

**Workers' Compensation Board of Nova Scotia
Summary of Financial Results
Third Quarter 2013**

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SUMMARY OF FINANCIAL RESULTS THIRD QUARTER 2013

Statement of Financial Position

The Board's asset base at September 30, 2013 was \$1,303.8 million in comparison to \$1,168.6 million at September 30, 2012. This \$135.2 million increase was mainly 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, 2013 includes equity at 60%, fixed income at 30% and real estate at 10%.

Benefits liabilities have increased \$21.9 million from September 30, 2012 to September 30, 2013. These liabilities have been estimated based on an extrapolation of year to date claims payments for current and prior years and based on the estimates of a mid year valuation that was performed by an independent actuarial consultant 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

Revenues exceeded expenses by \$72.0 million for the period ended September 30, 2013, 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 2013 of \$16.1 million. The impact on the funding strategy will be measured as the variance of the 2013 comprehensive income to the funding strategy estimate.

Revenue

Assessment revenue year to date is \$211.3 million, an increase of \$0.7 million (0.3%) versus the same period in 2012. This \$0.7 million increase reflects increased insured firms' assessment premium revenue of \$0.2 million and a \$0.5 million increase in self insured revenue over the same period in 2012. The insured firms' assessment premium revenue is net of funds collected for rebate incentive programs commencing in 2014 of \$2.5 million.

Investment income year to date is \$117.1 million, an increase of \$32.7 million over the same period in 2012. 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 \$43.9 million, unrealized gains of \$60.6 million, currency overlay losses of \$7.4 million and unrealized currency overlay gains of \$2.6 million, less

\$4.2 million in management fees. The nine month return was 10.4%.

Claims Costs Incurred and Growth in Present Value of Benefits Liability

Claims costs incurred of \$148.5 million are an increase of \$1.6 million (1.1%) over year to date 2012 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 adjustments was \$66.0 million. The growth component was \$85.4 million and the estimated favourable actuarial experience adjustments total \$19.4 million. Favourable experience adjustments are currently projected in all benefits categories, most prominently in long term disability. 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 \$35.1 million with a \$4.1 million favourable variance from the \$39.2 million year to date budget. Favourable variances relate mainly to the timing of project and operations capital expenditures of \$1.9 million and the remaining \$2.2 million variance relates mainly to salaries, depreciation, projects, and training and development. These variances are expected to be partially utilized by the end of the year. Based on analysis of initiatives underway and are at various stages of completion, favourable budget variances are estimated at \$0.6 million for projects and capital up to \$1.8 million for operations. However, the timing of the work in progress will impact the final variances.

Legislated Obligations

Legislated Obligations expenditures were \$9.7 million with a \$0.9 million favourable variance from the year to date budget estimate. This is mainly attributable to Occupational Health and Safety and the Workers' Compensation Appeals Tribunal having expenditures less 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 \$10.2 million at September 30, 2013, an increase of \$1.1 million from the September 30, 2012 cash position.

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

	SEPTEMBER 30 2013 (Unaudited) (\$000s)	SEPTEMBER 30 2012 (Unaudited) (\$000s)	DECEMBER 31 2012 (Audited) (\$000s)
Assets			
Cash & cash equivalents	\$ 10,219	\$ 9,165	\$ -
Receivables	19,852	19,822	24,129
Investments	1,268,746	1,134,808	1,166,891
Property and equipment	4,580	4,257	4,421
Intangible assets	443	574	570
	<u>\$ 1,303,840</u>	<u>\$ 1,168,626</u>	<u>\$ 1,196,011</u>
Liabilities and Unfunded Liability			
Bank indebtedness	\$ -	\$ -	\$ 1,168
Payables and accruals	24,307	21,374	23,602
Lease liabilities	265	103	92
Post employment benefits	24,639	23,611	23,228
Benefits liabilities	1,770,877	1,748,941	1,752,308
	1,820,088	1,794,029	1,800,398
Deferred Revenue	16,144	15,755	-
Unfunded liability	(532,392)	(641,158)	(604,387)
	<u>\$ 1,303,840</u>	<u>\$ 1,168,626</u>	<u>\$ 1,196,011</u>

