

# WCB Nova Scotia Annual Report 2020



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Cover: On April 18, 2021, the WCB Nova Scotia building on South Street was lit in blue and the flag flown at half-mast to honour the victims of the mass shootings one year prior. Two of the victims died while doing their jobs – they were among 32 workplace fatalities in 2020, marking a tragic year in workplaces. The blue light, and the notion of “Nova Scotia Strong,” also symbolize the resilience of our province and our organization throughout 2020.

While 2020 was a challenging year, it also marked a significant accomplishment, as the WCB achieved a major funding milestone. Our new funding reality is a cornerstone of optimism, as we serve workers and employers in an overall economy that will be defined by possibility and renewal.

**The WCB Nova Scotia Annual Report 2020 is available online: [annualreport.wcb.ns.ca](https://annualreport.wcb.ns.ca).** Learn more about our Board of Directors, our people and our work.

# Year at a Glance

<b>Year at a Glance</b> (Dollar amounts in millions unless noted)	2020	2019	2018
Number of Covered Employers (Assessed and Self Insured)	20,200	19,000	19,800
Percentage of Labour Force Covered (Assessed and Self Insured)	74	73	74
Number of Claims Registered	19,944	24,900	24,584
Number of Compensable Time-Loss Claims Registered	4,977	5,663	5,819
Composite Duration Index (in days)	178	147	127
Targeted Average Assessment Rate (per \$100 of assessable payroll)	\$2.65	\$2.65	\$2.65
Actual Average Assessment Rate	\$2.68	\$2.66	\$2.64
Assessable Payroll (billions)	\$11.7	\$11.7	\$11.3
Assessment Revenue	\$313.9	\$320.0	\$305.5
Investment Income (Loss)	\$183.3	\$245.5	\$(25.3)
Administration Costs	\$60.3	\$59.4	\$56.7
Legislated Obligations	\$16.3	\$17.2	\$16.3
Claims Costs Incurred	\$203.9	\$202.8	\$202.0
Comprehensive Income (Loss)	\$136.3	\$229.6	\$(86.5)
Assets (billions)	\$2.2	\$2.0	\$1.8
Liabilities (billions)	\$2.1	\$2.1	\$2.1
Percentage Funded Ratio	102.9%	96.5%	85.5%
One-year Investment Returns	9.4%	13.6%	-1.0%
Injury Rate: Time-Loss Claims per 100 Covered Workers	1.53	1.67	1.72

# Message from the Chair and Board of Directors

**Where have we come from?** In the early 1990s, the WCB was just 27 per cent funded. In essence, the workers' compensation system was functionally bankrupt. Employer rates needed to be doubled, and new legislation was enacted with significant reductions to worker benefits. This result was an incredible compromise from both workers and employers.

In 2002, 19 years ago, a multi-stakeholder Workers' Compensation Review Committee, chaired by James Dorsey, published the Dorsey Report. Mr. Dorsey wrote that, "Over the years, for whatever reason – incompetence, mismanagement, bungling, deceit, apathy, political interference, expediency or indifference – the program lost its way. This left the program seriously underfunded in the early 1990s." The unfunded liability dominated discussions and proposed solutions.

At the time of the Dorsey Report, the "Accident Fund" was still only 69 per cent funded. In response, the injured worker and employer stakeholders involved at the time understood, and accepted, that there could be no significant benefit increases, or consideration of rate reductions, until the unfunded liability was paid.

Today, Nova Scotia employers pay among the highest insurance rates in Canada while the benefits are among the lowest in Canada.

**Where is the WCB today?** For the first time in 19 years, the Board of Directors and Executive team are able to contemplate the unfinished recommendations from the Dorsey Report – what we sometimes refer to as the "last mile" of the Dorsey Report. We are able to do so because the "Accident Fund" is close to being a sustainable fund that will look after workers who experienced an injury today and those who may be injured in the future at insurance rates that are competitive with other provinces.

**What is our plan?** We have completed a new three year Strategic Plan which identifies our goals and the outcomes we will achieve. Two of our goals – achieving full, sustainable funding, and system reform – flow from the Dorsey Report.

We are taking a long-term view, where financial prudence is necessary to maximize the likelihood that we never again have to ask our stakeholders to shoulder the burden of an unfunded liability. This approach was underscored

by the Auditor General as part of his review in 2018. He noted how well-governed WCB is today and cautioned us to set careful parameters to ensure a sustainably funded system for the long term, so that the unfunded liability of the past never happens again. To that end, we are working with our actuaries to put in place a funding rate corridor that will provide signals to all stakeholders as to when rates can go up or down and when benefits can increase or decrease, all in accordance with financial prudence.

With respect to system reform, we have been working with the Government to make the changes called for in the Dorsey Report. The most important of which is to move away from the complex, confusing mix of employer exclusions and inclusions, to a modern *Workers' Compensation Act*, that is consistent with other provinces, where most employer sectors are covered by the *Act*. The WCB, in partnership with Government, has an opportunity to clarify coverage requirements.

Inclusive coverage is critical to Nova Scotians. In the world of COVID-19, the health and safety of our workers is paramount. Particularly for the most vulnerable, many of whom provide essential services to all of us every day. Today, only 74 per cent of workers are covered by the *Act*. This leaves more than 100,000 workers with no WCB coverage. Premier Rankin has identified the social well-being of vulnerable Nova Scotians as a priority. We look forward to having further conversations with Government on how to create a more inclusive, comprehensive workers' compensation system for the benefit of all Nova Scotians.

Our stakeholders have worked hard to get here. My commitment to you is to ensure that the WCB "Accident Fund" is sustainable and that we implement the last mile of the Dorsey Report.



