

# WCB Nova Scotia Summary of Financial Results Second Quarter 2019

Year-to-date results as of June 30<sup>th</sup>:

Revenues exceeded expenses for a comprehensive income of \$130.8 million, decreasing the unfunded liability. The funded ratio is currently 91.9 per cent compared to 85.5 per cent at December 31, 2018.

- Primarily due to investment income – strong market returns in the first half of the year with a six month return of 9.2% resulting in investment income of \$164.0 million.
- The current approved funding strategy expectation is comprehensive income of \$62.9 million for the year. Current projections indicate the year will end with comprehensive income in excess of this amount.
- These results are not necessarily a prediction of what will take place for the remainder of the year, as investment returns and actuarial adjustments may be subject to significant change over the remaining six months.

# Table of Contents

---

Summary of Financial Results	3
Statement of Financial Position	6
Statement of Operations	7
Statement of Changes in Unfunded Liability	8
Statement of Operations and Comprehensive Income Actual, Forecast, and Budget	9
Statement of Cash Flows	10
Administration and Other Expenses – Program Area	11
Variance Analysis – Program Area	12
Summary of Project Spending	17
Notes to Quarterly Financial Statements	20

## **SUMMARY OF FINANCIAL RESULTS SECOND QUARTER 2019**

### **Statement of Financial Position**

WCB Nova Scotia's (WCB) asset base at June 30, 2019 was \$1,968.9 million, an increase of \$89.5 million as compared to June 30, 2018. This was primarily due to increases in the market value of investments and capital assets added through the business transformation project.

These financial statements reflect IFRS 16 Lease Accounting standard changes effective January 1, 2019. As of this date, all leases are considered finance leases with a right to use asset and a liability recorded on the statement of financial position. This standard means there is an increase in capital assets with accompanying liabilities but not a significant impact on year over year expenses reported. The office space leases (Fenwick Street and Charlotte Street) have been recorded as an asset and with a corresponding lease liability of \$2.6 million on January 1, 2019. The asset and liability is initially recorded at the present value of the future lease payments. Previously the lease payments were recorded as a lease expense.

Benefits for injuries occurring during the year are paid in the year of injury and for some workers, for many years in the future. The WCB maintains an investment portfolio to secure the payment of benefits in the future. The WCB benchmark investment portfolio asset mix as at June 30, 2019 includes public equity at 43.2 per cent, fixed income at 32.0 per cent, hedge funds at 10.0 per cent, real estate at 10.0 per cent and alternative investments at 4.8 per cent. At any given time, the fund's asset allocation may differ from the benchmark.

Benefits liabilities of \$2,068.6 million increased \$62.6 million from June 30, 2018 to June 30, 2019. These liabilities have been estimated for the first six months of the year based on a mid-year valuation performed on data as of May 31, 2019 and projected forward for the remainder of the year. Benefits liabilities estimates could vary significantly when the annual valuation is prepared by an independent actuarial consultant at year end.

The unfunded liability of \$173.0 million decreased \$31.7 million from June 30, 2018.

### **Statement of Operations**

There was a Comprehensive Income of \$130.8 million for the six months ended June 30, 2019, resulting in a decrease to the unfunded liability. The current funding strategy, approved in June 2019 and with budget revisions anticipates Comprehensive Income of \$62.9 million. The year-to-date Comprehensive Income is tracking better than plan at this point, primarily driven by investment returns which can vary depending on market volatility. The impact on the funding strategy will be measured as the variance of the 2019 Comprehensive Income to the funding strategy estimate.

These results are not necessarily a prediction of what will take place for the remainder of the year. Investment returns and actuarial adjustments may be subject to significant change over the next six months. As the date when the unfunded liability will be eliminated approaches, the sensitivity to changes increases with any negative impacts representing a challenge as there will be limited market cycles over which to recover.

## **Revenue**

Assessment revenue year-to-date is \$155.8 million composed of insured firms' revenue of \$152.1 million and \$3.7 million from administering self-insured claims. Assessment revenue increased \$7.8 million (5.3 per cent) versus the same period in 2018 reflecting timing of employer activity and remittances. Insured firms' revenue includes funds collected for rebate and refund programs of \$1.7 million.

Investment income year-to-date is \$164.0 million, an increase of \$122.3 million over the same period in 2018. Investment income is the result of gains of \$168.3 million, Interest & Dividends income of \$0.1 million, less \$4.4 M in manager fees. Investment markets rebounded in the first half of 2019 and the year-to-date return was 9.2 per cent, as compared to the benchmark return of 10.2 per cent. The benchmark is useful for assessing performance of the fund over the longer term. The fund is diversified and positioned for long term results and it is not unexpected to lag the benchmark during market rebounds in the short term. Results year-to-date are not necessarily indicative of what will happen during the remainder of the year.

## **Claims Costs Incurred, Growth in Present Value of Benefits Liability and Experience Adjustments**

Claims costs incurred of \$102.8 million are an increase of \$8.0 million (8.4 per cent) over the same period of 2018 and are estimated for the first six months of the year based on a mid-year valuation performed for data as of May 31, 2019 and projected for the remainder of the year.

The year-to-date net growth in the present value of the benefits liability and actuarial experience adjustments was \$46.0 million. The growth component was \$51 million, offset by estimated favourable actuarial experience adjustments of \$5.0 million. Favourable actuarial experience adjustments are currently projected in Long Term disability and Health Care and to a lesser extent in Rehabilitation, offset by an unfavourable adjustment in Short Term Disability.

## **Administrative Expenditures (Operating, Projects, and Capital)**

Year-to-date operating expenditures were \$26.5 million with a \$1.1 million favourable variance from the \$27.6 million year-to-date budget, excluding capital and projects. Including projects and capital, the total administrative variance was a favourable \$2.1 million on expenditures of \$35.2 million. Favourable operating variances primarily relate

to salary and benefits, operating capital, professional fees and smaller variances in other areas. Variances are expected to be utilized by year end.

### **Legislated Obligations**

Legislated Obligations expenditures were \$8.9 million with a \$0.3 million favourable variance from budget. Both Occupational Health and Safety and the Workers Compensation Appeals Tribunal variances were favourable offset by an unfavourable variance in the Workers Advisors Program.

