

**Workers' Compensation Board of Nova Scotia  
Summary of Financial Results  
Third Quarter 2012**

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## **SUMMARY OF FINANCIAL RESULTS THIRD QUARTER 2012**

### **Statement of Financial Position**

The Board's asset base at September 30, 2012 was \$1,168.6 million in comparison to \$1,033.1 million at September 30, 2011. This \$135.5 million increase was mainly due to an increase in the market value of investments and an increase in cash holdings.

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, 2012 includes equity at 60%, fixed income at 30% and real estate at 10%.

Benefits liabilities have increased \$74.7 million from September 30, 2011 to September 30, 2012. 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 \$25.4 million for the three quarters ended September 30, 2012, decreasing the unfunded liability. The year to date comprehensive income is ahead of the current funding strategy estimates, which anticipates a total comprehensive loss for 2012 of \$5.7 million. The impact on the funding strategy will be measured as the variance of the 2012 comprehensive income to the funding strategy estimate.

### **Revenue**

Assessment revenue year to date is \$210.6 million, an increase of \$3.4 million (1.6%) versus the same period in 2011. This \$3.4 million increase reflects increased insured firms' assessment premium revenue of \$3.3 million and increased self insured revenue \$0.1 million over the same period in 2011.

Investment income year to date is \$84.4 million, an increase of \$113.9 million over the same period in 2011. Investment income is derived from income on long term investments managed by external investment managers and is the result of interest and dividends of \$23.6 million, realized gains of \$16.3 million, unrealized gains of \$39.3 million, currency overlay gains of \$9.0 million and unrealized currency overlay losses of \$1.0 million less \$2.8 million in management fees. The nine month return was 8.4%.

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

Claims costs incurred of \$146.9 million are an increase of \$4.4 million (3.0%) over year to date 2011 and are estimated based on an extrapolation of year to date claims payments for current and prior years' injuries. At this point, claims cost incurred are still performing at or better than plan with the exception of health care related costs.

The year to date net growth in the present value of the benefits liability and actuarial adjustments was \$81 million. The growth component was \$89.6 million and the estimated favourable actuarial experience adjustments total \$8.6 million. Favourable experience adjustments are currently projected for short term disability, rehabilitation, long term disability and survivor benefits while an unfavourable adjustment is estimated for health care. Health care costs are behind the plan, due to higher than expected payments in claims at older durations.

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

Year to date administrative expenditures were \$34.3 million with a \$4.1 million favourable variance from the \$38.4 million year to date budget estimate. Favourable variances relate mainly to the timing of project and capital expenditures of \$2.5 million and the remaining \$1.6 million variance relating to salaries, training and development, services contracted and depreciation. These variances are expected to be partially utilized by the end of the year.

## **Legislative Obligations**

Legislated Obligations expenditures were \$9.4 million with a \$1.2 million favourable variance from the year to date budget estimate. This is mainly attributable to Occupational Health and Safety expenditures less than budget.

## **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 short term securities was \$9.2 million at September 30, 2012, an increase of \$5.4 million from the September 30, 2011 cash position.

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

	<b>SEPTEMBER 30 2012 (Unaudited) (\$000s)</b>	<b>SEPTEMBER 30 2011 (Unaudited) (\$000s)</b>	<b>DECEMBER 31 2011 (Audited) (\$000s)</b>
<b>Assets</b>			
Cash & cash equivalents	\$ 9,165	\$ 3,720	\$ -
Receivables	19,822	18,597	19,876
Investments	1,134,808	1,005,265	1,050,610
Property and equipment	4,257	4,582	4,594
Intangible assets	574	933	881
	<u>\$ 1,168,626</u>	<u>\$ 1,033,096</u>	<u>\$ 1,075,961</u>
<b>Liabilities and Unfunded Liability</b>			
Bank indebtedness	\$ -	\$ -	\$ 1,366
Payables and accruals	21,374	12,033	13,010
Lease liabilities	103	190	168
Post employment benefits	23,611	17,543	22,065
Benefits liabilities	1,748,941	1,674,247	1,705,957
	<u>1,794,029</u>	<u>1,704,013</u>	<u>1,742,566</u>
Deferred revenue	15,755	15,536	-
Unfunded liability	(641,158)	(686,453)	(666,605)
	<u>\$ 1,168,626</u>	<u>\$ 1,033,096</u>	<u>\$ 1,075,961</u>