Rodney Bugar  
Chair, WCB Nova Scotia Board of Directors



Rodney Bugar  
Chair, WCB Nova Scotia  
Board of Directors



Robert Patzelt  
Deputy Chair



Steve Ashton  
Employer Rep



Angus Bonnyman  
Employer Rep



Rick Clarke  
Worker Rep



Luc Erjavec  
Employer Rep



Janet Hazelton  
Worker Rep



Duncan Williams  
Employer Rep



Jacquie Bramwell  
Worker Rep



Blair Richards  
Worker Rep

# Message from the Chief Executive Officer

## Challenges, opportunity and resilience

There was so much about 2020 that we will never forget.

It challenged all of us, on human and professional levels. It asked us to dig deep into our resilience, our forward thinking, and our belief that together, we can get through this.

Like the rest of Canada and the world, Nova Scotians battled the pandemic, and we did so very well. Our public health responses became a model the world over.

Shifting to remote work was a big part of that response for many employers, the WCB included. In what seemed like an instant in March 2020, our teams began working from home with a host of new technology at their fingertips.

Those changes in the workforce are a part of the reason, but not the entire reason, that our time-loss injury numbers are lower than they have ever been. The decreases also reflect the real, lasting cultural change we have been seeing over the past several years.

The lockdowns also changed the way we support workers and employers after injury, as health services and transitional duties were not as accessible as they usually are. And while our strong service provider community found ways to adapt, the pandemic still added to the deeper challenges when it comes to lost time from the job due to workplace injury in this province.

In 2020, we lost more than 1.1 million days of work, with untold human and economic impact. The good news is, with a stabilized core system, a new leadership team, and new ideas in place, we are ready to do our part to address this very real challenge facing all of us.

Although 2020 was a challenging year the world over, for Nova Scotia, the challenges went much deeper than the pandemic, as tragedy engulfed our province.

Weeks into that first lockdown last spring, we faced the worst mass shooting in our nation's history – two of those lost were working when they died. In December, six fishermen perished when the *Chief William Saulis* was lost off of Digby. Throughout the year, 10 other Nova Scotians went to work and never came home because something went horribly wrong on the job – for a total of 18 acute workplace fatalities, the highest since 2008. There were also 14 chronic and health-related deaths at work.

All in all, it was a tragic year in our workplaces. On behalf of all of us at WCB Nova Scotia, we extend our sincere condolences to the families of the 32 Nova Scotians who died at work, or because of their work, in 2020.

As always, we must learn from these tragedies. We must let them be our call to action. We must let them drive a renewed commitment to safety leadership.

But for all of the challenges the past year has brought us, I am optimistic.

I am optimistic because our population is increasingly vaccinated, and because I believe in the resilience of workers, employers, health care providers and our own people to learn from what we have experienced and to become stronger for it.

I am also optimistic because for all of the challenge we faced in 2020, the year brought an opportunity not seen in a generation: A workers' compensation system where our assets equal the liabilities, including the benefits to which workers and their families are entitled into the future.

This milestone is historic. It means, for the first time since the early 1990s, new conversations are possible. But perhaps more importantly, it calls for reasonable, measured thinking, with a strategic, long-term view. We must think of the workers and employers of the future, and establish strategic parameters for when adjustments to rates or benefits should be made.

We know for sure that a sustainable funded percentage is more than 100 per cent, as it is in other jurisdictions across the country. We also know that if 2020 has taught us anything, it is that the unexpected can occur. For so many reasons, it is incumbent upon all of us to build a funding plan with long-term sustainability in mind.

Looking back upon 2020, although we faced challenges, we emerged stronger. May we continue that progress into the challenges and opportunities before us, as we move forward in a post-pandemic world.



Stuart MacLean  
CEO, WCB Nova Scotia

A handwritten signature in black ink that reads "Stuart MacLean".

Stuart MacLean  
CEO, WCB Nova Scotia

# Message from the Client Relations Officer

In my role as Client Relations Officer, I respond to questions and concerns, investigate and document complaints, and seek to resolve issues, working closely with the WCB Nova Scotia's service delivery teams. While I raise awareness about service issues, it is not within my purview to resolve them. I report my findings to the Board of Directors regularly, and I connect with service delivery managers to enable action and resolution.

In 2020, the pandemic had a significant impact on all working Nova Scotians, and my office was no exception. While I received significantly fewer inquiries during the year, the number of complaints rose slightly. In all, I received and responded to 761 inquiries. Among those, I documented and followed up on 69 complaints from workers, related primarily to timeliness, communication, and decision implementation issues. Upon review, I found 45 of these complaints to be substantiated.

In March of 2020 as the pandemic emerged in Nova Scotia, the WCB quickly pivoted to working from home. Within days, case workers were effectively providing service remotely, and I am pleased to report that the most important services – including benefit payments and assessments – were delivered without interruption. I am very proud of the efforts of the WCB's service delivery teams to ensure workers and employers were supported in the ways that mattered most, when they needed it the most.

In this, my 17th year as Client Relations Officer, and my 34th year of service to the WCB, I am announcing my retirement.

I would like to extend my sincere thanks to the many people across the Workplace Safety and Insurance System and in Government with whom I have had the privilege to work, who strive every day to serve Nova Scotians by reducing the impact of workplace injury.

As I retire from the WCB, I am proud of our progress, and confident our people, our systems, and our commitment to innovative approaches will continue to meet the needs of workers and employers for many years to come.