### **Statement of Cash Flow**

The Statement of Cash Flows demonstrates the use of cash year-to-date, with cash and cash equivalents of \$1.0 million at June 30, 2019. This was a decrease of \$6.4 million from June 30, 2018.

**WCB NOVA SCOTIA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT**

	<b>JUNE 30 2019 (Unaudited) (\$000s)</b>	<b>JUNE 30 2018 (Unaudited) (\$000s)</b>	<b>DECEMBER 31 2018 (audited) (\$000s)</b>
<b>Assets</b>			
Cash & cash equivalents	\$ 997	\$ 7,433	\$ -
Receivables	33,410	30,155	30,328
Investments	1,896,210	1,814,930	1,732,515
Property and equipment	6,482	4,299	4,390
Intangible assets	31,809	22,577	29,407
	<u>\$ 1,968,908</u>	<u>\$ 1,879,394</u>	<u>\$ 1,796,640</u>
<b>Liabilities and Unfunded Liability</b>			
Bank indebtedness	\$ -	\$ -	\$ 8,692
Payables, accruals & lease liabilities	36,188	34,098	26,035
Post employment benefits	24,196	32,539	23,356
Benefits liabilities	2,068,561	2,005,957	2,042,348
	<u>2,128,945</u>	<u>2,072,594</u>	<u>2,100,431</u>
Deferred revenue	13,000	11,500	-
Unfunded liability	<u>(173,037)</u>	<u>(204,700)</u>	<u>(303,791)</u>
	<u>\$ 1,968,908</u>	<u>\$ 1,879,394</u>	<u>\$ 1,796,640</u>

**WCB NOVA SCOTIA  
STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED JUNE 30  
(UNAUDITED)**

	<b>SECOND QUARTER 2019 (\$000s)</b>	<b>SECOND QUARTER 2018 (\$000s)</b>	<b>YTD JUNE 30 2019 (\$000s)</b>	<b>YTD JUNE 30 2018 (\$000s)</b>
<b>Revenue</b>				
Assessments	\$ 79,489	\$ 77,844	\$ 155,765	\$ 147,928
Investment income	<u>47,261</u>	<u>23,127</u>	<u>164,000</u>	<u>41,741</u>
	<u>126,750</u>	<u>100,971</u>	<u>319,765</u>	<u>189,669</u>
<b>Expenses</b>				
Claims costs incurred				
Short-term disability	11,041	9,110	22,052	19,642
Long-term disability	23,282	26,113	49,803	49,207
Survivor benefits	549	138	1,207	492
Health care	15,666	11,933	29,244	25,137
Rehabilitation	<u>336</u>	<u>(1)</u>	<u>529</u>	<u>384</u>
	50,874	47,293	102,835	94,862
Growth in present value of benefits liabilities and actuarial adjustments and adjustment for latent occupational disease	22,229	21,401	46,036	43,977
Administration costs	16,855	14,781	30,725	29,624
System support	245	213	490	427
Legislated obligations	<u>4,514</u>	<u>4,110</u>	<u>8,925</u>	<u>8,178</u>
	<u>94,717</u>	<u>87,798</u>	<u>189,011</u>	<u>177,068</u>
<b>Excess of revenues over expenses applied to reduce the unfunded liability</b>	<u>\$ 32,033</u>	<u>\$ 13,173</u>	<u>\$ 130,754</u>	<u>\$ 12,601</u>

WCB NOVA SCOTIA  
STATEMENT OF CHANGES IN UNFUNDED LIABILITY  
FOR THE SIX MONTHS ENDED JUNE 30  
(UNAUDITED)

	SECOND QUARTER 2019 (\$000s)	SECOND QUARTER 2018 (\$000s)	YTD JUNE 30 2019 (\$000s)	YTD JUNE 30 2018 (\$000s)
<b>Unfunded liability excluding accumulated other comprehensive income</b>				
Balance, beginning of period	\$ (205,070)	\$ (217,873)	\$ (301,084)	\$ (209,185)
Excess of revenues over expenses	<u>32,033</u> <u>(173,037)</u>	<u>13,173</u> <u>(204,700)</u>	<u>130,754</u> <u>(170,330)</u>	<u>12,601</u> <u>(196,584)</u>
<b>Accumulated other comprehensive income</b>				
Balance, beginning of Year	-	-	(2,707)	(8,116)
No change in balance during period	<u>-</u>	<u>-</u>	<u>(2,707)</u>	<u>(8,116)</u>
<b>Unfunded liability end of period</b>	<b>\$ <u>(173,037)</u></b>	<b>\$ <u>(204,700)</u></b>	<b>\$ <u>(173,037)</u></b>	<b>\$ <u>(204,700)</u></b>



**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA  
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED JUNE 30  
AND THE BUDGET & FUNDING STRATEGY FORECAST FOR THE YEAR ENDING DECEMBER 31, 2019  
(UNAUDITED)**

	YTD 2019 (\$000s)	YTD 2018 (\$000s)	FORECAST <sup>1</sup> 2019 (\$000s)	BUDGET 2019 (\$000s)
<b>REVENUE</b>				
Assessments	\$ 155,765	\$ 147,928	\$ 316,434	\$ 310,714
Investment income	164,000	41,741	128,499	103,800
	<u>319,765</u>	<u>189,669</u>	<u>444,933</u>	<u>414,514</u>
<b>EXPENSES</b>				
Claims costs incurred				
Short-term disability	22,052	19,642	44,760	42,216
Long-term disability	49,803	49,207	102,086	94,103
Survivor benefits	1,207	492	2,876	1,688
Health care	29,244	25,137	56,672	53,651
Rehabilitation	529	384	909	747
	<u>102,835</u>	<u>94,862</u>	<u>207,303</u>	<u>192,405</u>
Growth in present value of benefits liabilities and actuarial adjustments and adjustment for latent occupational disease	46,036	43,977	90,273	92,398
Administration costs	30,725	29,624	65,124	64,972
System support	490	427	1,017	1,017
Legislated obligations	8,925	8,178	18,285	18,437
	<u>189,011</u>	<u>177,068</u>	<u>382,002</u>	<u>369,229</u>
Excess of revenues over expenses applied to reduce the unfunded liability	\$ <u>130,754</u>	\$ <u>12,601</u>	\$ <u>62,931</u>	\$ <u>45,285</u>

1 Funding Strategy forecast for 2019 updated based on budget changes to 2019 forecast per the new funding strategy presented in June 2019.

