

WCB Nova Scotia Summary of Financial Results First Quarter 2019

Year-to-date results as of March 31st:

Revenues exceeded expenses for a comprehensive income of \$98.7 million, decreasing the unfunded liability. The funded ratio is currently 90.3 per cent compared to 85.5 per cent at December 31, 2018.

- Primarily due to investment income – markets rebounded in the first quarter and the three month return of 6.7% resulted in investment income of \$117 million.
- The current approved funding strategy expectation is comprehensive income of \$45.3 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 nine 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	16
Notes to Quarterly Financial Statements	20

SUMMARY OF FINANCIAL RESULTS FIRST QUARTER 2019

Statement of Financial Position

WCB Nova Scotia's (WCB) asset base at March 31, 2019 was \$1,916.5 million, an increase of \$64.0 million as compared to March 31, 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 to the related time period.

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 March 31, 2019 includes public equity at 43.4 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 4.6 per cent. At any given time, the fund's asset allocation may differ from the benchmark.

Benefits liabilities of \$2,058.2 million increased \$61.5 million from March 31, 2018 to March 31, 2019. These liabilities have been estimated based on extrapolation of current and future years' costs. Benefits liabilities estimates could vary significantly when the annual valuation is prepared by an independent actuarial consultant at year end.

The unfunded liability of \$205.1 million decreased \$12.8 million from March 31, 2018.

Statement of Operations

There was a Comprehensive Income of \$98.7 million for the three months ended March 31, 2019, resulting in a decrease to the unfunded liability. The current funding strategy, approved in June 2018 and with budget revisions anticipates Comprehensive Income of \$45.3 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 nine 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 \$76.3 million composed of insured firms' revenue of \$74.5 million and \$1.8 million from administering self-insured claims. Assessment revenue increased \$6.2 million (8.8 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 \$0.9 million.

Investment income year-to-date is \$116.7 million, an increase of \$98.1 million over the same period in 2018. Investment income is the result of gains of \$118.5 million, less \$1.8 million in manager fees. Investment markets rebounded in the first quarter of 2019 and the year-to-date return was 6.7 per cent, as compared to the benchmark return of 7.6 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 \$52.0 million are an increase of \$4.4 million (9.2 per cent) over the same period of 2018 and are estimated based on an extrapolation of current and future years' costs.

The year-to-date net growth in the present value of the benefits liability and actuarial experience adjustments was \$23.8 million. The growth component was \$25.7 million, offset by estimated favourable actuarial experience adjustments of \$1.8 million. Favourable actuarial experience adjustments are currently projected in Long Term disability, and to a lesser extent in Survivor, Health Care and Rehabilitation, offset by an unfavourable adjustment in Short Term Disability.

Administrative Expenditures (Operating, Projects, and Capital)

Year-to-date operating expenditures were \$12.3 million with a \$1.4 million favourable variance from the \$13.7 million year-to-date budget, excluding capital and projects. Including projects and capital, the total administrative variance was a favourable \$2.3 million on expenditures of \$16.0 million. Favourable operating variances primarily relate to salary and benefits, depreciation, 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 \$4.4 million with a \$0.2 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 bank indebtedness of \$1.5 million at March 31, 2019. This was a decrease of \$7.6 million from March 31, 2018.

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

	MARCH 31 2019 (Unaudited) (\$000s)	MARCH 31 2018 (Unaudited) (\$000s)	DECEMBER 31 2018 (audited) (\$000s)
Assets			
Cash & cash equivalents	\$ -	\$ 6,122	\$ -
Receivables	29,998	31,968	30,328
Investments	1,849,116	1,791,970	1,732,515
Property and equipment	6,635	4,124	4,390
Intangible assets	<u>30,719</u>	<u>18,271</u>	<u>29,407</u>
	<u>\$ 1,916,468</u>	<u>\$ 1,852,455</u>	<u>\$ 1,796,640</u>
Liabilities and Unfunded Liability			
Bank Indebtedness	\$ 1,456	\$ -	\$ 8,692
Payables, accruals & lease liabilities	33,117	34,780	26,035
Post employment benefits	23,754	32,085	23,356
Benefits liabilities	<u>2,058,211</u>	<u>1,996,705</u>	<u>2,042,348</u>
	2,116,538	2,063,570	2,100,431
Deferred revenue	5,000	6,758	
Unfunded liability	<u>(205,070)</u>	<u>(217,873)</u>	<u>(303,791)</u>
	<u>\$ 1,916,468</u>	<u>\$ 1,852,455</u>	<u>\$ 1,796,640</u>