Tim McInnis  
Client Relations Officer  
WCB Nova Scotia

## Executive Team



Stuart MacLean  
Chief Executive  
Officer



Shelley Rowan  
VP, People and  
Strategy



Wendy Griffin  
VP, Service  
Excellence



Dennita  
Fitzpatrick  
VP, Prevention  
and Return to  
Work



Marcy Dalton  
Associate VP,  
Strategy and  
Technology



Maureen Boyd  
Chief Financial  
Officer



Brad Fraser  
Director,  
Governance and  
Legal Services

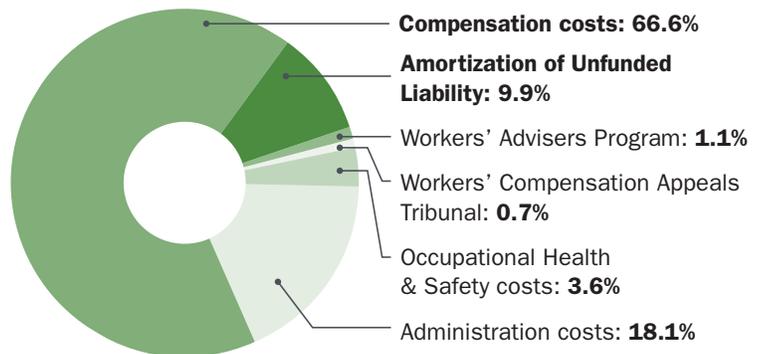
# Our Financial Results

Our 2020 Financial Results continue to reflect our work of building a strong, stable, and sustainable system that will serve workers and employers today and in the years to come. At the end of 2020, our financial position was strengthened and we reached the long-term goal of no longer having an unfunded liability. While this is a major accomplishment, the funded percentage could easily go in the other direction based on volatility in investment markets and new accounting principles taking effect in 2023. Since early January 2020, COVID-19 has spread across the globe causing massive disruption to business and economic activity. It continues to have an impact on the WCB's operations, revenue, investments and claims costs. We have been able to minimize the impact with our overall funding strategy and a well diversified portfolio, designed to help us balance returns and risks.

For detailed financial results please see [Management Discussion and Analysis](#) and [Financial Statements](#).

## Our Costs

The assessment revenue collected by WCB Nova Scotia funds the entire workers' compensation system, including the Workers' Advisers Program (WAP), the Workers' Compensation Appeals Tribunal (WCAT), the Occupational Health and Safety Division of the Nova Scotia Department of Labour and Advanced Education, the Office of the Employer Advisor (OEA) and the Office of the Worker Counsellor (OWC).



Breakdown of the 2020 Actual Assessment Dollar

**76.5% of every assessment dollar goes to pay for claims-related costs.**

## Assessable Payroll

Assessable payroll for covered employers in Nova Scotia remained flat in 2020, staying at the same **\$11.7 billion** as reported in 2019. There continued to be a decline in the rate of workplace injury. Although this had been the trend, we recognize that in 2020, these figures are artificially low numbers and are partly the result of reduced economic activity due to the pandemic.

## Assessment Revenue

Assessment revenue for all covered employers declined by 1.9 per cent in 2020 to **\$313.9 million**. Despite the decline, revenue continued to allow WCB Nova Scotia to keep pace with rising costs within the system, while maintaining stability, reducing the unfunded liability, and modernizing our operations.

## Investment Income

In 2020, we saw positive investment returns, resulting in income of **\$183.3 million**, moving us ahead in the plan to eliminate the unfunded liability. This figure was down from 2019 income of \$245.5 million. However, investment market variability could have a significant impact on the funded ratio in 2021. As per past adverse market conditions, the portfolio is well positioned for recovery given the diversification of the fund.

## Claim Payments

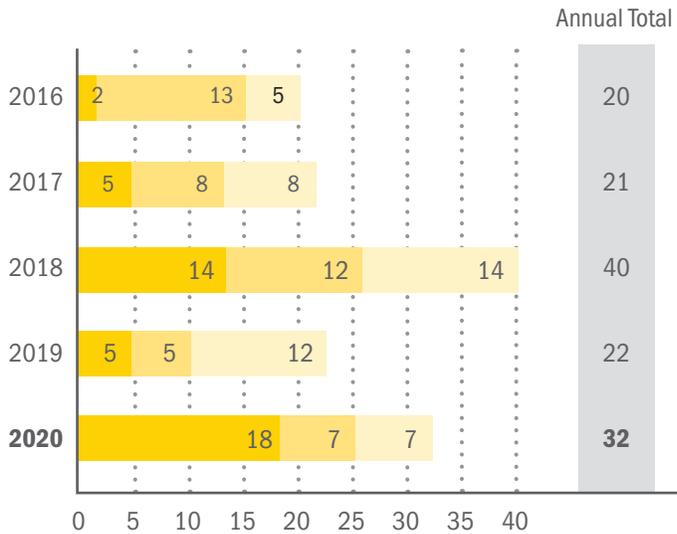
There was an increase in claim payments, which include payments made by the WCB for income replacement benefits, medical services, travel expenses, and retraining, for 2020. COVID-19 had an impact on claiming patterns, health care trend rates, and treatment availability. Total claim payments for 2020 were **\$250.3 million**. As per previous years, there was an increase in claim duration.

## Assets and Liabilities

In 2020, we saw a growth in our assets, which increased our funded percentage to **102.9 per cent** by the end of the year (up from 96.5 per cent in 2019). This moved us from an unfunded to a funded position. Despite declines in investment markets early in the pandemic, markets rebounded, as did the WCB investment portfolio. Our long-term investment and funding strategies, and diversified portfolio, will guide us through these challenging times. In addition, further challenges to the funded ratio are anticipated in 2023 with the implementation of IFRS 17 which will mark the benefits liabilities to a market rate, creating volatility as markets fluctuate. Assets for 2020 were **\$2.21 billion**. Liabilities were **\$2.15 billion** for 2020.

# Statistical Summary

## HOW MANY NOVA SCOTIANS DIED AT WORK, OR BECAUSE OF THEIR, WORK IN 2020?



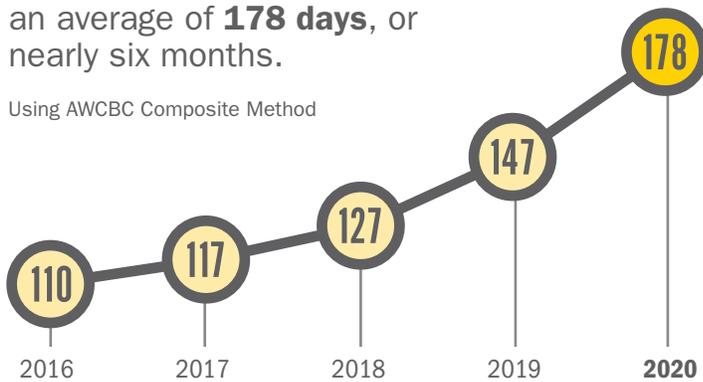
2020 was a tragic year in Nova Scotia workplaces.