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

	THIRD QUARTER 2013 (\$000s)	THIRD QUARTER 2012 (\$000s)	YTD September 30 2013 (\$000s)	YTD September 30 2012 (\$000s)
Revenue				
Assessments	\$ 66,459	\$ 65,147	\$ 211,320	\$ 210,586
Investment income	<u>55,880</u>	<u>38,626</u>	<u>117,058</u>	<u>84,364</u>
	<u>122,339</u>	<u>103,773</u>	<u>328,378</u>	<u>294,950</u>
Expenses				
Claims costs incurred				
Short-term disability	9,397	9,840	28,382	30,034
Long-term disability	22,707	22,762	72,515	69,946
Survivor benefits	351	899	5,172	3,301
Health care	13,114	13,950	41,886	42,815
Rehabilitation	<u>4</u>	<u>365</u>	<u>495</u>	<u>781</u>
	45,573	47,816	148,450	146,877
Growth in present value of benefits liabilities and actuarial adjustments	20,402	27,953	66,046	80,950
Administration costs	10,838	10,575	31,618	31,657
System support	203	241	561	666
Legislated obligations	<u>3,227</u>	<u>2,928</u>	<u>9,708</u>	<u>9,353</u>
	<u>80,243</u>	<u>89,513</u>	<u>256,383</u>	<u>269,503</u>
Comprehensive income	42,096	14,260	71,995	25,447
Unfunded liability, beginning of period	<u>(574,488)</u>	<u>(655,418)</u>	<u>(604,387)</u>	<u>(666,605)</u>
Unfunded liability, end of period	<u>\$ (532,392)</u>	<u>\$ (641,158)</u>	<u>\$ (532,392)</u>	<u>\$ (641,158)</u>

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30
AND THE FORECAST & FUNDING STRATEGY FORECAST FOR THE YEAR ENDING DECEMBER 31, 2013
(UNAUDITED)**

	YTD 2013 (\$000s)	YTD 2012 (\$000s)	FORECAST** 2013 (\$000s)	BUDGET* 2013 (\$000s)
REVENUE				
ASSESSMENTS	\$ 211,320	\$ 210,586	\$ 296,200	\$ 299,026
INVESTMENT INCOME	117,058	84,364	140,000	78,805
	<u>328,378</u>	<u>294,950</u>	<u>436,200</u>	<u>377,831</u>
EXPENSES				
CLAIMS COSTS INCURRED				
SHORT-TERM DISABILITY	28,382	30,034	38,238	38,664
LONG-TERM DISABILITY	72,515	69,946	97,696	98,887
SURVIVOR BENEFITS	5,172	3,301	6,968	5,652
HEALTH CARE	41,886	42,815	56,431	58,382
REHABILITATION	495	781	667	957
	<u>148,450</u>	<u>146,877</u>	<u>200,000</u>	<u>202,542</u>
GROWTH IN PRESENT VALUE OF BENEFITS LIABILITIES AND ACTUARIAL ADJUSTMENTS	66,046	80,950	90,000	97,026
ADMINISTRATION COSTS	31,618	31,657	46,800	47,707
SYSTEM SUPPORT	561	666	780	809
LEGISLATED OBLIGATIONS	9,708	9,353	12,945	13,695
	<u>256,383</u>	<u>269,503</u>	<u>350,525</u>	<u>361,779</u>
COMPREHENSIVE INCOME	<u>\$ 71,995</u>	<u>\$ 25,447</u>	<u>\$ 85,675</u>	<u>\$ 16,052</u>

*Based on the Forecast approved June 2013 by the Board of Directors.

**The Forecast does not consider a provision for any new Latent Occupational Disease Liabilities.

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

	SEPTEMBER 30 2013 (\$000's)	SEPTEMBER 30 2012 (\$000's)
Operating Activities		
Cash received from:		
Employers, for assessments	\$ 230,174	\$ 223,595
Investment income	<u>68,858</u>	<u>45,433</u>
	299,032	269,028
Cash paid to:		
Claimants or third parties on their behalf	(191,145)	(179,939)
Suppliers, for administrative and other goods and services	<u>(42,087)</u>	<u>(32,765)</u>
	(233,232)	(212,704)
Net cash provided by operating activities	<u>65,800</u>	<u>56,324</u>
Investing Activities		
Increase in investments	(53,661)	(45,277)
Cash paid for:		
Purchase of equipment	<u>(752)</u>	<u>(516)</u>
Net cash used in investing activities	<u>(54,413)</u>	<u>(45,793)</u>
Net increase in cash and cash equivalents	11,387	10,531
(Bank indebtedness), beginning of year	<u>(1,168)</u>	<u>(1,366)</u>
Cash and cash equivalents, year to date	<u>\$ 10,219</u>	<u>\$ 9,165</u>