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

	Quarter 3 2012 (\$000s)	Quarter 3 2011 (\$000s)	YTD September 30 2012 (\$000s)	YTD September 30 2011 (\$000s)
<b>Revenue</b>				
Assessments	\$ 65,147	\$ 68,659	\$ 210,586	\$ 207,195
Investment income	<u>38,626</u>	<u>(65,002)</u>	<u>84,364</u>	<u>(29,495)</u>
	<u>103,773</u>	<u>3,657</u>	<u>294,950</u>	<u>177,700</u>
<b>Expenses</b>				
Claims costs incurred				
Short-term disability	9,840	10,514	30,034	31,607
Long-term disability	22,762	19,317	69,946	64,608
Survivor benefits	899	733	3,301	3,108
Health care	13,950	13,952	42,815	42,525
Rehabilitation	<u>365</u>	<u>228</u>	<u>781</u>	<u>673</u>
	47,816	44,744	146,877	142,521
Growth in present value of benefits liabilities and actuarial adjustments	27,953	23,125	80,950	80,117
Administration costs	10,575	10,384	31,657	30,648
System support	241	270	666	658
Legislated obligations	<u>2,928</u>	<u>2,865</u>	<u>9,353</u>	<u>9,119</u>
	<u>89,513</u>	<u>81,388</u>	<u>269,503</u>	<u>263,063</u>
<b>Comprehensive income (loss)</b>	14,260	(77,731)	25,447	(85,363)
<b>Unfunded liability, beginning of period</b>	<u>(655,418)</u>	<u>(608,722)</u>	<u>(666,605)</u>	<u>(601,090)</u>
<b>Unfunded liability, end of period</b>	<u>\$ (641,158)</u>	<u>\$ (686,453)</u>	<u>\$ (641,158)</u>	<u>\$ (686,453)</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, 2012**  
**(UNAUDITED)**

	YTD 2012 (\$000s)	YTD 2011 (\$000s)	FORECAST 2012 (\$000s)	BUDGET* 2012 (\$000s)
<b>REVENUE</b>				
ASSESSMENTS	\$ 210,586	\$ 207,195	\$ 293,800	\$ 296,512
INVESTMENT INCOME	84,364	(29,495)	76,600	76,629
	<u>294,950</u>	<u>177,700</u>	<u>370,400</u>	<u>373,141</u>
<b>EXPENSES</b>				
CLAIMS COSTS INCURRED				
SHORT-TERM DISABILITY	30,034	31,607	40,000	40,109
LONG-TERM DISABILITY	69,946	64,608	93,300	95,370
SURVIVOR BENEFITS	3,301	3,108	4,400	5,119
HEALTH CARE	42,815	42,525	57,100	54,959
REHABILITATION	781	673	1,000	922
	<u>146,877</u>	<u>142,521</u>	<u>195,800</u>	<u>196,479</u>
GROWTH IN PRESENT VALUE OF BENEFITS LIABILITIES AND ACTUARIAL ADJUSTMENTS	80,950	80,117	107,900	121,980
ADMINISTRATION COSTS	31,657	30,648	44,200	45,957
SYSTEM SUPPORT	666	658	850	927
LEGISLATED OBLIGATIONS	9,353	9,119	12,790	13,536
	<u>269,503</u>	<u>263,063</u>	<u>361,540</u>	<u>378,879</u>
<b>COMPREHENSIVE INCOME (LOSS)</b>	<u>\$ 25,447</u>	<u>(85,363)</u>	<u>8,860</u>	<u>\$ (5,738)</u>