- Acute fatalities
- Chronic fatalities (occupational diseases)
- Chronic fatalities (health related)

## HOW LONG WAS RETURN TO WORK TAKING IN 2020?

While the pandemic was a factor, we are seeing increasingly complex claims where there are often psychological considerations to physical injuries. Claims lasted an average of **178 days**, or nearly six months.

Using AWCBC Composite Method



A total of **1,142,835** days of work were lost to workplace injury

Workplace injury cost Nova Scotia **3,131** person-years of work

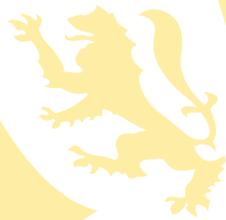
# Statistical Summary

## WHAT WAS THE INJURY RATE?

There were 1.53 time-loss injuries per 100 covered workers in 2020, a decline from 1.67 in 2019.

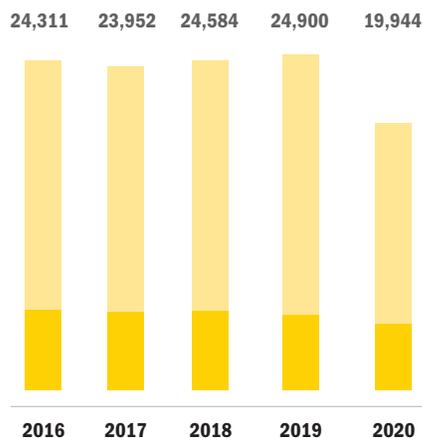
# 1.53

Time-loss claims per 100 covered workers



2016	1.74
2017	1.76
2018	1.72
2019	1.67
<b>2020</b>	<b>1.53</b>

## STATUS OF NEW CLAIMS



	2016	2017	2018	2019	2020
Compensable Time Loss	5,847	5,906	5,819	5,663	4,977
Other:					
No Compensable Time Loss	13,545	12,972	13,963	13,507	10,445
Not Pursued or Disallowed	4,919	5,074	4,802	5,730	4,522
Other Subtotal	18,464	18,046	18,765	19,237	14,967
<b>Total</b>	<b>24,311</b>	<b>23,952</b>	<b>24,584</b>	<b>24,900</b>	<b>19,944</b>
Fatalities <sup>1</sup>	20	21	40	22	32
Clients with Registered Claims <sup>2</sup>	22,026	21,841	22,490	22,844	18,277

<sup>1</sup> Fatalities include all workplace injuries that resulted in the death of a worker as reported by the OH&S Division of the NS Department of Labour and Advanced Education.

<sup>2</sup> Claims represented are those with accident dates during the report year. Time-loss claims are defined as those claims with accident dates in the report year which received a time-loss benefit during the report year, or within two months of the report year.

Some WCB clients may have more than one injury/claim in a year, therefore, the number of clients with claims registered does not equal the number of claims registered.

# Injury Statistics

## INJURY FREQUENCY AND CLAIM VOLUMES BY INDUSTRY

For Nova Scotia, 2020

	Excluding Self-Insured Claims								Including Self-Insured Claims			
	Assessable Payroll (\$ millions)	% of Total Assessable Payroll	Number of Claims Registered	% of Claims Registered	Number of Time-loss Claims	% of Time-loss Claims	Injury Frequency	Injury Frequency Last Year (2019)	Number of Claims Registered	% of Claims Registered	Number of Time-loss Claims	% of Time-loss Claims
Health/Social Services	2,402.9	20.6%	5,198	27.8%	1,629	35.7%	2.81	2.88	5,198	26.1%	1,629	32.7%
Retail Trade	1,463.7	12.5%	1,944	10.4%	452	9.9%	0.96	1.11	2,042	10.2%	479	9.6%
Manufacturing	1,437.8	12.3%	2,576	13.8%	516	11.3%	1.56	1.60	2,576	12.9%	516	10.4%
Construction	1,267.1	10.9%	1,995	10.7%	480	10.5%	1.76	1.82	1,995	10.0%	480	9.6%
Wholesale Trade	968.3	8.3%	1,299	7.0%	247	5.4%	1.00	1.08	1,299	6.5%	247	5.0%
Business Services	615.9	5.3%	251	1.3%	68	1.5%	0.39	0.56	251	1.3%	68	1.4%
Accommodation/Food/Beverages	582.3	5.0%	785	4.2%	196	4.3%	0.85	1.18	785	3.9%	196	3.9%
Transportation/Storage	576.8	4.9%	776	4.2%	238	5.2%	2.05	2.81	781	3.9%	239	4.8%
Government Services	476.7	4.1%	514	2.8%	152	3.3%	1.71	1.82	1,499	7.5%	476	9.6%
Communication/Utilities	457.7	3.9%	563	3.0%	106	2.3%	1.02	1.15	728	3.7%	173	3.5%
Educational Services	373.8	3.2%	557	3.0%	162	3.6%	1.58	1.90	557	2.8%	162	3.3%
Other Services	351.1	3.0%	403	2.2%	98	2.2%	0.93	1.29	403	2.0%	98	2.0%
Fishing/Trapping	270.1	2.3%	271	1.5%	86	1.9%	1.73	1.52	271	1.4%	86	1.7%
Real Estate/Insurance Agents	159.1	1.4%	137	0.7%	43	0.9%	1.01	1.05	137	0.7%	43	0.9%
Mining/Quarries/Oil Wells	103.7	0.9%	79	0.4%	21	0.5%	1.11	1.66	92	0.5%	21	0.4%
Agriculture/Related Services	86.0	0.7%	111	0.6%	41	0.9%	1.68	1.33	111	0.6%	41	0.8%
Logging/Forestry	45.5	0.4%	63	0.3%	19	0.4%	1.49	1.43	63	0.3%	19	0.4%
Finance/Insurance	37.9	0.3%	7	0.0%	0	0.0%	0.00	0.00	7	0.0%	0	0.0%
Unknown	0.0	0.0%	1,149	6.2%	4	0.1%	0.00	0.00	1,149	5.8%	4	0.1%
<b>Total</b>	<b>\$11,676.6</b>	<b>100.0%</b>	<b>18,678</b>	<b>100.0%</b>	<b>4,558</b>	<b>100.0%</b>			<b>19,944</b>	<b>100.0%</b>	<b>4,977</b>	<b>100.0%</b>

