

**Workers' Compensation Board of Nova Scotia
Summary of Financial Results
Third Quarter 2014**

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SUMMARY OF FINANCIAL RESULTS THIRD QUARTER 2014

Statement of Financial Position

The Workers' Compensation Board of Nova Scotia's (WCB) asset base at September 30, 2014 was \$1,487.3 million, an increase of \$181.0 million as compared to September 30, 2013. This was primarily due to an increase in the market value of investments.

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's benchmark investment portfolio asset mix as at September 30, 2014 includes equity at 60%, fixed income at 30% and real estate at 10%.

Benefits liabilities of \$1,914.6 million increased \$143.7 million from September 30, 2013 to September 30, 2014. These liabilities have been estimated based on an extrapolation of year to date claims payments for current and prior years and a mid year valuation performed at June 30. Benefits liabilities estimates could vary significantly when the annual valuation is prepared by an independent actuarial consultant at year end.

Statement of Operations and Unfunded Liability

There was Comprehensive Income of \$52.9 million for the nine months ended September 30, 2014, decreasing the unfunded liability. The current funding strategy, approved in June 2014, anticipated comprehensive income for 2014 of \$22.2 million. The year to date comprehensive income is primarily driven by investment returns and favourable actuarial experience adjustments. The impact on the funding strategy will be measured as the variance of the 2014 comprehensive income to the funding strategy estimate.

Revenue

Assessment revenue year to date is \$216.1 million composed of insured firms' revenue of \$187.8 million and self-insured revenue of \$28.3 million. Revenue increased \$4.8 million (2.2%) versus the same period in 2013 and reflects increased insured firms' assessment premium revenue of \$7.0 million and a \$2.2 million decrease in self insured revenue over the same period in 2013. Insured firms' revenue is net of funds collected for rebate and refund programs of \$3.0 million.

Investment income year to date is \$108.7 million, a decrease of \$8.4 million over the same period in 2013. Investment income is derived from income on long term investments managed by external investment managers and is the result of interest and dividends of \$21.6 million, realized gains of \$31.6 million, unrealized gains of \$63.6 million, realized currency overlay losses of \$6.2 million and unrealized currency overlay gains of \$2.3 million less \$4.2 million in management fees. The nine month return was 8.6%.

Claims Costs Incurred, Growth in Present Value of Benefits Liability, Experience Adjustments and Latent Occupational Disease Cost

Claims costs incurred of \$154.7 million are an increase of \$6.3 million (4.2%) over year to date 2013 and are estimated based on an extrapolation of year to date claims payments for current and prior years' injuries and a mid year valuation performed at June 30.

The year to date net growth in the present value of the benefits liability and actuarial experience adjustments was \$68.7 million. The growth component was \$91.5 million and is offset by the estimated favourable actuarial experience adjustments of \$22.8 million. Favourable actuarial experience adjustments are currently projected in all benefits categories except rehabilitation and are particularly strong in long term disability. The current funding strategy anticipates favourable experience adjustments for the year of \$20.0 million.

The year to date cost incurred of latent occupation disease is \$1.4 million.

Administrative Expenditures (Operating, Projects, and Capital)

Year to date administrative expenditures were \$35.1 million.

Legislated Obligations

Legislated Obligations expenditures were \$11.2 million with a \$0.4 million unfavourable variance from the year to date budget estimate. This is mainly attributable to Occupational Health and Safety having increased expenditures partially offset by a favourable variance for the Workers Compensation Appeals Tribunal.

Statement of Cash Flow

The Statement of Cash Flows demonstrates the use of cash for the year to date on a comparative basis. Total cash and cash equivalents were \$9.4 million at September 30, 2014, a decrease of \$0.8 million from the September 30, 2013 cash position.