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

	SEPTEMBER 30 2012 (\$000's)	SEPTEMBER 30 2011 (\$000's)
<b>Operating Activities</b>		
Cash received from:		
Employers, for assessments	\$ 223,595	\$ 222,749
Investment income	45,433	52,988
	<u>269,028</u>	<u>275,737</u>
Cash paid to:		
Claimants or third parties on their behalf	(179,939)	(175,501)
Suppliers, for administrative and other goods and services	(32,765)	(41,059)
	<u>(212,704)</u>	<u>(216,560)</u>
Net cash provided by operating activities	<u>56,324</u>	<u>59,177</u>
<b>Investing Activities</b>		
Increase in investments	(45,277)	(52,862)
Cash paid for:		
Purchase of equipment	(516)	(772)
	<u>(45,793)</u>	<u>(53,634)</u>
Net cash used in investing activities	<u>(45,793)</u>	<u>(53,634)</u>
Net increase in cash and cash equivalents	10,531	5,543
(Bank indebtedness), beginning of year	<u>(1,366)</u>	<u>(1,823)</u>
Cash and cash equivalents, year-to-date	<u>\$ 9,165</u>	<u>\$ 3,720</u>

## Workers' Compensation Board of Nova Scotia

Administration and Other Expenses Summary  
For the 9 Periods Ending September 30, 2012

Program Area	2012 Actual YTD	2012 Budget YTD	2012 YTD Variance	2012 % Variance	2011 Actual YTD	2012 Original Budget	2012 Total Budget	2012 Forecast
Salary & Staff Expense	\$24,731,192	\$25,255,935	(\$524,743)	(2.08%)	\$24,340,796	\$34,424,113	\$34,197,359	\$33,597,359
Training & Development	355,313	717,224	(361,911)	(50.46%)	443,575	1,141,993	1,143,993	543,993
Services Contracted	1,150,594	1,302,176	(151,582)	(11.64%)	1,098,240	1,785,750	1,803,750	1,553,750
Professional Fees	1,595,267	1,697,981	(102,714)	(6.05%)	960,762	1,755,183	2,265,783	2,165,783
Travel & Accommodation	597,762	668,182	(70,419)	(10.54%)	628,644	924,678	924,678	924,678
Supplies	629,095	655,216	(26,122)	(3.99%)	683,773	860,600	879,600	879,600
Communications	1,110,527	1,124,754	(14,227)	(1.26%)	1,066,089	1,625,391	1,602,391	1,602,391
Building Operations	1,696,410	1,641,135	55,276	3.37%	1,561,971	2,207,016	2,188,516	2,263,516
Projects	876,685	1,269,124	(392,439)	(30.92%)	763,746	1,050,000	1,053,913	1,013,913
Depreciation	1,063,117	1,421,253	(358,136)	(25.20%)	913,203	1,895,444	1,895,444	1,695,444
	<b>\$33,805,962</b>	<b>\$35,752,980</b>	<b>(\$1,947,018)</b>	<b>(5.45%)</b>	<b>\$32,460,799</b>	<b>\$47,670,168</b>	<b>\$47,955,427</b>	<b>\$46,240,427</b>
Capital - WCB	\$513,420	\$1,015,000	(\$501,580)	(49.42%)	\$1,015,000	\$1,015,000	\$1,015,000	\$915,000
Capital - WCB Projects	0	1,600,000	(1,600,000)	(100.00%)	1,700,000	1,600,000	1,600,000	375,000
	<b>\$34,319,382</b>	<b>\$38,367,980</b>	<b>(\$4,048,598)</b>	<b>(11.43%)</b>	<b>\$35,175,799</b>	<b>\$50,285,168</b>	<b>\$50,570,427</b>	<b>\$47,530,427</b>
Workplace Safety and Insurance System	\$98,169	\$171,237	(\$73,068)	(42.67%)	\$138,253	\$227,000	\$228,741	\$148,741
Office of the Employer Advisor	275,000	262,500	12,500	4.76%	211,158	350,000	350,000	350,000
Office of the Worker Counsellor	293,000	262,500	30,500	11.62%	308,980	350,000	350,000	350,000
	<b>\$666,169</b>	<b>\$696,237</b>	<b>(\$30,068)</b>	<b>(4.32%)</b>	<b>\$658,392</b>	<b>\$927,000</b>	<b>\$928,741</b>	<b>\$848,741</b>
Occupational Health & Safety	\$5,876,000	\$6,873,000	(\$997,000)	(14.51%)	\$5,764,445	\$9,164,000	\$9,164,000	\$7,914,000
Workers' Compensation Appeals Tribunal	1,298,000	1,519,500	(221,500)	(14.58%)	1,184,825	2,026,000	2,026,000	1,976,000
Injured Workers' Associations	150,000	150,000	0	0.00%	174,608	200,000	200,000	200,000
Workers Advisers Program	2,029,000	2,014,500	14,500	0.72%	1,995,168	2,686,000	2,686,000	2,700,000
	<b>\$9,353,000</b>	<b>\$10,557,000</b>	<b>(\$1,204,000)</b>	<b>(11.40%)</b>	<b>\$9,119,047</b>	<b>\$14,076,000</b>	<b>\$14,076,000</b>	<b>\$12,790,000</b>
	<b>\$44,338,551</b>	<b>\$49,621,217</b>	<b>(\$5,282,666)</b>	<b>(10.65%)</b>	<b>\$44,953,238</b>	<b>\$65,288,168</b>	<b>\$65,575,168</b>	<b>\$61,169,168</b>