**WCB NOVA SCOTIA  
STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30  
(UNAUDITED)**

	<b>June 30 2019 (\$000's)</b>	<b>June 30 2018 (\$000's)</b>
<b>Operating Activities</b>		
Cash received from:		
Employers, for assessments	\$ 166,546	\$ 158,962
Investment income	<u>(3,473)</u>	<u>403</u>
	163,073	159,365
 Cash paid to:		
Claimants or third parties on their behalf	(121,617)	(116,227)
Suppliers, for administrative and other goods and services	<u>(32,203)</u>	<u>(31,912)</u>
	(153,820)	(148,139)
 <b>Net cash provided by operating activities</b>	 <u>9,253</u>	 <u>11,226</u>
<b>Investing Activities</b>		
Increase in investments	3,770	(100)
Cash paid for:		
Purchase of equipment	<u>(3,334)</u>	<u>(10,563)</u>
 <b>Net cash provided by (used in) investing activities</b>	 <u>436</u>	 <u>(10,663)</u>
 <b>Net increase in cash and cash equivalents</b>	 <u>9,689</u>	 <u>563</u>
(Bank indebtedness), Cash and cash equivalents, beginning of year	<u>(8,692)</u>	<u>6,870</u>
 <b>Cash and cash equivalents end of period</b>	 <u>\$ 997</u>	 <u>\$ 7,433</u>

# Workers' Compensation Board of Nova Scotia

## Administration and Other Expenses Summary

For the 6 Periods Ending June 30, 2019

Program Area	2019 Actual YTD	2019 Budget YTD	2019 YTD Variance	2019 % Variance	2018 Actual YTD	2019 Revised Budget	2019 Original Budget	2019 Forecast
Salary & Staff Expense	\$18,421,444	\$19,719,361	(\$1,297,918)	(6.58%)	\$8,915,638	\$40,251,000	\$40,251,000	\$39,352,000
Training & Development	197,740	257,577	(59,837)	(23.23%)	110,963	623,000	623,000	563,000
Travel & Accommodation	307,038	353,149	(46,111)	(13.06%)	118,387	724,000	724,000	678,000
Services Contracted	924,771	949,005	(24,234)	(2.55%)	423,081	1,908,000	1,908,000	1,908,000
Building Operations	1,285,233	1,271,906	13,327	1.05%	604,613	2,544,000	2,544,000	2,604,000
Supplies	413,667	388,313	25,354	6.53%	213,207	780,000	780,000	780,000
Communications	595,274	512,336	82,938	16.19%	151,024	1,002,000	1,002,000	1,002,000
Professional Fees	1,729,989	1,578,738	151,251	9.58%	714,385	3,245,000	3,245,000	3,245,000
Depreciation	2,615,000	2,615,000	0	0.00%	517,257	5,230,000	5,230,000	5,830,000
<b>Operations</b>	<b>\$26,490,156</b>	<b>\$27,645,385</b>	<b>(\$1,155,229)</b>	<b>(4.18%)</b>	<b>\$11,768,554</b>	<b>\$56,307,000</b>	<b>\$56,307,000</b>	<b>\$55,962,000</b>
Capital - WCB	\$327,669	\$682,500	(\$354,831)	(51.99%)	\$80,294	\$1,365,000	\$1,365,000	\$1,365,000
<b>Total Operations</b>	<b>\$26,817,825</b>	<b>\$28,327,885</b>	<b>(\$1,510,060)</b>	<b>(5.33%)</b>	<b>\$11,848,848</b>	<b>\$57,672,000</b>	<b>\$57,672,000</b>	<b>\$57,327,000</b>
<b>Projects</b>	<b>8,363,946</b>	<b>8,979,067</b>	<b>(615,121)</b>	<b>(6.85%)</b>	<b>8,667,020</b>	<b>20,914,000</b>	<b>14,455,000</b>	<b>19,238,000</b>
Workplace Safety and Insurance System	\$55,745	\$73,975	(\$18,230)	(24.64%)	\$1,735	\$149,000	\$149,000	\$149,000
Office of the Employer Advisor	226,185	226,000	185	0.08%	221,671	452,000	452,000	452,000
Office of the Worker Counsellor	208,261	208,000	261	0.13%	204,105	416,000	416,000	417,000
<b>System Support</b>	<b>\$490,191</b>	<b>\$507,975</b>	<b>(\$17,784)</b>	<b>(3.50%)</b>	<b>\$427,510</b>	<b>\$1,017,000</b>	<b>\$1,017,000</b>	<b>\$1,018,000</b>
Occupational Health & Safety	\$6,083,965	\$6,331,500	(\$247,535)	(3.91%)	\$5,614,780	\$12,663,000	\$12,663,000	\$12,168,000
Workers' Compensation Appeals Tribunal	923,238	1,126,500	(203,262)	(18.04%)	898,085	2,253,000	2,253,000	2,253,000
Workers Advisers Program	1,917,408	1,760,500	156,908	8.91%	1,664,700	3,521,000	3,521,000	3,835,000
<b>Legislated Obligations</b>	<b>\$8,924,611</b>	<b>\$9,218,500</b>	<b>(\$293,889)</b>	<b>(3.19%)</b>	<b>\$8,177,565</b>	<b>\$18,437,000</b>	<b>\$18,437,000</b>	<b>\$18,256,000</b>
<b>Total Administration</b>	<b>\$44,596,573</b>	<b>\$47,033,427</b>	<b>(\$2,436,855)</b>	<b>(5.18%)</b>	<b>\$29,120,943</b>	<b>\$98,040,000</b>	<b>\$91,581,000</b>	<b>\$95,839,000</b>

**\*Notes:**

1. Total Administration cost (as above)	\$26,490,156
Total Project expense	5,357,390
Decrease in liability for future Admin costs	(1,122,157)
<b>Total Admin, Per Financial Statement</b>	<b><u>\$30,725,389</u></b>

