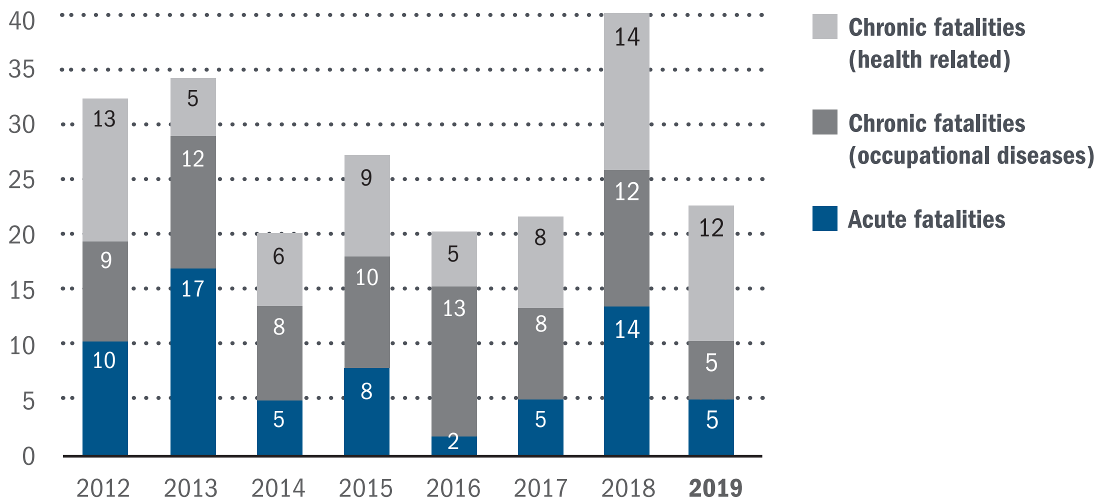
There was an increase in claim payments, which include payments made by WCB for income replacement benefits, medical services, travel expenses, and retraining, for 2019. This was a result of inflation and the amount of time off work due to injury. Total claim payments for 2019 was **$252.7 million**. As per previous years, there was an increase in claim duration.

Assets and Liabilities

In 2019, we saw a growth in our assets, which increased our funded percentage to **96.5 per cent** by the end of the year (up from 85.5 per cent in 2018). This moved us closer to reaching long-term financial stability. This has now changed as we have lost some financial progress as a result of the current economic climate due to COVID-19. Our long-term investment and funding strategies and diversified portfolio will guide us through these times and back toward our goals. In addition, further challenges to the funded ratio are anticipated in 2023 with the implementation of IFRS 17 which will mark the benefits liabilities to a market rate, creating volatility as market rates fluctuate. Assets for 2019 were **$2.0 billion**. Liabilities were **$2.1 billion** for 2019.

Statistical Summary

WORKPLACE FATALITIES IN NOVA SCOTIA



TYPE OF INJURIES

MUSCULOSKELETAL INJURIES (sprains, strains, and other soft-tissue injuries) continue to make up the highest percentage of time-loss injuries. **In 2019, they represented**

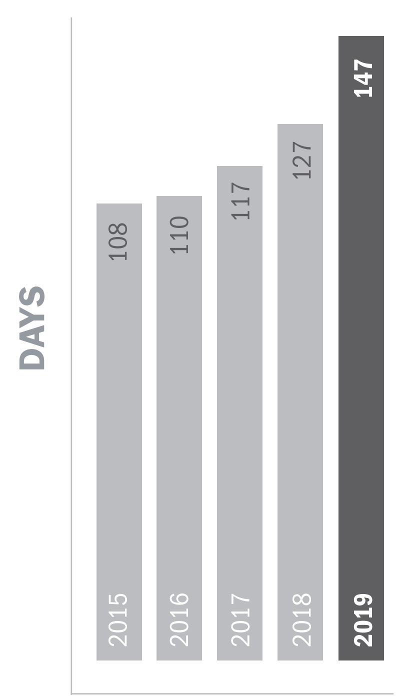
65.2%

of all time-loss injuries.

27.7% of all time-loss injuries were to the back, which continues to be the most frequently injured part of the body.

COMPOSITE DURATION INDEX

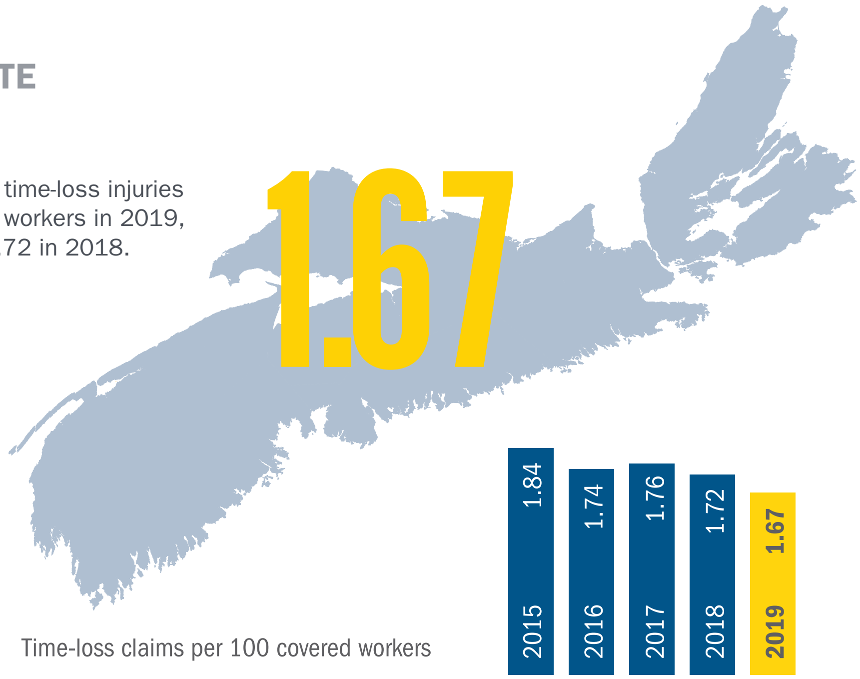
Using AWCBC Composite Method.



Statistical Summary

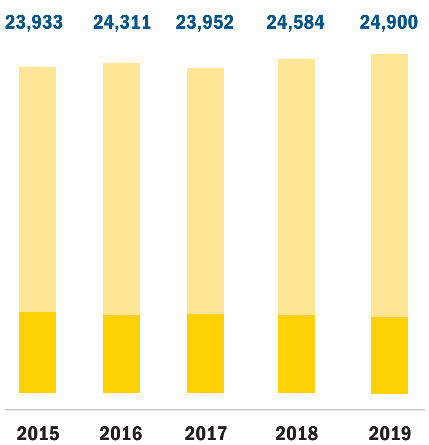
INJURY RATE

There were 1.67 time-loss injuries per 100 covered workers in 2019, a decline from 1.72 in 2018.



Time-loss claims per 100 covered workers

STATUS OF NEW CLAIMS



	2015	2016	2017	2018	2019
Compensable Time Loss	6,014	5,847	5,906	5,819	5,663
Other:					
No Compensable Time Loss	13,356	13,545	12,972	13,963	13,507
Not Pursued or Disallowed[1]	4,563	4,919	5,074	4,802	5,730
Other Subtotal	17,919	18,464	18,046	18,765	19,237
Total	23,933	24,311	23,952	24,584	24,900
Fatalities[2]	27	20	21	40	22
Clients with Registered Claims[3]	21,790	22,026	21, 841	22,490	22,844

[1] With our new systems, claims are now automatically included in the *Not Pursued or Disallowed* category within 30 days, when sufficient documentation has not been received, or when there is no further contact beyond the initial claim opening. In previous years, such claims weren't necessarily captured in this category. This number is therefore higher than in previous years.

[2] 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.

[3] 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.

Injury Statistics

INJURY FREQUENCY AND CLAIM VOLUMES BY INDUSTRY

For Nova Scotia, 2019

	Excluding Self-Insured Claims								Including Self-Insured Claims			
	Assessable Payroll ($ millions)	% of Total Assessable Payroll	Number of Claims Registered	% of Claims Registered	Number of Time-loss Claims	% of Time-loss Claims	Injury Frequency	Injury Frequency Last Year (2018)	Number of Claims Registered	% of Claims Registered	Number of Time-loss Claims	% of Time-loss Claims
Health/Social Services	2,255.8	19.3%	5,451	23.5%	1,629	31.6%	2.88	3.01	5,451	21.9%	1,629	28.8%
Retail Trade	1,466.0	12.6%	2,406	10.4%	506	9.8%	1.11	1.09	2,509	10.1%	540	9.5%
Manufacturing	1,453.3	12.5%	3,218	13.9%	562	10.9%	1.60	1.80	3,218	12.9%	562	9.9%
Construction	1,286.0	11.0%	2,472	10.7%	529	10.2%	1.82	2.02	2,472	9.9%	529	9.3%
Wholesale Trade	975.2	8.4%	1,615	7.0%	279	5.4%	1.08	1.15	1,615	6.5%	279	4.9%
Accommodation/Food/Beverages	701.3	6.0%	1,584	6.8%	347	6.7%	1.18	1.42	1,584	6.4%	347	6.1%
Transportation/Storage	609.7	5.2%	1,209	5.2%	359	7.0%	2.81	2.68	1,214	4.9%	362	6.4%
Business Services	573.4	4.9%	400	1.7%	97	1.9%	0.56	0.59	400	1.6%	97	1.7%
Communication/Utilities	456.8	3.9%	649	2.8%	111	2.1%	1.15	1.37	868	3.5%	206	3.6%
Government Services	430.1	3.7%	639	2.8%	160	3.1%	1.82	1.26	1,984	8.0%	537	9.5%
Other Services	381.9	3.3%	656	2.8%	153	3.0%	1.29	1.15	656	2.6%	153	2.7%
Educational Services	353.8	3.0%	728	3.1%	200	3.9%	1.90	1.92	729	2.9%	200	3.5%
Fishing/Trapping	309.2	2.6%	299	1.3%	91	1.8%	1.52	1.69	299	1.2%	91	1.6%
Real Estate/Insurance Agents	152.3	1.3%	178	0.8%	45	0.9%	1.05	0.98	178	0.7%	45	0.8%
Mining/Quarries/Oil Wells	100.2	0.9%	150	0.5%	30	0.6%	1.66	1.61	182	0.7%	31	0.6%
Agriculture/Related Services	78.5	0.7%	130	0.6%	31	0.6%	1.33	1.71	130	0.5%	31	0.6%
Logging/Forestry	51.5	0.4%	89	0.4%	21	0.4%	1.43	1.40	89	0.4%	21	0.4%
Finance/Insurance	37.8	0.3%	9	0.0%	0	0.0%	0.00	0.28	9	0.0%	0	0.0%
Unknown	0.0	0.0%	1,313	5.7%	3	0.1%	0.00	0.00	1,313	5.3%	3	0.1%
Total	$11,672.8	100%	23,195	100%	5,153	100%			24,900	100%	5,663	100%

CLAIMS REGISTERED BY WORKPLACES

Number of Workplaces	Number of Claims Registered 2019	Cumulative % of all Workplaces	Number of New Claims Registered	Cumulative % of New Claims Registered	Cumulative % of Total Assessable Payroll ($millions)
11	200 or more	0.06%	6,028	24.21%	17.0%
21	100 or more	0.11%	7,437	29.87%	21.8%
47	50 or more	0.25%	9,183	36.88%	27.3%
128	25 or more	0.67%	11,933	47.92%	35.2%
358	10 or more	1.89%	15,381	61.77%	46.0%
771	5 or more	4.06%	18,059	72.53%	55.7%

Injury Statistics

Compensable time-loss claims

AGE AT INJURY DATE

	2018	%	2019	%
Less than 20	141	2.4%	114	2.0%
20 to 24	452	7.8%	478	8.4%
25 to 29	611	10.5%	549	9.7%
30 to 34	542	9.3%	566	10.0%
35 to 39	541	9.3%	500	8.8%
40 to 44	606	10.4%	571	10.1%
45 to 49	746	12.8%	677	12.0%
50 to 54	777	13.4%	746	13.2%
55 to 59	782	13.4%	809	14.3%
60 to 64	464	8.0%	474	8.4%
65 or older	157	2.7%	179	3.2%
Total	5,819	100.0%	5,663	100.0%

SOURCE OF INJURY

	2018	%	2019	%
Persons, Plants, Animals, and Minerals	2,312	39.7%	2,380	42.0%
Structures and Surfaces	1,147	19.7%	1,140	20.1%
Containers	586	10.1%	507	9.0%
Vehicles	382	6.6%	362	6.4%
Parts and Materials	472	8.1%	348	6.1%
Other Sources	143	2.4%	293	5.2%
Tools, Instruments, and Equipment	306	5.3%	263	4.6%
Machinery	237	4.1%	188	3.3%
Furniture and Fixtures	197	3.4%	161	2.8%
Chemicals and Chemical Products	37	0.6%	22	0.4%
Total	5,819	100.0%	5,663	100.0%