**\*Notes:**

1. Total Administration cost (as above)	\$33,805,962	Original Budget	\$65,288,168
Decrease in liability for future Admin costs	(2,149,028)	Budget Revision	287,000
<b>Total Admin, Per Financial Statement</b>	<b>\$31,656,934</b>	Revised Budget	<b>\$65,575,168</b>

## Variance Analysis – By Program Q3 - 2012

### Salaries & Staff Expense

Actual	Budget	Var.\$	Var.%
\$24,731,192	\$25,255,935	(\$524,743)	(2.08%)

#### Variance Breakdown:

Salary and Benefits	(\$429,000)
Staff Expense	(38,000)
Overtime	(66,000)
Sitting fees	<u>8,000</u>
Total Variance	<u>(\$525,000)</u>

Salary and Benefits were net under spent \$429,000 for the total WCB, which includes an estimate of approximately \$268,000 for Collective Bargaining. The net under spent variance of \$429,000 resulted from staffing vacancies of \$471,000 and recovery of Administration fees from Third Party settlements used to offset salary expenses for Legal Services of \$120,000 offset by post employment benefits being \$162,000 over budget. The following departments were under spent due to staffing variances at some point during the year to date: Health & Extended Benefits: Long-Term benefits Assistant and Hearing Loss Adjudicator; Workplace Services: Return to Work Assistant and Case Manager; Communications: Manager, Communications; Corporate Development: Manager, Strategy, Support & Planning, Director, Corporate Development, Policy Analyst and Senior Consultant; Legal Services: Legal Counsel; Large Workplace: Prevention Education Consultant, Return to Work Assistant and Case Manager Float; Financial Services: Financial Analyst; Leadership and Governance: VP, People and Planning and Executive Assistant; and ITS: Application Developer Analyst, Business Systems Analyst and two Programmer Analysts.

Staff Expense was under spent \$38,000 due to timing of expenditures for Staff Recognition \$50,000, Team Building \$15,000 and Staffing Arrangements \$107,000. This was offset by increased costs incurred related to Health Spending Initiatives of \$49,000 and Staff Recruitment being over budget \$85,000.

Overtime was under spent due to fewer overtime requests: Administration \$11,000, ITS \$17,000, Large Workplace \$4,000, Central Services \$11,000, Health & Extended Benefits \$2,000 and Workplace Services \$7,000. The remaining \$14,000 under spent variance related to various cost centres.

Sitting fees was over spent \$8,000 due to timing of expenditures.

## Training & Development

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$355,313	\$717,224	(\$361,911)	(50.46%)

The under spent variance \$362,000 was mainly due to the following departments: Health & Extended Benefits \$149,000 under budget related to Doctors Outreach; Human Resources \$92,000 under spent and expected to be used by end of year primarily for the Leadership Capacity Program; Corporate Development \$42,000 under budget due to a reduction in Research Grants related to a change in BC partnership; under spent variances in Internal Appeals \$21,000, Workplace Services \$13,000 and Leadership & Governance \$33,000 due to the timing of the budget. The remaining favourable variance of \$12,000 was spread amongst other program areas.

