

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

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

### **Statement of Financial Position**

The Board's asset base at June 30, 2012 was \$1,131.0 million in comparison to \$1,102.2 million at June 30, 2011. This \$28.8 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 June 30, 2012 includes equity at 60%, fixed income at 30% and real estate at 10%.

Benefits liabilities have increased \$69.0 million from June 30, 2011 to June 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 as 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 \$11.2 million for the two quarters ended June 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 \$145.4 million, an increase of \$6.9 million (5.0%) versus the same period in 2011. This \$6.9 million increase reflects increased insured firms' assessment premium revenue \$7.0 million and a decrease in self insured revenue (\$0.1 million) over the same period in 2011.

Investment income year to date is \$45.7 million, an increase of \$10.2 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 \$16.5 million, realized gains of \$5.8 million, unrealized gains of \$22.6 million, currency overlay gains of \$10.3 million and unrealized currency overlay losses of \$7.9 million less \$1.6 million in management fees. The six month return was 4.6%.

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

Claims costs incurred of \$99.1 million are an increase of \$1.3 million (1.3%) 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 the mid year valuation point, claims cost incurred are 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 \$53.0 million. The growth component was \$58.9 million and the estimated favourable actuarial experience adjustments total \$5.9 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 the health care. Health care costs are behind the plan, because of high payments in later duration years and not achieving savings in health care costs as estimated.

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

Year to date administrative expenditures were \$22.6 million with a \$3.5 million favourable variance from the \$26.1 million year to date budget estimate. Favourable variances relate mainly to the timing of project and capital expenditures (\$2.8 million) and smaller variances in salaries, training and development and depreciation. These variances are expected to be utilized by the end of the year.

## **Legislative Obligations**

Legislated Obligations expenditures were \$6.4 million with a \$0.6 million favourable variance from the year to date budget estimate. These are mainly attributable to Occupational Health and Safety and to a smaller extent, the Workers' Compensation Appeals Tribunal.

## **Statement of Cash Flow**

The Statement of Cash Flows demonstrates the use of cash for the year to date on a comparative basis. Total cash and short term securities was \$3.5 million at June 30, 2012, an increase of \$1.8 million from the June 30, 2011 cash position.

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

	<b>JUNE 30 2012 (Unaudited) (\$000s)</b>	<b>JUNE 30 2011 (Unaudited) (\$000s)</b>	<b>DECEMBER 31 2011 (Audited) (\$000s)</b>
<b>Assets</b>			
Cash & cash equivalents	\$ 3,450	\$ 1,666	\$ -
Receivables	26,439	24,596	19,876
Investments	1,096,238	1,070,327	1,050,610
Property and equipment	4,194	4,589	4,594
Intangible assets	<u>672</u>	<u>1,049</u>	<u>881</u>
	<u>\$ 1,130,993</u>	<u>\$ 1,102,227</u>	<u>\$ 1,075,961</u>
<b>Liabilities and Unfunded Liability</b>			
Bank indebtedness	\$ -	\$ -	\$ 1,366
Payables and accruals	17,509	17,522	13,010
Lease liabilities	124	211	168
Post employment benefits	23,068	17,088	22,065
Benefits liabilities	<u>1,734,814</u>	<u>1,665,846</u>	<u>1,705,957</u>
	1,775,515	1,700,667	1,742,566
Deferred revenue	10,896	10,282	-
Unfunded liability	<u>(655,418)</u>	<u>(608,722)</u>	<u>(666,605)</u>
	<u>\$ 1,130,993</u>	<u>\$ 1,102,227</u>	<u>\$ 1,075,961</u>