**WCB NOVA SCOTIA
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)**

	YTD MARCH 31 2019 (\$000s)	YTD MARCH 31 2018 (\$000s)
Revenue		
Assessments	\$ 76,276	\$ 70,084
Investment income	<u>116,739</u>	<u>18,614</u>
	<u>193,015</u>	<u>88,698</u>
Expenses		
Claims costs incurred		
Short-term disability	11,011	10,532
Long-term disability	26,521	23,094
Survivor benefits	658	354
Health care	13,578	13,204
Rehabilitation	<u>193</u>	<u>385</u>
	51,961	47,569
Growth in present value of benefits liabilities and actuarial adjustments and adjustment for latent occupational disease	23,807	22,576
Administration costs	13,870	14,843
System support	245	214
Legislated obligations	<u>4,411</u>	<u>4,068</u>
	94,294	89,270
Excess of revenues over expenses (expenses over revenues) applied to reduce (increase) the unfunded liability	<u>\$ 98,721</u>	<u>\$ (572)</u>

WCB NOVA SCOTIA
STATEMENT OF CHANGES IN UNFUNDED LIABILITY
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	YTD	YTD
	MARCH 31	MARCH 31
	2019	2018
	(\$000s)	(\$000s)
<hr/>		
Unfunded liability excluding accumulated other comprehensive income		
Balance, beginning of period	\$ (301,084)	\$ (209,185)
Excess of revenues over expenses (expenses over revenues)	98,721	(572)
	<u>(202,363)</u>	<u>(209,757)</u>
Accumulated other comprehensive income		
Balance, beginning of Year	(2,707)	(8,116)
No change in balance during period	-	-
	<u>(2,707)</u>	<u>(8,116)</u>
Unfunded liability end of period	\$ <u>(205,070)</u>	\$ <u>(217,873)</u>

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

	YTD 2019 (\$000s)	YTD 2018 (\$000s)	FORECAST 2019 (\$000s)	BUDGET ¹ 2019 (\$000s)
REVENUE				
Assessments	\$ 76,276	\$ 70,084	\$ 316,434	\$ 310,714
Investment income	116,739	18,614	128,499	103,800
	<u>193,015</u>	<u>88,698</u>	<u>444,933</u>	<u>414,514</u>
EXPENSES				
Claims costs incurred				
Short-term disability	11,011	10,532	44,760	42,216
Long-term disability	26,521	23,094	102,086	94,103
Survivor benefits	658	354	2,876	1,688
Health care	13,578	13,204	56,672	53,651
Rehabilitation	193	385	909	747
	<u>51,961</u>	<u>47,569</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	23,807	22,576	90,274	92,398
Administration costs	13,870	14,843	65,123	64,972
System support	245	214	1,017	1,017
Legislated obligations	4,411	4,068	18,285	18,437
	<u>94,294</u>	<u>89,270</u>	<u>382,002</u>	<u>369,229</u>
Excess of revenues over expenses (expenses over revenues) applied to reduce (increase) the unfunded liability	\$ 98,721	\$ (572)	\$ 62,931	\$ 45,285

1 Based on the Plan & Budget approved June 2018 by the BOD along with budget revisions approved in October 2018, March 2019 and May 2019.