## Services Contracted

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$1,150,594	\$1,302,176	(\$151,582)	(11.64%)

The under spent variance was mainly due to the following departments: Health & Extended Benefits \$27,000 and IST & WST Cape Breton \$16,000 related to the timing of services required, and Administration \$11,000 under spent for timing of project work. Corporate Development \$75,000 under budget for a reduction to program initiatives and ITS \$51,000 under budget for maintenance agreements; both are reserved to cover budget overages elsewhere. This was offset by an over spent variance due to temporary staffing costs in Internal Appeals \$23,000 and Leadership \$6,000. The remaining favourable variance of \$1,000 was spread amongst other program areas.

## Professional Fees

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$1,595,267	\$1,697,981	(\$102,714)	(6.05%)

The \$103,000 under spent variance was mainly due to the following departments: Human Resources \$147,000 as external consultation was not sought for salary surveys, classification system review and other external advice, Corporate Development \$26,000 due to timing of Employer surveys and a \$50,000 under spent variance was spread amongst Financial Services, Leadership and ITS, mainly due to timing. The remaining \$8,000 under spent variance was spread amongst various departments. These were offset by overages in the following departments: Health and Extended Benefits \$47,000 for external physician services relating to the PMI, Legal Services \$37,000 for external services required to relieve a vacant Legal Counsel position and Internal Audit over budget \$44,000 primarily due to audit work carried over from 2011 into 2012.

### Travel & Accommodation

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$597,762	\$668,182	(\$70,419)	(10.54%)

The under spent variance of \$70,000 was mainly due to the following departments: Health and Extended Benefits \$22,000 and Large Workplace \$55,000 from a reduction to travel which could be timing related as more travel occurs in Q4. The remaining \$3,000 under spent variance was spread amongst various departments. These were offset by a \$10,000 over spent variance related to IST & WST – Cape Breton.

### Supplies

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$629,095	\$655,216	(\$26,122)	(3.99%)

The under spent variance was mainly due to the following departments: Health and Extended Benefits \$10,000, Workplace Services \$16,000 and Communications \$12,000 all due to using less postage; Large Workplace \$11,000 and IST & WST – Cape Breton \$10,000 due to less office supplies required; the remaining \$5,000 favourable variance was spread amongst other departments. This was offset by over spent variances of \$26,000 in Central Services related mainly to courier charges and \$12,000 in ITS related to increased toner costs.

### Building Operations

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$1,696,410	\$1,641,135	\$55,276	3.37%

IST & WST – Cape Breton was over budget \$92,000 due to Sydney's office rent which was the result of higher common area costs than expected (i.e. property taxes, utilities, cleaning). Favourable variances from other areas will cover this shortfall. The remaining \$37,000 favourable variance was due to timing of work in Administration.

### Projects

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$876,685	\$1,269,124	(\$392,439)	(30.92%)

These were the actual expenditures year-to-date. See Appendix A for spending and budget details by project.

### **Depreciation**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$1,063,117	\$1,421,253	(\$358,136)	(25.20%)

Depreciation was based on existing assets and actual purchases for the quarter. Variance was due to less capitalization than planned of 2011 projects, this variance is expected to decrease as 2012 capital purchases are made and projects are completed.

### **System Support**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$666,169	\$696,237	(\$30,068)	(4.32%)

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). The under expenditure relates primarily to the internal pilot term position which concluded in early 2012.

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

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$5,876,000	\$6,873,000	(\$997,000)	(14.51%)

The expense represents three quarters of the total estimated expense to WCB for the 2012 fiscal year of \$7,834,764. The estimated expense was based on 25% of the 2011/12 final forecast provided by the Province of Nova Scotia as at March 31, 2012 plus 75% of the 2012/2013 budget.

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

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$1,298,000	\$1,519,500	(\$221,500)	(14.58%)

This amount relates to year to date invoices for WCAT as provided by the Department of Justice.

### **Injured Workers' Associations (IWA) – Funding**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$150,000	\$150,000	\$0	0%

The expense represents three quarters of the total estimated expense to WCB for 2012 of \$200,000. The estimated expense was based on 25% of the 2011/12 final forecast

provided by the Province of Nova Scotia as at March 31, 2012 plus 75% of the 2012/2013 budget.