Original Budget	\$91,581,000
Projects Increase	3,659,000
Projects Carryforward from 2018	2,800,000
Revised Budget	<b><u>\$98,040,000</u></b>

## Variance Analysis – By Program Q2 – 2019

### Operational:

- A favourable \$1.2 million variance from the \$27.6 million second quarter budget, excluding operating capital and projects.
- Salary and Benefits \$1.3 million is under budget primarily due to staffing vacancies and an under budget variance in Post-Employment Benefits. It is anticipated that this will be utilized in the last half of the year through overtime, vacation payout, and temporary staffing.
- Training & Development \$0.06 million under budget due to less external and focus on internal systems training during pre 'Go Live' of Guidewire.
- Travel & Accommodation \$0.05 million under budget due to less need during pre 'Go Live' of preparations for Guidewire.
- Supplies \$0.03 million over budget due to increased postage rates and additional postage for mail outs to notify workers and employers on what to expect post 'go live' of Guidewire.
- Communications \$0.08 million over spent due to the timing of social marketing and advertising campaigns.
- Professional Fees \$0.15 million over spent primarily due to the timing of initiatives in several departments.

### Non – Operational:

- Legislated Obligations were \$0.3 million under budget, with favourable variance spread between OHS and WCAT and offset by an over budget variance with WAP.

## Q2 Variance Analysis – By Program June 30, 2019

### Salaries & Staff Expense

Actual	Budget	Var.\$	Var.%
\$18,421,444	\$19,719,361	(\$1,297,917)	(6.58%)

#### Variance Breakdown:

Salary and Benefits	(\$1,277,000)
Staff Expense	(200,000)
Overtime	<u>179,000</u>
Total Variance	<u>(\$1,298,000)</u>

Salary and Benefits were net under budget \$1,277,000. This favourable variance resulted from staffing vacancies of \$842,000 and related benefits of \$229,000. The remaining favorable variance relates to Post-Employment Benefits of \$206,000 for a favorable actuarial experience from the prior year and is forecasted to be \$416,000 under budget at year end. It is anticipated that this variance will be utilized in the last half of the year through overtime, vacation payout, and temporary staffing.

Staff Expense was under spent \$200,000 mainly due to favourable variances in Staff Arrangements of \$156,000, Health Spending Account \$19,000, Team Building \$16,000 and Staff Expense Recruitment \$15,000. These are timing related and are expected to be utilized throughout the remainder of the year. The remaining over spent variance in Staff Expense of \$6,000 was related to timing of budget for Staff recognition.

Overtime was over budget \$179,000 at the end of the second quarter and is forecasted to be over budget at year end. In addition, unused vacation expense is expected to be over budget as efforts have been focused on pre and post guidewire implementation readiness.

### Training & Development

Actual	Budget	Var.\$	Var.%
\$197,740	\$257,577	(\$59,837)	(23.23%)

The \$60,000 under budget variance was mainly due to the following departments: Human Resources \$29,000, Health & Extended Benefits \$12,000, Information Technology Services \$8,000 and Large Workplaces \$6,000. Focus was on internal systems training pre 'go live' of Guidewire. The remaining \$5,000 favourable variance was spread amongst the other departments. These favourable variances are reserved to cover budget overages elsewhere.

### **Travel & Accommodation**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$307,038	\$353,149	(\$46,111)	(13.06%)

The \$46,000 under budget variance was mainly due to the following departments: Large Workplaces \$31,000, Workplace Services and Internal Appeals \$13,000, and Central Services \$8,000 with less travel during pre 'Go Live' of Guidewire. These favourable variances are reserved to cover budget overages elsewhere. This was offset by Legal Services with an unfavourable variance of \$7,000 due to the timing of their budget. The remaining \$1,000 favourable variance was spread amongst the other departments.

### **Supplies**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$413,667	\$388,313	\$25,354	6.53%

Core Operational Resources was over spent \$52,000 due to increased postage rates and additional postage for mail outs to notify workers and employers on what to expect post 'go live' of Guidewire. This was offset by Information Technology Services with a favourable variance of \$28,000 due to the timing of maintenance contracts. The remaining \$1,000 unfavourable variance was spread amongst the other departments.

### **Communications**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$595,274	\$512,336	\$82,938	16.19%

Communications was over spent \$75,000 due to timing of social marketing and advertising campaigns; the budget is expected to be fully utilized at year end. The remaining \$8,000 under spent variance was spread amongst various departments.

### **Professional Fees**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$1,729,989	\$1,578,738	\$151,251	9.58%

The \$157,000 unfavorable variance was due to the following departments: Legal Services \$84,000 for additional external legal counsel required for larger case files and the timing of third party recoveries; Health & Extended Benefits \$71,000 related to timing of Medical PMIs; Partnerships and Policy \$53,000 due to timing of Workplace Safety Strategy work; Communications \$30,000 due to the timing of budget for prevention initiatives; and Business Intelligence \$17,000, Corporate Development \$16,000 and Information Technology Services \$14,000 for timing of consulting services. This was offset by under budget variances in the following departments: Internal Audit \$46,000 as Risk Advisory work is now covered in the BTAP project; Human Resources \$36,000, Leadership & Governance \$23,000, and Corporate Operational Resources \$15,000 for timing of consulting services; and Financial Services \$14,000 due to timing of audit fees.

### **Depreciation**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$2,615,000	\$2,615,000	(\$0)	(0%)

Depreciation was based on existing assets and actual purchases to date. The depreciation on the new Guidewire System has not commenced as of June 30. As per International Financial Accounting Standards once depreciation commences, generally, any defects or enhancements will be expensed versus capitalized. The 2019 budget planned for enhancement work and any defects to be added to the capital account and depreciated over time.

### **Occupational Health & Safety (OH&S)**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$6,083,965	\$6,331,500	(\$247,535)	(3.91%)

This represents the estimated expense to WCB for the 2019 fiscal year. The estimated expense was based on the forecast provided by the Province of Nova Scotia as at July 26, 2019 with 25% of the 2018/19 actuals plus 75% of the 2019/2020 forecasted budget.

**Workers' Compensation Appeals Tribunal (WCAT)**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$923,238	\$1,126,500	(\$203,262)	(18.04%)

This amount reflects invoicing to June 30, 2019 for WCAT as provided by the Department of Justice.