PART OF BODY

	2018	%	2019	%
Back, including spine, spinal cord	1,498	25.7%	1,567	27.7%
Shoulder, including clavicle, scapula	618	10.6%	547	9.7%
Leg(s)	550	9.5%	539	9.5%
Multiple body parts	613	10.5%	501	8.8%
All Other	542	9.3%	468	8.3%
Finger(s), fingernail(s)	324	5.6%	302	5.3%
Ankle(s)	239	4.1%	252	4.4%
Cranial region, including skull	211	3.6%	245	4.3%
Arm(s)	245	4.2%	230	4.1%
Wrist(s)	180	3.1%	212	3.7%
Hand(s), except finger(s)	155	2.7%	161	2.8%
Neck, except internal location of diseases or disorders	148	2.5%	144	2.5%
Foot(feet), except toe(s)	152	2.6%	138	2.4%
Body systems	106	1.8%	132	2.3%
Chest, including ribs, internal organs	136	2.3%	119	2.1%
Pelvic region	102	1.8%	108	1.9%
Total	5,819	100.0%	5,663	100.0%

NATURE OF INJURY

	2018	%	2019	%
Sprains,Strains	3,747	64.4%	3,694	65.2%
Contusion, Crushing, Bruise	327	5.6%	455	8.0%
Fractures, Dislocations	444	7.6%	430	7.6%
All Other	176	3.0%	248	4.4%
Concussions, Intracranial Injuries	250	4.3%	270	4.8%
Cut, Laceration, Puncture	300	5.2%	261	4.6%
Other traumatic injuries and disorders	230	4.0%	105	1.9%
Inflamed Joint, Tendon, Muscle	214	3.7%	102	1.8%
Burns	100	1.7%	65	1.2%
Digestive system diseases and disorders	31	0.5%	33	0.6%
Total	5,819	100.0%	5,663	100.0%

INJURY EVENT

	2018	%	2019	%
Bodily Reaction and Exertion	3,049	52.4%	2,817	49.7%
Falls	1,079	18.6%	1,100	19.4%
Contact With Objects and Equipment	1,060	18.2%	938	16.6%
Assaults, Violent Acts and Harrassment	232	4.0%	238	4.2%
Transportation Accidents	205	3.5%	215	3.8%
Exposure to Harmful Substances or Environments	188	3.2%	201	3.6%
Other Events or Exposures	1	0.0%	152	2.7%
Fires and Explosions	5	0.1%	3	0.1%
Total	5,819	100.0%	5,663	100.0%

Measuring Our Performance

At WCB Nova Scotia, all that we do is driven by our goal to reduce the impact of workplace injury in our province.

We do so by supporting employers and workers in injury prevention and return to work. We are also there to support workers and their families through the long-term, and sometimes tragic impact of serious workplace injury, and fatalities.

The impact of workplace injury and tragedy is both human, and financial. Likewise, the way we measure and track our performance includes a mix of both financial and non-financial measures. All of them are important, as we measure our progress toward the fulfilment of our long-term vision, and the extent to which we're delivering on our mission, and achieving our goals.

Our performance measures help us drive change, enhance our business operations, and identify challenges and opportunities so we can better meet the needs of the Nova Scotians we serve.

The balance of this Annual Report includes further context on our progress, as well as more information on our short and long-term plans.

Performance Measure	Result 2018	Result 2019	Target 2019
Service			
Worker Satisfaction Index	75%	73%	70%
Employer Satisfaction Index	81%	82%	70%
Operations			
Time-Loss Injuries per 100 Covered Workers	1.72	1.67	1.72
Composite Duration Index (in days)	127	147	127
Time-Loss Days Paid per 100 Covered Employees	252	293	252
Cost of New EERBs ($M)	$80.1	$57.6	$82.4
Return to Employability	93.8%	95.0%	94.3%
Employee			
WCB Employee Satisfaction Index	70%	59%	70%
Financial			
Claims Payments for the past 3 years per $100 of Assessable Payroll	$0.705	$0.742	$0.710
Administration costs per $100 of assessable payroll (excluding prevention costs)	$0.42	$0.42	$0.46
Five-Year Rate of Return on Investment (as measured by the Benchmark Portfolio Return)			Exceed Benchmark Portfolio Return
Five-Year Return	6.2%	6.8%	
Five-Year Target	5.9%	6.8%	

Taking safety culture to new heights

Leadership can come from anywhere when it comes to workplace safety.

Sometimes it means leadership at the boardroom table, aligning stakeholders with varying perspectives around major industry issues. And then, other times, it means rolling up your sleeves and getting a safety program in place, when there is much opportunity to improve a safety culture in a challenging industry.

That's the journey McCarthy's Roofing has been on for much of the past decade, under the leadership of Occupational Health and Safety (OHS) manager Devon Buell, working closely with the WCB.

Under Buell's leadership, safety has moved to a top priority across the organization. Their number of registered claims has continuously declined since 2013 when it was 44, to 22 in 2019.

Times have changed. After building a strong safety program and working with employees to build safer practices while roofing, the company is in a much different place. There have been no time-loss claims since 2016.

Over the years, for example, the company has worked with both the WCB and LAE to collaborate to improve compliance by better understanding the often complex way the rules apply in the roofing sector.

They've been open to coaching, education, have an active JOHS committee, and have worked to improve understanding of incident reporting – all part of the building blocks for safety culture improvements.

"McCarthy's is a leader in safety in the roofing sector," says WCB Relationship Manager Jennifer Clarke. "Devon's leadership is a big reason for that."

According to Buell, this dramatic improvement took an extended team effort.

As just one example – McCarthy's tailored internal communications so every employee would understand the new safety procedures. Those safety procedures and policies are constantly reviewed and updated, often by the employees themselves.

"We take the opportunity any time someone is injured to get them to review practices and let us know what did or didn't work," says Buell. "They're the ones who have practical experience with the situation. We listen to them."

The company further invests in safety by helping employees get their Red Seal certification through the Nova Scotia Community College.

Building a safety culture takes time and patience, says Buell. For McCarthy's, it was a five-year journey, but persistency paid off.

"It's been a win-win-win for the company, the employees, and the WCB," says Buell. "And we're still winning."

In 2019, the WCB formally recognized McCarthy's Roofing for demonstrating a strong commitment to safety, "from leadership to the site foreman to each roofer."

The company has also made incredible strides in return-to-work, partnering in new ways with service providers to ensure employees are able to stay connected to the workplace, and have transitional duties wherever possible.

Our Progress

- Worked with industry to target behaviour change in workplaces, with industry specific workplace safety kits.
- Supported The Community Against Preventable Injuries (preventable.ca) campaign in Atlantic Canada along with our Atlantic workers' compensation board partners.
- Participated in the First Responders Steering Committee to develop mental health resources to help first responders maintain good mental health.
- Supported industry leaders in the health care, fishing, trucking, hospitality, utilities and manufacturing sectors to implement best practices focused on preventing musculoskeletal injuries.
- In partnership with the Department of Labour and Advanced Education, sponsored two safety-themed Science on the Spot activities at the Discovery Centre, which demonstrate the importance of safe lifting and fall protection to youth through fun, interactive, portable displays.

Our Plans

- Continue work with First Responders Steering Committee to launch online mental health support for first responders.
- Continue to support employers to work safely during COVID-19 with through our new social marketing campaign.
- Continue to engage and inform stakeholders about musculoskeletal injuries and ergonomic approaches to mitigate risks.
- Continue to support the Workplace Safety Action Plan for Nova Scotia's Home Care, Long Term Care & Disability Support Sectors, supporting implementation of year three initiatives, including continued PACE program rollout, risk assessment, safe handling and mobility and violence prevention initiatives.

"It's been a win-win-win for the company, the employees, and the WCB. And we're still winning."

– Devon Buell

Creating a ship-shape return-to-work program

As Canada's national shipbuilder and the primary contractor for Canada's next generation of combat ships for the Royal Canadian Navy, Irving Shipbuilding needs all hands on deck as much as possible.

Like many large operations, strong health and safety programming is a major focus. In 2019, Irving Shipbuilding stepped up their return-to-work approach, reaching out to WCB Nova Scotia and other key stakeholders to begin an innovative collaboration.

A major employer with more than 1,100 skilled industrial tradespeople, 700 support staff, four new Navy ships concurrently under construction and a fifth from the Halifax-class undergoing refit in order to rejoin the Atlantic fleet, Irving Shipbuilding has important work to deliver for the Department of National Defence.

A team from the WCB worked alongside Irving Shipbuilding's Health, Safety and Environment team to provide support. They helped the company research best practices and develop and implement a stay-at-work tool.

Should an employee suffer an injury of any kind while on the job, the teams work together to develop the most effective plan for the worker. Working alongside Irving Shipbuilding case workers, WCB assists in the assessment and development of candidates, identified through the shipyard's Stay-At-Work-form, who can begin modified assignments. Since June 2019, this approach has kept more than 50 employees from losing employment income and key benefits by being able to stay connected to the workplace.

"Our collaborative partnership with the WCB and our Unifor colleagues on this innovative return-to-work initiative has helped create an opportunity for employees who may miss time due to an injury to maintain, or more quickly, return to economic stability aiding their overall recovery," says Jim Rennie, Vice President of Human Resources at Irving Shipbuilding.

The Stay-At-Work program found a way to accommodate a welder with a recurring injury who was about to move beyond the two-year re-employment obligation timeframe and at risk of having to exit the company. Through the new return-to-work approach, the 30-year employee was able to return to the shipyard and continue his career.

The next phase of the program will focus on developing a bank of transitional duties for each area at the shipyard, and a customization of the WCB's risk-mapping tool to enhance ongoing work regarding injury prevention.

Our Progress

- Strengthened communications with workers, through new and improved letters enabled by our new core systems, with language and information that is shorter, simpler, and easier to understand.
- Trained leaders and all employees in adapting new core systems to improve efficiency, toward future service improvements.
- Evaluated our service model to find opportunities to advance some elements of service early in the claim process, completed pilot of a new approach in occupational therapy, and evaluated other potential service opportunities toward ultimate improvements in the return to work process.

Our Plans

- Conduct a comprehensive review of our complete return-to-work model, the first such review in more than 15 years.
- Explore innovative ways to facilitate timely and effective return to work for small/medium sized workplaces across the province in specific industry sectors.
- Continue to build upon evaluations for potential service improvements to improve return-to-work outcomes.
- Update and expand online Working to Well resources for workers, employers and service providers.

Team approach improves workplace safety

The challenges facing the long-term care and home care sectors in our province when it comes to workplace safety are vast.

The COVID-19 pandemic presented unprecedented challenges in personal protective equipment and overall worker health and safety, and the sector will be adapting and learning from this experience for years to come.

But for many years, health and safety in the sector has been a complex and challenging conversation. A myriad of factors are involved, including the interpersonal dynamic of putting a patient's safety first, a deeply felt duty to care, and the emotional reality of the biggest safety hazard in an industry being people one needs to care for.

"With many stakeholders involved, it's an industry where strategic partnerships are even more important," says Shelley Rowan, VP Prevention and Service Delivery. "Long-term care and home care have the highest injury rates of any sector in the province, and approximately 80 per cent of those injuries are time loss claims related to musculoskeletal injuries (MSIs). Most of those are related to helping someone move or moving them."

That's why the ongoing work guided by the *Charting the Course: Workplace Safety for Nova Scotia's Home Care, Long-Term Care & Disability Support Sectors* plan is so important. That work continued in 2019, as some of the foundational elements of the recommendations came into place.

The Safe Handling and Mobility training program was among the first deliverables rolled out under the recommendations of the report in partnership with AWARE-NS. By the end of 2019, nearly 20 per cent of the workforce had access to the training – including all home care employers, and half of long-term care workplaces.

The new Safe Patient Handling and Mobility education and support program includes three phases:

1. WCB and AWARE-NS engage organizations to do a gap analysis and understand their needs.
2. AWARE-NS leads training focused on training the trainer so organization have the capability in house to deliver peer to peer training to their staff.
3. WCB assigns a Workplace Consultant to each organization for two years after the initial training to provide follow-up training and support, as well as gap analysis auditing.

"The training was not just a once-and-done approach," says Heather Matthews, Occupational Health and Safety Manager with AWARE-NS. "The work was done sustainably, to ensure long-term benefits of the training are in place and a part of the organization's workplace safety culture."

Government announced much needed funding for equipment in the long-term care and home care sectors. Overall, the pieces are in place to establish a path for improvement in this sector, leveraging the value of strategic partnerships.

Our Progress

- Engaged Nova Scotians in "where from here" conversations focused on potential enhancements to the workers' compensation system and impacts on those who may not have any protection at all.
- Supported AWARE-NS and other industry leaders to implement recommendations to improve health and safety, and return-to-work practices.
- Developed a Learning and Development strategy for claim-focused roles in Prevention and Service Delivery, designed to deliver impacts at the individual, team, and organizational level, and in line with business priorities and goals.

