

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

Prepared By: Financial Services

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SUMMARY OF FINANCIAL RESULTS FIRST QUARTER 2014

Statement of Financial Position

The Workers' Compensation Board of Nova's (WCB) asset base at March 31, 2014 was \$1,438.3 million in comparison to \$1,253.3 million as at March 31, 2013. This \$185.0 million increase was mainly due to an increase in the market value of investments and a positive cash position.

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 March 31, 2014 includes equity at 60%, fixed income at 30% and real estate at 10%.

Benefits liabilities have increased \$132.7 million from March 31, 2013 to March 31, 2014. These liabilities have been estimated based on an extrapolation of year to date claims payments for current and prior years. 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 \$39.3 million for the period ended March 31, 2014, decreasing the unfunded liability. The year to date comprehensive income is primarily driven by investment returns and favourable actuarial experience adjustments. The current funding strategy, approved in June 2013, anticipates comprehensive income for 2014 of \$22.2 million. 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 \$71.4 million comprised of insured firms' revenue of \$62.3 million and self insured revenue of \$9.1 million. Insured firms' revenue is net of funds collected for rebates and refund programs of \$3.4 million. Revenue increased \$0.4 million (0.6%) versus the same period in 2013 and reflects increased insured firms' assessment premium revenue of \$1.1 million and a \$0.7 million decrease in self insured revenue over the same period in 2013.

Investment income year to date is \$55.8 million, an increase of \$0.2 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 \$9.0 million, realized gains of \$7.9 million, unrealized gains of \$50.8 million, currency overlay losses of \$10.5 million and unrealized currency overlay losses of \$0.3 million, less \$1.1 million in management fees. The three month return was 4.2%.

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

Claims costs incurred of \$50.9 million are an increase of \$1.9 million (3.9%) over year to date 2013 and are estimated based on an extrapolation of year to date claims payments for current and prior years' injuries.

The year to date net growth in the present value of the benefits liability and actuarial experience adjustments was \$21.6 million. The growth component was \$30.5 million and is offsetting the estimated favourable actuarial experience adjustments total of \$8.9 million. Favourable actuarial experience adjustments are currently projected in all benefits categories except rehabilitation. These estimated adjustments could vary significantly when the annual valuation is prepared by an independent actuarial consultant. The current funding strategy anticipates favourable experience adjustments for the year of \$20.0 million.

Administrative Expenditures (Operating, Projects, and Capital)

Year to date administrative expenditures were \$12.0 million with a \$0.5 million favourable variance from the \$12.5 million year to date budget. Favourable variances relate mainly to salaries, professional fees, depreciation, training and development and smaller variances in other areas. These variances are expected to be utilized by the end of the year.

Legislated Obligations

Legislated Obligations expenditures were \$3.9 million with a \$0.3 million unfavourable variance from the year to date budget estimate. This is mainly attributable to Occupational Health and Safety having expenditures greater than budgeted.

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 \$11.2 million at March 31, 2014, an increase of \$17.2 million from the March 31, 2013 bank indebtedness position.

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

	MARCH 31 2014 (Unaudited) (\$000s)	MARCH 31 2013 (Unaudited) (\$000s)	DECEMBER 31 2013 (Audited) (\$000s)
(restated - see note 6)			
Assets			
Cash & cash equivalents	\$ 11,189	\$ -	\$ 6,359
Receivables	24,578	26,122	23,911
Investments	1,397,512	1,222,397	1,341,322
Property and equipment	4,452	4,241	4,607
Intangible assets	566	504	591
	\$ 1,438,297	\$ 1,253,264	\$ 1,376,790
Liabilities and Unfunded Liability			
Bank indebtedness	\$ -	\$ 6,014	\$ -
Payables and accruals	33,834	18,990	30,658
Lease liabilities	225	83	246
Post employment benefits	22,899	23,676	22,381
Benefits liabilities	1,888,897	1,756,216	1,875,734
	1,945,855	1,804,979	1,929,019
Deferred revenue	5,417	5,324	-
Unfunded liability	(512,975)	(557,039)	(552,229)
	\$ 1,438,297	\$ 1,253,264	\$ 1,376,790