## CLAIMS REGISTERED BY WORKPLACES

Number of Workplaces	Number of Claims Registered	% of all Workplaces	Number of New Claims Registered	Cumulative % of New Claims Registered	Cumulative % of Total Assessable Payroll
11	200 or more	0.05%	6,367	31.92%	17.0%
22	100 or more	0.11%	7,980	40.01%	23.0%
44	50 or more	0.22%	9,396	47.11%	27.3%
97	25 or more	0.48%	11,176	56.04%	33.6%
257	10 or more	1.27%	13,509	67.73%	43.2%
577	5 or more	2.86%	15,574	78.09%	52.2%

# Injury Statistics

## Compensable time-loss claims

### AGE AT INJURY DATE

	2019	%	2020	%
Less than 20	114	2.0%	107	2.1%
20 to 24	478	8.4%	412	8.3%
25 to 29	549	9.7%	545	11.0%
30 to 34	566	10.0%	486	9.8%
35 to 39	500	8.8%	494	9.9%
40 to 44	571	10.1%	506	10.2%
45 to 49	677	12.0%	567	11.4%
50 to 54	746	13.2%	649	13.0%
55 to 59	809	14.3%	636	12.8%
60 to 64	474	8.4%	434	8.7%
65 or older	179	3.2%	141	2.8%
<b>Total</b>	<b>5,663</b>	<b>100.0%</b>	<b>4,977</b>	<b>100.0%</b>

### SOURCE OF INJURY

	2019	%	2020	%
Persons, Plants, Animals, and Minerals	2,380	42.0%	2,001	40.2%
Structures and Surfaces	1,140	20.1%	802	16.1%
Other Sources	293	5.2%	528	10.6%
Containers	507	9.0%	431	8.7%
Vehicles	362	6.4%	316	6.3%
Parts and Materials	348	6.1%	279	5.6%
Tools, Instruments, and Equipment	263	4.6%	275	5.5%
Machinery	188	3.3%	176	3.5%
Furniture and Fixtures	161	2.8%	144	2.9%
Chemicals and Chemical Products	22	0.4%	25	0.5%
<b>Total</b>	<b>5,663</b>	<b>100.0%</b>	<b>4,977</b>	<b>100.0%</b>

### PART OF BODY

	2019	%	2020	%
Back, including spine, spinal cord	1,567	27.7%	1,334	26.8%
Shoulder, including clavicle, scapula	547	9.7%	541	10.9%
Leg(s)	539	9.5%	455	9.1%
All Other	468	8.3%	385	7.7%
Multiple body parts	501	8.8%	328	6.6%
Finger(s), fingernail(s)	302	5.3%	254	5.1%
Ankle(s)	252	4.4%	254	5.1%
Cranial region, including skull	245	4.3%	244	4.9%
Arm(s)	230	4.1%	211	4.2%
Body systems	132	2.3%	210	4.2%
Wrist(s)	212	3.7%	195	3.9%
Hand(s), except finger(s)	161	2.8%	132	2.7%
Foot(feet), except toe(s)	138	2.4%	117	2.4%
Chest, including ribs, internal organs	119	2.1%	109	2.2%
Pelvic region	108	1.9%	106	2.1%
Neck, except internal location of diseases or disorders	144	2.5%	102	2.0%
<b>Total</b>	<b>5,663</b>	<b>100.0%</b>	<b>4,977</b>	<b>100.0%</b>

### NATURE OF INJURY

	2019	%	2020	%
Sprains, Strains	3,694	65.2%	3,150	63.3%
Fractures, Dislocations	430	7.6%	474	9.5%
All Other	248	4.4%	356	7.2%
Contusion, Crushing, Bruise	455	8.0%	260	5.2%
Concussions, Intracranial Injuries	270	4.8%	257	5.2%
Cut, Laceration, Puncture	261	4.6%	215	4.3%
Other traumatic injuries and disorders	105	1.9%	101	2.0%
Inflamed Joint, Tendon, Muscle	102	1.8%	79	1.6%
Burns	65	1.2%	44	0.9%
Digestive system diseases and disorders	33	0.6%	41	0.8%
<b>Total</b>	<b>5,663</b>	<b>100.0%</b>	<b>4,977</b>	<b>100.0%</b>

### INJURY EVENT

	2019	%	2020	%
Bodily Reaction and Exertion	2,817	49.7%	2,514	50.5%
Falls	1,100	19.4%	761	15.3%
Contact With Objects and Equipment	938	16.6%	745	15.0%
Other Events or Exposures	152	2.7%	285	5.7%
Exposure to Harmful Substances or Environments	201	3.6%	256	5.1%
Assaults, Violent Acts and Harrassment	238	4.2%	243	4.9%
Transportation Accidents	215	3.8%	167	3.4%
Fires and Explosions	3	0.1%	6	0.1%
<b>Total</b>	<b>5,663</b>	<b>100.0%</b>	<b>4,977</b>	<b>100.0%</b>

# Measuring Our Performance

## Balanced Scorecard Measures

At WCB Nova Scotia, all that we do is driven by our goal to reduce the impact of workplace injury in our province.