Our Plans

- Continue to support *Charting the Course: Workplace Safety for Nova Scotia's Home Care, Long-Term Care & Disability Support Sectors*, establishing a long-term path for future, sustainable change in the sector.
- Begin work to develop key programs enhancing caseworker learning and ongoing support identified by the Learning and Development strategy.
- Explore a longer-term plan to have a workforce that is a thoughtful combination of remote and facilities-based, as well as a long-term facilities plan.

Strengthening our financial position

As we look forward financially, WCB Nova Scotia has a sense of optimism and confidence for the future.

That's because of long-term progress and a funded percentage of 96.5 per cent at the end of 2019.

Eliminating the unfunded liability would be a major milestone for the WCB and the Workplace Safety and Insurance System, and it's increasingly a goal that's within reach – a long way from the 27 per cent funded ratio of the early 1990s.

However, like most other organizations around the world, our investments declined in the first half of 2020 due to the impact of COVID-19 on investment markets. This and other economic impacts may affect the funded ratio in 2020.

But the long-term value of our diverse investment approach, and the outsourced Chief Investment Officer (CIO) model, will support the WCB's portfolio through the volatility.

Our long-term progress is also due to the injury prevention and return-to-work efforts of employers and workers across Nova Scotia.

"Having a stable, well-structured portfolio is one part of how we can achieve financial sustainability," says Chief Financial Officer Leo McKenna. "Continued progress on programs that prevent injury, increase safety, and help injured workers return to work or stay at work are also key elements of our strategy."

As we continue to work towards financial sustainability, we look forward to being part of discussions about the possible evolution of Nova Scotia workers' compensation system.

"Our long-term progress in reaching financial sustainability has been the product of smart investment management, good governance, and a determined effort to reduce the costs of workplace injury in our province," says CEO Stuart MacLean. "We look forward to these principles continuing to guide us in the future, as we move toward eliminating that liability and a long-term view of what sustainability looks like."

Our Progress

- 2019 was a strong financial year for WCB Nova Scotia, as a result of responsible financial stewardship, ending the year at 96.5 per cent funded.
- Completed phase 1 recommendations from the Nova Scotia's Office of the Auditor General (OAG).
- In May 2019, we received and accepted phase 2 recommendations from the OAG, which focused on our claims and appeal process. Work has begun on a number of the recommendations.

Our Plans

- Continue responsible financial stewardship through our proven investment model, allowing us to keep a strong position as we work through the challenging economic climate.
- Further implementation of the Auditor General's phase 2 recommendations.

Continue to Implement recommendations from the OAG

The Office of the Auditor General (OAG) released results of their audit of WCB Nova Scotia's operations in December 2018 and May 2019. The first phase of the audit focused on our governance and sustainability, while the second looked at claims management.

We accepted all recommendations and have been working to address them. In December 2019, we provided an update of our Phase 1 progress. Work is continuing to address the Phase 2 recommendations, with a focus on our claims and appeal processes.

While the reports from both phases provided a number of recommendations for improvement, the OAG also found that the WCB is well governed, on a path to financial sustainability, and that overall the WCB is effectively managing claims for workplace injury and return to work.

The complete list of recommendations, our response and progress can viewed at wcb.ns.ca/oag.

Good bye “green screens,” hello Guidewire

June 2019 marked a major milestone at WCB Nova Scotia, and the beginning of our new service future.

Years in the making, the implementation of the cloud-based insurance suite Guidewire represented the biggest technological turning point in the organization’s history. Decades-old and no longer sustainable, our systems had relied heavily on paper, fax, and manual effort.

The new systems bring us into the future and make us more sustainable – positioning us for new types of service driven by improved data and automation. They allow a level of service innovation not possible in the past.

“Our modernization was a much-needed investment for the long term,” says CEO Stuart MacLean. “We are only beginning to understand what the possibilities may be in the future, but we know we are now positioned for whatever it may hold.”

The core systems implementation is the final piece of a multi-year transformation plan. Looking back several years, our old system was slow and paper based, and electronic communication about claim business wasn’t possible.

All of that has changed in recent years, culminating in our core systems launch in June. Since then, our teams have worked hard to understand the systems, to address issues, and to work out wrinkles as we transitioned to full operations driven by core systems.

Employees across the organization had extensive training in the new software, and for many that meant having to unlearn years of keyboard shortcuts, system knowledge, and time-proven “how-to” processes.

Employers who work with our systems frequently and service providers also demonstrated patience and understanding adapting to new systems, as we work to address technological challenges that come with moving to a new system. After an initial launch of a revised clearance process, for example, employers who use clearance regularly expressed some concerns – prompting a quick return to online, downloadable and printable letters.

“There is no question that with our systems upgrade, we experienced some challenges in some aspects, and we are still adjusting to some of those new realities,” said Wendy Griffin, VP, People and Change. ”All of us, including our own people and those we serve, have been focused on the future as we adapt to these new systems, so that we ensure we maximize benefit into the future.”

The new system allows a whole new level of connection, and service possibilities. For people recovering from workplace injury, case workers can connect through a secure online portal, and there are updated, improved letters that are much clearer. The overall claims management process is enhanced, and employers can easily and digitally track subcontractors through an updated MyAccount – along with many other benefits yet to be realized.

“This was a monumental year. Five years ago, our strategic plan outlined the need for change and investment,” says MacLean. “Our new systems will result in improved service to workers and employers, and will lead, in time, to better service outcomes.”

Our Progress

- Replaced decades-old technology with our new cloud based systems, moving us from a paper-based operation to one that offers self-serve options and a more sustainable technological future.
- Worked with employers to revamp initial approach to digital clearance, returning to MyAccount functionality that allows downloading and printing, with a view to replacing paper mailing
- Continued to work closely to address initial technological challenges with the implementation of Guidewire, adapting the software to meet our business requirements
- Leveraged technology to increase efficiency in electronic payments of expenses through Guidewire.

Our Plans

- Continue to support our business transformation, including Guidewire stabilization and any required enhancements, exploring a roadmap for future digital strategy overall as it relates to customer service and customer communications, and continuing work related to disaster recovery planning.
- Implement a tracking process for decisions and appeals to ensure timely claim decisions and appeal decisions, and review. Revise our complaint resolution processes based on a review of best practices.
- Continue other work related to our new systems, including ongoing data and related business intelligence improvements, software support services, and strategic investment in security infrastructure.
- Update the software supporting our human resources and payroll systems.
- Explore a longer-term plan to have a workforce that is a thoughtful combination of remote and facilities-based, as well as a long-term facilities plan.

“All of us, including our own people and those we serve, have been focused on the future as we adapt to these new systems, so that we ensure we maximize benefit into the future.”

– Wendy Griffin

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Workers' Compensation Board of Nova Scotia (WCB) 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.

Grant Thornton LLP, the external auditors of the WCB, has 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, CPA, CA
Chief Financial Officer

As 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 of Nova Scotia (WCB). The discussion and analysis should be read in conjunction with the audited financial statements and supporting notes. This MD&A and the accompanying financial statements reflect amounts based on the facts and circumstances at the reporting date.

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 work force 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.

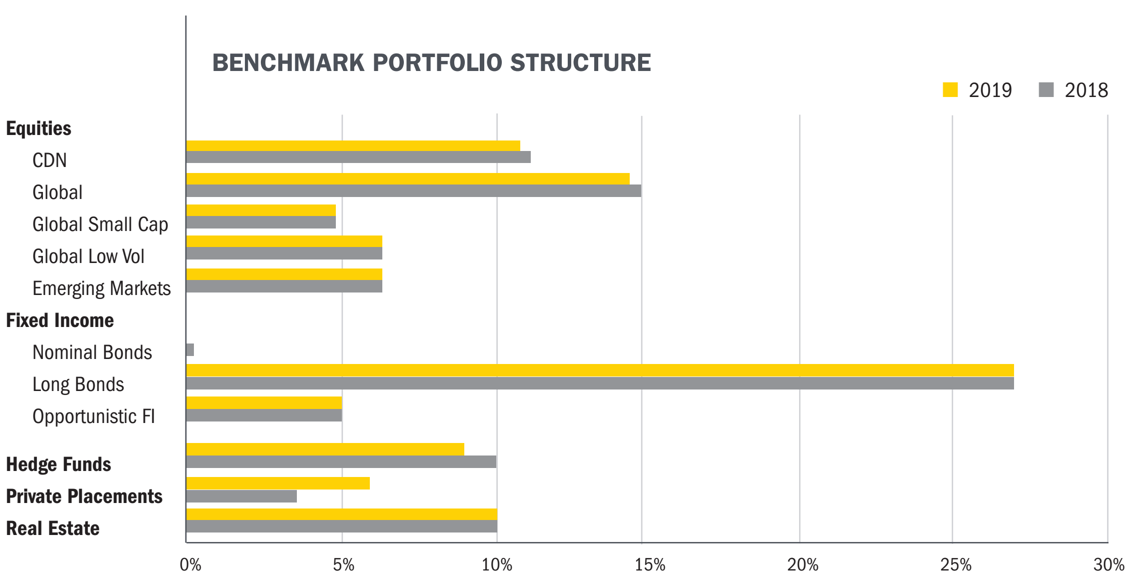
STATEMENT OF Financial Position

In 2019, the WCB's financial position was strengthened primarily as a result of strong investment returns and favourable actuarial experience adjustments. Like the prior year, most corporate performance measures were met, with challenges on some key operational performance measures. The potential impact of COVID-19 was not explicitly considered at the year-end reporting date due to the limited global spread of the virus in December 2019. Potential impacts such as slower than expected future growth or contraction of the economy, lower investments returns and impacts on claims costs could impact the funding strategy and future financial results.

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 WCB has a fund of fund managers' arrangement with Mercer Global Investments Canada Limited (MGI).

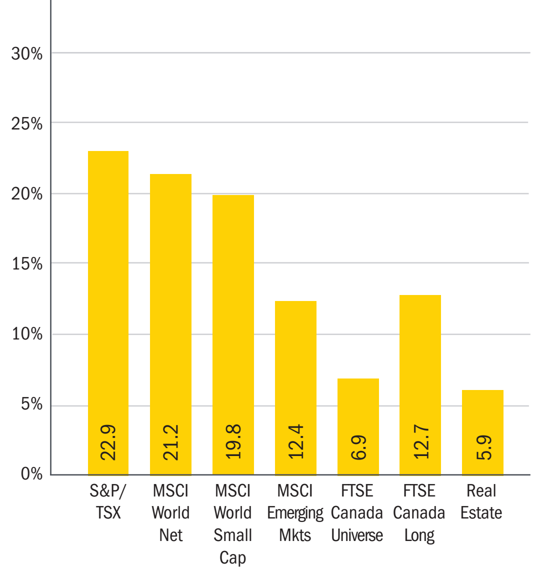


The benchmark portfolio reflects the fund's long-term risk tolerance. At any given time, the fund's asset allocation may differ from the benchmark. The benchmark is useful for assessing performance of the fund. As compared to 2019, target allocations have changed as detailed in the graph.

As set out in a multi-year plan, the WCB continues to transition funds into alternative investments through limited partnerships in private equity and infrastructure. Moving to these alternative investment classes is intended to provide attractive risk-adjusted returns while reducing risk through further diversification of the investment portfolio and decreasing the WCB's exposure to equities. During 2019, the WCB entered into additional limited partnerships to invest a further $38.0 million USD each into private equity and infrastructure. Contributions to these funds occurred in 2019 and will continue until the funding commitments have been reached, currently planned by mid-2022. Nominal bonds have been removed from the asset mix.

The WCB uses an active investment strategy where the investment manager is charged with exceeding the market index returns for all asset classes. The WCB continues to use a passive currency hedging overlay strategy with a hedge ratio of 15 per cent of the total foreign currency exposure. A glide path to reduce the hedging strategy is in place reducing the portion hedged gradually, and currency hedging will end completely when the Canadian dollar reaches $0.85 USD.

2019 FINANCIAL MARKET RETURNS
(in Canadian dollars)



Capital Markets Review

Despite market volatility, trade tensions and international central banks' quantitative easing in 2019, virtually all markets produced solid returns for the year.

Capital markets had a stellar first quarter after a dismal end to 2018 supported by optimism on the US-China trade dispute and a less aggressive tone from the US Federal Reserve on further rate hikes. The middle half of 2019 saw market volatility as investor confidence lessened due to concerns of a global recession and escalating trade tensions. The fourth quarter saw a return to investor risk appetites due to favorable developments on trade and economic news.

Canadian equities had a strong 2019 due to a rebound in commodity prices, good economic growth, healthy inflation and the Bank of Canada holding steady on interest rates. European markets were reactive to central bank monetary stimulus and ongoing brexit concerns. Bonds had a strong year as yields fell for most of the year with a small spike in the fourth quarter. Due to the Canadian dollar strength versus other major currencies during the year, results for foreign holdings in foreign currency terms were better than the results reported in Canadian dollar terms.