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

	Quarter 2 2012 (\$000s)	Quarter 2 2011 (\$000s)	YTD June 30 2012 (\$000s)	YTD June 30 2011 (\$000s)
<b>Revenue</b>				
Assessments	\$ 76,149	\$ 71,140	\$ 145,439	\$ 138,535
Investment income	(10,368)	6,430	45,738	35,507
	<u>65,781</u>	<u>77,570</u>	<u>191,177</u>	<u>174,042</u>
<b>Expenses</b>				
Claims costs incurred				
Short-term disability	9,814	11,218	20,194	21,094
Long-term disability	23,632	24,175	47,184	45,290
Survivor benefits	1,229	1,347	2,402	2,375
Health care	15,517	13,976	28,865	28,573
Rehabilitation	208	222	415	445
	<u>50,400</u>	<u>50,938</u>	<u>99,060</u>	<u>97,777</u>
Growth in present value of benefits liabilities and actuarial adjustments	24,927	30,434	52,997	56,991
Administration costs	10,576	10,703	21,081	20,263
System support	214	210	426	389
Legislated obligations	3,207	3,030	6,426	6,254
	<u>89,324</u>	<u>95,315</u>	<u>179,990</u>	<u>181,674</u>
<b>Comprehensive (loss) income</b>	(23,543)	(17,745)	11,187	(7,632)
<b>Unfunded liability, beginning of period</b>	<u>(631,875)</u>	<u>(590,977)</u>	<u>(666,605)</u>	<u>(601,090)</u>
<b>Unfunded liability, end of period</b>	\$ <u>(655,418)</u>	\$ <u>(608,722)</u>	\$ <u>(655,418)</u>	\$ <u>(608,722)</u>

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA**  
**STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 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	\$ 145,439	\$ 138,535	\$ 296,512	\$ 292,987
INVESTMENT INCOME	<u>45,738</u>	<u>35,507</u>	<u>76,629</u>	<u>81,908</u>
	<u>191,177</u>	<u>174,042</u>	<u>373,141</u>	<u>374,895</u>
<b>EXPENSES</b>				
CLAIMS COSTS INCURRED				
SHORT-TERM DISABILITY	20,194	21,094	40,109	40,095
LONG-TERM DISABILITY	47,184	45,290	95,370	83,619
SURVIVOR BENEFITS	2,402	2,375	5,119	4,388
HEALTH CARE	28,865	28,573	54,959	55,140
REHABILITATION	415	445	922	1,205
	<u>99,060</u>	<u>97,777</u>	<u>196,479</u>	<u>184,447</u>
GROWTH IN PRESENT VALUE OF BENEFITS LIABILITY AND ACTUARIAL ADJUSTMENTS	52,997	56,991	105,994	122,196
ADMINISTRATION COSTS	21,081	20,263	45,957	45,957
SYSTEM SUPPORT	426	389	850	927
LEGISLATED OBLIGATIONS	6,426	6,254	13,512	14,076
	<u>179,990</u>	<u>181,674</u>	<u>362,792</u>	<u>367,603</u>
<b>COMPREHENSIVE INCOME (LOSS)</b>	<u>11,187</u>	<u>(7,632)</u>	<u>10,349</u>	<u>7,292</u>

\*Based on the Revised Budget June 2012; approved as part of the 2013 Plan.

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

	<b>JUNE 30 2012 (\$000's)</b>	<b>JUNE 30 2011 (\$000's)</b>
<b>Operating Activities</b>		
Cash received from:		
Employers, for assessments	\$ 148,273	\$ 144,281
Investment income	<u>31,045</u>	<u>36,056</u>
	179,318	180,337
 Cash paid to:		
Claimants or third parties on their behalf	(119,961)	(117,602)
Suppliers, for administrative and other goods and services	<u>(23,422)</u>	<u>(22,804)</u>
	(143,383)	(140,406)
 Net cash provided by operating activities	<u>35,935</u>	<u>39,931</u>
<b>Investing Activities</b>		
Increase in investments	(30,941)	(35,982)
Cash paid for:		
Purchase of equipment	<u>(178)</u>	<u>(460)</u>
 Net cash used in investing activities	<u>(31,119)</u>	<u>(36,442)</u>
 Net increase in cash and cash equivalents	4,816	3,489
(Bank indebtedness), beginning of year	<u>(1,366)</u>	<u>(1,823)</u>
 Cash and cash equivalents, year-to-date	<u>\$ 3,450</u>	<u>\$ 1,666</u>