Workers' Compensation Board of Nova Scotia

Administration and Other Expenses Summary
For the 9 Periods Ending September 30, 2013

Program Area	2013 Actual YTD	2013 Budget YTD	2013 YTD Variance	2013 % Variance	2012 Actual YTD	2013 Original Budget	2013 Revised Budget	2013 Forecast
Salary & Staff Expense	\$25,470,964	\$26,259,241	(\$788,277)	(3.00%)	\$24,731,192	\$35,396,014	\$35,396,014	\$34,606,014
Training & Development	330,237	676,788	(346,552)	(51.21%)	355,313	1,205,093	1,205,093	1,025,093
Services Contracted	1,089,409	1,285,051	(195,642)	(15.22%)	1,150,594	1,774,750	1,774,750	1,584,750
Travel & Accommodation	570,385	674,164	(103,779)	(15.39%)	597,762	932,688	932,688	832,688
Supplies	573,681	677,016	(103,335)	(15.26%)	629,095	904,690	904,690	854,690
Communications	746,026	822,471	(76,445)	(9.29%)	1,110,527	1,542,191	1,542,191	1,650,191
Building Operations	1,662,160	1,682,415	(20,256)	(1.20%)	1,696,410	2,233,516	2,233,516	2,233,516
Professional Fees	1,926,169	1,916,169	10,000	0.52%	1,595,267	2,215,784	2,352,401	2,772,401
Depreciation	890,431	1,286,583	(396,152)	(30.79%)	1,063,117	1,715,444	1,715,444	1,315,444
Projects	1,045,866	1,290,987	(245,121)	(18.99%)	876,685	1,000,000	1,000,000	1,950,000
	\$34,305,328	\$36,570,886	(\$2,265,558)	(6.19%)	\$33,805,962	\$48,920,170	\$49,056,787	\$48,824,787
Capital - WCB	\$717,671	\$1,015,000	(\$297,329)	(29.29%)	\$52,200	\$1,015,000	\$1,015,000	\$1,015,000
Capital - WCB Projects	34,595	1,650,000	(1,615,405)	(97.90%)	0	1,650,000	1,650,000	100,000
	\$35,057,594	\$39,235,886	(\$4,178,292)	(10.65%)	\$33,858,162	\$51,585,170	\$51,721,787	\$49,939,787
Office of the Employer Advisor	\$258,630	\$253,500	\$5,130	2.02%	\$274,606	\$338,000	\$338,000	\$345,000
Office of the Worker Counsellor	258,630	253,500	5,130	2.02%	293,342	338,000	338,000	345,000
Workplace Safety and Insurance System	43,451	99,883	(56,431)	(56.50%)	98,169	269,540	132,923	92,000
	\$560,711	\$606,883	(\$46,171)	(7.61%)	\$666,118	\$945,540	\$808,923	\$782,000
Occupational Health & Safety	\$6,243,000	\$6,872,000	(\$629,000)	(9.15%)	\$5,876,073	\$9,161,226	\$9,161,226	\$8,324,000
Workers Advisers Program	2,067,000	2,093,000	(26,000)	(1.24%)	2,028,750	2,791,250	2,791,250	2,756,000
Workers' Compensation Appeals Tribunal	1,208,000	1,529,000	(321,000)	(20.99%)	1,298,461	2,039,000	2,039,000	1,611,000
Injured Workers' Associations	190,000	153,000	37,000	24.18%	150,000	204,000	204,000	254,000
	\$9,708,000	\$10,647,000	(\$939,000)	(8.82%)	\$9,353,284	\$14,195,476	\$14,195,476	\$12,945,000
	\$45,326,306	\$50,489,769	(\$5,163,463)	(10.23%)	\$43,877,564	\$66,726,186	\$66,726,186	\$63,666,787