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	FIRST QUARTER 2014 (\$000s)	FIRST QUARTER 2013 (\$000s)
Revenue		
Assessments	\$ 71,408	\$ 70,961
Investment income	<u>55,777</u>	<u>55,549</u>
	<u>127,185</u>	<u>126,510</u>
Expenses		
Claims costs incurred		
Short-term disability	9,749	9,070
Long-term disability	25,303	24,095
Survivor benefits	1,734	1,379
Health care	13,757	14,293
Rehabilitation	<u>365</u>	<u>182</u>
	50,908	49,019
Growth in present value of benefits liabilities and actuarial experience adjustments	21,564	16,789
Administration costs	11,356	9,895
System support	239	173
Legislated obligations	<u>3,864</u>	<u>3,286</u>
	87,931	79,162
Excess of revenues over expenses, applied to reduce the unfunded liability	\$ <u>39,254</u>	\$ <u>47,348</u>

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF CHANGES IN UNFUNDED LIABILITY
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	FIRST QUARTER 2014 (\$000s)	FIRST QUARTER 2013 (\$000s)
<hr/>		
Unfunded liability excluding accumulated other comprehensive income		
Balance, beginning of period	\$ (546,488)	\$ (595,877)
Excess of revenues over expenses	39,254	47,348
	<u>(507,234)</u>	<u>(548,529)</u>
 Accumulated other comprehensive income		
No change in balance, during the period	<u>(5,741)</u>	<u>(8,510)</u>
 Unfunded liability end of period	 <u>\$ (512,975)</u>	 <u>\$ (557,039)</u>

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31
AND THE FORECAST & FUNDING STRATEGY FORECAST FOR THE YEAR ENDING DECEMBER 31, 2014
(UNAUDITED)**

	YTD 2014 (\$000s)	YTD 2013 (\$000s)	FORECAST* 2014 (\$000s)	BUDGET 2014 (\$000s)
REVENUE				
Assessments	\$ 71,408	\$ 70,961	\$ 303,222	\$ 308,071
Investment income	55,777	55,549	90,270	87,612
	<u>127,185</u>	<u>126,510</u>	<u>393,492</u>	<u>395,683</u>
EXPENSES				
Claims costs incurred				
Short-term disability	9,749	9,070	38,534	38,661
Long-term disability	25,303	24,095	102,557	99,855
Survivor benefits	1,734	1,379	8,481	5,821
Health care	13,757	14,293	57,199	59,738
Rehabilitation	365	182	1,051	985
	<u>50,908</u>	<u>49,019</u>	<u>207,822</u>	<u>205,060</u>
Growth in present value of benefits liabilities and actuarial experience adjustments	21,564	16,789	105,219	104,633
Administration costs	11,356	9,895	48,604	48,604
System support	239	173	937	833
Legislated obligations	3,864	3,286	15,501	14,389
	<u>87,931</u>	<u>79,162</u>	<u>378,083</u>	<u>373,519</u>
Excess of revenues over expenses, applied to reduce the unfunded liability	<u>\$ 39,254</u>	<u>\$ 47,348</u>	<u>\$ 15,409</u>	<u>\$ 22,164</u>

*Based on the Forecast approved June 2013 by the BOD. This forecast is anticipated to be updated in June 2014 in conjunction with the review of the 2015 plan, administrative budget and funding strategy.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	MARCH 31 2014 (\$000's)	MARCH 31 2013 (\$000's) (restated - see note 6)
Operating Activities		
Cash received from:		
Employers, for assessments	\$ 75,869	\$ 73,458
Investment income	<u>5,314</u>	<u>20,539</u>
	81,183	93,997
 Cash paid to:		
Claimants or third parties on their behalf	(58,200)	(60,277)
Suppliers, for administrative and other goods and services	<u>(12,306)</u>	<u>(18,027)</u>
	(70,506)	(78,304)
 Net cash provided by operating activities	 <u>10,677</u>	 <u>15,693</u>
Investing Activities		
Increase in investments	(5,728)	(20,492)
Cash paid for:		
Purchase of equipment	<u>(119)</u>	<u>(47)</u>
Net cash used in investing activities	<u>(5,847)</u>	<u>(20,539)</u>
Financing Activities		
Change in bank indebtedness	<u>-</u>	<u>4,846</u>
Net cash provided by financing activities	<u>-</u>	<u>4,846</u>
 Net increase in cash and cash equivalents	 <u>4,830</u>	 <u>-</u>
Cash and cash equivalents, beginning of year	<u>6,359</u>	<u>-</u>
Cash and cash equivalents, end of period	\$ <u>11,189</u>	\$ <u>-</u>