**WCB NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)**

	March 31 2019 (\$000's)	March 31 2018 (\$000's)
Operating Activities		
Cash received from:		
Employers, for assessments	\$ 81,247	\$ 74,991
Investment income	<u>(1,407)</u>	<u>4,230</u>
	79,840	79,221
Cash paid to:		
Claimants or third parties on their behalf	(59,508)	(57,028)
Suppliers, for administrative and other goods and services	<u>(12,969)</u>	<u>(13,299)</u>
	(72,477)	(70,327)
Net cash provided by operating activities	<u>7,363</u>	<u>8,894</u>
Investing Activities		
Increase in investments	1,535	(4,108)
Cash paid for:		
Purchase of equipment	<u>(1,662)</u>	<u>(5,534)</u>
Net cash (used in) investing activities	<u>(127)</u>	<u>(9,642)</u>
Net increase (decrease) in cash and cash equivalents	<u>7,236</u>	<u>(748)</u>
(Bank indebtedness), Cash and cash equivalents, beginning of year	<u>(8,692)</u>	<u>6,870</u>
(Bank indebtedness), cash and cash equivalents end of period \$	<u>(1,456)</u>	<u>6,122</u>

Workers' Compensation Board of Nova Scotia

Administration and Other Expenses Summary

For the 3 Periods Ending March 31, 2019

Program Area	2019 Actual YTD	2019 Budget YTD	2019 YTD Variance	2019 % Variance	2018 Actual YTD	2019 Revised Budget	2019 Original Budget
Salary & Staff Expense	\$8,966,703	\$9,775,202	(\$808,499)	(8.27%)	\$8,915,638	\$40,251,000	\$40,251,000
Travel & Accommodation	118,299	169,607	(51,308)	(30.25%)	118,387	724,000	724,000
Building Operations	633,637	635,952	(2,316)	(0.36%)	604,613	2,544,000	2,544,000
Training & Development	125,711	127,188	(1,477)	(1.16%)	110,963	623,000	623,000
Supplies	195,495	193,989	1,506	0.78%	213,207	780,000	780,000
Communications	242,193	227,158	15,035	6.62%	151,024	1,002,000	1,002,000
Services Contracted	503,313	470,169	33,144	7.05%	423,081	1,908,000	1,908,000
Professional Fees	932,028	774,937	157,091	20.27%	714,385	3,245,000	3,245,000
Depreciation	536,925	1,307,500	(770,575)	(58.93%)	517,257	5,230,000	5,230,000
Operations	\$12,254,304	\$13,681,703	(\$1,427,399)	(10.43%)	\$11,768,554	\$56,307,000	\$56,307,000
Capital - WCB	\$42,157	\$341,250	(\$299,093)	(87.65%)	\$80,294	\$1,365,000	\$1,365,000
Total Operations	\$12,296,461	\$14,022,953	(\$1,726,492)	(12.31%)	\$11,848,848	\$57,672,000	\$57,672,000
Projects	\$3,684,801	\$4,223,675	(\$538,874)	(12.76%)	\$8,667,020	\$20,914,000	\$14,455,000
Office of the Employer Advisor	\$113,093	\$113,000	\$93	0.08%	\$110,835	\$452,000	\$452,000
Office of the Worker Counsellor	104,131	104,000	131	0.13%	102,052	416,000	416,000
Workplace Safety and Insurance System	27,887	37,366	(9,480)	(25.37%)	977	149,000	149,000
System Support	\$245,110	\$254,366	(\$9,257)	(3.64%)	\$213,865	\$1,017,000	\$1,017,000
Occupational Health & Safety	\$2,968,359	\$3,165,750	(\$197,391)	(6.24%)	\$2,786,510	\$12,663,000	\$12,663,000
Workers Advisers Program	970,179	880,250	89,929	10.22%	828,150	3,521,000	3,521,000
Workers' Compensation Appeals Tribunal	472,563	563,250	(90,687)	(16.10%)	453,309	2,253,000	2,253,000
Legislated Obligations	\$4,411,101	\$4,609,250	(\$198,149)	(4.30%)	\$4,067,969	\$18,437,000	\$18,437,000
Total Administration	\$20,637,473	\$23,110,244	(\$2,472,771)	(10.70%)	\$24,797,702	\$98,040,000	\$91,581,000