**Workers' Advisers Program (WAP)**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$1,917,408	\$1,760,500	\$156,908	8.91%

This represents the estimated expense to WCB for the 2019 fiscal year. The estimated expense was based on the forecast provided by the Province of Nova Scotia as at July 26, 2019 with 25% of the 2018/19 actuals plus 75% of the 2019/2020 forecasted budget.

**Projects**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$8,363,946	\$8,979,067	(\$615,121)	(6.85%)

This represents the total project expenditures at the end of the second quarter which includes \$3,006,556 in capital and \$5,357,390 in expenses. See spending and budget details by project.



**Non-BTAP Project Expenditure Summary**  
As at June 30, 2019

Project Number / Name	2019 Actual	2019 YTD Budget	2019 Variance	2019 % Variance	2019 Refined Budget	2019 % Variance (Actual to Refined Budget)	2019 Forecast
192201 Health and Community Services Action Plan	\$240,519	\$247,303	(\$6,784)	(2.74%)	\$500,000	48.10%	\$500,000
<b>Description:</b> A multi-stakeholder, sector-wide response to the high number of work-related injuries and illnesses being reported by Nova Scotian health care and community services workers. The overall objective is to develop a five year strategic plan that will result in significant and sustainable improvement in the occupational health and safety outcomes for Nova Scotia's health and community services sectors.	<b>Status Report:</b> 2019 expenses include salary and benefits for the Relationship Manager, as well as external consultant fees for the Project Manager, Barrington Consulting Group, NS Health & Community Services Safety Association salary expenses and the Health Care Human Resource Sector Council expenses. All external costs were shared 50% with the Dept. of Labour and Advanced Education.						
192202 First Responders	\$8,518	\$10,000	(\$1,482)	0.00%	\$400,000	2.13%	\$300,000
<b>Description:</b> In response to stakeholder consultation on presumptive PTSD legislation, government asked the WCB to develop a program focused on the prevention of PTSD for frontline or emergency response workers. With early success experienced by WorkSafeBC, the Board of Directors agreed WCB should explore adapting this program in Nova Scotia.	<b>Status Report:</b> Work began in Q2 with external consulting fees for the Project Manager, Landry Management Consulting.						
192203 Service Advancement	\$19,225	\$20,000	(\$775)	0.00%	\$100,000	19.23%	\$100,000
<b>Description:</b> The Service Advancement Project will advance the quality of service the WCB provides to workers and employers through process, practice, service and competency improvements within Prevention and Service Delivery teams. The project combines recommendations from several past initiatives such as WCB service culture, management of claims with a psychological overlay, and customer journey mapping.  This year we have focused on initiatives aimed at progressing case management practices and competencies, updating external health services supports and programming, and exploring and researching opportunities to modify case manager roles and responsibilities to enable return to work, and to develop a training and onboarding model. In 2019, we will monitor and, where appropriate, refine the practice changes we've made to improve return-to-work outcomes for workers and employers and to enhance our service effectiveness.	<b>Status Report:</b> Work began in Q2 with external consulting fees for the Project Manager, Davis Pier Consulting.						
<b>Total Non-BTAP Projects</b>	<b>\$268,263</b>	<b>\$277,303</b>	<b>(\$9,040)</b>	<b>(3.26%)</b>	<b>\$1,000,000</b>	<b>26.83%</b>	<b>\$900,000</b>

**BTAP Summary**

**BTAP Project Expenditure Summary**  
As at June 30, 2019

Project Number / Name	2019 Actual	2019 YTD Budget	2019 Variance	2019 % Variance	2019 Refined Budget	2019 % Variance (Actual to Refined Budget)	2019 Forecast
B10001 Business Technology Advancement Program (BTAP) - General	\$244,982	\$291,620	(\$46,638)	(15.99%)	\$782,000	31.33%	\$505,000
<b>Description:</b> Foundational activities/program management office framework and related practices needed to positively impact business activities across the organization. (This relates mainly to internal salary costs for the BTAP program).	<b>Status Report:</b> BTAP - General includes all internal costs related to BTAP (Salary and benefits) for the following positions: Director, Business Transformation; Manager, Risk Management; Program Finance and SME Manager; and Program Management Analyst.						
B10002 BTAP - Advisory Services	\$0	\$0	\$0	0.00%	\$400,000	0.00%	\$0
<b>Description:</b> BTAP - Advisory Services foundational activities.	<b>Status Report:</b> No actuals to date.						
B10005 BTAP - Change Management & PMO Liaison	\$303,323	\$284,370	\$18,953	6.66%	\$458,000	66.23%	\$580,000
<b>Description:</b> BTAP - Program Change Management activities.	<b>Status Report:</b> External consulting support for the development and execution of change management strategies and tactics at both the program and project level. Also includes internal salaries for the Strategic Change Management, Director, Senior Communications Advisor and Change Management, Consultant.						
B10006 BTAP - Workforce Transition	\$298,205	\$300,000	(\$1,795)	(0.60%)	\$520,000	57.35%	\$520,000
<b>Description:</b> BTAP - Program Change Management activities.	<b>Status Report:</b> PwC support for the development and execution of change management strategies and tactics at both the program and project level.  In 2019, Workforce Transition engaged and supported the organization's people readiness for Guidewire launch. Particularly, emphasis was focused on structural changes in Prevention and Service Delivery (HEB and Central Services) as well as Finance, the functional areas most impacted by system implementation. In addition, efforts were directed to establishing future state structures to support Prevention and Service Delivery (Business Support Model, RTWA Strategy, CM Float Strategy) and facilitating benefits realization. For the remainder of the year, the work of the WFT team will continue within Prevention and Service Delivery to develop future state structures as well as operationalize decisions made to date. WFT will also extend into the corporate areas including Human Resources and BI/CORe (procurement).						