## Workers' Compensation Board of Nova Scotia

### Administration and Other Expenses Summary

For the 6 Periods Ending June 30, 2012

Program Area	2012 Actual YTD	2012 Budget YTD	2012 YTD Variance	2012 % Variance	2011 Actual YTD	2012 Original Budget	2012 Total Revised Budget	2012 Forecast
Salary & Staff Expense	\$16,471,537	\$16,789,187	(\$317,650)	(1.89%)	\$16,019,009	\$34,424,113	\$34,197,359	\$34,197,359
Training & Development	287,357	406,603	(119,246)	(29.33%)	350,197	\$1,141,993	1,143,993	1,143,993
Services Contracted	782,253	846,285	(64,032)	(7.57%)	713,795	\$1,785,750	1,803,750	1,803,750
Communications	581,948	628,170	(46,221)	(7.36%)	595,461	\$1,625,391	1,602,391	1,602,391
Supplies	422,122	441,776	(19,654)	(4.45%)	444,187	\$860,600	879,600	879,600
Travel & Accommodation	422,893	427,158	(4,265)	(1.00%)	418,051	\$924,678	924,678	924,678
Professional Fees	1,092,525	1,056,608	35,917	3.40%	535,506	\$1,755,183	2,265,783	2,265,783
Building Operations	1,153,394	1,094,077	59,317	5.42%	1,039,452	\$2,207,016	2,188,516	2,188,516
Projects	507,248	869,500	(362,252)	(41.66%)	627,181	\$1,050,000	1,053,913	1,053,913
Depreciation	726,324	947,502	(221,178)	(23.34%)	799,053	\$1,895,444	1,895,444	1,895,444
	<b>\$22,447,601</b>	<b>\$23,506,865</b>	<b>(\$1,059,264)</b>	<b>(4.51%)</b>	<b>\$21,541,893</b>	<b>\$47,670,168</b>	<b>\$47,955,427</b>	<b>\$47,955,427</b>
Capital - WCB	\$175,660	\$1,015,000	(\$839,340)	(82.69%)	\$1,015,000	\$1,015,000	\$1,015,000	\$1,015,000
Capital - WCB Projects	0	1,600,000	(1,600,000)	(100.00%)	1,700,000	1,600,000	\$1,600,000	1,600,000
	<b>\$22,623,261</b>	<b>\$26,121,865</b>	<b>(\$3,498,604)</b>	<b>(13.39%)</b>	<b>\$24,256,893</b>	<b>\$50,285,168</b>	<b>\$50,570,427</b>	<b>\$50,570,427</b>
Office of the Worker Counsellor	\$185,000	\$175,000	\$10,000	5.71%	\$144,202	\$350,000	\$350,000	\$350,000
Office of the Employer Advisor	170,000	175,000	(5,000)	(2.86%)	141,158	350,000	350,000	350,000
Workplace Safety and Insurance System	70,931	114,734	(43,804)	(38.18%)	103,481	227,000	228,741	150,000
	<b>\$425,931</b>	<b>\$464,734</b>	<b>(\$38,804)</b>	<b>(8.35%)</b>	<b>\$388,842</b>	<b>\$927,000</b>	<b>\$928,741</b>	<b>\$850,000</b>
Occupational Health & Safety	\$4,057,000	\$4,582,000	(\$525,000)	(11.46%)	\$4,044,781	\$9,164,000	\$9,164,000	\$8,600,000
Workers Advisers Program	1,347,000	1,343,000	4,000	0.30%	1,334,275	2,686,000	2,686,000	2,686,000
Workers' Compensation Appeals Tribunal	922,000	1,013,000	(91,000)	(8.98%)	795,920	2,026,000	2,026,000	2,026,000
Injured Workers' Associations	100,000	100,000	0	0.00%	78,906	200,000	200,000	200,000
	<b>\$6,426,000</b>	<b>\$7,038,000</b>	<b>(\$612,000)</b>	<b>(8.70%)</b>	<b>\$6,253,882</b>	<b>\$14,076,000</b>	<b>\$14,076,000</b>	<b>\$13,512,000</b>
	<b>\$29,475,192</b>	<b>\$33,624,600</b>	<b>(\$4,149,408)</b>	<b>(12.34%)</b>	<b>\$30,899,616</b>	<b>\$65,288,168</b>	<b>\$65,575,168</b>	<b>\$64,932,427</b>

Total Administration cost (as above)	\$22,447,601
Decrease in liability for future Admin costs	<u>(1,366,258)</u>
<b>Total Admin, Per Financial Statement</b>	<b><u>\$21,081,343</u></b>

Original Budget	\$65,288,168
Budget Revision	<u>287,000</u>
Revised Budget	<b><u>\$65,575,168</u></b>

## Variance Analysis – By Program Q2 - 2012

### Salaries & Staff Expense

Actual	Budget	Var.\$	Var.%
\$16,471,537	\$16,789,187	(\$317,650)	(1.89%)

#### Variance Breakdown:

Salary and Benefits	(\$193,000)
Staff Expense	(86,000)
Overtime	(38,000)
Sitting fees	<u>(1,000)</u>
Total Variance	<u>(\$318,000)</u>

Salary and Benefits were net under spent \$193,000 for the total WCB, which includes an estimate of approximately \$268,000 for Collective Bargaining. The net under spent variance of \$193,000 resulted from staffing vacancies of \$292,000 offset by post employment benefits being \$99,000 over budget. The following departments were under spent due to staffing variances at some point during the first and second quarters: 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 and Policy Analyst; Legal Services: Legal Counsel; Large Workplace: Prevention Education Consultant, Return to Work Assistant and Case Manager Float; Leadership and Governance: VP, People and Planning and Executive Assistant; and ITS: Application Developer Analyst and two Programmer Analysts.