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT**

	SEPTEMBER 30 2014 (Unaudited) (\$000s)	SEPTEMBER 30 2013 (Unaudited) (\$000s) (restated - see note 6)	DECEMBER 31 2013 (Audited) (\$000s)
Assets			
Cash & cash equivalents	\$ 9,401	\$ 10,219	\$ 6,359
Receivables	22,507	22,319	23,911
Investments	1,450,244	1,268,746	1,341,322
Property and equipment	4,325	4,580	4,607
Intangible assets	<u>822</u>	<u>443</u>	<u>591</u>
	\$ <u>1,487,299</u>	\$ <u>1,306,307</u>	\$ <u>1,376,790</u>
Liabilities and Unfunded Liability			
Payables and accruals	\$ 31,311	\$ 26,774	\$ 30,658
Lease liabilities	192	265	246
Post employment benefits	23,852	24,639	22,381
Benefits liabilities	<u>1,914,550</u>	<u>1,770,877</u>	<u>1,875,734</u>
	1,969,905	1,822,555	1,929,019
Deferred revenue	16,679	16,144	-
Unfunded liability	<u>(499,285)</u>	<u>(532,392)</u>	<u>(552,229)</u>
	\$ <u>1,487,299</u>	\$ <u>1,306,307</u>	\$ <u>1,376,790</u>

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(UNAUDITED)**

	THIRD QUARTER 2014 (\$000s)	THIRD QUARTER 2013 (\$000s)	YTD SEPTEMBER 30 2014 (\$000s)	YTD SEPTEMBER 30 2013 (\$000s)
Revenue				
Assessments	\$ 71,665	\$ 66,459	\$ 216,073	\$ 211,320
Investment income	9,566	55,880	108,665	117,058
	<u>81,231</u>	<u>122,339</u>	<u>324,738</u>	<u>328,378</u>
Expenses				
Claims costs incurred				
Short-term disability	10,252	9,397	29,635	28,382
Long-term disability	24,557	22,707	76,011	72,515
Survivor benefits	3,043	351	5,333	5,172
Health care	14,852	13,114	42,617	41,886
Rehabilitation	671	4	1,138	495
	<u>53,375</u>	<u>45,573</u>	<u>154,734</u>	<u>148,450</u>
Growth in present value of benefits liabilities, actuarial experience adjustments and adjustment for Latent Occupational Disease	28,634	20,402	70,090	66,046
Administration costs	12,253	10,838	35,082	31,618
System support	228	203	709	561
Legislated obligations	3,588	3,227	11,179	9,708
	<u>98,078</u>	<u>80,243</u>	<u>271,794</u>	<u>256,383</u>
Excess of (expenses over revenues) revenues over expenses applied to increase (reduce) the unfunded liability	<u>\$ (16,847)</u>	<u>\$ 42,096</u>	<u>\$ 52,944</u>	<u>\$ 71,995</u>

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF CHANGES IN UNFUNDED LIABILITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(UNAUDITED)

	THIRD QUARTER 2014 (\$000s)	THIRD QUARTER 2013 (\$000s)	YTD SEPTEMBER 30 2014 (\$000s)	YTD SEPTEMBER 30 2013 (\$000s)
Unfunded liability excluding accumulated other comprehensive income				
Balance, beginning of period	\$ (482,438)	\$ (574,488)	\$ (546,488)	\$ (595,877)
Excess of (expenses over revenues) revenues over expenses	<u>(16,847)</u>	<u>42,096</u>	<u>52,944</u>	<u>71,995</u>
	<u>(499,285)</u>	<u>(532,392)</u>	<u>(493,544)</u>	<u>(523,882)</u>
Accumulated other comprehensive income				
No change in balance, during the period	<u>-</u>	<u>-</u>	<u>(5,741)</u>	<u>(8,510)</u>
Unfunded liability end of period	<u>\$ (499,285)</u>	<u>\$ (532,392)</u>	<u>\$ (499,285)</u>	<u>\$ (532,392)</u>

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(UNAUDITED)