Project Number / Name	2019 Actual	2019 YTD Budget	2019 Variance	2019 % Variance	2019 Refined Budget	2019 % Variance (Actual to Refined Budget)	2019 Forecast
B10007 Business Support Functional Model <b>Description:</b> Business Support Functional Model (BSFM) Phase 2 (Ending in December/19) - Phase 1 defined the overall Service Delivery Support Model. Phase 2 will develop the delivery roadmap for the Service Delivery Support Model Functions with associated processes, frameworks, roles and facilities and will implement the first wave of functionality to align with the end of Core Hyper Care.	\$39,300	\$45,000	(\$5,700)	(12.67%)	\$226,000	17.39%	\$226,000
<b>Status Report:</b> Actual expenditures included PM work provided by IMP and consulting services provided by Mariner. Project on hold at the end of May as focus on Guidewire post implementation.							
B10014 Customer Journey Mapping <b>Description:</b> CJM was undertaken to ensure we understand our customer's needs, expectations, and behaviours so we can apply a customer lens to the activities we undertake over the coming years to inform decision making, priority selection and solution design and increase the likelihood that our modernization meets the service expectations and needs of our customer.	\$55,717	\$55,881	(\$164)	(0.29%)	\$115,000	48.45%	\$115,000
<b>Status Report:</b> Expenditures included internal salary and benefits of the Customer Experience Strategist.							
B10016 IT Evolution (Phase 4) <b>Description:</b> IT Evolution Phase 4 will focus on ongoing stream-level support in the BTAP transformation, including monitoring benefit realization, maturity assessments, further refinement and understanding of new processes. ITE P4 will also work to ensure alignment between Business Support Model and BI Evolution projects with any processes designed within ITE.	\$5,830	\$50,000	(\$44,170)	(88.34%)	\$150,000	3.89%	\$150,000
<b>Status Report:</b> Expenditures for Professional Fees were for external Project Management work, provided by CGI. Project on hold at the end of May as focus on post Guidewire implementation.							
B10019 Talent Management Phase 4 <b>Description:</b> A 3-year detailed roadmap and supporting project charters were developed to align to the WCB Talent Management Model Framework. Phase 4 (the last scheduled phase) consists of: - Completion of the Enterprise Competency Framework with the development of the Professional and Corporate Services Functional Model - Finalization of the Framework by actioning outstanding program areas: organizing/updating documentation; updating reference tools; determination of go-forward approach for existing WCB organizational competencies - Continued knowledge transfer planning and execution for HR team members - Addition of testing within the Recruitment & Selection talent program for key service delivery positions.	\$148,302	\$180,000	(\$31,698)	(17.61%)	\$220,000	67.41%	\$150,000
<b>Status Report:</b> Expenditures were payments to Deloitte for the finalization of the Framework.							
B10020 HR Systems Modernization - Program <b>Description:</b> Implementation of new HR System to replace Legacy System.	\$0	\$0	\$0	0.00%	\$50,000	0.00%	\$0
<b>Status Report:</b> No expenditures incurred.							
B10021 BTAP Physical Space Reconfiguration <b>Description:</b> Physical office reconfigurations to meet Core Systems changes and potential need for additional space, if required.	\$42,077	\$80,000	(\$37,923)	(47.40%)	\$300,000	14.03%	\$300,000
<b>Status Report:</b> Q2 2019 costs were for rent for Fenwick suites 210, 214 and 315. Fenwick office suite rent for BTAP resources: Suite 210 - \$3044/mth x 6 mos = \$18.25K Suite 214 - \$4064/mth x 6 mos = \$24.40K Suite 315 - \$2838/mth x 6 mos = \$17,00K \$60K Lease capital: (18K) \$42K							
B10022 BTAP Legal Advisory <b>Description:</b> Expertise in complex technical contracting to support Core Systems implementation and other BTAP initiatives.  Legal costs represent legal work to support the transformation to date and primarily relate to core systems replacement contracting and Guidewire contracting.	\$29,471	\$45,000	(\$15,529)	(34.51%)	\$50,000	58.94%	\$50,000
<b>Status Report:</b> Q1 and Q2 work involved: Legal costs represent legal work to support the transformation to date and primarily relate to core systems replacement contracting and Application Managed Services agreement.							
B10023 BTAP Advisory Services - KPMG <b>Description:</b> Risk Advisory services provided by KPMG for BTAP initiatives.	\$291,490	\$310,000	(\$18,510)	(5.97%)	\$497,500	58.59%	\$497,500
<b>Status Report:</b> Risk Advisory services provided by KPMG for BTAP initiatives.							
B10024 IT Evolution Resourcing <b>Description:</b> IT Evolution Resourcing includes the funding for 7 new positions budgeted within the program, to be included in operations at a later date. Change & Configuration Coordinator; Demand Management Coordinator; Vendor Management Coordinator; Enterprise Information Security Officer; Release Management Coordinator; Technology Quality Officer; and a Data Analyst, term ended June 7th.	\$356,682	\$376,088	(\$19,406)	(5.16%)	\$840,000	42.46%	\$800,000
<b>Status Report:</b> Salaries for noted positions.							
B10025 IT Evolution Security <b>Description:</b> BTAP Security work in 2019 includes: ITE Security will focus on a Threat Risk Assessment and Disaster Recovery work in 2019.	\$0	\$0	\$0	0.00%	\$100,000	0.00%	\$100,000
<b>Status Report:</b> Work to begin in July 2019.							
B10026 BI Evolution <b>Description:</b> BI Evolution - The key focus of 2019 is to build a robust BI Evolution roadmap that will guide, sequence and prioritize the initiatives that need to occur over the coming period to evolve the business intelligence function to ensure it is positioned successfully to support the new modernized organization.	\$25,140	\$25,000	\$140	0.00%	\$200,000	12.57%	\$200,000
<b>Status Report:</b> Work began in Q2 with Project Management consulting provided by Mariner Innovations.							