Staff Expense was under spent \$86,000 due to timing of expenditures for Staff Recognition \$22,000, Team Building \$8,000 and Staffing Arrangements \$132,000. This was offset by the timing of costs incurred related to Health Spending Initiatives of \$26,000 and Staff Recruitment being over budget \$50,000.

Overtime was under spent due to fewer overtime requests: Administration \$7,000, ITS \$9,000, Large Workplace \$3,000, Central Services \$5,000 and Workplace Services \$5,000. The remaining \$9,000 under spent variance related to various cost centres.

Sitting fees budget was under spent \$1,000.

### Training & Development

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$287,357	\$406,603	(\$119,246)	(29.33%)

The under spent variance \$119,000 was mainly due to the following departments: Health & Extended Benefits \$72,000 under budget related to Doctors Outreach, and both Human Resources \$28,000 and Leadership & Governance \$21,000 due to the timing of the budget. The remaining unfavourable variance of \$2,000 was spread amongst other program areas.

### **Services Contracted**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$782,253	\$846,285	(\$64,032)	(7.57%)

The under spent variance was mainly due to the following departments: Health & Extended Benefits \$21,000 and IST & WST Cape Breton \$8,000 related to the timing of services required, Corporate Development \$35,000 under budget for a reduction to program initiatives and this is reserved to cover budget overages elsewhere, ITS \$13,000 under budget for maintenance agreements, and Administration \$8,000 under spent for timing of project work. This was offset by an over spent variance due to temporary staffing costs in Internal Appeals \$14,000 and Leadership \$7,000.

### **Communications**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$581,948	\$628,170	(\$46,221)	(7.36%)

Communications is anticipated to be under budget mainly due to ITS \$56,000 for a credit received for telecommunications and a cost reduction for service in 2012. This was offset by the timing of advertising expenditures in the Communication department resulting in an unfavourable variance of \$20,000. The remaining \$10,000 under spent variance was spread amongst various departments.

### **Professional Fees**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$1,092,525	\$1,056,608	\$35,917	3.40%

The over spent variance was mainly due to overages in the following departments:

Legal Services \$21,000 related to the timing of work which does not always align with budget, Business Intelligence \$19,000 related to additional work completed for IFRS financial statements, Internal Audit over budget \$56,000 primarily due to audit work carried over from 2011 into 2012 and Corporate Development \$18,000 due to timing of Employer surveys. The remaining \$3,000 over spent was spread amongst various departments. These were offset by a \$49,000 under budget variance related to Human Resources due to a reduction in costs for job classification systems, consultation advice

and salary surveys, as well as an additional \$32,000 under spent variance spread amongst Administration, Financial Services, Leadership and ITS, mainly due to timing.

### **Building Operations**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$1,153,394	\$1,094,077	\$59,317	5.42%

IST & WST – Cape Breton was over budget \$79,000 due to Sydney’s office rent which was the result of higher common area costs than expected (i.e. property taxes, utilities, cleaning); it is anticipated to be \$90,000 over budget for 2012. Favourable variances from other areas will cover this shortfall. The remaining \$20,000 favourable variance was due to timing of work in Administration.

### **Projects**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
\$507,248	\$869,500	(\$362,252)	(41.66%)

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>
\$726,324	\$947,502	(\$221,178)	(23.34%)

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>
\$425,931	\$464,734	(\$38,804)	(8.35%)

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)**

<b>Actual</b>	<b>Budget</b>	<b>Var.\$</b>	<b>Var.%</b>
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\$4,057,000	\$4,582,000	(\$525,000)	(11.46%)
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The expense represents two quarters of the total estimated expense to WCB for the 2012 fiscal year of \$8,113,263. 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>
\$1,347,000	\$1,343,000	\$4,000	0.30%

The expense represents two quarters of the total estimated expense to WCB for 2012 of \$2,693,425. 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>
\$922,000	\$1,013,000	(\$91,000)	(8.98%)

This amount relates to the first and second quarter 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>
\$100,000	\$100,000	\$0	0%

The expense represents two 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.