**Workers' Advisers Program (WAP)**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$2,029,000	\$2,014,500	\$14,500	0.72%

The expense represents three quarters of the total estimated expense to WCB for 2012 of \$2,705,000. The estimated expense was based on 25% of the 2011/12 final forecast provided by the Province of Nova Scotia as at March 31, 2012 plus 75% of the 2012/2013 budget.

## APPENDIX A: Worker's Compensation Board of Nova Scotia

Project Expenditure Summary  
For the 9 Periods Ending September 30, 2012

Project Number / Name	2012 Actual YTD	2012 Budget YTD	2012 YTD Variance	2012 % YTD Variance	2012 Annual Budget
082203 SDM: Program Office/Team	\$132,641	\$161,197	(\$28,556)	(17.71%)	\$214,941
<b>Description:</b> • Salary dollars for internal resources dedicated to SDM Project & Program work, including subject matter expert, training, and support.	<b>Status Report:</b> 1 SDM program resource is required (Service Delivery subject matter expert) plus 1 term Business Intelligence resource approved for conversion to new performance reporting software. Variance due to delay in start date of successful BI candidate.				
092205 SDM: Project Salaries	\$634	\$0	\$634	0.00%	\$0
<b>Description:</b> • Administrative spending due to SDM is captured centrally to ensure balancing of the administrative budget is tracked appropriately.	<b>Status Report:</b> Adjustment in benefit costs related to a 2011 transaction; no further impact in 2012. Project officially closed.				
112201 SDM: ITS Application Architecture	\$24,603	\$24,603	\$0	0.00%	\$44,603
<b>Description:</b> • 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.	<b>Status Report:</b> Work has wrapped up on this phase of the project. Steering Committee approved money from this project to be allocated to purchase the first shipment of new cheque stock for the new MICR printer. This project will officially close in Q4, 2012 once stock for the new MICR printer is purchased. Anticipate project being on budget.				
112203 Assessment Rate Setting Review	\$103,547	\$223,421	(\$119,874)	(53.65%)	\$330,969
<b>Description:</b> • Multi-year project to investigate and implement changes to Assessment Rate Setting Model to ensure appropriate responsiveness and incentive improvements in safety culture.	<b>Status Report:</b> Project continues in 2012 with design and implementation of new programs and communication to employers. The variance is due to allocation of funds and will be utilized in future periods. This project is expected to continue into 2013.				
112205 SDM: Post IST Implementation Analysis	\$2,165	\$1,000	\$1,165	116.52%	\$1,000
<b>Description:</b> • Project to evaluate targeted aspects of the Integrated Services Teams (ISTs); including advancement of strategic planning skill building, validation of resource mix in newly defined roles, analysis of workload drivers at medium risk.	<b>Status Report:</b> Project launched in Q2 2011 and closed in Q3 2012. Variance due to costs incurred for training workshops not in budget. Project officially closed.				
112207 CRA Linkage: Income Verification	\$225	\$300	(\$75)	(25.13%)	\$15,500
<b>Description:</b> • Project to establish ITS system link with Canada Revenue Agency (CRA) to request & receive workers' earnings information electronically rather than manually.	<b>Status Report:</b> Project launched in Q2 2011. A decision was made by Steering committee in Q3 2012 to place the project on hold. Project will officially close in Q4 2012.				
112208 Physiotherapy Program Enhancement	\$63,550	\$83,412	(\$19,861)	(23.81%)	\$83,412
<b>Description:</b> • Project to implement various enhancements to the Physiotherapy Program guided by the Stakeholder Working group's report and recommendations.	<b>Status Report:</b> Project launched in Q2 2011 and closed in Q3 2012. Budget variance is due to cost savings in postage and printing costs. Project officially closed.				