The Fund objective is to exceed the performance of the benchmark portfolio over a five year, moving average period (before investment management fees). The five-year fund return of 6.8 per cent matched the 6.8 per cent benchmark return and therefore the objective was not met. The absolute return was above the long-term rate of 6.0 per cent that is assumed in the funding strategy. Fund manager objectives are established by individual mandates with each fund manager. Performance is reviewed at the fund and manager level by the Investment Committee, a sub-committee of the Board of Directors.

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 potential for volatility of the portfolio. In the first half of 2020, Investment markets have experienced a significant volatility and declines related to COVID-19. The WCB, like most investors, experienced a decline in the value of the portfolio. As changes in fair market value are booked in the period incurred as investment income, this decrease will be reported as a loss in the quarterly financial statements of 2020. The WCB maintains an investment portfolio diversified among a variety of asset classes and fund managers in order to optimize returns and manage risk.

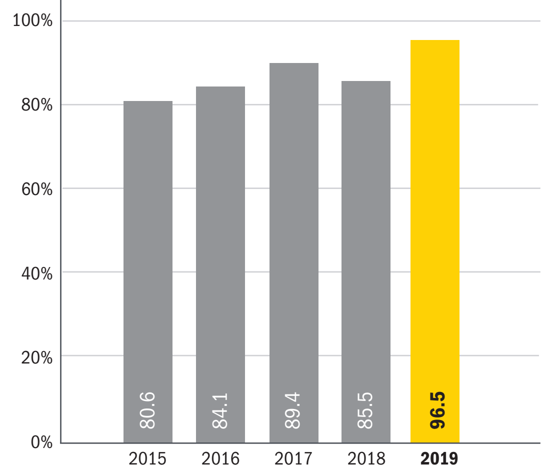
BENEFITS LIABILITIES

The WCB's benefits liabilities represent the actuarial present value at December 31, 2019 of all expected benefit payments that will be made in future years, which relate to claims arising from events that occurred on or before that date, including 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, 2019.

The benefits liabilities decreased by $1.9 million or 0.1 per cent. This is the change in the present value of benefits payable in future years, calculated through the annual actuarial valuation process. The valuation takes into account claims costs incurred, claims payments made, growth in the present value of the benefits liabilities and actuarial experience adjustments including an adjustment for the change in liability for latent occupational disease.

FUNDED PERCENTAGE

For Nova Scotia, 2015 – 2019



UNFUNDED LIABILITY

The WCB's liabilities total $2.12 billion and assets total $2.05 billion, with an unfunded liability of $74.2 million at the end of 2019. The WCB's funded percentage increased from 85.5 per cent in 2018 to 96.5 per cent by the end of 2019. The WCB maintains a focus on long term financial stability and sustainability.

STATEMENT OF Comprehensive Income

In 2019, total revenues of $565.5 million ($320.0 million in assessment revenues plus $245.5 million in investment income) less total expenditures of $331.4 million and the re-measurement of post-employment benefit liabilities of $4.5 million yielded a total comprehensive income of $229.6 million.

The operating results for 2019 and 2018 may be attributed to the following factors:

($000's)	2019	2018
Assessment revenue in excess of current year costs	$ 39,539	$ 29,573
Investment income above (below) liability requirements	144,254	(123,925)
Actuarial liabilities and adjustments less than previously anticipated	50,329	2,453
Other comprehensive income from actuarial (losses) gains on post-employment benefits	(4,495)	5,409
Total comprehensive income (loss)	$229,627	$(86,490)

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 from insured firms increased $14.3 million (4.8 per cent) from 2018. This increase is primarily attributed to an increase in assessable payroll of 3.5 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 an increase in the insured workforce. The actual average assessment rate per $100 of assessable payroll, net of surcharge refunds and practice incentive rebates, was $2.66 – an increase from 2018 average rate of $2.64. The fact that the actual rate is above 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 2019 self-insured administration fees increased slightly by $0.2 million to $7.4 million (2.8 per cent) from 2018. Administration fees are calculated based on 2018 claims payments and administration costs.

INVESTMENT INCOME

Investment income is derived from the investment portfolio managed by external investment managers. Total investment income was $245.5 million for 2019, a significant increase of $270.8 million (1,074 per cent) from the 2018 loss of $25.2 million. The investment return on the externally managed portfolio was a strong absolute return of 13.6 per cent. The 2018 return was negative 1.0 per cent. The WCB recognizes changes in market value of investments in the year of occurrence. Note 6 to the financial statements provides investment income details.

CLAIMS COSTS INCURRED

Claims costs incurred are an estimate of the costs related to injuries which occurred in 2019. These estimates take into account claims reported and paid, unreported claims and claims that are reported but as yet unpaid. The liabilities include provisions for both the future cost of administration of claims that occurred prior to December 31, 2019; and for exposures that will result in future occupational disease claims beyond December 31, 2019. 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 increased by $0.8 million (0.4 per cent) from 2018. Several factors influenced this aggregate result as discussed below.

Claims costs incurred for short-term disability increased 13.2 per cent ($5.4 million) in 2019. The introduction of guidewire led to a slowdown in processes as the organization absorbed the new technology. This coupled with an increase in stress and psychological claims, which can be complex to manage, led to a 16 per cent increase in duration; which ultimately translated to the increase in costs.

The 7.6 per cent ($7.7 million) decrease in long-term costs is a combination of a number of factors. As noted above, delays in processing resulted in longer durations and a less timely transition to an extended earnings loss award. As a result, the volume of new long term awards was lower than expected. Additionally, the cost of new long term awards was lower than expected. Based on analysis of results before and after 2018, it was concluded that the average cost of new long term awards granted in 2018 was unusually high and that 2019 reflects a more typical average cost.

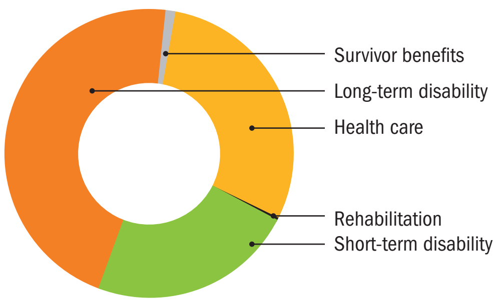
Health care costs increased 5.9 per cent ($3.3 million) in 2019; exceeding the assumed inflation rate by about 1.6 per cent. The excess costs are the result of processing a backlog of payments prior to implementing the new Guidewire system. This slightly distorted the cash flow for 2019 and was not adjusted.

Survivor costs have decreased 4.7 per cent ($0.1 million) in 2019. 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. In 2019, rehabilitation costs decreased from 2018 by 8.0 per cent ($0.1 million). Fluctuations occur year to year in rehabilitation costs as significant costs incurred on a small number of claims have a notable impact.

TOTAL CLAIMS COSTS INCURRED

(in thousands)



	2019		2018	
Survivor benefits	2,660	1.3%	2,792	1.4%
Long-term disability	93,388	46.0%	101,054	50.0%
Health care	59,612	29.4%	56,280	27.9%
Rehabilitation	812	0.4%	883	0.4%
Short-term disability	46,368	22.9%	41,027	20.3%

GROWTH IN PRESENT VALUE OF LIABILITIES, CHANGE IN ASSUMPTIONS AND ACTUARIAL EXPERIENCE ADJUSTMENTS

The benefits liability is calculated by an independent external actuary 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 2019, this amount was $101.2 million or about 4.82 per cent calculated as a percentage of the opening 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 5.25 per cent annually.

For purposes of calculating the benefits liability, the assumed Consumer Price Index (CPI) rate was 2.00 per cent. CPI at 2.00 per cent combined with the real rate of return on assets assumption of 3.25 per cent results in a gross rate of return assumption of 5.25 per cent.

Actuarial adjustments represent the difference between what was predicted based on the actuarial assumptions and methods used in the prior valuation years, and what actually occurred in the year.

In 2019, the volume and average cost of new extended earnings replacement benefits (EERBs) were lower than expected in the actuarial assumptions. This and other factors such as mortality experience, future claims administration costs, and other non-specified actuarial adjustments, combined to produce a favorable adjustment of $50.3 million. We expect this experience to continue in 2020 as impacts resulting from COVID-19 are anticipated. This will likely result in further favorable experience adjustments 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.

ADMINISTRATIVE COSTS

Administrative expenditures in 2019 totaled $59.4 million, an increase of $2.7 million or 4.8 per cent from 2018. This is primarily due to increases in costs related to the modernization of our organization's systems and processes. We anticipate continued costs related to innovation and risk mitigation in the next few years as we make important changes to continue positioning the WCB for the future.

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 of Nova Scotia can vary significantly.

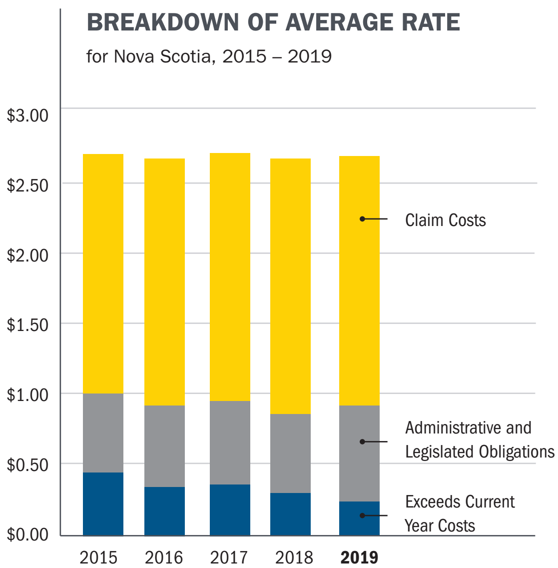
STATEMENT OF Cash Flows

Cash increased in 2019 as the WCB withdrew funds from the investment portfolio for operating purposes and cash flows required for benefit payments and operations was slightly less than the cash generated through assessments premiums.

Funding Strategy

The funding of the WCB involves the funding of current year claims and ensuring that sufficient assets are available to fund benefits awarded in the past. In Nova Scotia, the invested assets are not currently sufficient to fund these past claims and this shortfall is the unfunded liability. The funding strategy maps out our approach to eliminate the unfunded liability in approximately 2024. The WCB's funding strategy encompasses assumptions about revenue from the covered workforce payroll base, operational results and investment returns.

The strategy relies on growth in the payroll base in order to collect sufficient funds to eliminate the unfunded liability. Each year premiums are collected from employers based on a targeted average rate of $2.65 per $100 of assessable payroll. In 2019, the portion of the $2.66 actual average rate required to fund the estimated cost of claims that occurred in the year is $1.74 with administration and legislated obligations costs requiring an additional $0.64. The remaining $0.28 is available to be applied to reduce the unfunded liability and any shortfall of investment income to liability growth. The composition of the average rate since 2015 is as follows:



Another key assumption in the funding strategy is a reduction in the cost of workplace injuries through prevention and return-to-work and through the multi-year program of transformational change in the way we deliver service. The portion of the rate required to fund the cost of current workplace injuries is $2.38 in 2019. An expected contraction in the payroll base will result in a notable increase in the portion of the rate used to fund current claims costs. However, by 2024, the cost of claims and administration will be back to $2.38. The reduction target for time-loss claims was more than achieved, however, the amount of time people were off work due to injury increased by 16 per cent. Increasing claims duration adds costs to the system. Reductions require employers, workers, and health care providers to work together in fostering safe and timely return to work.

Another key component of the funding strategy is the return on invested assets. Investments had a strong 2019 returning 13.6 per cent, and cumulative returns have been positive in recent years with the exception of a setback in 2018. However, the annualized 10-year return as of December 2019 was 8.2 per cent, exceeding the long-term investment assumption of 6.0 per cent before fees.

The WCB's annual update of the funding strategy in June 2019 estimated when the unfunded liability would be eliminated was unchanged and remained between 2020 and 2024. The funding period was partially based on an estimated total comprehensive income for 2019 of $62.9 million. There are a number of variables affecting the funding position and annual variances are expected.

The actual total comprehensive income for 2019 is $229.6 million. This is $166.7 million above the expectation in the funding strategy. The 2019 variances include:

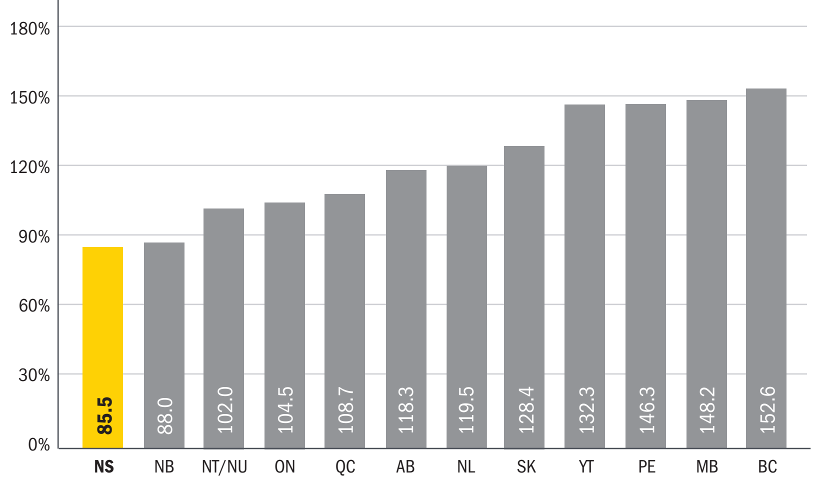
- Investment income $116.9 million more than expected.
- Growth in benefits liability and favorable actuarial adjustments $39.2 million more than expected.
- Administrative, Legislative Obligations and System Support costs $6.8 million less than expected.
- Re-measurement of post-employment benefits resulted in a loss of $4.4 million.
- Claims costs incurred $4.5 million less than expected.
- Assessment Revenue $3.7 million more than expected.