	September 30 2014 (\$000's)	September 30 2013 (\$000's) (restated - see note 6)
Operating Activities		
Cash received from:		
Employers, for assessments	\$ 225,159	\$ 227,707
Investment income	<u>49,112</u>	<u>68,858</u>
	274,271	296,565
 Cash paid to:		
Claimants or third parties on their behalf	(182,142)	(191,145)
Suppliers, for administrative and other goods and services	<u>(45,202)</u>	<u>(39,620)</u>
	(227,344)	(230,765)
 Net cash provided by operating activities	 <u>46,927</u>	 <u>65,800</u>
Investing Activities		
Increase in investments	(43,006)	(53,661)
Cash paid for:		
Purchase of equipment	<u>(879)</u>	<u>(752)</u>
Net cash used in investing activities	<u>(43,885)</u>	<u>(54,413)</u>
Financing Activities		
Change in bank indebtedness	<u>-</u>	<u>(1,168)</u>
Net cash used by financing activities	<u>-</u>	<u>(1,168)</u>
 Net increase in cash and cash equivalents	 <u>3,042</u>	 <u>10,219</u>
Cash and cash equivalents, beginning of year	<u>6,359</u>	<u>-</u>
Cash and cash equivalents, end of period	\$ <u>9,401</u>	\$ <u>10,219</u>

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, 2013) and present the WCB's financial position and results of operations on a basis consistent with selected IFRS accounting policies as at and for the nine months ended September 30, 2014, including 2013 comparative.

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 an extrapolation of year to date claims payments for current and prior years and a mid year valuation performed at June 30. 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 15th 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 a mid-year valuation for purposes of interim financial statements.

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 15th 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. Self insured revenue relates to amounts billed for the year to date of the calendar year.

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 mid-year and through estimation and extrapolation of current results for purposes of interim financial statements.
- Actual invoiced payments for self-insured firms were added to these estimates.

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 actuarial valuation for the purpose of the interim financial results and the extrapolation of year to date claims costs for current and prior years.

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).

6. Restatement for Presentation of Prior Year

Re-classifications of certain accounts have been made in accordance with the 2013 audited financial statements.

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.

Workers' Compensation Board of Nova Scotia

Administration and Other Expenses Summary
For the 9 Periods Ending September 30, 2014

Program Area	2014 Actual YTD	2014 Budget YTD	2014 YTD Variance	2014 % Variance	2013 Actual YTD	2014 Budget	2014 Forecast
Salary & Staff Expense	\$27,492,775	\$27,342,529	\$150,246	0.55%	\$25,470,964	\$36,856,565	\$37,217,565
Training & Development	424,955	833,563	(408,608)	(49.02%)	307,900	1,287,100	927,100
Professional Fees	1,566,263	1,937,568	(371,306)	(19.16%)	1,926,169	2,450,075	2,546,075
Communications	908,757	1,150,096	(241,340)	(20.98%)	746,026	1,564,960	1,499,960
Services Contracted	1,095,387	1,282,801	(187,414)	(14.61%)	1,089,409	1,773,800	1,658,800
Travel & Accommodation	569,317	705,957	(136,640)	(19.36%)	570,385	985,000	905,000
Supplies	617,460	675,949	(58,489)	(8.65%)	573,681	902,500	877,500
Building Operations	1,703,990	1,738,665	(34,675)	(1.99%)	1,662,160	2,319,000	2,319,000
Depreciation	874,899	1,098,750	(223,851)	(20.37%)	283,261	1,465,000	1,215,000
Projects	1,598,524	2,000,000	(401,476)	(20.07%)	1,045,866	1,000,000	1,000,000
	\$36,852,326	\$38,765,878	(\$1,913,553)	(4.94%)	\$33,675,822	\$50,604,000	\$50,166,000
Capital - WCB	\$539,104	\$1,015,000	(\$475,896)	(46.89%)	\$46,755	\$1,015,000	\$1,015,000
Capital - WCB Projects	339,845	650,000	(310,155)	(47.72%)	0	1,650,000	1,650,000
	\$37,731,275	\$40,430,878	(\$2,699,604)	(6.68%)	\$33,722,577	\$53,269,000	\$52,831,000
Office of the Employer Advisor	\$300,000	\$261,000	\$39,000	14.94%	\$258,630	\$348,000	\$400,000
Office of the Worker Counsellor	300,000	261,000	39,000	14.94%	258,630	348,000	400,000
Workplace Safety and Insurance System	109,028	102,138	6,890	6.75%	43,451	137,000	137,000
	\$709,028	\$624,138	\$84,890	13.60%	\$560,711	\$833,000	\$937,000
Occupational Health & Safety	7,486,000	\$6,921,000	\$565,000	8.16%	6,243,000	\$9,228,000	\$9,981,000
Workers Advisers Program	2,405,000	2,286,000	119,000	5.21%	2,067,000	3,048,000	3,193,000
Workers' Compensation Appeals Tribunal	1,288,000	1,585,000	(297,000)	(18.74%)	1,208,000	2,113,000	2,113,000
	\$11,179,000	\$10,792,000	\$387,000	3.59%	\$9,518,000	\$14,389,000	\$15,287,000
	\$49,619,303	\$51,847,017	(\$2,227,713)	(4.30%)	\$43,801,288	\$68,491,000	\$69,055,000