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

Project Expenditure Summary  
For the 6 Periods Ending June 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 <b>Description:</b> • Salary dollars for internal resources dedicated to SDM Project & Program work, including subject matter expert, training, and support.	\$80,922	\$107,465	(\$26,542)	(24.70%)	\$214,941
	<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 <b>Description:</b> • Administrative spending due to SDM is captured centrally to ensure balancing of the administrative budget is tracked appropriately.	\$634	\$0	\$634	0.00%	\$0
	<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 <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.	\$24,603	\$24,603	\$0	0.00%	\$44,603
	<b>Status Report:</b> Work in Q1 and Q2 continued on governance framework and approach for next phase of project. Professional services were retained to support next steps in evolution toward target architecture. This phase is expected to wrap up in Q3, 2012. Anticipate project being on budget.				
112203 Assessment Rate Setting Review <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.	\$43,372	\$105,185	(\$61,813)	(58.77%)	\$330,969
	<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 <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.	\$2,165	\$1,000	\$1,165	116.52%	\$1,000
	<b>Status Report:</b> Project launched in Q2 2011 and will officially close Q3 2012. Variance due to costs incurred for training workshops not in budget.				
112207 CRA Linkage: Income Verification <b>Description:</b> • Project to establish ITS system link with Canada Revenue Agency (CRA) to request & receive workers' earnings information electronically rather than manually.	\$225	\$300	(\$75)	(25.13%)	\$15,500
	<b>Status Report:</b> Project launched in Q2 2011. It was anticipated that solution build would commence early in 2012 but additional time has been needed to continue negotiations with CRA on requirements. A decision was made by Steering committee in Q3 2012 to place the project on hold.				
112208 Physiotherapy Program Enhancement <b>Description:</b> • Project to implement various enhancements to the Physiotherapy Program guided by the Stakeholder Working group's report and recommendations.	\$57,128	\$83,412	(\$26,283)	(31.51%)	\$83,412
	<b>Status Report:</b> Project launched in Q2 2011 and will be officially close in Q3 2012. Budget variance is due to cost savings in postage and printing costs. Anticipate project being under budget.				

112209 Appeal Review Project	\$109,628	\$220,501	(\$110,873)	(50.28%)	\$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 Q3 2012. Anticipate being on budget.				
122201 NS Occupational Health & Safety Strategy	\$153,860	\$165,000	(\$11,140)	(6.75%)	\$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 for the quarter.				
122202 Centralized Expedited Surgery	\$3,500	\$28,000	(\$24,500)	(87.50%)	\$28,000
<b>Description:</b> • Project to further define the Centralized Expedited Surgery model	<b>Status Report:</b> Project launched in Q1 2012 and will be completed in Q3 2012. Budget variance due to less time required of external subject matter expert than initially planned; however, negotiations with a potential partner may lead to further expenditures in the near future.				
122203 Privacy Report Response Project	\$1,413	\$3,835	(\$2,422)	(63.14%)	\$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 completed in Q4, 2012 in connection with PRO's timeline. Anticipate being on budget.				
122204 Small / Medium Activity Roadmap to Transformation	\$3,066	\$66,200	(\$63,134)	(95.37%)	\$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 continue into 2013. Variance due to less contracting of external services required in the quarter than initially planned. Anticipate being on budget.				
122205 Application Architecture - Phase II	\$26,732	\$64,000	(\$37,269)	(58.23%)	\$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 Q3 2012. Variance is due to allocation of funds, Q2 variance will be utilized in future periods. Anticipate being on budget.				
<b>Total Assigned Projects</b>	<b>\$507,248</b>	<b>\$869,500</b>	<b>(\$362,252)</b>	<b>(41.66%)</b>	<b>\$1,573,167</b>
<b>Anticipated Requests:</b>					
122201 NS Occupational Health & Safety Strategy					<b>(\$95,000)</b>
122206 Application Architecture - Phase III (New)					<b>(\$587,000)</b>
***Unassigned Project Budget					394,833
<b>Total Projects</b>	<b>\$507,248</b>	<b>\$869,500</b>	<b>(\$362,252)</b>	<b>(41.66%)</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 audited financial statements (December 31, 2011) to enhance understanding. These 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 six months ended June 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