As concluded in the Office of the Auditor General's Report in December 2018, the WCB has a plan for long-term sustainability. Financial progress over the past several years has been encouraging and there are many factors influencing the funding strategy. All of the assumptions are based on long term expectations. Annual investment returns by their nature are unpredictable, as evidenced in 2018 with a quick recovery in early 2019 and early market declines in 2020 due to the COVID-19 pandemic and economic impacts. Short term results will vary from the long term expectations. Revenue from the covered workforce is dependent on economic activity and the size of the covered workforce. Claims experience can vary and 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.

The 2019 results and the anticipated impacts of COVID-19 will be incorporated when the Board of Directors completes its annual planning process in June of 2020.

FUNDED PERCENTAGE

All Provinces, 2018 (AWCBC)



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

Progress toward claim cost reductions continued in 2019 despite the increase in duration. The learning curve associated with our new insurance system Guidewire along with the previously increasing duration trend due to increasing psychological factors in more complex workplace injuries led to larger than expected short term disability costs in 2019. This was more than offset by decreases in long term disability. Despite the challenges associated with system and process changes, benefit costs per $100 of assessable payroll have decreased from $1.79 in 2018 to $1.74 in 2019.

A continued change agenda and the challenges associated with COVID-19 will continue to impede operational results and progress towards our longer term goals over the next several months. Improved outcomes are expected to resume in 2021; however the pattern of improvement that will result from our changes will likely evolve over time.

INJURY RATE

The injury rate is one of the most significant drivers of benefit costs, and key focus of the WCB's attention for risk mitigation. At the end of 2019, the injury rate was 1.67 time-loss claims per 100 covered workers, down from 1.72 in 2018.

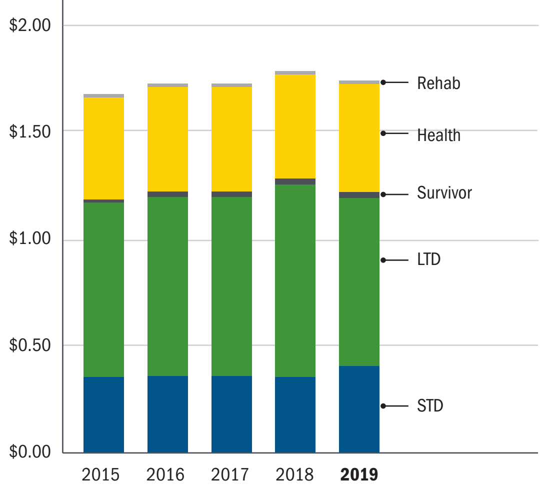
As of December 31, 2019, there were 351 fewer time loss injuries than in 2015. This reflects a 5.8 per cent decrease over the five-year period compared to a 4.1 per cent increase in the covered workforce. The pace of progress has slowed in recent years as decreases in claim volumes were among lower cost injuries and savings from long term disability take longer to materialize. Reductions in long term disability claims and costs are expected to continue in 2020 as new systems and programs start to mature.

In Nova Scotia, people who are hurt at work tend to stay on short-term benefits longer than in most other jurisdictions, and a higher proportion go on to receive long-term benefits. The WCB works with workers, employers, and health care providers to do all we can to facilitate timely and safe returns to the workplace.

Claim durations reflect the ongoing impact of injuries that occur in the workplace, and the often complex factors that impact recovery. WCB's goal is to improve outcomes for injured workers, and reduce the human and financial cost of workplace injuries in Nova Scotia. Recent increases in claim durations reflect the impact of several factors including our business transformation and are expected to be temporary. The WCB expects that improved processes and technology will lead to improvements in claim durations and overall cost reductions. As previously noted, the timing and pattern of improvement will evolve over time.

BENEFIT COSTS PER $100 OF ASSESSABLE PAYROLL

for Nova Scotia, 2015-2019



INVESTMENT RETURNS

The WCB's assets are diversified among a variety of asset classes and fund managers in order to optimize returns and manage risk. External investment managers must comply with the WCB's Statement of Investment Policies and Objectives (SIPO) that outlines permissible investments. The SIPO is designed so the portfolio will provide reasonably 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 adopted in June 2019 was prepared using a return on investments assumption of 6.0 per cent. During 2015, the WCB updated the asset allocation strategy and reviewed our long-term expectation for inflation and real returns. Results of this work indicate that a long-term investment return of 6.0 per cent is a reasonable expectation. An updated asset liability study will be contemplated in 2020 as we move closer to elimination of the unfunded liability. One of the most significant future changes is the move to market based interest rates used to discount the future cash flows of the benefits liabilities (IFRS 17) in 2023, which is expected to lead to an increase in the benefits liabilities on the statement of financial position and increase volatility in reported comprehensive income.

ECONOMIC CONDITIONS

Since early January 2020, the coronavirus outbreak has spread throughout the globe causing massive disruption to business and economic activity. It will have an impact on the WCB's operations, revenue, investments and claims costs. Sadly, some companies will not survive this pandemic leading to contraction or closure having a direct impact on revenue. The average premium rate of $2.65 is higher than the claims and administrative costs expected to flow from those premiums and as a result, the WCB has some fiscal capacity to absorb the premiums that are lost.

Despite the pandemic and the impact on local, national and international economies, the WCB has the ability to weather this situation and continue as a going concern. This has been tested in the past with the addition of significant amounts of new benefits related to chronic pain and the global financial crisis of 2008 where the investment portfolio value declined dramatically.

FRAUD

The WCB provides workplace injury insurance to about 19,000 employers and about 339,000 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, integrity checks and reconciliations; 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. System failures or security breaches are significant risks to the WCB. The organization has taken steps to mitigate these risks by investing in technology, maintaining backup systems and processes, developing staff expertise and having a disaster recovery plan and policies for information management, and enterprise architecture purposes.

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 Judgements and Estimates" outline the WCB's significant accounting policies and estimates.

Significant policies include measurement of investment income and the valuation of the benefits liabilities. 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.

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, and estimates are highly sensitive to small changes in these assumptions. Measurement uncertainty is high because of the amount, timing, and duration of the benefits. Actual future results will vary from the actuarial valuation estimate and the variations could be material. IFRS 17, the Insurance Contracts standard is expected to be effective in January 2023. Under this standard, the basis of accounting for the benefits liabilities will change to fair value utilizing a market based discount rate. At the end of 2019, this would have decreased the funded ratio from 96.5 per cent to 84.4 per cent. 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.

The WCB's funding strategy assumptions include a growing economy, long term investment return expectations across a diversified portfolio and stabilized claims costs for the eventual elimination of the unfunded liability. In the past, to a large extent, the funding period has been used to absorb variations between financial projections and actual results. 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.

This approach has allowed the WCB to meet a key objective of maintaining a plan to eliminate the unfunded liability while providing relative stability in assessment rates and in the benefit structure. With this in mind, the WCB is positioned to continue operations through unexpected economic and investment market downturns.

In 2019, the funding position substantially improved, primarily attributable to strong investment returns and favourable actuarial experience adjustments than expected in the funding strategy. That said, there are many variables and the range of possible results over the short to medium term is significant. There will be a significant impacts of COVID-19 on the economy and translating into a weakening in the WCBs financial position and the change in accounting standards of IFRS 17 in 2023, with both affecting the timing of the elimination of the unfunded liability.

The current funding strategy target funding range is between 2020 and 2024. As the date when the unfunded liability is eliminated approaches, the sensitivity to changes will be more prominent, with any negative impacts representing a challenge as there will be fewer market cycles over which to recover.

The Board of Directors will revisit the funding strategy as part of the annual budget process in June 2020. On an ongoing basis, the WCB weighs the views of stakeholders on a number of topics, which includes the appropriate level of benefits, rates charged to employers and the WCB's funding position.

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 or in the funding strategy, actual results will differ from the projections and these differences may be material.

INDEPENDENT AUDITOR'S REPORT

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

Opinion
We have audited the financial statements of Workers' Compensation Board of Nova Scotia ('WCB'), which comprise the statement of financial position as at December 31, 2019, and the statements of comprehensive income, changes in the unfunded liability and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Workers' Compensation Board of Nova Scotia as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Halifax, Canada
June 25, 2020

Chartered Professional Accountants

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

as at December 31 (thousands of dollars)

	2019	2018
Assets		
Cash & cash equivalents	$ 11,082	$ -
Receivables (Note 5 and 17)	39,816	30,328
Investments (Note 6)	1,957,305	1,732,515
Property and equipment (Note 8)	6,493	4,390
Intangible assets (Note 9)	32,126	29,407
	$ 2,046,822	$ 1,796,640
Liabilities and Unfunded Liability		
Bank indebtedness	$ -	$ 8,692
Payables and accruals	51,019	26,035
Post-employment benefits (Note 10)	29,552	23,356
Benefits liabilities (Note 11)	2,040,415	2,042,348
	2,120,986	2,100,431
Unfunded liability	(74,164)	(303,791)
	$ 2,046,822	$ 1,796,640

Commitments (Note 19)
Capital Management (Note 21)
Subsequent Events (Note 22)

Approved on behalf of the Board of Directors on June 25, 2020:

Rodney Burgar
Chair, Board of Directors

Angus Bonnyman
Chair, Finance, Audit and Risk Committee

STATEMENT OF COMPREHENSIVE INCOME

year ended December 31 (thousands of dollars)

	2019	2018
Revenue		
Assessments (Notes 3, 12, 16 and 17)	$ 320,040	$ 305,529
Investment income (loss) (Note 6)	245,474	(25,253)
	565,514	280,276
Expenses		
Claims costs incurred (Notes 3, 11 and 17)	202,840	202,036
Growth in present value of benefits liabilities, actuarial adjustments and adjustment for latent occupational disease (Note 11)	50,891	96,219
Administration costs (Notes 13, 17 and 20)	59,436	56,720
System support (Note 14)	1,007	901
Legislated obligations (Note 15)	17,218	16,299
	331,392	372,175
Excess of revenues over expenses (expenses over revenues)	234,122	(91,899)
Other comprehensive income		
Re-measurement of post-employment benefits (loss) gain (Note 10)	(4,495)	5,409
Total comprehensive income (loss)	$ 229,627	$ (86,490)

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)

	2019	2018
Unfunded liability excluding accumulated other comprehensive income		
Balance, beginning of year	$ (301,084)	$ (209,185)
Excess of revenues over expenses (expenses over revenues)	234,122	(91,899)
	$ (66,962)	$ (301,084)
Accumulated other comprehensive income		
Balance, beginning of year	$ (2,707)	$ (8,116)
Other comprehensive (loss) income	(4,495)	5,409
	$ (7,202)	$ (2,707)
Unfunded liability end of year	$ (74,164)	$ (303,791)

STATEMENT OF CASH FLOWS

year ended December 31 (thousands of dollars)

	2019	2018 (Restated)
Operating Activities		
Cash received from:		
Employers, for assessments (Note 3)	$ 312,707	$ 304,412
Net investment income	65,151	59,489
	377,858	363,901
Cash paid to:		
Claimants or third parties on their behalf (Note 3)	(252,758)	(237,499)
Suppliers, for administrative and other goods and services	(53,800)	(79,635)
	(306,558)	(317,134)
Net cash provided by operating activities	71,300	46,767
Investing Activities		
Increase in investments, net	(44,488)	(43,751)
Purchases of equipment and intangible assets	(7,038)	(18,578)
Net cash used in investing activities	(51,526)	(62,329)
Net increase (decrease) in cash and cash equivalents	19,774	(15,562)
(Bank indebtedness) cash and cash equivalents, beginning of year	(8,692)	6,870
Cash and cash equivalents, (bank indebtedness), end of year	$ 11,082	$ (8,692)

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

NOTES TO THE FINANCIAL STATEMENTS *year ended December 31st, 2019 (thousands of dollars)*

NATURE OF OPERATIONS

1. 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 safe and timely return to work; administers the payment of benefits to injured workers and dependents; 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.

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 1.00 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
All portfolio investments are designated 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 distributions from pooled funds and investment foreign currency gains and losses are recognized as investment income in the period incurred. Distributions from pooled funds are automatically reinvested within the pooled funds. Investment income is presented net of investment expenses.