***Notes:**

1. Total Administration cost (as above)	\$36,852,326
Decrease in liability for future Admin costs	(1,770,243)
Total Admin, Per Financial Statement	\$35,082,083

2014 Budget **\$68,491,000**

Variance Analysis – By Program Q3 - 2014

Salaries & Staff Expense

Actual	Budget	Var.\$	Var.%
\$27,492,775	\$27,342,529	\$150,246	0.55%

Variance Breakdown:

1.	Salary and Benefits	\$248,203
2.	Staff Expense	(94,252)
3.	Overtime	(3,705)
Total Variance		\$ <u>150,246</u>

1. Salary and Benefits were net over spent \$248,203 due to the following variances: a favourable variance due to staffing vacancies of \$358,000; \$128,000 in a favourable variance for medical benefits mainly due to lower rates than previously anticipated and \$66,000 post-employment benefits under budget due to a decrease of 0.6% in the discount rate. This was offset by an estimated accrual to account for salary reclassifications of \$800,000; the sum of these variances equal the \$248,203 over spent variance in Salary and Benefits.
2. Staff Expense was under spent \$94,252 due to timing of expenditures and the earlier utilization versus budget allocation related to the Health Spending Account which was over spent \$96,700 and Staff Recruitment expense over spent \$15,300. This was offset by the following expenses which were under spent: Staff Arrangements \$161,400, Recognition Expense \$25,000 and Team Building \$19,800.
3. Overtime was under spent \$3,700 primarily due to the following departments: Issues Resolution and Internal Appeals \$40,000 over spent due to requirements to support the Internal Appeals project and will be over budget by \$13,000 at year end. Financial Services over budget \$9,800 to cover for vacancies and ITS over spent \$4,000. These unfavourable variances were offset by the following departments: Large Workplace \$14,500 and will be under budget \$10,000 at year end. Human Resources \$19,000, Central Services \$12,000, and CORE \$12,000.

Training & Development

Actual	Budget	Var.\$	Var.%
\$424,955	\$833,563	(\$408,608)	(49.02%)

The under budget variance was mainly due to the following departments: Human Resources \$148,000 due to more internally focused learning capacity development and learning strategy; expected to be \$200,000 under budget at year end. Health and Extended Benefits \$101,000 related to the timing of outreach, doctors training and staff activities occurring; expected to be under budget at year end with the favourable conjunction with the deliverables of trend analysis and development and testing of a safety climate index

with the CN Centre expect to be fully spent by year end. ITS \$17,000 under budget due to less training required this year; expect to be under budget \$19,500 by year end. Issues Resolution and Internal Appeals \$22,000 due to timing of training activities expected to occur later in the year. Workplace Services \$18,000, Large Workplace \$13,000, Financial Services \$10,000 and Business Intelligence \$6,000, all underspent due to timing of training.