We do so by supporting employers and workers in injury prevention and return to work. We are also there to support workers and their families through the long-term, and sometimes tragic, impact of serious workplace injury and fatalities.

The impact of workplace injury and tragedy is both human, and financial. Likewise, the way we measure and track our performance includes a mix of both financial and non-financial measures. All of them are important, as we measure our progress toward the fulfilment of our long-term vision, and the extent to which we're delivering on our mission, and achieving our goals.

Our performance measures help us drive change, enhance our business operations, and identify challenges and opportunities so we can better meet the needs of the Nova Scotians we serve.

To reflect the changing environment and improved measures in return to work, our balanced scorecard charts a motivating course of opportunity for the next three years, with the introduction of four new operational performance measures beginning in 2021.

Performance Measure	Result 2019	Result 2020	Target 2021	Target 2023
<b>Service</b>				
Worker Satisfaction Index <sup>1</sup>	73% <sup>2</sup>	72%	70%	70%
Employer Satisfaction Index	82% <sup>2</sup>	81%	70%	70%
<b>Operations</b>				
Time-Loss Injuries per 100 Covered Workers: All Industries	1.67	1.53	1.56	1.51
Time-Loss Injuries per 100 Covered Workers: Long-Term Care	N/A <sup>3</sup>	4.60	4.63	4.51
Time-Loss Injuries per 100 Covered Workers: Home Care	N/A <sup>3</sup>	7.72	7.80	7.56
Composite Duration Index (in days)	147	178	166	131
% Return to Work within 180 days: All Industries <sup>4</sup>	N/A <sup>3</sup>	77.97%	79.53%	82.26%
% Return to Work within 180 days: Long-Term Care and Home Care <sup>4</sup>	N/A <sup>3</sup>	83.22%	84.88%	87.80%
Time-Loss Days Paid per 100 Covered Employees	293	353	298	228
Return to Employability	95.0%	93.3%	92.6%	93.1%
Cost of New EERBs (\$M)	\$57.6	\$72.6	\$92.0	\$87.3
<b>Employee</b>				
WCB Employee Satisfaction Index	59%	68%	70%	70%
<b>Financial</b>				
Claims Payments for the past 3 years per \$100 of Assessable Payroll	\$0.742	\$0.723	\$0.691	\$0.608
Administration costs per \$100 of assessable payroll (excluding prevention costs)	\$0.42	\$0.43	\$0.47	\$0.45
Return on Investment	6.8%	7.7%	EXCEED BENCHMARK PORTFOLIO RETURN	
Five-Year Rate of Return	6.8%	7.9%		

<sup>1</sup> The Worker Satisfaction Index does not include workers on long-term benefits or those with claims for claims with little or no time-loss.

<sup>2</sup> As no third quarter surveys were conducted, the 2019 results for the Worker and Employer Satisfaction Indices are an average of three quarters' results.

<sup>3</sup> Results are unavailable for these new measures.

<sup>4</sup> 2021 and 2023 targets for these measures indicate a 2% increase and 5.5% increase from the 2020 result, respectively.

**% Return to Work within 180 days** This measure gives the percentage of short-term disability (TERB) claims that are no longer receiving earnings replacement benefits (in pay) 180 days after the date of an injury. It is intended that this measure will replace the Composite Duration Index (CDI) over time. The CDI will remain on the balanced scorecard in the short term.

**% Return to Work within 180 days: Long-term Care and Home Care** Workers in Nova Scotia's health care and disability support services sectors are **more likely to be injured on the job** than those working in other sectors. These measures have been added to the balanced scorecard to demonstrate our continued focus and commitment to reducing injuries and improving return to work in long-term care and home care. Long-term care is synonymous with nursing homes.

## Helping workers and employers safely navigate a pandemic

In an instant in March 2020, COVID-19 transformed what workplace safety meant for workers and employers everywhere.

Appropriately, Nova Scotia Public Health authorities were focused on changing behaviours in the population as a whole. For our part, we saw an opportunity to take those same public health messages and apply them to workplaces.

The campaign we had planned for Safety and Health Week would no longer be relevant, but it was clear the workers and employers in the workplaces we serve needed our support. We saw an opportunity to target high-risk sectors – construction, retail, health care, manufacturing, trucking and transport – as well as the general public.

Working with our large workplace teams and leveraging their strong relationships with industry safety associations, and in partnership with our colleagues at the Nova Scotia Department of Labour and Advanced Education, an [integrated multi-media campaign](#) soon came together. Using an industry-by-industry approach to best practice, it helped guide workers and employers with what they needed to know to continue working safely during the COVID-19 pandemic.

There were [TV](#) and [radio](#) ads, [online assets](#), and [workplace posters](#) distributed through a direct-order system built to minimize human interaction. It was all developed to support Nova Scotians in working through this, safely.

Quickly receiving the approval of Public Health leadership, the first elements were on the air within two weeks – one of the first public sector responses to support workplace health and safety, COVID-19 version.

It's since been adapted by our marketing partners at WorkplaceNL.

As of June 2021, there had been more than 740,960 views of the videos and ads online, and polls suggest nearly 60 per cent of Nova Scotians recall seeing the material.

“We appreciate and want to support the health and safety of all working Nova Scotians, and especially those whose work puts them at higher risk of coming into contact with COVID-19,” said Shelley Rowan, VP, People and Strategy, WCB Nova Scotia. “This campaign helps to reinforce the prevention practices that workers and employers need to keep top of mind in order to safely provide the services and supports that we all depend on.”

### Our Progress

- Implemented virtual approaches for workplace coaching and collaboration with targeted employers and stakeholder partners.
- Facilitated sector-specific COVID-19 discussions, informing resources and supports for workplace safety during a pandemic.
- Revitalized and reinitiated support for the [Workplace Safety Action Plan for Nova Scotia's Home Care, Long Term Care and Disability Support Sectors](#), including embracing virtual tools for delivery.