Project Number / Name	2019 Actual	2019 YTD Budget	2019 Variance	2019 % Variance	2019 Refined Budget	2019 % Variance (Actual to Refined Budget)	2019 Forecast
B10027 Information Management	\$71,400	\$87,000	(\$15,600)	(17.93%)	\$87,000	82.07%	\$71,400
<b>Description:</b> The Information Management consulting work was provided by a consultant from AJM Business Solutions who worked with the Director, Enterprise Architecture to collaboratively develop a detailed workplan/roadmap that includes high level requirements and policies for Core System strategies including defining meta and master data and structure them in a manner to extend future enterprise strategies.		<b>Status Report:</b> In 2019, the IM project will develop a plan that will help to prioritize and inform the additional initiatives and efforts required to continue to mature this key business function.					
B10031 OLC Maintenance & Support	\$339,254	\$380,000	(\$40,746)	(10.72%)	\$1,000,000	33.93%	\$500,000
<b>Description:</b> Online Channels Maintenance & Support contracts in 2019 (AMS, Salesforce, Mulesoft, etc.)		<b>Status Report:</b> Online Channels maintenance & support contracts in Q1 and Q2 included: - AMS Steady State - Jan-Jun/19 - \$30K - Salesforce subscription (Jun 30/18-Jun 29/19) - \$232K (expensed Jan-June/19) - Mulesoft - Anypoint Platform Base Subscription - \$45K (expensed Jan-June/19) - Salesforce sandbox subscription - \$32K.					
B10032 Core Systems Maintenance & Support	\$1,485,369	\$1,483,000	\$2,369	0.00%	\$2,500,000	59.41%	\$2,500,000
<b>Description:</b> Core Systems Maintenance & Support contracts in 2019 (Guidewire, AMS, etc.)		<b>Status Report:</b> Core Systems maintenance & support contracts in Q1 and Q2 included: - Guidewire license and maintenance fees April 25, 2019 to Apr 24, 2020 - \$1.317M - EY Application Managed Services (AMS) for June, 2019 - \$168K; these monthly AMS maintenance fees will continue for the remainder of 2019.					
B10034 Legacy Applications Remediation Strategy	\$87,285	\$100,000	(\$12,715)	(12.72%)	\$132,500	65.88%	\$87,000
<b>Description:</b> The goal of this project is to develop a strategy to ensure the orderly transition of WCBNS applications from their current operational state to the appropriate target state upon and after implementation of the Guidewire solution. The scope of this initiative is those WCBNS applications that will be replaced in whole or in part by the Guidewire solution.		<b>Status Report:</b> In scope for 2019: - All systems and applications identified as 'In Scope' as per the Legacy Application Remediation (LARS) Strategy-WCBNS System Inventory (dated March 2018) - Analysis, design and planning of the legacy data and data repository requirements to store legacy data long term. - Execution of activities required to limit access and alterations to the legacy data once Guidewire is live. - IE access controls, Batch jobs and Interfaces. - Define and Pilot process for the deletion of non-critical data. - 2019 planning - implementation plan for Data Archival - Business Intelligence Evolution- Reporting Requirements for Scheduled reports.  Project work completed in Q2 2019. LARS Phase 3 details to be determined in Q3.					
<b>Total BTAP Program Projects</b>	<b>\$3,823,827</b>	<b>\$4,092,959</b>	<b>(\$269,132)</b>	<b>(6.58%)</b>	<b>\$8,628,000</b>	<b>44.32%</b>	<b>\$7,351,900</b>

**BTAP Project Expenditure Summary**  
As at June 30, 2019

Project Number / Name	2019 Actual	2019 YTD Budget	2019 Variance	2019 % Variance	2019 Refined Budget	2019 % Variance (Actual to Refined Budget)	2019 Forecast
B40000-B41000 Core Systems Replacement	\$4,271,856	\$4,608,805	(\$336,949)	(7.31%)	\$11,286,000	37.85%	\$10,986,000
<b>Description:</b> Replace legacy core systems at WCB (Claims Management System/Revenue Management System & associated platforms) with a modern commercial off-the-shelf insurance suite, enabling benefits through automation, performance consistency and contemporary workflow resulting in improved service to WCB stakeholders while improving internal efficiency and effectiveness.  With the Core Systems go live date shift to June 2019, Hyper Care is anticipated to run until December 2019 at which time the project will transition to system stabilization. In 2020, the program will continue to support the stabilization of the systems and will continue to make enhancements and fixes necessary to improve functionality and support business case achievement.		<b>Status Report:</b> 1. Core Systems Internal Costs (\$634K) - covers all internal salaries and benefits of 13 subject matters experts from departments across the Board, as well as Communications and Training budget for Core related activities. 2. Strategic Change Management (\$608K) - Core Systems Change Management work provided by PwC consultants. 3. Strategic Advisory (\$55K) -UAT advisory work for Core Systems. 4. Technology Partner Fixed costs (\$467K) - UAT 2, Deployment fixed costs. 5. Technology Partner Time and Material costs (\$1.117M) - EY time and materials costs for the last week of UAT 1, UAT2, Testing period, and Hypercare for June. 6. Technology Partner Travel & Accommodations (\$270K). 7. Technology Partner Fixed Hosting (\$340K). 8. UAT Support (\$176K). 9. Severance (\$57K). 10. Core Systems Risk Mitigation (\$390K). 11. Grant Thornton Audit fees (\$14K); 12. Core Systems - Medavie Integration (\$136K). 13. NSBR Integration (\$8K).					

	Actual to Date	Budget YTD	Variance YTD	% Variance YTD	Revised Budget	Burn Rate %	Forecast at Completion
<b>Subtotal BTAP Program Budget</b>	<b>\$3,823,827</b>	<b>\$4,092,959</b>	<b>(\$269,132)</b>	<b>(6.58%)</b>	<b>\$8,628,000</b>	<b>44.32%</b>	<b>\$7,352,000</b>
<b>Subtotal BTAP Major Projects Budget</b>	<b>\$4,271,856</b>	<b>\$4,608,805</b>	<b>(\$336,949)</b>	<b>(7.31%)</b>	<b>\$11,286,000</b>	<b>37.85%</b>	<b>\$10,986,000</b>
<b>Total BTAP Projects</b>	<b>\$8,095,684</b>	<b>\$8,701,764</b>	<b>(\$606,080)</b>	<b>(6.97%)</b>	<b>\$19,914,000</b>	<b>40.65%</b>	<b>\$18,338,000</b>
<b>Total Non-BTAP Budget</b>	<b>\$268,263</b>	<b>\$277,303</b>	<b>(\$9,040)</b>	<b>(3.26%)</b>	<b>\$1,000,000</b>	<b>26.83%</b>	<b>\$900,000</b>
<b>Total Projects</b>	<b>\$8,363,946</b>	<b>\$8,979,067</b>	<b>(\$615,121)</b>	<b>(6.85%)</b>	<b>\$20,914,000</b>	<b>39.99%</b>	<b>\$19,238,000</b>
<b>Refined Budget</b>	<b>\$8,363,946</b>	<b>\$20,914,000</b>	<b>(\$12,550,054)</b>	<b>(60.01%)</b>			
<b>2019 Approved Revised Budget</b>		<b>\$20,914,000</b>					

## Notes to Financial Statements

### 1. Basis of Presentation of Interim Financial Statements

Interim financial statements should be read in conjunction with the most recent annual audited Financial Statements (December 31, 2018) and present the WCB's financial position and results of operations on a basis consistent with selected IFRS accounting policies as at June 30, 2019, including 2018 comparative figures.