Workers' Compensation Board of Nova Scotia

Administration and Other Expenses Summary

For the 3 Periods Ending March 31, 2014

Program Area	2014 Actual YTD	2014 Budget YTD	2014 YTD Variance	2014 % Variance	2013 Actual YTD	2014 Original Budget	2014 Forecast
Salary & Staff Expense	\$8,748,854	\$8,952,415	(\$203,561)	(2.27%)	\$8,308,142	\$36,595,000	\$36,856,565
Professional Fees	476,998	604,475	(127,476)	(21.09%)	576,778	2,783,000	2,450,075
Training & Development	100,995	176,144	(75,149)	(42.66%)	123,184	1,272,000	1,287,100
Travel & Accommodation	153,284	202,726	(49,442)	(24.39%)	167,614	956,000	985,000
Supplies	207,644	222,750	(15,106)	(6.78%)	197,292	912,000	902,500
Building Operations	577,428	579,548	(2,120)	(0.37%)	557,605	2,294,000	2,319,000
Services Contracted	402,564	399,218	3,345	0.84%	334,489	1,774,000	1,773,800
Communications	254,103	206,615	47,488	22.98%	99,104	1,553,000	1,564,960
Depreciation	277,102	366,250	(89,148)	(24.34%)	283,261	1,465,000	1,465,000
Projects	632,702	645,675	(12,973)	(2.01%)	225,515	1,000,000	1,000,000
	\$11,831,674	\$12,355,817	(\$524,143)	(4.24%)	\$10,872,983	\$50,604,000	\$50,604,000
Capital - WCB	\$118,892	\$84,583	\$34,309	40.56%	\$46,755	\$1,015,000	\$1,015,000
Capital - WCB Projects	0	0	0	0.00%	0	1,650,000	1,650,000
	\$11,950,566	\$12,440,400	(\$489,834)	(3.94%)	\$10,919,738	\$53,269,000	\$53,269,000
Office of the Employer Advisor	\$100,000	\$87,000	\$13,000	14.94%	\$84,900	\$348,000	\$400,000
Office of the Worker Counsellor	100,000	87,000	13,000	14.94%	84,900	348,000	400,000
Workplace Safety and Insurance System	39,093	33,822	5,271	15.58%	3,457	137,000	137,000
	\$239,093	\$207,822	\$31,271	15.05%	\$173,257	\$833,000	\$937,000
Occupational Health & Safety	2,539,000	\$2,307,000	\$232,000	10.06%	2,106,000	\$9,228,000	\$10,183,000
Workers Advisers Program	877,000	762,000	115,000	15.09%	762,000	3,048,000	3,247,000
Workers' Compensation Appeals Tribunal	448,000	528,000	(80,000)	(15.15%)	419,000	2,113,000	2,071,000
	\$3,864,000	\$3,597,000	\$267,000	7.42%	\$3,287,000	\$14,389,000	\$15,501,000
	\$16,053,659	\$16,245,222	(\$191,563)	(1.18%)	\$14,379,995	\$68,491,000	\$69,707,000

***Notes:**

1. Total Administration cost (as above)	\$11,831,674
Decrease in liability for future Admin costs	(475,558)
Total Admin, Per Financial Statement	\$11,356,116

Variance Analysis – By Program Q1 - 2014

Salaries & Staff Expense

Actual	Budget	Var.\$	Var.%
\$8,748,854	\$8,952,415	(\$203,561)	(2.27%)

Variance Breakdown:

Salary and Benefits	(\$237,300)
Staff expense	\$22,600
Overtime	\$11,100
Total Variance	(\$203,600)

Salary and Benefits were net under budget \$237,300. The favourable variance of \$237,300 resulted from staffing vacancies of \$171,200 combined with \$47,100 for medical benefits being under budget mainly due to lower rates than previously estimated and \$19,000 post-employment benefits being under budget due to a decrease of 0.6% in the discount rate.

There were seven staffing vacancies for some portion of time during the first quarter.