The following determines fair value of investments:

- Pooled fund units (equities and fixed income) are valued at their year-end net asset values (NAV) as determined by the fund managers.
- Structured entities such as limited partnerships in infrastructure and private equity as well as hedge funds are valued at the most recent available NAVs 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.

Unconsolidated structured entities
The investments in limited partnerships for infrastructure and private equity and a pooled hedge fund do not satisfy the elements for control or significant influence and therefore have not been consolidated into these financial statements. Financial instruments accounting has been applied. The WCB's financial exposure is limited to the net carrying amount of the investments. Obligations are imposed on funds committed in structured entities; once committed, an investor is expected to fund the entire subscribed amount over the term of the agreement.

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 2 to 40 years is used for building components and from 3 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 depreciation is taken. The useful lives of items of property and equipment are reviewed at each balance sheet date and adjusted if required.

Leases
For existing or any new lease contracts entered into on or after January 1, 2019, the WCB determines if the contract is or contains a lease. A lease is defined as a contract or part of a contract that conveys the right to use an asset for a period of time in which consideration is paid. The lease liability is measured at the present value of the remaining unpaid lease payments discounted using the interest rate implicit in the lease if readily determinable or the lessee's incremental borrowing rate. The right-of-use asset is measured at the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred, and an estimate of costs to be incurred, if any, in dismantling or removing the underlying asset or restoring the site. Right of use assets are depreciated over the useful life of the asset or over the lease term, whichever is shorter. Short-term leases and leases of low-value assets where the payments are recognized as expense in profit or loss on a straight line basis over the lease term, using the practical expedients options available.

e) Post-Employment Benefits
An independent actuary is appointed to prepare the post-employment benefit estimates. The amounts 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. Due to the curtailment of the retirement allowance program, the projected unit credit method has been adjusted such that the defined benefit obligation for the retirement allowance program is the present value of all future retirement allowance payments. 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, past service (including curtailment and settlement) and interest costs are recorded through profit and loss 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 Statement of Financial Position date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for investments.

h) Financial Instruments
The WCB uses IFRS 9 for financial instruments, 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:

- Cash and cash equivalents – recorded at cost, which approximates fair market value
- 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 due to the short-term maturity and/or underlying terms and conditions. The WCB's accounts receivable are not subject to significant concentration of credit risk as the accounts are owed by a large number of employers, the Province of Nova Scotia and the Government of Canada on normal credit terms. Accounts receivable include an estimate for the lifetime expected credit losses using the simplified method with a provision matrix in the allowance for doubtful accounts and are regularly reviewed to determine whether the account should be written-off. Accounts are written-off when there is no reasonable expectation of recovery.

The investment portfolio does not contain any derivatives intended for speculation or trading purposes. The portfolio includes a currency hedging strategy by investing in the Hedged Mercer Global Equity Fund. 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 purchase 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. Intangible assets which are under development and not yet ready for its intended use so are not subject to depreciation. Assets under development and not ready for their intended use are tested for impairment annually.

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, and 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 Year Accounting Policy Implementations
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 in the current year or in future years as follows:

IFRS 16 – Leases – This new standard was effective January 1, 2019 and results in the recognition of right-of-use assets and corresponding lease liabilities for most leases, with the exception of short-term and low dollar value leases. The key change which has been reflected in these financial statements is the recognition of a right-of-use asset measured at the present value of the future lease payments, amortized over the lease term related to the WCB's leases for office space. The WCB has assessed the office space leases and recorded the asset and liability at January 1 using the modified retrospective approach to record the asset and liability equal to the present value of the future lease payments and therefore no adjustment to the opening unfunded liability on transition was required. The adoption of IFRS 16 did not have an impact on the existing finance leases recorded as of December 31, 2018. The adoption of IFRS 16 did not have a material impact on these financial statements.

l) Future Accounting Policy Developments
IFRS 17 – Insurance Contracts (Replacing IFRS 4) – This new insurance standard will replace IFRS 4. The standard was released in May 2017.The mandatory effective date has been extended to January 1, 2023 to give entities additional time to prepare. This standard will have material impacts for the WCB's financial reporting by introducing new recognition and measurement approaches for insurance revenue and liabilities. One of the most significant changes is the move to market based interest rates used to discount the future cash flows of the benefits liabilities which is expected to lead to an increase in the benefits liabilities on the statement of financial position and increase volatility in reported income. Other changes impact actuarial procedures, data requirements, valuation methods, disclosures and possible system changes. The standard will change the financial statement presentation, with a separation of insurance and financing activities, and expanded disclosures about amounts recognized, significant judgements and assumptions, and the nature and extent of risks arising from insurance contracts. The WCB is continuing to assess the full impact of this new standard with research and collaboration with other WCB's, auditors and external actuaries. No determination can be made of its full effects on WCB's financial position and operating results at this time.

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 6 – Investments
- Note 7 – Financial Risk Management
- Note 10 – Post-employment benefits
- Note 11 – Benefits liabilities
- Note 12 – Assessment revenue

5. RECEIVABLES

	2019	2018
Assessments	$ 23,204	$ 20,502
Self-insured employers	11,038	6,407
Assessments receivable	34,242	26,909
Harmonized sales tax rebate	3,288	1,070
Other	2,286	2,349
	$ 39,816	$ 30,328

Assessments receivable are net of an allowance for expected credit losses of $8,348 in 2019 (2018 - $5,434). Other receivables are net of an allowance of $1,789 in 2019 (2018 - $1,471). Amounts written off to bad debts were $3,361 in 2019 (2018 - $1,700). Substantially all receivables are collected within one year.

6. INVESTMENTS

	2019	2018
Equities		
Canadian	$ 215,186	$ 192,006
Global	213,676	189,604
Global hedged	83,530	67,014
Global low volatility	131,224	114,455
Global small cap	94,807	83,759
Emerging markets	128,640	112,762
Private equity	53,871	29,599
	920,934	789,199
Long term bonds	517,539	465,406
Fixed income	-	10,290
Opportunistic fixed income	91,216	88,194
Real estate	196,213	180,971
Hedge funds	171,995	162,932
Infrastructure	59,210	35,444
Cash and money market	198	79
	$ 1,957,305	$1,732,515

Investment Income	2019	2018
Distributions from pooled funds	$ 67,525	$ 46,568
Change in fair market value increase (decrease)	180,303	(84,719)
Realized gains from the sale of investments	5,850	20,567
Portfolio management expenses & interest	(8,204)	(7,669)
Net investment income (loss)	$ 245,474	$ (25,253)

Funding Commitments

The WCB has entered into limited partnership agreements with externally managed infrastructure and private placements funds that commit the WCB to contribute into these investments which will be drawn down over the next several years. Unfunded commitments as of December 31, are as outlined in the table below:

Mandate	2019 Undrawn Funding Commitments	Total Commitment
Infrastructure	$ 51,900 USD	$ 95,500 USD
Private equity	$ 61,600 USD	$ 95,500 USD

Mandate	2018 Undrawn Funding Commitments	Total Commitment
Infrastructure	$ 30,300 USD	$ 57,500 USD
Private equity	$ 35,800 USD	$ 57,500 USD

During 2019, the WCB added additional limited partnership commitments of $38,000 each to infrastructure and private placements.

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.

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.

Equity investments are sensitive to market risks. The following table presents the decrease to comprehensive income (CI) as a result of 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.

	2019		2018	
Equities	% Change	CI Impact	% Change	CI Impact
	(1 Std Deviation)		(1 Std Deviation)	
Canadian	10.5%	$ (22,595)	9.6%	$(18,433)
Global	10.2%	$ (21,795)	9.6%	$(18,202)
Global Hedged	11.2%	$ (9,355)	9.9%	$ (6,634)
Global Low Volatility	10.2%	$ (13,385)	9.6%	$(10,988)
Global Small Cap	12.2%	$ (11,566)	11.8%	$ (9,884)
Emerging Markets	12.6%	$ (16,209)	11.6%	$(13,080)

*Based on 5.0 Years in 2018 (2017 – 4.5 Years)

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 9.2 years. The duration of the fixed income investments are as outlined in the following table.

Duration of bond portfolios (in years)	2019	2018
Fixed income	-	7.5
Long term bonds	16.0	14.8
Opportunistic fixed income	3.8	3.9

The following table presents the effect of an increase in market interest rates for fixed income investments and the resulting decrease to comprehensive income.

0.5% change	2019 CI Impact	2018 CI Impact
Fixed income	$ -	$ (385)
Long term bonds	$ (41,435)	$ (34,516)
Opportunistic fixed income	$ (1,742)	$ (1,698)

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 an allocation of global equities invested in a global equity hedged fund to hedge approximately 15 per cent of the foreign currency denominated assets.

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	2019 CI Impact	2018 CI Impact
USD	$ (39,593)	$ (32,647)
EURO	$ (4,231)	$ (3,459)
YEN	$ (2,999)	$ (2,915)
POUND	$ (1,912)	$ (1,748)

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 a well-diversified portfolio with limited exposure to any one entity, industry or country, 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, fixed term investments, and foreign exchange forward contract counterparties.

The credit ratings of the WCB's fixed-income securities at December 31 are listed in the table below.

	2019		2018	
Credit Rating	Total	%	Total	%
AAA	$ 101,837	16.7%	$ 120,287	21.3%
AA	253,255	41.6%	201,111	35.7%
A	122,913	20.2%	119,611	21.2%
BBB	93,885	15.4%	76,923	13.6%
BB	25,945	4.3%	22,302	4.0%
B	8,852	1.5%	10,338	1.8%
Below B/Not Rated	2,068	0.3%	13,318	2.4%
Total	$ 608,755	100.0%	$ 563,890	100.0%

The WCB is also exposed to credit risk through its trade receivables. The risk is mitigated through assigned staff monitoring and collecting overdue accounts. Risk is reduced due to the large number of customers and their different geographic areas and industries. The allowance for doubtful accounts is reviewed and updated on a regular basis.

Liquidity risk

The WCB has contractual obligations and financial liabilities and therefore is exposed to liquidity risk. The WCB generally generates sufficient cash to meet obligations from revenue from employers. 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.

The WCB's investment portfolio is well diversified in pooled funds that are primarily highly liquid. There were no restrictions on the redemptions of portfolio investments during the reporting period, except for those listed in the following table. Due to the absence of active markets and the contract terms the investments cannot be sold or converted easily to cash in a timely and cost-effective manner.

Mandate	December 31, 2019	December 31, 2018
Infrastructure[1]	$ 59,210	$ 35,444
Private placements[1]	53,871	29,599
Hedge funds[2]	171,995	162,932
Total	$ 285,076	$ 227,975

[1] *These funds are closed-end funds with a 12-14 year life expected to end in July 2031. The general partner has the option to extend the funds' lives by 1 year.*

[2] *The liquidity of this fund is subject to change but is estimated to be 81 per cent redeemable within 1 year of redemption request (2018 – 85 per cent), within two years 16 per cent (2018 – 11 per cent) and 3 per cent (2018 – 4 per cent) after two years.*

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 reflecting assumptions about market pricing using the best internal and external information available.

The following fair value hierarchy table presents information about the financial assets measured at fair value on a recurring basis as of December 31st. There were no transfers between levels during either year.

2019	Level 1	Level 2	Level 3	Total
Short-term investments	$ 198	$ -	$ -	$ 198
Equities	-	867,063	53,871	920,934
Fixed term investments	-	608,755	-	608,755
Real estate	-	-	196,213	196,213
Hedge funds	-	-	171,995	171,995
Infrastructure	-	-	59,210	59,210
	$ 198	$1,475,818	$ 481,289	$1,957,305

2018	Level 1	Level 2	Level 3	Total
Short-term investments	$ 79	$ -	$ -	$ 79
Equities	-	759,600	29,599	789,199
Fixed term investments	-	563,890	-	563,890
Real estate	-	-	180,971	180,971
Hedge funds	-	-	162,932	162,932
Infrastructure	-	-	35,444	35,444
	$ 79	$1,323,490	$ 408,946	$1,732,515

Investments classified as level 2 represent units held in pooled funds operated by a number of fund managers. The pooled funds are comprised of publically traded securities and fixed income holdings with observable market information with respect to value. Investments classified as level 3 include units of pooled funds in private equity, real estate, hedge funds and infrastructure investments. Valuations are provided by the fund managers for financial reporting purposes. Valuation techniques are selected based on the characteristics of the investments, with the overall objective of maximizing market-based information. Management is responsible for ensuring the technique is appropriate in the circumstances.