***Notes:**

1. Total Administration cost (as above) \$34,305,328
 Decrease in liability for future Admin costs (2,687,332)
Total Admin, Per Financial Statement \$31,617,996

2013 Revised Budget **\$66,726,000**

Variance Analysis – By Program Q3 - 2013

Salaries & Staff Expense

Actual	Budget	Var.\$	Var.%
\$25,470,964	\$26,259,241	(\$788,277)	(3.00%)

Variance Breakdown:

Salary and Benefits	(\$717,000)
Staff Expense	(6,000)
Overtime	(65,300)
Total Variance	<u>(\$788,300)</u>

Salary and Benefits were net under budget \$717,000 for the total WCB. The net favourable variance of \$717,000 resulted from staffing vacancies of \$541,000 combined with \$176,000 post-employment benefits being under budget based on a lower discount rate from 4.6% to 4.0%, resulting in a decrease in the interest component of these charges.

The following departments were under spent due to the following 21 staffing vacancies for some portion of time during the first three quarters: Health & Extended Benefits: Team Support and Case Manager; Large Workplace: two Case Managers and two Workplace Consultants; Workplace Services: Case Manager and Adjudicator; Central Services: 3 Integrated Service Associates, Assessment Officer Manager of Employer Services during third quarter; Communication: vacant Communication Advisor position; Corporate Development: vacant Director position and Policy Analyst; Information Technology Services: Application Developer Analyst, Programmer/Developer and Business Systems Analyst; Business Intelligence: Statistical Research Officer and Legal Services: Third Party Case Officer.

Staff Expense was under spent \$6,000 mainly due to timing of requirements for HR Recognition Initiatives and Staffing Arrangements.

Overtime was under spent \$65,300 primarily due to the following departments: Central Services was under spent \$20,000 due to use of summer students and casual employees in lieu of overtime. Human Resources under spent \$19,000 as there were no corporate overtime requests to date. ITS was under spent \$12,000 due to less requirements. Administration under spent \$9,000 due to timing; both ITS and Administration expect to be under budget at year end. Health and Extended Benefits was under spent \$9,700 and Workplace Services under spent \$7,600, both due to timing. This was offset by Issues Resolution and Internal Appeals being over budget \$12,000 due to requirements to support the Internal Appeals project.

Training & Development

Actual	Budget	Var.\$	Var.%
\$330,237	\$676,788	(\$346,552)	(51.21%)

Health and Extended Benefits (HEB) under spent \$75,000 related to the timing of external outreach and doctors training activities expected to be mostly spent by year end and \$61,000 related to lower than expected registration and course fees; HEB expects to be under budget \$50,000 at year end. Human Resources under spent \$82,500 for leadership capacity development work which is in progress and anticipate being under budget at year end \$70,000. Corporate Development under spent \$60,000 in program research and anticipate being under budget at year end \$10,000. Issues Resolution and Internal Appeals under spent \$18,000 due to timing and expect to be fully spent. Workplace Services under spent \$11,000 due to timing. Leadership under budget \$11,000 as training opportunities did not get completed as planned. The remaining \$28,000 under spent variance was spread mainly amongst: Large Workplace, Partnership, ITS and Business Intelligence cost centres.

Services Contracted

Actual	Budget	Var.\$	Var.%
\$1,089,409	\$1,285,051	(\$195,642)	(15.22%)

The under spent variance was mainly due to the following departments: ITS \$125,000 relating to the timing of maintenance agreements and other external services work and anticipate being under budget by \$160,000 at year end. Workplace Services under spent \$38,500 due to Nova Scotia Business Registry and Canada Revenue Agency expenses less than anticipated. Corporate Development under spent \$24,500 due reduced program initiative work and is expected to be under budget \$30,000 by year end. Partnerships under spent \$11,500 due to timing, anticipate being fully spent by year end. Offsetting this was Issues Resolution and Internal Appeals which was over budget \$8,000 due to temporary staffing at team support level. The remaining \$4,000 under spent variance was spread amongst various cost centres.