Staff Expense was over spent \$22,600 due to timing of expenditures and the budget allocation related to Health Spending Account of \$24,600 and Staff Arrangements of \$13,500. This was offset by \$15,500 related to Team Building and Recognition being under spent due to timing.

Overtime was over spent \$11,100 primarily due to limited overtime requested to date in the following departments: Human Resources \$6,500, Corporate Operational Resources (COrE) \$6,200 and Central Services \$3,500. This was offset by Issues Resolution and Internal Appeals being over budget \$20,000 due to requirements to support the Internal Appeals project and over spending related to ITS \$4,000 and Finance \$3,300 due to timing.

Professional Fees

Actual	Budget	Var.\$	Var.%
\$476,998	\$604,475	(\$127,476)	(21.09%)

The under spent variance was mainly due to the following departments being under spent: Health & Extended Benefits \$84,000 related to a vacant Medical Advisor position and the timing of work; Internal Audit \$23,000 as this is a new service provider and the audit plan is in progress, expected to be fully spent by year end; Legal Services \$11,700 related to the timing of work; Leadership & Governance \$11,600 not as high as anticipated and the

Fishing Action Plan \$11,000 due to timing of work expected to be completed by year end. Business Intelligence over spent by \$27,000 due to timing of actuarial work being completed during first part of year related to occupational disease and IFRS disclosures. The remaining \$12,700 under spent was related to Corporate Development and Financial Services related to timing of required services.

Training & Development

Actual	Budget	Var.\$	Var.%
\$100,995	\$176,144	(\$75,149)	(42.66%)

Health and Extended Benefits was under spent \$21,000 related to the timing of outreach, doctors training and staff activities expected to be spent later in the year. Corporate Development was under spent \$11,000 in conjunction with the deliverables of trend analysis and development and testing of a safety climate index with the CN Centre expected in Q2. Partnerships was underspent \$16,000 due to timing of training activities which are expected to occur later in the year. The remaining \$27,000 underspent was spread across the Service Delivery Departments, Human Resources, Financial Services, Legal and Leadership & Governance due to the timing of training and development activities.

Travel & Accommodation

Actual	Budget	Var.\$	Var.%
\$153,284	\$202,726	(\$49,442)	(24.39%)

Large Workplace was under spent \$31,000 due to winter driving conditions, timing, and loss of travel due to vacancies for an Education Consultant, a Workplace Consultant and a Relationship Manager. Leadership & Governance was under spent \$5,000 related to the timing of education and training activities and less executive committee travel. The Fishing Action Plan was under spent \$4,000 as more travel is scheduled to be completed during the next two quarters. The remaining under spent of \$9,000 was spread across the remaining cost centres.

Communication

Actual	Budget	Var.\$	Var.%
\$254,103	\$206,615	\$47,488	22.98%

Communication was over spent \$100,000 due to timing of advertising media buys which were placed to coincide with the Olympic Games and various printing and professional fees and will be within the overall budget by year end. ITS was under budget \$14,000 due to new less costly vendor contracts. CORe was under spent \$11,000 as a result of timing related to printing activities. Central Services was under spent \$7,000 as cheque stock is not expected to be ordered until Q3. The remaining \$20,500 was mainly spread amongst Service Delivery departments.

Depreciation

Actual	Budget	Var.\$	Var.%
\$277,102	\$366,250	(\$89,148)	(24.34%)

Depreciation was based on existing assets and actual purchases for the quarter. Variance was due to less capitalization than planned of 2013 projects, this variance is expected to decrease as 2014 capital purchases are made and 2014 project related capital purchases are completed.

Occupational Health & Safety (OH&S)

Actual	Budget	Var.\$	Var.%
\$2,539,000	\$2,307,000	\$232,000	10.06%

The expense represents one quarter of the total estimated expense to WCB for the 2014 fiscal year of \$8,521,000. The estimated expense was based on 25% of the 2013/14 final forecast provided by the Province of Nova Scotia as at March 31, 2014 plus 75% of the 2014/2015 budget, as published by the Province of Nova Scotia as at April 1, 2014.