112209 Appeal Review Project	\$145,134	\$243,252	(\$98,118)	(40.34%)	\$266,002
<b>Description:</b> • 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	<b>Status Report:</b> Project launched Q4 2011 and will be completed at end of Q4 2012. Anticipate being on budget.				
122201 NS Occupational Health & Safety Strategy	\$267,128	\$274,000	(\$6,872)	(2.51%)	\$389,740
<b>Description:</b> • Project to develop a 2013-2018 Occupational Health and Safety Strategy for Nova Scotia	<b>Status Report:</b> Project launched in Q1 2012 and will continue into 2013. Variance is due to cost savings in travel and meals.				
122202 Centralized Expedited Surgery	\$8,163	\$28,000	(\$19,837)	(70.85%)	\$28,000
<b>Description:</b> • Project to further define the Centralized Expedited Surgery model	<b>Status Report:</b> Project launched in Q1 2012 and negotiations with the preferred service provider continue to define service standards and expectations. Budget variance due to less time required of external subject matter expert than initially planned. This project is expected to continue into 2013.				
122203 Privacy Report Response Project	\$1,506	\$12,910	(\$11,404)	(88.34%)	\$30,000
<b>Description:</b> • 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	<b>Status Report:</b> Project launched in late Q1 2012 and will be continue into 2013. Variance is due to allocation of funds and will be used in future periods. Anticipate being on budget.				
122204 Small / Medium Activity Roadmap to Transformation	\$44,825	\$102,350	(\$57,525)	(56.20%)	\$105,000
<b>Description:</b> • 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	<b>Status Report:</b> Project launched in late Q1 2012 and will wrap up in Q4 2012. Variance due to less contracting of external services than initially planned. Anticipate being on budget.				
122205 Application Architecture - Phase II	\$55,780	\$64,000	(\$8,220)	(12.84%)	\$64,000
<b>Description:</b> • Project to conduct technical exploration and confirm key assumptions regarding the nature and role of technology approaches identified during Phase 1	<b>Status Report:</b> Project launched in early Q2 2012 and will be closed in Q4 2012. Variance is due to allocation of funds and will be utilized in future periods. Anticipate being on budget.				
122206 Application Architecture - Phase III	\$26,783	\$50,680	(\$23,897)	(47.15%)	\$552,000
<b>Description:</b> • Project to deliver specific functionality using new architecture technologies, acquire Sharepoint expertise and software licences.	<b>Status Report:</b> Project launched in Q3 2012. Variance is due to allocation of funds and will be utilized in future periods. Anticipate being on budget.				
<b>Total Assigned Projects</b>	<b>\$876,685</b>	<b>\$1,269,124</b>	<b>(\$392,439)</b>	<b>(30.92%)</b>	<b>\$2,125,167</b>
<b>Anticipated Requests:</b>					
New Appeal Review Project					<b>(\$35,000)</b>
***Unassigned Project Budget					489,833
<b>Total Projects</b>	<b>\$876,685</b>	<b>\$1,269,124</b>	<b>(\$392,439)</b>	<b>(30.92%)</b>	<b>\$2,650,000</b>

\*\*\* Expect to fully utilize 2012 project funds for new projects relating to Knowledge Service Excellence and Integrated Service Centre.

# 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 interim Financial Statements 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, 2012, including 2011 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 a mid year actuarial valuation 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 15<sup>th</sup> of the month following quarter end and an estimate for amounts due but not yet reported by employers, and self-insured employers receipts, and are net of the allowance for doubtful accounts, and self-insured deposits.

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

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

Benefits liabilities represent an estimate based on assumptions used in the funding strategy for claims costs incurred and projected inflation. These figures are determined by 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.

## 3. Statement of Operations

### **Assessments**

The WCB receives two types of assessment revenue. Most employers pay an insurance premium with rates established based on prior years' experience. Assessment revenue for insured firms is recognized based on the requirement for employers to report and pay premiums periodically throughout the year based on actual assessable payroll and includes classified employers' premiums received up to the remittance due date of the 15<sup>th</sup> of the

month following quarter end and a provision for amounts due but not yet reported by employers.

The federal and provincial government agencies and departments are self-insured. Rather than paying an insurance premium, they reimburse the WCB for claims costs incurred on their behalf plus an administrative fee. 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, standby pay, voluntary retirement, recruitment, recognition, arrangements, relocation costs

### **Professional Fees:**

Audit fees, consultants, and legal fees

### **Depreciation:**

Depreciation of the fixed 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, rents, supplies, cleaning, utilities, taxes, insurance, rental of equipment, equipment leases and miscellaneous

### **Communications:**

Advertising, photocopying, 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 rental for hearings, 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