### Our Plans

- Continue to build on virtual approaches to outreach and coaching.
- Support ongoing implementation of the [Workplace Safety Action Plan for Nova Scotia's Home Care, Long Term Care and Disability Support Sectors](#), and a strong safety association.
- Leverage new technologies for refreshed outreach and targeted social marketing approaches.

## Telehealth: Innovation in action

During the pandemic, many of our daily routines had to take a pause.

Early in the lockdown, restrictions on personal care and health services certainly had an impact on the recovery of some workers, as our health services partners worked to adapt and find new ways to deliver services.

But it didn't take long for a combination of can-do attitude and creative thinking to put together a plan to allow virtual health care service delivery.

With limited ability to meet face-to-face, WCB Nova Scotia's Health Services team worked with physiotherapy consultants, professional associations, and our colleagues in other jurisdictions to develop parameters to ensure workers could advance their recovery without sacrificing safety.

For Joy Moore, Quality Improvement Manager and CBI Health Group's Business Segment Leader for WCB, those early days were a bit of a blur. CBI Health Group provides advanced, multidisciplinary treatment to workers as they recover from injuries.

Within days of the provincial mandate to close their doors to the public, CBI Health Group was able to ensure Nova Scotia workers receiving treatment were able to continue doing so, so that their recovery was not impacted.

"We surveyed our clients within weeks of the initial shutdown to gauge their satisfaction levels with the telehealth services we were providing, and we were so pleased to learn that 90 per cent of clients were very happy to have the support and education that allowed them to access their portals and continue treatment," Joy said.

Coretta Downey sustained a back injury on the job and was in the process of going to physio when the province went into lockdown. That was when she moved to virtual treatments with CBI Health Group.

"I used my phone to go online with (Microsoft) Teams," she said. "It was easy!"

Coretta said her physiotherapist coached her through exercises and tweaked her technique, when needed. She even used soup cans from her own cupboard to simulate weights.

Between her commitment to her exercises and her ability to connect online, Coretta was able to return to her job in housekeeping by May.

With positive feedback from workers, service providers and employers, the WCB continued to expand the range of services it supported virtually to include more complex offerings, such as job site analyses and multidisciplinary programs.

In spite of WCB's best efforts to influence outcomes in a challenging year, the pandemic and resulting claims management impacts added to existing challenges when it came to return to work, including the overall aging population and an increasing impact of psychological injury and mental health.

Due to a number of factors combined, the time lost to workplace injury continued to increase in 2020.

But, there's also lots of reason for optimism.

Early in 2021, a new executive structure introduced the position of VP, Prevention and Return to Work, bringing increased leadership focus to these key operational priorities. Long-time WCB leader Dennita Fitzpatrick was promoted into the position after a national search.

As she settles into her role, Dennita sees the challenge with an open mind, and a motivation to think differently, to change things for the better. "We have all of the ingredients to be one of the best performing

workers' compensation boards in Canada," said Dennita. "The return-to-work challenges that lie before us are certainly challenges that we can overcome."

Dennita said she understands that the road ahead will mean challenging traditional approaches and exploring new ways to support workers.

Whether they are recovering from physical, psychological, or a more complex situation where they require mental health services while recovering from physical injury, work is almost always a healthy part of recovery, and can help reduce the impact of a workplace injury on a worker's life.

In a year when our world changed and we found ways to adapt, we know we can find innovative and flexible solutions that will bring value to the lives of those who are depending on us.

## Our Progress

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- Worked with physiotherapists, chiropractors, psychologists, doctors, and other health services providers to find new ways to deliver services during the pandemic, safely.
- Developed safe work procedures to offer Permanent Medical Impairment assessments at our offices in Halifax and Sydney, safely.
- Hosted case conferences virtually when in-person wasn't possible.
- Redesigned and updated the [Working to Well website](#) to support employers and workers.
- Provided coaching services to employers to build industry-specific return-to-work plans for their workplaces.
- Continued to work with the physician community through regular outreach, to increase awareness and understanding of the importance of their contribution in return to work.

## Our Plans

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- Review and enhance existing programs and services provided by our health care provider partners to better enable return to work.
- Implement new traumatic psychological injury services and programs with best practice vendors to support workers and employers with treatment, recovery and sustainable return to work.
- Support and enhance case management practices involving traumatic psychological injury.
- Advance return-to-work best practice among case management teams and service providers, including earlier and targeted interventions to enable durable and sustainable return to work.
- Enhance timeliness of access and return-to-work support for workers with surgical requirements.
- Renew focus on re-employment education for employers.
- Continue to evolve the role of technology in customer service and, eventually, in predictive analytics.



“The return-to-work challenges that lie before us are certainly challenges that we can overcome.”

– Dennita Fitzpatrick

## Team approach improves workplace safety

It's no surprise to anyone in the business of workers' compensation: Claims today are often more complex, and the impact to workers and their families is more pronounced than a simple physical injury.

For one, the population is older, and people simply take longer to heal. But, it's more than that. The injury itself is often not straightforward, and it's much more likely to be a mix of physical injury and mental health considerations.

Over the last several years, we've developed a new understanding in the way we approach service when it comes to Post-Traumatic Stress Disorder (PTSD) and other occupational stress injuries within Nova Scotia's first responder community.

Through this understanding and the legislative change to make coverage presumptive for PTSD for those Nova Scotians in this line of work, it has become clear that there's a need for greater awareness and acceptance, more proactive supports to help prevent psychological injuries, while also helping the first responders, families and caregivers who live with these injuries, manage their symptoms.

In November 2020, guided by a steering committee, WCB Nova Scotia funded and facilitated the development of a website that makes more workplace mental health resources available for first responders and their employers.

Informed by work done in British Columbia, the launch of [FirstRespondersMentalHealthNS.com](#) highlights the importance of speaking up about mental health issues. The website's goal is to reduce stigma around mental health wellness for first responders by creating a platform that provides support for psychological injuries like PTSD.