***Notes:**

1. Total Administration cost (as above)	\$12,254,304		Original Budget	\$91,581,000
Total Project expense	2,065,262		Projects Increase	3,659,000
Decrease in liability for future Admin costs	(449,623)		Projects Carryforward from 2018	2,800,000
Total Admin, Per Financial Statement	\$13,869,943		Revised Budget	\$98,040,000

Variance Analysis – By Program Q1 – 2019

Operational:

- A favourable \$1.4 million variance from the \$13.7 million first quarter budget, excluding operating capital and projects.
- Salary and Benefits \$0.8 million is under budget primarily due to staffing vacancies and an under budget variance in Post-Employment Benefits.
- Travel & Accommodation \$0.05 million under budget due to in-office priorities and less travel during winter weather conditions.
- Services Contracted \$0.03 million over budget due mainly to the timing of maintenance contracts in IT.
- Professional Fees \$0.2 million over budget primarily due to the timing of initiatives in several departments.
- Depreciation \$0.7 million under budget due to less capitalization in the first quarter and is expected to be utilized by year end.

Non – Operational:

- Legislated Obligations were \$0.2 million under budget, with favourable variance spread among OHS, WAP and WCAT.

Projects:

- Projects were \$0.5 million under budget on a year-to-date budget of \$4.2 million.

**Q1 Variance Analysis – By Program
March 31, 2019**

Salaries & Staff Expense

Actual	Budget	Var.\$	Var.%
\$8,966,703	\$9,775,202	(\$808,499)	(8.27%)

Variance Breakdown:

Salary and Benefits	(\$704,000)
Staff Expense	(113,000)
Overtime	<u>9,000</u>
Total Variance	<u>(\$808,000)</u>

Salary and Benefits were net under budget \$704,000 for the total WCB. This favourable variance resulted from staffing vacancies of \$501,000 and related benefits \$100,000. The remaining favorable variance of \$103,000 was related to Post-Employment Benefits (forecasted to be \$300,000 under budget at year end, due to favourable experience adjustments being recognized with the full valuation at year ended 2018).

Staff Expense was under spent \$113,000 mainly due to favourable variances in Staff Arrangements \$87,000; Staff Expense Recruitment \$15,000; and Health Spending Account \$11,000. These are timing related and are expected to be utilized through the year.

Overtime was over spent a total of \$9,000 during the first quarter.

Travel & Accommodation

Actual	Budget	Var.\$	Var.%
\$118,299	\$169,607	(\$51,308)	(30.25%)

The \$51,000 under spent variance was mainly due to the following departments: Large Workplaces \$22,000; Leadership and Governance \$14,000; and Workplace Services and Internal Appeals \$11,000 as there was less travel to meetings than estimated. The remaining under spent variance of \$4,000 was spread amongst various departments. The variance is due to timing and is expected to be used throughout the year.

Services Contracted

Actual	Budget	Var.\$	Var.%
\$503,313	\$470,169	\$33,144	7.05%

The \$33,000 over spent variance was due to the following departments: Information Technology Services \$79,000 due to the timing of maintenance contracts; and Core Operational Resources \$14,000 due to a greater need for consulting services during the first quarter. This was partially offset by favourable variances of \$38,000 in Central Services due to reduced CRA transaction fees and \$12,000 in Health and Extended Benefits related to both reduced Medavie Administration Fees and lower Medical Disability Advisor costs than anticipated. The remaining \$10,000 favourable variance was spread amongst various departments.