Professional Fees

Actual	Budget	Var.\$	Var.%
\$1,566,263	\$1,937,568	(\$371,305)	(19.16%)

The under spent variance was mainly due to the following departments being under spent: Human Resources \$128,500 due to timing of work relating to legal counsel, mediation, investigation and classification consulting work. Legal Services \$85,000 mainly due to timing of work; expect to be fully spent at year end. Internal Audit \$78,000 due to the timing of a new service provider; the audit plan and work is in progress and it is expected to be fully spent by year end. Leadership and Governance had a \$50,000 favourable variance as the utilization of these funds varies year to year; expect to be \$30,000 under budget at year end. Financial Services \$22,000 under budget as the utilization of these funds varies year to year; expect to be \$40,000 under budget at year end. Partnerships under budget \$20,000 due to the Workplace Safety Strategy cost center beginning midway through 2014; expect to be \$10,000 under budget at year end. The following departments were also under spent due to timing: Business Intelligence \$7,000, CORE \$7,000 and Communications \$5,600. These were offset by an over spent variance in Corporate Development \$18,000, Health & Extended Benefits \$14,000 due to timing.

Communication

Actual	Budget	Var.\$	Var.%
\$908,757	\$1,150,096	(\$241,340)	(20.98%)

Communication department was under spent \$107,000 due to timing of advertising, media buys and various printing and professional fees and will be within the overall budget by year end. ITS was under budget \$51,000 due to new less costly vendor contracts; expected to be under budget \$65,000 at year end. These funds have been reserved within ITS to cover other commitments. CORE \$25,000 as a result of timing related to printing activities; expected to be under budget \$5,000 at year end. Workplace Services \$22,000 under budget due to Employer Guides no longer being printed. Large Workplace was under budget \$13,000 due to lower mobile costs. The remaining \$23,000 was spread mainly amongst the remaining departments.

Services Contracted

Actual	Budget	Var.\$	Var.%
\$1,095,387	\$1,282,801	(\$187,414)	(14.61%)

The ITS department was under budget \$56,000 due to some maintenance contracts that have been reduced; expected to be under budget \$60,000 at year end and funds have been reserved within ITS to cover other commitments. Workplace Services was under budget \$60,000 and the funds have been reserved to cover overages elsewhere. Health and Extended Benefits was under budget \$28,000 due lower monthly Medavie administration costs to date; with the favourable variance supporting the enhanced Medical Advisors program. Corporate Development was under budget \$22,500 and excess funds are to be used within the department to fund an external consultant covering a senior consultant vacancy. Communications under budget \$16,000 and expected to be under budget by this amount at year end. The following departments were under spent due to timing and are expected to be on budget at year end: Partnerships \$14,000, Large Workplace \$9,000 and CORE \$8,000. The favourable variances were offset by Issues Resolution and Internal Appeals which was over budget \$20,000 due to contract work to fill vacant Team Support position and the remaining \$6,000 over variance was spread amongst the remaining cost centres.

Travel & Accommodation

Actual	Budget	Var.\$	Var.%
\$569,317	\$705,957	(\$136,640)	(19.36%)

Large Workplace was under budget \$90,000 due to vacancies for an Education Consultant, a Workplace Consultant and a Relationship Manager; expected to be under budget \$80,000 by year end. Workplace Services was under budget \$26,000 due to Field Representative vacancy as well as less travel due to in office work priorities for employees; expected to be under budget by \$30,000 at year end. Health & Extended Benefits was under budget \$16,500, the favourable variance is to be used to cover Medical Advisor program expenses. The remaining under spent variance of \$4,000 due to timing was spread across multiple cost centres.

Supplies

Actual	Budget	Var.\$	Var.%
\$617,460	\$675,949	(\$58,489)	(8.65%)

The under spent variance was mainly due to the following departments: ITS was under budget \$30,000 due to decreased utilization of computer supplies; will be under budget by \$35,000 at year end. Health and Extended Benefits was under spent \$14,000 and Large Workplace \$9,000 due to timing. The remaining \$5,000 was spread across the remaining cost centres.

Building Operations

Actual	Budget	Var.\$	Var.%
\$1,703,990	\$1,738,665	(\$34,675)	(1.99%)

The under spent variance was mainly due to the following departments: CORE \$30,000 under spent; funds anticipated to be fully utilized in the fourth quarter. The remaining \$4,000 under spent variance was spread across multiple cost centres.

Depreciation

Actual	Budget	Var.\$	Var.%
\$874,899	\$1,098,750	(\$223,851)	(20.37%)

Depreciation was based on existing assets and actual purchases for three quarters. Variance was due to less capitalization than planned of 2013 projects. Depreciation is projected to be under budget \$250,000 at year end.