The interim financial statements are prepared on a basis consistent with annual financial statements with the exception of claims costs incurred and the growth in the present value of the benefits liabilities and actuarial experience adjustments. These figures were determined by a mid-year valuation of current and future years' claims' costs. Benefits liabilities estimates could vary significantly when the annual valuation is prepared by an independent actuarial consultant at year end. In addition, these interim financial statements do not include all the information required for annual financial statements.

### 2. Statement of Financial Position

Receivables include insured firms' premiums received up to the remittance due date of the 15<sup>th</sup> of the month following quarter end and an estimate for amounts due but not yet reported by employers, and self-insured employers receipts, and are net of the allowance for doubtful accounts and self-insured deposits.

Investments include the investment portfolio held to secure the payment of benefits in the future.

Property and equipment and intangible assets are stated at cost less accumulated depreciation.

Benefits liabilities represent an estimate based on assumptions used in the funding strategy for claims costs incurred and projected inflation. These figures are determined by estimation and the mid-end valuation for purposes of interim financial statements.

On January 1, 2019 the WCB adopted IFRS 16 "Leases" which required the recording of office space leases on the statement of financial position. The WCB applied the cumulative catch up approach when applying this standard. This resulted in the recording of a right to use asset and a liability to make lease payments equal to the present value of the future lease payments at January 1 with no comparatives or adjustment to opening retained earnings required.

### **3. Statement of Operations**

#### **Assessments**

The WCB receives two types of assessment revenue. Most employers pay an insurance premium with rates established based on prior years' experience. Assessment revenue for insured firms is recognized based on the requirement for employers to report and pay premiums periodically throughout the year based on actual assessable payroll and includes classified employers' premiums received up to the remittance due date of the 15<sup>th</sup> of the month following quarter end and a provision for amounts due but not yet reported by employers.

The federal and provincial government agencies and departments are self-insured. Rather than paying an insurance premium, they reimburse the WCB for claims costs incurred on their behalf plus an administrative fee. The administration fee charged for the processing of these claims is included in Revenue.

#### **Investment Income**

Investment income consists of income from the long term investment portfolio (interest, dividends, gains and losses arising from foreign currency, realized and unrealized gains and losses). Unrealized gains and losses result from the change in fair value of an investment. Investment income is presented net of investment expenses.

#### **Claims Costs Incurred**

The estimates for short term disability, health care, rehabilitation, long term disability and survivor benefits were derived as follows:

- Estimates for insured firms' were determined by an actuarial valuation for purposes of the year end and through a mid-year valuation and extrapolation of current and future years' claims costs for purposes of this quarter's interim financial statements.

#### **Growth in Present Value of Benefits Liability and Actuarial Experience Adjustments**

Quarterly statements provide an estimate for the growth in present value based on the net interest rates of the prior year valuation and expected inflation for the quarter. There is an estimated provision for actuarial experience adjustments based on a mid- year valuation and the extrapolation of year to date claims costs for current and prior years. For the purpose of the interim financial results.

### **4. Cash Flow Statement**

This statement summarizes cash receipts and disbursements from all sources.

5. **Administration Expenses**

Operating expenses are shown by Program Area (type of expenditure).

## **Glossary of Benefit Categories**

### **Short Term Disability Benefits**

All income benefits during the initial period after the injury, before the injury has stabilized, reached a plateau, or consolidated. The time at which an injury stabilizes depends on the type of injury and the workers' condition. Short-term disability benefits include income benefits during a rehabilitation period.

### **Long Term Disability Benefits**

All income benefits after the short-term disability benefits have ceased and after the injury is deemed by the Board to be sufficiently stabilized, to have reached a plateau, or to have consolidated. Long-term disability benefits include lifetime pension awards, lump sum functional impairment awards, interim earnings replacement awards, and extended earnings replacement benefits.

### **Survivor Benefits**

All benefits after the death of the worker provided to the surviving spouse, children, other dependents or the workers' estate, including income benefits, lump sum benefits, education benefits, and funeral costs.

### **Health Care Benefits**

All benefits related to providing medical aid or health care to the injured worker, including items such as hospital charges, physician fees, drugs, and physical therapy.

### **Rehabilitation Benefits**

All amounts related to the rehabilitation of an injured worker, including vocational and psychological rehabilitation costs. Rehabilitation benefits exclude income benefits to the injured worker during the rehabilitation period.

## **Glossary of Administration Expenses by Program Area**

### **Salaries & Staff Expense:**

Salaries, vacation pay, overtime, group insurance, hospital/medical benefits, CPP, employment insurance, superannuation, sitting fees, long term disability, post-employment benefits, standby pay, voluntary retirement, recruitment, recognition, arrangements and relocation costs

### **Professional Fees:**

Audit fees, consultants, and legal fees

### **Depreciation:**

Depreciation of the fixed assets and intangible assets over their useful life

### **Projects:**

General projects

### **Supplies:**

Photocopying, postage and courier, computer supplies, office supplies, records and periodicals

### **Building Operations:**

Repairs and maintenance, rent, supplies, cleaning, utilities, taxes, insurance, rental of equipment, equipment and miscellaneous

### **Communications:**

Advertising, art services, printing, telephone services, cell phones and data line communications

### **Services Contracted:**

Maintenance and services of equipment, services contracted for temporary backfill of vacant staff positions

### **Travel and Accommodations:**

Accommodations, meals, travel, room rentals, workers and witnesses travel expenses

### **Training and Development:**

Supply costs for training aids, course fees, books, training related accommodations, training related travel, training related meals and corporate and staff membership dues