Workers' Compensation Appeals Tribunal (WCAT)

Actual	Budget	Var.\$	Var.%
\$448,000	\$528,000	(\$80,000)	(15.15%)

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

Workers' Advisers Program (WAP)

Actual	Budget	Var.\$	Var.%
\$877,000	\$762,000	\$115,000	15.09%

The expense represents one quarter of the total estimated expense to WCB for the 2014 fiscal year of \$2,740,800. The estimated expense was based on 25% of the 2013/14 final forecast provided by the Province of Nova Scotia as at March 31, 2014 plus 75% of the 2014/2015 budget, as published by the Province of Nova Scotia as at April 1, 2014. Commencing April 1, 2014 government included the Injured Workers' Association (IWA) Program funding with the WAP Program.

APPENDIX A: Worker's Compensation Board of Nova Scotia

Project Expenditure Summary
For the 3 Periods Ending March 31, 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	\$150,531	\$150,525	\$6	0.00%	\$451,250
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.	Status Report: Project launched in Q4 2012 and continuing into 2014.				
132201 Rate Enhancements Project - Phase II	\$1,078	\$5,050	(\$3,972)	(78.65%)	\$10,000
Description: • Implementation of two key programs approved in the first phase of this project - Practice Incentives Rebate pilot and Conditional Surcharge Refund Program. 2014 work includes final implementation and roll out of programs.	Status Report: Project launched early in Q1 2013 and will continue throughout part of 2014. Variance in Q1 is due to less than anticipated overtime required for key project resources to complete implementation of corporate clearing system.				
132203 Application Architecture - Phase IV	\$239,679	\$220,500	\$19,179	8.70%	\$420,000
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.	Status Report: Project launched late in Q1 2013. The variance is due to more consulting services required for the strategic partner work in March than originally anticipated. Overall, the strategic partner work is on track and within overall budget for this work.				
132204 Service Culture / Excellence Project	\$51,934	\$54,500	(\$2,566)	(4.71%)	\$141,000
Description: • Develop a well-defined, clearly articulated, shared understanding of what great service means at the WCB by engaging leaders and employees in the development of evolving our service principles to help achieve our vision.	Status Report: Project launched in late Q1 2013 and is continuing into 2014. Slight variance is due to less than anticipated spending on printing in Q1.				
132207 Pay Direct Special Authorization	\$8,640	\$0	\$8,640	0.00%	\$0
Description: • To engage Medavie BlueCross expertise and members of Health and Extended Benefits team to redesign the current prescription drug formularies, identify Special Adjudication drugs and associated criteria, and develop a plan for implementation.	Status Report: Project launched in Q2 2013 and was expected to close in Q4 2013. The variance is due to a small amount of work that was required to be done in 2014 to complete this phase of work. These costs will be transferred to the Phase 2 budget for this project once it is approved by Steering Committee in Q2 2014.				
142201 Knowledge Management 2014 - Phase II	\$111,652	\$155,000	(\$43,348)	(27.97%)	\$172,000
Description: • To achieve a common vision of a Knowledge Management framework and related practices needed to positively impact business activities across the organization.	Status Report: Project launched in late Q2 2013 and is continuing into 2014. Variance due to less consulting time required than anticipated in Q1 2014.				

142202 Workplace Safety Strategy Implementation Phase II	\$69,123	\$60,000	\$9,123	15.20%	\$150,000
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.	Status Report: Project launched in Q4 2013. Slight variance is due to greater than anticipated need for external consultant services in Q1. The project is still anticipated to complete on budget.				
142203 Central Services Efficiencies	\$64	\$100	(\$36)	(35.80%)	\$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 mid Q1 2014 and therefore only a small amount of money was budgeted to be spent in this quarter.				
Total Assigned Projects	\$632,702	\$645,675	(\$12,973)	(2.01%)	\$1,419,250
***Unassigned Project Budget	The Unassigned Project Budget is expected to be allocated to the following projects as plans are completed: Application Architecture \$527,000; Enhancements to Formulary \$522,750; Internal Appeals \$101,000; CRA Reliability Status Checks \$60,000; Service Culture \$20,000.				1,230,750
Total Projects	\$632,702	\$645,675	(\$12,973)	(2.01%)	\$2,650,000

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, 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 three months ended March 31, 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 actuarial valuation for purposes of the annual financial statements and through estimation and extrapolation of current results for purposes of interim financial statements. 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 extrapolation of current results 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 regular classified firms were determined by an actuarial valuation for purposes of the mid year and annual financial results, 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 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 and certain presentations 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