System Support

Actual	Budget	Var.\$	Var.%
\$709,028	\$624,138	\$84,890	13.60%

These expenditures relate to internal resources provided to support WSIS and expenditures and accruals related to external resources of the Office of the Employer Advisor (OEA) and the Office of the Worker Counsellor (OWC).

Occupational Health & Safety (OH&S)

Actual	Budget	Var.\$	Var.%
\$7,486,000	\$6,921,000	\$565,000	8.16%

The expense represents three quarters of the total estimated expense to WCB for the 2014 fiscal year of \$9,980,781. The estimated expense was based on 25% of the 2013/14 final forecast provided by the Province of Nova Scotia August 2014 plus 75% of the 2014/2015 budget, as updated by the Province of Nova Scotia October 2014.

Workers' Advisers Program (WAP)

Actual	Budget	Var.\$	Var.%
\$2,405,000	\$2,286,000	\$119,000	5.21%

The expense represents three quarters of the total estimated expense to WCB for the 2014 fiscal year of \$3,149,000. The estimated expense was based on 25% of the 2013/14 final forecast provided by the Province of Nova Scotia August 2014 plus 75% of the 2014/2015 budget, as updated by the Province of Nova Scotia October 2014. Commencing April 1, 2014 government included the Injured Workers' Association (IWA) Program funding with the WAP Program.

Workers' Compensation Appeals Tribunal (WCAT)

Actual	Budget	Var.\$	Var.%
\$1,288,000	\$1,585,000	(\$297,000)	(18.74%)

This amount relates to the third quarter invoice for WCAT as provided by the Department of Justice.

APPENDIX A: Worker's Compensation Board of Nova Scotia
Project Expenditure Summary
For the 9 Periods Ending September 30, 2014

Project Number / Name	2014 Actual YTD	2014 Budget YTD	2014 YTD Variance	2014 % YTD Variance	2014 Annual Budget
122208 Internal Appeal Review Project - Phase II Description: • Project to implement recommendations from the first phase of the Internal Appeal Review project. Key areas include new Coaching Model, Plain Language Decision Framework and Refocus of Internal Appeals.	\$441,927	\$431,375	\$10,552	2.45%	\$548,350
	Status Report: Project launched in Q4 2012 and continuing into 2014. The slight variance is due to slightly higher than anticipated costs for consulting services in the quarter. The project is projected to be on budget and completed at year end.				
132201 Rate Enhancements Project - Phase II Description: • Implementation of two key programs approved in the first phase of this project - Practice Incentives Rebate pilot and Conditional Surcharge Refund Program pilot. 2014 work includes final implementation and roll out of programs.	\$3,357	\$9,550	(\$6,193)	(64.84%)	\$10,000
	Status Report: Project launched in Q1 2013 and will end by Q3 2014. Project is considered closed pending paperwork.				
132203 Application Architecture - Phase IV Description: • Project to bring WCB to full team readiness to progress the Evolution architecture project to completion, including all aspects of technical, process and change-related.	\$824,499	\$864,925	(\$40,426)	(4.67%)	\$915,925
	Status Report: Project launched in Q1 2013. The variance is due to less than anticipated costs for consulting services required for the strategic partner work and MyAccount enhancements. As a result, the project is projected to be under budget \$50,000 at year end.				
132204 Service Culture / Excellence Project Description: • Develop a well-defined, clearly articulated, shared understanding of what great service means at the WCB by engaging leaders and staff in the development of evolving our service principles to assist in achieving our vision.	\$135,382	\$141,000	(\$5,618)	(3.98%)	\$141,000
	Status Report: Project launched in Q1 2013 and is continuing into 2014. The project is considered closed pending paperwork.				
142201 Knowledge Management 2014 - Phase II Description: • To achieve a common vision of a Knowledge Management framework and related practices needed to positively impact business activities across the organization.	\$145,719	\$172,000	(\$26,281)	(15.28%)	\$172,000
	Status Report: Project launched in Q2 2013 and is continuing into 2014. Variance due to less consulting time required than anticipated in Q1 2014. Project is considered closed pending paperwork.				
142202 Workplace Safety Strategy Implementation Phase II Description: • For WCB and LAE to collaboratively implement the 2013-2017 Workplace Safety Strategy for Nova Scotia by developing a joint planning process for strategy implementation and approach to integration. This project is cost shared with LAE.	\$76,223	\$120,000	(\$43,777)	(36.48%)	\$150,000
	Status Report: Project launched in Q4 2013. Variance is due to less than anticipated need for external consultant services in Q1 & Q2 as one part time resource was not available. This variance has started to decrease in Q3 and the project is projected to be on budget by year end.				