Travel & Accommodation

Actual	Budget	Var.\$	Var.%
\$570,385	\$674,164	(\$103,779)	(15.39%)

Large Workplace was under budget \$71,500 due to timing, staff vacancies and efforts to travel more efficiently. Workplace Services under spent \$28,000 related to the timing of travel and staff vacancies. Health and Extended Benefits was under spent \$17,500 due to timing related to travel. This was offset by Cape Breton IST & WST being over budget \$19,000 related to management travel to Halifax and increased staff travel to the Pictou

area. The remaining under spent variance of \$6,000 was spread amongst various cost centres.

Supplies

Actual	Budget	Var.\$	Var.%
\$573,681	\$677,016	(\$103,335)	(15.26%)

The under spent variance was mainly due to the following departments: Administration under spent \$26,000 mainly due to less usage of paper products. ITS under spent \$19,000 due to less usage of toner; they anticipate being under budget by \$20,000. Workplace Services under spent \$19,000 due to Nova Scotia Business Registry and Canada Revenue Agency postage expenses less than anticipated. Communications under spent \$12,500 due to increased electronic mailing and therefore requiring less postage. Health & Extended Benefits under spent \$12,000 due to less postage; they anticipate being under budget. The remaining \$14,500 favourable variance was spread mainly amongst Large Workplace, Cape Breton IST & WST and Leadership.

Communications

Actual	Budget	Var.\$	Var.%
\$746,026	\$822,471	(\$76,445)	(9.29%)

ITS under spent \$19,000 due to decreased service costs; anticipate being under budget by \$25,000 at year end. Communications Advertising under spent \$14,000 due to timing; expect to be close to budgeted amount by end of year. Workplace Services is under budget \$17,000 due to decreased printing with ipad use, Employer Guides no longer being printed, and generally under budget in mobile/data plans. Administration was under spent \$9,000 due to less printing requirements. The remaining under spent variance of \$17,000 relates to timing and was spread amongst Health & Extended Benefits, Large Workplace, CBRE – IST & WST, Legal Services and Leadership and Governance.

Building Operations

Actual	Budget	Var.\$	Var.%
\$1,662,160	\$1,682,415	(\$20,256)	(1.20%)

Administration was under spent \$23,000 due to timing of repair work and Central Services were under spent \$10,000 mainly due to timing of postage costs. ITS over spent \$17,000 due to a new equipment lease. CBRE – IST & WST was under spent \$4,000 due to timing.

Professional Fees

Actual	Budget	Var.\$	Var.%
\$1,926,169	\$1,916,169	\$10,000	0.52%

Legal Services was over spent by \$96,000 due to increased costs of supporting litigation relating to a case at the Supreme Court of Canada; anticipate being over budget \$40,000 at year end. Business Intelligence was over budget \$29,000 – this variance should remain constant to year end. Health and Extended Benefits over spent \$21,000 due to timing of Medical Advisors expenses. Offsetting this was Human Resource which under spent \$68,000 due to employee classification work which is now in progress and budget is expected to be spent. Corporate Development under spent \$21,000 due to reduced costs and is expected to be under budget \$25,000 at year end. Leadership was under spent \$19,000 due to a reduced need for external consultants thus far; anticipate being under budget by \$20,000 at year end. Financial Services was under spent \$14,000 and Partnerships was under spent \$10,500, both due to timing of expenses. The remaining \$3,500 over spent variance was spread amongst various cost centres.

Depreciation

Actual	Budget	Var.\$	Var.%
\$890,431	\$1,286,583	(\$396,152)	(30.79%)

Depreciation was based on existing assets and actual purchases for the year to date. Variance is due to less capitalization than planned on 2012 projects. Depreciation is forecasted to be \$400,000 under budget at year end. This will be allocated to cover other initiatives.

Projects

Actual	Budget	Var.\$	Var.%
\$1,045,866	\$1,290,987	(\$245,121)	(18.99%)

These were the actual expenditures for the third quarter. See Appendix A for spending and budget details by project.

System Support

Actual	Budget	Var.\$	Var.%
\$560,711	\$606,883	(\$46,171)	(7.61%)

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.%
\$6,243,000	\$6,872,000	(\$629,000)	(9.15%)

The expense represents three quarters of the total estimated expense to WCB for the 2013 fiscal year of \$8,324,000. The estimated expense was based on 25% of the 2012/13 final forecast provided by the Province of Nova Scotia as at March 31, 2013 plus 75% of the 2013/2014 budget, as updated by the Province of Nova Scotia.