2019 Source of Change in Value of Level 3 Investments	Private Equities	Real Estate	Hedge Funds	Infra-structure	Total
Value December 31, 2018	$29,599	$ 180,971	$162,932	$ 35,444	$408,946
Purchase of units	12,210	-	-	16,445	28,655
Unrealized gains (losses)	12,062	15,926	9,063	7,321	44,372
Sale of units	-	-	-	-	-
Investment management fees	-	(684)	-	-	(684)
Value December 31, 2019	$53,871	$ 196,213	$171,995	$ 59,210	$481,289

2018 Source of Change in Value of Level 3 Investments	Private Equities	Real Estate	Hedge Funds	Infra-structure	Total
Value December 31, 2017	$ 9,729	$168,932	$166,473	$ 20,445	$365,579
Purchase of units	17,753	34,441	-	13,852	66,046
Unrealized gains (losses)	2,117	12,787	(3,541)	1,147	12,510
Sale of units	-	(34,441)	-	-	(34,441)
Investment management fees	-	(748)	-	-	(748)
Value December 31, 2018	$29,599	$180,971	$162,932	$ 35,444	$408,946

Concentration risk

The WCB has concentrations in countries other than Canada through investments in the global pooled funds, hedge fund, opportunistic fixed income fund, long bond fund, private equity and infrastructure totalling $1,094,509 at December 31 (2018 - $940,800). The WCB's most significant foreign country concentrations are summarized in the table below.

Significant exposure	2019		2018
United States	48.6%	United States	46.6%
China	6.1%	Japan	4.4%
Japan	3.8%	China	4.4%
United Kingdom	3.6%	United Kingdom	3.5%
France	2.6%	France	1.9%
All other global	35.3%	All other global	39.2%
	100.0%		100.0%

8. PROPERTY AND EQUIPMENT

	Land and Building[1]	Furniture and facilities	Equipment and computer hardware	Total
Historical cost				
Balance at Jan. 1, 2019	$ 4,458	$ 3,315	$ 3,430	$ 11,203
Additions	592	2,871	431	3,894
Disposals & retirements	(155)	(67)	(612)	(834)
Balance at Dec. 31, 2019	$ 4,895	$ 6,119	$ 3,249	$ 14,263
Depreciation and impairment				
Balance at Jan. 1, 2019	$ (2,442)	$(2,169)	$ (2,202)	$ (6,813)
Current period depreciation	(262)	(1,019)	(485)	(1,766)
Impairment losses	(12)	(2)	(11)	(25)
Disposals & retirements	155	67	612	834
Balance at Dec. 31, 2019	$ (2,561)	$(3,123)	$ (2,086)	$ (7,770)
Carrying amount at Dec. 31, 2019	$ 2,334	$ 2,996	$ 1,163	$ 6,493

	Land and Building[1]	Furniture and facilities	Equipment and computer hardware	Total
Historical cost				
Balance at Jan. 1, 2018	$ 4,033	$ 3,162	$ 3,193	$ 10,388
Additions	529	222	422	1,173
Disposals & retirements	(104)	(69)	(185)	(358)
Balance at Dec. 31, 2018	$ 4,458	$ 3,315	$ 3,430	$ 11,203
Depreciation and impairment				
Balance at Jan. 1, 2018	$ (2,275)	$(1,951)	$ (1,876)	$ (6,102)
Current period depreciation	(262)	(284)	(495)	(1,041)
Impairment losses	(9)	(3)	(16)	(28)
Disposals & retirements	104	69	185	358
Balance at Dec. 31, 2018	$ (2,442)	$(2,169)	$ (2,202)	$ (6,813)
Carrying amount at Dec. 31, 2018	$ 2,016	$ 1,146	$ 1,228	$ 4,390

[1] Includes $155 cost of the land which has an indefinite useful life and is not depreciated.

Right of use assets

Included in Furniture & Facilities are right of use assets for office space and included in Equipment & Hardware are right of use assets for office copiers and postal equipment where the WCB is a lessee:

	Furniture and facilities	Equipment and computer hardware	Total
Historical cost			
Balance at Jan. 1, 2019	$ -	$ 215	$ 215
Adoption of IFRS 16	2,646	-	2,646
Disposals & retirements	-	-	-
Balance at Dec. 31, 2019	$ 2,646	$ 215	$ 2,861
Depreciation and impairment			
Balance at Jan. 1, 2019	$ -	$ (50)	$ (50)
Current period depreciation	(717)	(61)	(778)
Impairment losses	-	-	-
Disposals & retirements	-	-	-
Balance at Dec. 31, 2019	$ (717)	$ (111)	$ (828)
Carrying amount at Dec. 31, 2019	$ 1,929	$ 104	$ 2,033

Total cost of equipment under finance leases in 2018 was $215 including additions of $90. Total depreciation expense related to these assets in 2018 was $50 and the net book value of these assets in 2018 was $165.

9. INTANGIBLE ASSETS

	Acquired software	Internally generated software	Total
Historical cost			
Balance at Jan. 1, 2019	$ 828	$ 32,271	$33,099
Additions	33	5,758	5,791
Disposals & retirements	(164)	-	(164)
Balance at Dec. 31, 2019	$ 697	$ 38,029	$38,726
Depreciation and impairment			
Balance at Jan. 1, 2019	$ (733)	$ (2,959)	$(3,692)
Current period depreciation	(77)	(2,994)	(3,071)
Impairment losses	(1)	-	(1)
Disposals & retirements	164	-	164
Balance at Dec. 31, 2019	$ (647)	$ (5,953)	$(6,600)
Carrying amount at Dec. 31, 2019	$ 50	$ 32,076	$32,126

	Acquired software	Internally generated software	Total
Historical cost			
Balance at Jan. 1, 2018	$ 780	$ 14,848	$15,628
Additions	73	17,423	17,496
Disposals & retirements	(25)	-	(25)
Balance at Dec. 31, 2018	$ 828	$ 32,271	$33,099
Depreciation and impairment			
Balance at Jan. 1, 2018	$ (691)	$ (1,830)	$(2,521)
Current period depreciation	(66)	(1,129)	(1,195)
Impairment losses	(1)	-	(1)
Disposals & retirements	25	-	25
Balance at Dec. 31, 2018	$ (733)	$ (2,959	$(3,692)
Carrying amount at Dec. 31, 2018	$ 95	$ 29,312	$29,407

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, 2019.

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

	2019	2018
Discount rate, benefits expense for the year	3.25%	3.95%
Discount rate, accrued benefit obligation	3.25%	3.95%
Expected health care costs trend rate; decreasing linearly to an ultimate rate of 3.6% in 2040	6.00%	6.00%
Drug claim increases trend rate; decreasing linearly to an ultimate rate of 3.6% in 2040	6.00%	6.00%
Dental cost escalation	3.60%	3.60%
Retirement age assumption	59 years	59 years

Costs Arising in the Period	2019	2018
Current service costs	$ 1,049	$ 1,135
Interest costs	958	1,176
Past service costs	-	485
Settlement loss due to early payout of retirement allowances(a)	-	969
Total employee future benefits expense	$ 2,007	$ 3,765

Accrued Benefit Obligation	2019	2018
Beginning of year	$ 23,356	$ 31,882
Total employee future benefits expense	2,007	3,765
Actuarial losses (gains) on ABO through OCI (b)	4,495	(5,409)
Regular benefits paid	(306)	(689)
Retirement allowance settlement payments (a)	-	(6,193)
End of year	$ 29,552	$ 23,356

a) One time settlement of retirement allowances occurred in 2018.

b) The net actuarial loss of $4,495 as at December 31, 2019 arises from a loss of $4,495 due a decrease in the discount rate and other smaller adjustments. The net actuarial gain of $5,409 as at December 31, 2018 arises from the recognition of updated claims and premium experience net of increased fees and a gain due to an increase in the discount rate and other smaller experience adjustments.

Estimates are highly sensitive to changes in discount rates and health care cost trends.

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).

	2019 CI Impact	2018 CI Impact
1% decrease in the discount rate	$(8,500)	$ (6,403)
1% increase in the discount rate	$ 6,135	$ 4,664
1% decrease in the assumed health care cost trend rate	$ 5,824	$ 4,280
1% increase in the assumed health care cost trend rate	$(7,926)	$ (5,746)

11. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabil--itation	Subtotal	Claims Administration	Total 2019
Balance, beginning of year	$ 113,553	$ 1,277,818	$ 114,333	$ 411,321	$ 9,718	$ 1,926,743	$ 115,605	$ 2,042,348
Growth in present value of benefit liabilities	4,797	64,940	5,764	19,520	470	95,491	5,729	101,220
Actuarial experience Adjustments (a)	16,643	(69,799)	(1,030)	9,408	(2,703)	(47,481)	(2,848)	(50,329)
Total growth	21,440	(4,859)	4,734	28,928	(2,233)	48,010	2,881	50,891
Claims costs incurred	46,368	93,388	2,660	59,612	812	202,840	12,170	215,010
Less: Claims payments made	(53,801)	(121,231)	(10,006)	(66,868)	(767)	(252,673	(15,161)	(267,834)
Balance, end of year	$ 127,560	$ 1,245,116	$ 111,721	$ 432,993	$ 7,530	$ 1,924,920	$ 115,495	$ 2,040,415

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabil-itation	Subtotal	Claims Administration	Total 2018
Balance, beginning of year	$ 111,243	$ 1,228,629	$ 117,308	$ 408,843	$ 5,411	$ 1,871,434	$ 112,286	$1,983,720
Growth in present value of benefit liabilities	4,791	62,651	5,901	19,517	227	93,087	5,585	98,672
Actuarial experience Adjustments (a)	1,597	4,733	(764)	(12,581)	4,700	(2,315)	(138)	(2,453)
Total growth	6,388	67,384	5,137	6,936	4,927	90,772	5,447	96,219
Claims costs incurred	41,027	101,054	2,792	56,280	883	202,036	12,122	214,158
Less: Claims payments made	(45,105)	(119,249)	(10,904)	(60,738)	(1,503)	(237,499)	(14,250)	(251,749)
Balance, end of year	$ 113,553	$ 1,277,818	$ 114,333	$ 411,321	$ 9,718	$ 1,926,743	$ 115,605	$ 2,042,348

a) 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 2019, actuarial experience adjustments decreasing the benefits liabilities totalled $50,329. The adjustment included:
- A net decrease of $2,800 as a result of mortality experience.
- A net decrease of $63,200 as a result of lower than expected volume and cost of new Extended Earnings Replacement Benefits (EERBs), New Permanent Impairment Benefits (PIBs) and new survivor awards.
- A net decrease of $1,200 as a result of lower than anticipated inflation on awards in pay.
- A net decrease of $2,800 as a result of changes in the provision for future administrative costs.
- Other accumulated actuarial adjustments resulted in a net decrease of $1,329.
- A net increase of $21,000 as a result of changes in current and future expected payments.

In 2018, actuarial experience adjustments decreasing the benefits liabilities totalled $2,453. The adjustment included:
- A net decrease of $15,200 as a result of mortality experience.
- A net increase of $5,600 as a result of higher than expected cost of new Extended Earnings Replacement Benefits (EERBs) and new survivor awards.
- A net increase of $3,200 as a result of changes in current and future expected payments.
- A net increase of $2,525 as a result of a change in provision for occupational disease awards.
- A net increase of $1,700 as a result of higher than anticipated inflation on awards in pay.
- Other accumulated actuarial adjustments resulted in a net decrease of $278.

The Actuarial Standards Board requires workers' compensation organizations to include an estimation of liabilities for occupational disease during the latency period rather than when the occupational disease is confirmed through diagnosis. The liability for latent occupational disease is estimated at $87,865 and is included in the total benefits liability for 2019 (2018 - $87,948).

Actuarial Assumptions and Methods

All liabilities were calculated using an underlying assumption of 3.25 per cent in 2019 and 2018 for real rate of return on assets and a rate of increase in the CPI equal to 2.00 per cent. The gross rate of return that results from the CPI and the real rate of return assumptions is 5.25 per cent. The inflation assumptions and the resulting net interest rates are presented below:

2019 and 2018 Category	Expected Inflation	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits (LTD)	0.50% + CPI	2.50%	2.75%
All other LTD, Survivor Pensions	50% * CPI	1.00%	4.25%
Health Care	2.25% + CPI	4.25%	1.00%
All Others	CPI	2.00%	3.25%

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 2.0 per cent assumption for 2019 (2018 – 2.00 per cent) 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 and assumptions on the assets backing the benefits liabilities.

Real Rate of Return – The 3.25 per cent real rate of return assumption for 2019 (2018 – 3.25 per cent) 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 percentage 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 2019 assumptions for CPI of 2.0 per cent (2018 – 2.00 per cent) and real rate of return of 3.25 per cent (2018 – 3.25 per cent), the gross rate of return assumption is 5.25 per cent (2018 – 5.25 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 1.00 per cent (i.e. 50 per cent of 2.0 per cent); (2018 – 1.00 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 2.25 per cent higher than the general rate of inflation. As a result, medical inflation assumption is 4.25 per cent (i.e. 2.25 per cent + 2.00 per cent); (2018 – 4.25 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 2.50 per cent (2.00 per cent + 0.50 per cent); (2018 – 2.50 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. 2.00 per cent); (2018 – 2.00 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 10.00 per cent margin (i.e. mortality rates are reduced by 10.00 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 Extended Earnings Replacement Benefits (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 for EERB awards were developed for the 2008 valuation. In 2017, the run off tables for PIBs were updated to reflect increasing PIB experience. 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 benefit liabilities determined in the report are estimated using many actuarial assumptions. The two most significant assumptions are the long-term real rate of return (3.25 per cent) and the long-term inflation rate (2.50 per cent). The liability estimates are highly sensitive to small changes in these assumptions. The following table provides examples of their sensitivity along with the implied investment rate for the test.