Professional Fees

Actual	Budget	Var.\$	Var.%
\$932,028	\$774,937	\$157,091	20.27%

The \$157,000 unfavorable variance was due to the following departments: Legal Services \$80,000 due to the timing of third party recoveries; Partnerships and Policy \$45,000; Business Intelligence \$34,000; Communications \$30,000 and Information Technology Services \$27,000 all due to the timing of initiatives and are not anticipated to be over spent at year end. This was partially offset by under budget variances in the following departments: Internal Audit \$21,000 as Risk Advisory work is now covered in the BTAP project; Health & Extended Benefits \$13,000 due to the timing of medical advisors' work and Financial Services \$11,000 due to lower audit fees than expected. The remaining \$14,000 favourable variance was spread amongst various departments.

Depreciation

Actual	Budget	Var.\$	Var.%
\$536,925	\$1,307,500	(\$770,575)	(58.93%)

Depreciation was based on existing assets and actual purchases to date. The variance is due to timing of implementation of BTAP initiatives that will occur in 2019 and the budget is expected to be fully utilized by the end of the year.

Occupational Health & Safety (OH&S)

Actual	Budget	Var.\$	Var.%
\$2,968,359	\$3,165,750	(\$197,391)	(6.24%)

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 April 3, 2019 with 25% of the 2018/19 actuals plus 75% of the 2019/2020 forecasted budget.

Workers' Advisers Program (WAP)

Actual	Budget	Var.\$	Var.%
\$970,179	\$880,250	\$89,929	10.22%

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 April 3, 2019 with 25% of the 2018/19 actuals plus 75% of the 2019/2020 forecasted budget.

Workers' Compensation Appeals Tribunal (WCAT)

Actual	Budget	Var.\$	Var.%
\$472,563	\$563,250	(\$90,687)	(16.10%)

This amount reflects the March 31, 2019 invoicing for WCAT as provided by the Department of Justice.

Projects

Actual	Budget	Var.\$	Var.%
\$3,684,801	\$4,223,675	(\$538,874)	(12.76%)

This represents the total project expenditures for the first quarter which includes \$1,619,539 in capital and \$2,065,262 in expenses. See spending and budget details by project.

Non-BTAP Project Expenditure Summary
As at March 31, 2019

Project Number / Name	2019 Actual	2019 YTD Budget	2019 Variance	2019 % Variance	2019 Refined Budget	2019 % Variance (Actual to Refined Budget)
192201 Health and Community Services Action Plan	\$133,864	\$134,801	(\$937)	(0.69%)	\$500,000	26.77%
Description: 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.	Status Report: Q1 2019 expenses included 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	\$0	\$0	\$0	0.00%	\$400,000	0.00%
Description: 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.	Status Report: Work to begin in Q2					
192203 Service Advancement	\$0	\$0	\$0	0.00%	\$100,000	0.00%
Description: 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.	Status Report: To begin work in Q2.					
Total Non-BTAP Projects	\$133,864	\$134,801	(\$937)	(0.69%)	\$1,000,000	13.39%