Workers' Advisers Program (WAP)

Actual	Budget	Var.\$	Var.%
\$2,067,000	\$2,093,000	(\$26,000)	(1.24%)

The expense represents three quarters of the total estimated expense to WCB for the 2013 fiscal year of \$2,756,000. The estimated expense was based on 25% of the 2012/13 final forecast provided by the Province of Nova Scotia as at March 31, 2013 plus 75% of the 2013/2014 budget, as updated by the Province of Nova Scotia.

Workers' Compensation Appeals Tribunal (WCAT)

Actual	Budget	Var.\$	Var.%
\$1,208,000	\$1,529,000	(\$321,000)	(20.99%)

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

Injured Workers' Associations (IWA) – Funding

Actual	Budget	Var.\$	Var.%
\$190,000	\$153,000	\$37,000	24.18%

The expense represents two quarters of the total estimated expense to WCB for the 2013 fiscal year of \$254,000. The estimated expense was based on 25% of the 2012/13 final forecast provided by the Province of Nova Scotia as at March 31, 2013 plus 75% of the 2013/2014 budget, as updated by the Province of Nova Scotia.

**Appendix A: Workers' Compensation Board of Nova Scotia
Project Expenditure Summary
For the 9 Periods Ending September 30, 2013**

Project Number / Name	2013 Actual YTD	2013 Budget YTD	2013 YTD Variance	2013 % YTD Variance	2013 Annual Budget
082203 SDM: Program Office/Team Description: • Salary dollars for internal resources dedicated to SDM Project & Program work, including subject matter expert, training, and support.	\$31,662	\$30,000	\$1,662	5.54%	\$30,000
		Status Report: Variance due to small difference in actual salary and benefits versus what was budgeted. Project officially closed in Q2.			
112201 SDM: ITS Application Architecture Description: • Documentation of existing ITS systems to better understand impacts of phased modernization approach. Also includes development of future target application architecture state and roadmap to achieve.	\$0	\$0	\$0	0.00%	\$0
		Status Report: Work has wrapped up on this phase of the project and is considered closed pending paperwork.			
112203 Assessment Rate Setting Review Description: • Multi-year project to investigate and implement changes to Assessment Rate Setting Model to ensure appropriate responsiveness and incentive improvements in safety culture.	\$0	\$0	\$0	100.00%	\$0
		Status Report: The project remained open in 2013 pending paperwork for outstanding printing costs. Project officially closed in Q1 2013.			
112209 Appeal Review Project Description: • Project to review the current approach to resolving internal appeals to determine if changes to process, roles, and/or structure are necessary/appropriate to support early resolution or informal resolution of issues.	\$0	\$0	\$0	0.00%	\$0
		Status Report: Project launched Q4 2011 and this phase closed in Q4 2012. Project remained open into 2013 pending transfer of salary costs to phase 2 of this project for the term Hearing Officer position. Project officially closed in Q2.			
122201 NS Occupational Health & Safety Strategy Description: • Project to develop a 2013-2018 Occupational Health and Safety Strategy for Nova Scotia.	\$63,880	\$70,000	(\$6,120)	(8.74%)	\$70,000
		Status Report: Budget variance is due to cost savings in travel and less external consultant fees than originally anticipated to write the draft strategy. Project officially closed in Q2 2013.			
122202 Centralized Expedited Surgery Description: • Project to further define the Centralized Expedited Surgery model.	\$51	\$0	\$51	100.00%	\$0
		Status Report: Project launched in Q1 2012 and closed in Q3 2013. Budget variance due to travel costs.			