Section 5460 of the actuarial standards of practice for Public Personal Injury Compensation Plans requires that plans (at minimum) provide sensitivity testing for certain specified scenarios. These mandated scenarios are tested, along with other plausible scenarios, in the table below. The scenarios tested can be summarized as follows:

1. Scenario 1 tests the impact of a 1.00 per cent decrease in the assumed rate of investment returns.
2. Scenario 2 provides an integrated test of the impact of a high inflation, low real rate of return environment.
3. 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 (can also be thought of as a market value based measurement of the liabilities).
4. Scenario 4 provides the impact of a 1.00 per cent increase in the assumed healthcare inflation rate.

Sensitivity of Valuation Assumptions

	Assumptions			Change to Liabilities and Incurred Claims		
	Real Return	Inflation	Investment	Effect	Liabilities	Incurred Claims
1	2.25%	2.00%	4.25%	Increase	$ 163,551	$ 16,336
2	2.25%	3.00%	5.25%	Increase	$ 114,707	$ 12,186
3	1.70%	1.30%	3.00%	Increase	$ 304,551	$ 29,929
4	Increase Health Care Inflation Rate by 1.00%			Increase	$ 56,295	$ 4,358

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 Nova Scotia 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 (see page 42) 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 2010, and year of estimate 2010 (i.e. $291,200). This figure was the estimated total cash flows expected to be paid on accidents in 2010, as measured at December 31, 2010. The amount in accident year 2010, and year of estimate 2019 (i.e. $219,752) 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 2010 through 2019, as well as the liability for accident years prior to 2010.

12. ASSESSMENT REVENUE

	2019	2018
Assessed employers	$ 315,099	$ 300,073
Assessment reporting penalties and interest	841	1,487
Practice incentive rebates and surcharge refunds	(3,252)	(3,182)
Assessment revenue	312,688	298,378
Administration fee revenue		
Self-insured employers (Note 16)	7,352	7,151
Revenue from employers	$ 320,040	$ 305,529

Practice incentive rebates and surcharge refund programs 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

	2019	2018
Salaries and staff expense	$ 40,362	$ 38,626
Professional, consulting and service fees	7,436	8,898
Services contracted	4,951	3,759
Depreciation	4,084	2,184
Building operations	2,674	2,492
Communications	1,106	1,038
Supplies	779	757
Travel and accommodations	684	701
Training and development	350	393
	62,426	58,848
Change in liability for future administration costs (Note 11)	(2,990)	(2,128)
	$ 59,436	$ 56,720

14. SYSTEM SUPPORT

System support costs are costs associated with providing support and funding for the Workplace Safety Insurance System (WSIS) agencies and the Office of the Employer Advisor and the Office of the Worker Counsellor. Both offices are focused on improving the ease of stakeholders interacting with the Workplace Safety and Insurance System agencies.

Claims Development Table
Note 11 – Benefits Liabilities (continued)

	Year of Estimate	Accident Year 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimated Total Cash Flow (including Past and Future Cash Flows)	2010	$ 291,200										$ 291,200
	2011	285,756	$ 307,785									593,541
	2012	257,080	272,468	$ 292,523								822,071
	2013	250,970	257,182	280,830	$ 308,160							1,097,142
	2014	236,287	232,763	242,790	275,937	$ 293,068						1,280,845
	2015	228,787	221,940	227,030	258,543	275,718	$ 293,116					1,505,134
	2016	228,306	220,043	218,202	253,355	259,320	287,475	$ 309,241				1,775,942
	2017	219,448	210,233	201,626	235,571	241,904	260,226	282,282	$ 299,129			1,950,419
	2018	219,718	211,316	204,077	241,034	237,833	257,554	274,944	299,625	$ 322,735		2,268,836
	2019	219,752	209,368	201,232	234,716	228,728	249,629	255,353	276,400	306,018	$320,637	2,501,833
Current (2019) Estimate of Total Cash Flow		219,752	209,368	201,232	234,716	228,728	249,629	255,353	276,400	306,018	320,637	2,501,833
Total Cash Flows Paid to December 31, 2019		122,580	107,823	99,192	104,879	93,318	90,156	84,178	78,267	68,272	29,921	878,586
Estimated Future Cash Flows		97,172	101,545	102,040	129,837	135,410	159,473	171,175	198,133	237,746	290,716	1,623,247
Impact of Discounting		36,494	38,169	40,207	50,724	53,759	62,374	67,160	78,016	94,951	112,688	634,542
Liability in Respect of Accident Years 2010 to 2019		$ 60,678	$ 63,376	$ 61,833	79,113	$ 81,651	$ 97,099	$ 104,015	$ 120,117	$ 142,795	$ 178,028	988,705
Liability for Accident Years 2009 and prior												853,323
Claims Administration												110,522
Latent Occupational Disease Provision												87,865
Benefits liabilities as at December 31, 2019												$ 2,040,415

15. LEGISLATED OBLIGATIONS

	2019	2018
Occupational Health and Safety	$ 11,686	$ 11,172
Workers' Advisers Program	3,608	3,317
Workers' Compensation Appeals Tribunal	1,924	1,810
	$ 17,218	$ 16,299

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.

Combined with the Workers' Advisers Program are the Injured Workers' Associations which 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.

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.

16. SELF-INSURED EMPLOYERS

Self-insured employers – federal and provincial government bodies directly bear the costs of their own incurred claims. The WCB administers these claims and charges self-insured employers an administration fee based on their pro-rata share of WCB administration costs and it is included in revenue on the Statement of Comprehensive Income.

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. Section 134.3 of the *Act* references that self-insured employers are liable individually to pay an amount based on the cost of claims plus administrative costs incurred by the Board with respect to those claims. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

During the year, the following administration fee revenue and claims cost reimbursements were levied:

	2019	2018
Administration fee revenue	$ 7,352	$ 7,151
Claims cost reimbursements		
Short-term disability	$ 8,262	$ 5,987
Long-term disability	19,881	17,506
Survivor benefits	1,009	2,369
Health care	7,334	7,248
	$ 36,486	$ 33,110

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:

	2019	2018
Administration fee revenue	$ 1,994	$ 1,830
Claims costs recoveries	$ 5,859	$ 5,266

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, 2019, the amount receivable from the Province of Nova Scotia was $4,419 (2018 – $3,057) 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.

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	2019	2018
Construction	Nova Scotia Construction Safety Association	$ 2,202	$ 2,036
Trucking	Nova Scotia Trucking Safety Association	351	323
Fishing	Fisheries Safety Association of Nova Scotia	256	242
Forestry	Forestry Safety Society	166	159
Auto Retailers	Nova Scotia Automobile Dealers' Safety Association	134	129
Retail Gasoline	Retail Gasoline Dealers' Association	31	31
		$ 3,140	$ 2,920

WCB Salaries and Benefits (in actual dollars)

	2019						2018	
	Number of Individuals	Salary	Benefits	Other	Total	Notes	Number of Individuals	Total
Chair, Board of Directors	1	$ 39,300	$ 42	$ -	$ 39,342		1	$ 36,541
Board of Directors	9	164,800	7,906	-	172,706		9	128,248
	10	204,100	7,948	-	212,048	1	10	164,790
Chief Executive Officer	1	281,528	25,974	26,690	334,192		1	318,834
Chief Financial Officer	1	175,752	26,350	4,236	206,338		1	203,197
VP People and Change	1	175,752	23,812	4,236	203,800		1	200,396
VP Prevention and Service Delivery	1	175,752	26,315	14,376	216,443		1	213,765
	4	808,784	102,451	49,538	960,773		4	936,192
Staff Salaries & Benefits	468	31,143,365	5,425,366	686,761	37,255,492	2	440	33,842,533
Average 2019–$79,342; 2018–$76,915								
Post-employment Benefits			2,034,406		2,034,406		-	3,775,465
Administration-Salaries & Benefits	482	$ 32,156,249	$ 7,570,171	$ 736,299	$ 40,462,719	3	454	$ 38,718,980

[1] 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.

[2] This figure represents the average number of employees on payroll during the fiscal year.

[3] Salary includes regular base pay, and settlement provisions of the collective agreement. 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 2019 of $40,462,719 (2018 – $38,718,980) varies by $100,394 (2018 – $93,263) from Note 13 in the financial statements due to travel allowance disclosed in 'Other', which is posted to 'Travel and accommodations' in Note 13.

19. COMMITMENTS

Leases

The WCB leases office space which has been recorded in the financial statements as right of use assets.

The WCB also has right of use asset 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. Leased equipment assets are pledged as collateral for the related right of use assets.

The maturity analysis of all lease liabilities at December 31 is as follows:

	Within one Year	Within one to five years	Total
2019			
Lease payments	$ 844	$ 1,382	$ 2,226
Finance charges	(78)	(76)	(154)
Net Present Value	$ 766	$ 1,306	$ 2,072
2018			
Lease payments	$ 72	$ 124	$ 196
Finance charges	(13)	(11)	(24)
Net Present Value	$ 59	$ 113	$ 172

The WCB's liquidly risk inherent in the maturity of lease liabilities is low. The WCB has a capital management plan to fund current operations. See note 21 for further details. The future aggregate minimum lease payments for payments not included in the measurement of lease liabilities is as follows:

	2019	2018[(1)]
Within 1 year	$ 1,047	$ 1,022
More than 1 year and up to 5 years	1,740	2,430
Later than 5 years	-	189
Total	$ 2,787	$ 3,641

1 2018 figures were restated to conform with IFRS 16 for comparative purposes.

Investment Commitments

There are undrawn investment commitments for certain limited partnerships and pooled funds. See Note 6 *"Investments"*.

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 2019 were $2,697 (2018 – $2,820) 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 96.5 per cent (2018 – 85.5 per cent).

22. SUBSEQUENT EVENTS

The World Health Organization (WHO) officially declared COVID-19 (the disease caused by a novel coronavirus) a pandemic on March 11, 2020. Management is closely monitoring the evolution of this pandemic, including how it may affect the WCB, the economy and our stakeholders. The extent of the impact of COVID-19 on the WCB's operational and financial performance will depend on future developments, including the duration, spread of the outbreak and restrictions that are mandated. Management is not able to determine the financial impact of these events.

The WCB has taken actions to keep employees, the general public and those we serve, safe:

- The WCB has a pandemic plan and is following the advice of public health organizations.
- Employees have transitioned to working from home to ensure continuity of service to injured workers and employers.
- The WCB has provided a six month deferral to employers on payment of premiums and waiver of interest and penalties, and,
- The WCB has successfully increased the borrowing capacity with our bank to ensure ongoing payments to injured workers during the deferral period.

Investments: Change in Fair Market Value (FMV) of investments subsequent to year-end

Investment markets have experienced significant decline related to the COVID-19 outbreak. Subsequent to year-end, the WCB's investment portfolio experienced significant volatility in the fair value of the investments. The duration and extent of the economic impact of the COVID-19 outbreak and resulting impact on the WCB's investment portfolio is unclear at this time. These subsequent changes in the fair value of the investments are not reflected in the financial statements as at December 31, 2019.

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, 2019, 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 $2,040,415,000 represents the actuarial present value at December 31, 2019, 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, 2019. The liabilities include a provision for future administrative expenses. The liabilities also include a 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 3.25% per annum for the real rate of return on invested assets and 2.00% 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 1.00% 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 2.00% 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, an inflation rate of 4.25% per annum was used, reflecting the greater expected inflation and utilization rate for this benefit category.

We consider the COVID-19 pandemic and its consequences to be a subsequent event with regard to our work on the December 31, 2019 benefit liability valuation. The emerging impact of COVID-19 on the Board's liabilities is not known at this time, however, any impact will be reflected in future valuations. We are not aware of any other events subsequent to the valuation date that would have a material impact on our liability calculations.

It is our opinion that:

- the data on which the valuation is based are sufficient and reliable for the purpose of the valuation;
- the assumptions are appropriate for the purpose of the valuation;
- the methods employed in the valuation are appropriate for the purpose of the valuation; and
- the amount of the benefits liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.

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

WORK SAFE. FOR LIFE.
WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

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

Working in collaboration with workers, employers and our partners, the WCB's goals are to:

- Build a **workplace safety culture;**
- Improve outcomes for **safe and timely return to work;**
- Be **financially stable and sustainable;**
- **Expand strategic relationships** to enhance the commitment to workplace health and safety and return to work across the province;
- Provide **excellent and efficient service,** leveraging technology to meet worker and employer expectations.

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.

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