BTAP Project Expenditure Summary
As at March 31, 2019

Project Number / Name	2019 Actual	2019 YTD Budget	2019 Variance	2019 % Variance	2019 Refined Budget	2019 % Variance (Actual to Refined Budget)
B10001 Business Technology Advancement Program (BTAP) - General Description: 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).	\$119,787	\$127,915	(\$8,128)	(6.35%)	\$782,000	15.32%
Description: 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).	Status Report: BTAP - General includes all internal costs related to BTAP (Salary, Communications) for the following positions: Director, Business Transformation; Manager, Risk Management; Program Management Analyst and Business Analyst.					
B10002 BTAP - Advisory Services Description: BTAP - Advisory Services foundational activities.	\$0	\$0	\$0	0.00%	\$400,000	0.00%
Description: BTAP - Advisory Services foundational activities.	Status Report: No actuals for Q1.					
B10005 BTAP - Change Management & PMO Liaison Description: BTAP - Program Change Management activities.	\$158,965	\$164,185	(\$5,220)	(3.18%)	\$457,500	34.75%
Description: BTAP - Program Change Management activities.	Status Report: PwC 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 and the Change Management, Consultant.					
B10006 BTAP - Workforce Transition Description: BTAP - Program Change Management activities.	\$150,693	\$150,000	\$693	0.46%	\$520,000	28.98%
Description: BTAP - Program Change Management activities.	Status Report: PwC 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 the Change Management, Consultant.					
B10007 Business Support Functional Model Description: 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.	\$26,260	\$45,000	(\$18,740)	(41.64%)	\$226,000	11.62%
Description: 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.	Status Report: Actual expenditures included PM work provided by IMP and consulting services provided by Mariner.					
B10014 Customer Journey Mapping Description: 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.	\$27,630	\$27,940	(\$310)	(1.11%)	\$115,000	24.03%
Description: 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.	Status Report: Expenditures were for internal salary and benefits of the Customer Experience Strategist.					
B10016 IT Evolution (Phase 4) Description: 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.	\$4,950	\$5,000	(\$50)	(1.00%)	\$150,000	3.30%
Description: 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.	Status Report: Expenditures for Professional Fees were for external Project Management work, getting underway late in Q1.					
B10019 Talent Management Phase 4 Description: 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.	\$101,948	\$105,000	(\$3,052)	(2.91%)	\$220,000	46.34%
Description: 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.	Status Report: Expenditures were payments to Deloitte for the finalization of the Framework.					
B10020 HR Systems Modernization - Program Description: Implementation of new HR System to replace Legacy System.	\$0	\$0	\$0	0.00%	\$50,000	0.00%
Description: Implementation of new HR System to replace Legacy System.	Status Report: No update for Q1.					
B10021 BTAP Physical Space Reconfiguration Description: Physical office reconfigurations to meet Core Systems changes and potential need for additional space, if required. Costs to be moved back to operations and then moved to projects capital at year end.	\$21,039	\$30,000	(\$8,961)	(29.87%)	\$300,000	7.01%
Description: Physical office reconfigurations to meet Core Systems changes and potential need for additional space, if required. Costs to be moved back to operations and then moved to projects capital at year end.	Status Report: Q1 2019 costs were for rent for Fenwick suites 210, 214 and 315. Fenwick office suite rent for BTAP resources: Suite 210 - \$3044/mth x 3 mos = \$9,132 Suite 214 - \$4064/mth x 3 mos = \$12,192 Suite 315 - \$2838/mth x 3 mos = \$8,514 \$29,838 Q1 Lease capital: \$8,799 \$21,039					