122203 Privacy Report Response Project	\$1,227	\$10,000	(\$8,773)	(87.73%)	\$10,000
Description: • Project to implement the 21 recommendations put forth in the Privacy Review Officer's report within the timelines specified in WCB's response to the PRO.	Status Report: Variance is due to cost savings in travel and no requirement for external consultants, as initially planned. Project officially closed in Q2 2013.				
122204 Small / Medium Activity Roadmap to Transformation	\$289	\$3,000	(\$2,711)	(90.37%)	\$3,000
Description: • Project to develop an implementation roadmap which will identify a detailed list of initiatives that will need to be completed in order to meet the service needs of small and medium workplaces.	Status Report: Project launched in late Q1 2012 and officially closed in Q1 2013. Budget variance due to less travel required than anticipated.				
122205 Application Architecture - Phase II	\$0	\$0	\$0	0.00%	\$0
Description: • Project to conduct technical exploration and confirm key assumptions regarding the nature and role of technology approaches identified during Phase 1.	Status Report: Project launched in early Q2 2012 and officially closed in Q2 2013.				
122206 Application Architecture - Phase III	\$32,139	\$50,000	(\$17,861)	(35.72%)	\$50,000
Description: • Project to engage external partner for MS SharePoint expertise and advance the evolution architecture through use of new technologies for creating web service for the Rate Setting Enhancements project.	Status Report: Project launched in Q3 2012 and will continue into 2013 with work on determining best framework for SharePoint. Variance is due to a later than anticipated start date for the external SharePoint partner. Project will officially close in Q4 2013.				
122207 Enhanced Medical Advisory Services - Pilot	\$11,400	\$20,000	(\$8,600)	(43.00%)	\$20,000
Description: • Project to pilot additional medical advisory services in Health & Social Services Unit to provide more timely and effective support to the RTW process.	Status Report: Project launched in Q4 2012 and is expected to officially close in Q4 2013. Variance is due to difference in salary for medical advisor than was anticipated.				
122208 Internal Appeal Review Project - Phase II	\$537,295	\$625,709	(\$88,414)	(14.13%)	\$823,807
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 will continue into 2013 & 2014. The variance is due to less printing and travel costs than originally anticipated. Project released \$100K of funding in Q3 2013 due to later than anticipated start date for an additional HR resource and Communications Advisor to support this project and Service Culture Evolution.				
132201 Rate Enhancements Project - Phase II	\$32,648	\$64,880	(\$32,232)	(49.68%)	\$100,000
Description: • Implementation of two key programs approved in the first phase of this project - Practice Incentives Rebate pilot and Conditional Surcharge Refund Program.	Status Report: Project launched in early Q1 2013 and will continue throughout 2013 & part of 2014. Variance is due to less than anticipated printing and advertising costs in Q2 & Q3.				

132202 Centralized Surgery Services - Phase II	\$91,250	\$106,500	(\$15,250)	(14.32%)	\$106,500
Description: • Project to implement the Centralized Surgery Services Program (CSSP).	Status Report: Project launched in Q1 2013. Variance due to lower than anticipated need for external consulting expertise and travel plus a delay in the start date for the program due to lengthy negotiations with surgeons. Project expected to officially close in Q4 2013.				
132203 Application Architecture - Phase IV	\$105,768	\$86,248	\$19,520	22.63%	\$450,000
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 in Q1 2013. Variance in Q3 is due to salary costs for new IT staff being higher than originally budgeted for this quarter. Project is expected to be under budget at the end of the year by \$100,000.				
132204 Service Culture / Excellence Project	\$41,695	\$79,650	(\$37,955)	(47.65%)	\$250,000
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. Variance is due to less than anticipated spending on printing, travel and consulting fees due to schedule changes in the project in Q3.				
132205 Knowledge Management 2013 - Phase I	\$82,118	\$85,000	(\$2,882)	(3.39%)	\$85,000
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. Slight variance due to less travel required than anticipated in Q3.				
132206 Microfilm Digitization Initiative	\$0	\$0	\$0	0.00%	\$0
Description: • To engage a commercial supplier for digitization of documents currently archived on 5,300 60 foot rolls of 16mm microfilm into individual claim files.	Status Report: A decision was made to fund this initiative operationally, not as a project. The project was officially closed in Q3 and the budget was returned to the unallocated project funds.				
132207 Pay Direct Special Authorization	\$49,039	\$60,000	(\$10,961)	(18.27%)	\$125,000
Description: • To engage Medavie BlueCross expertise and members of HEB 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 Q3 2013. Variance is due to less consulting time required in Q3 than originally anticipated.				
Total Assigned Projects	\$1,080,461	\$1,290,987	(\$210,526)	(16.31%)	\$2,123,307
***Unassigned Project Budget					526,693
Total Projects	\$1,080,461	\$1,290,987	(\$210,526)	(16.31%)	\$2,650,000

Notes to Quarterly 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, 2012) 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, 2013, including 2012 comparative periods.

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 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).

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