142203 Central Services Efficiencies	\$7,136	\$49,500	(\$42,364)	(85.58%)	\$75,000
Description: • To streamline processes and gain efficiencies in Central Services and Workplace Services, thereby evolving Central Services processing and performing 80% of employer account transactions without needing to reach for additional resources.	Status Report: Project launched in Q1 2014. Variance is due to less than anticipated need for communications budget. Project is projected to be under budget \$45,000 at year end due to a change in scope.				
142204 Electronic Access Initiative - CRA E-Link	\$74	\$22,866	(\$22,792)	0.00%	\$60,000
Description: • To provide staff with an electronic link to CRA for injured worker earnings information. This requires background screening to be conducted for staff that have access to existing CRA information in our e-file system.	Status Report: Project launched in Q2 2014. Variance is due to a delay in the start date for the security clearances work which will now occur in Q4. The project is projected to be under budget \$25,000 at year end.				
142205 Pay Direct Special Authorization Phase II	\$123,821	\$126,200	(\$2,379)	(1.89%)	\$268,700
Description: • To implement enhancements to our electronic drug formularies and special authorization processes, in line with recommendations provided by Medavie Blue Cross experts in Phase 1 of this project.	Status Report: Project launched in late Q2 2014 and project spend is on target. The project is projected to be on budget at year end.				
142206 Knowledge Management 2014 - Phase III	\$180,230	\$129,999	\$50,231	0.00%	\$260,000
Description: • To build on Phase 1 pilot work by enhancing our medical advisory services to provide more support earlier in the life of a claim, in support of better outcomes.	Status Report: This initiative will be funded through favourable variances within the Health & Extended Benefits (HEB) department. The project funds will be utilized by the Business Technology Advancement Program.				
142207 Enhanced Medical Advisory Services - Phase II	\$0	\$0	\$0	0.00%	\$0
Description: • To build on Phase 1 pilot work by enhancing our medical advisory services to provide more support earlier in the life of a claim, in support of better outcomes.	Status Report: This initiative will be funded through favourable variances within the Health & Extended Benefits (HEB) department. The project funds will be utilized by the Business Technology Advancement Program.				
Total Assigned Projects	\$1,938,369	\$2,067,415	(\$129,046)	(6.24%)	\$2,600,975
***Underallocated Project Budget	Underassigned budget spending to be spent on the Business Technology Blueprint project.				49,025
Total Projects	\$1,938,369	\$2,067,415	(\$129,046)	(6.24%)	\$49,025
Total Projects: net of overallocation					\$2,650,000

Notes to Financial Statements

2. 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, 2013) and present the WCB's financial position and results of operations on a basis consistent with selected IFRS accounting policies as at and for the nine months ended September 30, 2014, including 2013 comparative.

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 an extrapolation of year to date claims payments for current and prior years and a mid year valuation performed at June 30. 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 15th 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 a mid-year valuation for purposes of interim financial statements.

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 15th 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. Self insured revenue relates to amounts billed for the year to date of the calendar year.

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 mid-year and through estimation and extrapolation of current results for purposes of interim financial statements.
- Actual invoiced payments for self-insured firms were added to these estimates.

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 actuarial valuation for the purpose of the interim financial results and the extrapolation of year to date claims costs for current and prior years.

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).

6. Restatement for Presentation of Prior Year

Re-classifications of certain accounts have been made in accordance with the 2013 audited financial statements.

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 leases and miscellaneous

Communications:

Advertising, art services, printing, telephone services, smart 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