BTAP Project Expenditure Summary
As at March 31, 2019

Project Number / Name	2019 Actual	2019 YTD Budget	2019 Variance	2019 % Variance	2019 Refined Budget	2019 % Variance (Actual to Refined Budget)
B10022 BTAP Legal Advisory Description: 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.	\$13,379	\$15,000	(\$1,621)	(10.81%)	\$50,000	26.76%
Status Report: Q1 Work involved: Legal costs represent legal work to support the transformation to date and primarily relate to core systems replacement contracting and Application Management Services agreement for Q1.						
B10023 BTAP Advisory Services - KPMG Description: Risk Advisory services provided by KPMG for BTAP initiatives.	\$155,765	\$180,000	(\$24,235)	(13.46%)	\$497,500	31.31%
Status Report: Q1 Risk Advisory services provided by KPMG for BTAP initiatives.						
B10024 IT Evolution Resourcing Description: IT Evolution Resourcing includes the funding for 7 new positions budgeted within the program, to be included in operations at a later date.	\$166,515	\$174,919	(\$8,404)	(4.80%)	\$840,000	19.82%
Status Report: Positions in 2019 include: - Change & Configuration Coordinator (W. Taplin) - Demand Management Coordinator (L. Fergusson) - Vendor Management Coordinator (G. Rahinshtein) - Enterprise Information Security Officer (B. Goodspeed) - Release Management Coordinator (E. Rulka) - Technology Quality Officer (K. Savoie) - Data Analyst (N. Li)						
B10025 IT Evolution Security Description: 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%
Status Report: Work to begin later in 2019.						
B10026 BI Evolution Description: 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.	\$0	\$0	\$0	0.00%	\$200,000	0.00%
Status Report: Work to begin in Q2.						
B10027 Information Management Description: 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.	\$48,900	\$64,500	(\$15,600)	(24.19%)	\$87,000	56.21%
Status Report: 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 Description: Online Channels Maintenance & Support contracts in 2019 (AMS, Salesforce, Mulesoft, etc.)	\$182,651	\$195,000	(\$12,349)	(6.33%)	\$1,000,000	18.27%
Status Report: Online Channels maintenance & support contracts in Q1 included: - AMS Steady State - Jan-Mar/19 - \$12K - Salesforce subscription (Jun 30/18-Jun 29/19) - \$116K (expensed Jan-Mar/19) - Mulesoft - Anypoint Platform Base Subscription - \$23K (expensed Jan-Mar/19) - Salesforce sandbox subscription - \$32K.						
B10032 Core Systems Maintenance & Support Description: Core Systems Maintenance & Support contracts in 2019 (Guidewire, AMS, etc.)	\$10,482	\$0	\$10,482	0.00%	\$2,500,000	0.42%
Status Report: Core Systems maintenance & support contracts in Q1 included: - Core Systems CentriLogic Point 2 Point Connection (\$1,250/mth, \$4K Jan-March monthly service fee) - SAP Sybase - \$7K						
B10034 Legacy Applications Remediation Strategy Description: 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.	\$45,705	\$55,500	(\$9,795)	(17.65%)	\$132,500	34.49%
Status Report: In scope for 2019: - All systems and applications identified as 'In Scope' as per the Legacy Application Remediation 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 - BIE – PENDING - Reporting Requirements for Scheduled reports – CR Required) Project work continued in Q1 2019.						
Total BTAP Program Projects	\$1,234,670	\$1,339,959	(\$105,290)	(7.86%)	\$8,627,500	14.31%

BTAP Project Expenditure Summary
As at March 31, 2019

Project Number / Name	2019 Actual	2019 YTD Budget	2019 Variance	2019 % Variance	2019 Refined Budget	2019 % Variance (Actual to Refined Budget)
B40000-B41000 Core Systems Replacement	\$2,316,266	\$2,748,914	(\$432,648)	(15.74%)	\$11,286,000	20.52%
Description: 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.		Status Report: 1. Core Systems Internal Costs (\$269K) - 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 (\$384K) - Core Systems Change Management work provided by PwC consultants. 3. Strategic Advisory (\$46K) -UAT advisory work for Core Systems. 4. Technology Partner Fixed costs (\$164K) - UAT 1 and 2, GAP 5. Technology Partner Time and Material costs (\$755K) - EY time and materials costs for UAT1-2 and GAP period. 6. Technology Partner Travel & Accommodations (\$159K). 7. Technology Partner Fixed Hosting (\$199K). 8. UAT Support (\$176K). 9. Severance (\$57K). 10. Core Systems Risk Mitigation (\$35K). 8. Core Systems - Medavie Integration (\$64K). 9. NSBR Integration (\$8K).				

Subtotal BTAP Program Budget	\$1,234,670	\$1,339,959	(\$105,290)	(7.86%)	\$8,628,000	14.31%
Subtotal BTAP Major Projects Budget	\$2,316,266	\$2,748,914	(\$432,648)	(15.74%)	\$11,286,000	20.52%
Total BTAP Projects	\$3,550,936	\$4,088,873	(\$537,937)	(13.16%)	\$19,914,000	17.83%
Total Non-BTAP Budget	\$133,864	\$134,801	(\$937)	(0.69%)	\$1,000,000	13.39%
Total Projects	\$3,684,801	\$4,223,675	(\$538,874)	(12.76%)	\$20,914,000	17.62%
Refined Budget	\$3,684,801	\$20,914,000	(\$17,229,199)	(82.38%)		
2019 Approved Revised Budget		\$20,914,000				

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 March 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 an extrapolation 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 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 the year-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 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. 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