Debra Fortune of George's River, Cape Breton is a representative on the committee and shared her family's personal experience with PTSD. Both she and her husband, Jason, were diagnosed with the disorder after years of service as first responders.

"This website will support all of the Jasons out there, and will also help the people who love and care for those who are struggling to provide help, relief and direct support," said Debra. "It will reassure people they are not failures – they are injured. And most importantly, it will let first responders know they are never alone."

WCB Nova Scotia's VP, People and Strategy Shelley Rowan was also a member of the steering committee responsible for creating the website resource.

"As we continue to support employers and workers, we need comprehensive and integrated approaches that respond to the whole person. We need to consider the lens of mental health and efforts to create workplaces that think about both psychological and physical safety," said Shelley. "It's clear from the response that the website is a welcome new resource for first responders. The courage and commitment shown by Debra and all of the people who serve on this committee has been truly inspiring."

The WCB is committed to developing strategic partnerships, such as this one, working with others to facilitate a better way forward for workers and employers, to prevent and minimize the impact of injury.

### Our Progress

- In collaboration with LAE, we facilitated and led a number of conversations with stakeholders about workers' compensation, the value of coverage, and what the future could look like for various sectors who have opportunity to see more of their workers protected.
- Continued implementation of the recommendations from [Phase 2 of the Auditor General's review](#).
- Supported a working group of first responders and employers in developing a rich [online support resource](#) for first responders who experience traumatic events at work, and for those who employ them.
- Continued to support key industry sectors and their safety associations, particularly health and social services, and fishing, in navigating workplace safety during the pandemic.
- In partnership with LAE, supported an emerging safety culture in Nova Scotia's farming community through sponsorship and in-kind support.

### Our Plans

- Explore new technologies for outreach to leaders, when in-person outreach may not be possible.
- Continue to work with the first responders community to advance workplace mental health initiatives that address resource gaps and help to eliminate stigma.
- Revisit work with our Government partners to explore an expanded role for workers' compensation coverage in our province, with a view to protecting more Nova Scotians from the impact of workplace injury.
- Continue to support strong, vibrant safety associations in various sectors, owing to their proven value as part of a long-term prevention approach.

## WCB Nova Scotia reaches financial milestone

In 2020, WCB Nova Scotia achieved an historic milestone for the organization and the system – but it’s also one that will demand perspective, a long-term view, and patience.

For years, since the unfunded liability was discovered in the early 1990s, the system as a whole has been held back – working from a place of financial imbalance.

As of the end of 2020, the unfunded portion of the liability has been eliminated.

But while this is a major accomplishment, it’s also important to see it as not so much an end, but a beginning.

WCB Nova Scotia Chief Financial Officer Maureen Boyd points out, for example, that the funded percentage – currently 102.9 per cent – could easily go in the other direction based on volatility in investment markets, and almost certainly will when new accounting reporting requirements take effect in a couple of years. “After all,” she said, “it was less than a year ago when the funded percentage was 88 per cent, at the end of the first quarter – demonstrating just how quickly it can significantly change.”

“Full funding” is a term stakeholders have used for many years, and yet, it has never really been defined. In other jurisdictions, for example, a funded percentage of much more than 100 per cent is considered sustainable, ensuring there are reserves in place to protect benefit commitments into the future.

It’s a complex picture, and it’s why the WCB Board of Directors will consider a long-term view.

“For the first time in decades, the door is truly open for new types of conversations about where from here,” said Stuart MacLean, CEO, WCB Nova Scotia. “Financial sustainability holds such opportunity for us and for our stakeholders. And as we look to that bright future, the sustainable approach is balanced, reserved and responsible.”

He explains that the Board of Directors will need to ensure the right funding parameters. Those parameters will include a range, setting upper and lower thresholds where action would be in the best interest of stakeholders, but just as importantly, where it is best not to make changes at that time.

Stuart explains that responsibility of the Board can be likened to the need for a responsible blueprint for our financial house of the future – and most importantly, the need to not just make an “impulse” decision based on the fact a metaphorical mortgage has been amortized.

“The decisions we make as a system, now, are important not only for the workers and employers we cover today, but for generations of Nova Scotia workers and their families in the future,” Stuart said.

“If 2020 has taught us anything it’s that things can change overnight. As we consider a stable, funded range, a long-term view and financial prudence are incredibly important.”

### Our Progress

- Through long-term, strategic investment planning and overall financial strategy, achieved a funded percentage of 102.9 per cent.

### Our Plans

- In conversation and collaboration with Government and with stakeholders, establish responsible, strategic and clear parameters for when changes to benefits and rates may be appropriate, and when no action is the prudent approach.

## Leveraging technology to provide service, from a distance

As a global workforce responded to the COVID-19 pandemic in March 2020, WCB Nova Scotia was no exception.

Sitting six feet apart and sanitizing often, a group of leaders connected nearly daily, discussing what would be required to move our people to work from a distance, while at the same time adapting our business to ensure the safety of those we served.

So when the official direction from the Province came in that [Sunday news conference](#), the WCB was not only ready – we became a leader in responding to the pandemic, and its impact on the way all of us work.

“We have told our public service, anyone who can work from home should, effective immediately,” then Premier Stephen McNeil said, Chief Medical Officer of Health Dr. Robert Strang at his side.

Because of our planning and enabled by technology, by that Sunday evening, WCB employees who could work from home would do so the next day.

A few days later, most employees were working remotely.

It was our window into a monumental shift in the workforce. Like all the workplaces we serve and so many others, the pandemic’s impact on our work would be deep and lasting.

Technology was critical – not only for keeping our workforce successfully connected, but also for providing a seamless transition to our stakeholders who were relying on our service.

From securing bandwidth to purchasing new hardware, the incredible transition took place over three short business days, thanks to improved technology, creative thinking, disciplined planning, and most of all, a can-do attitude.

While we closed our offices to the public and suspended all in-person services delivered by WCB Nova Scotia employees, we continued to be there for workers and employers, by phone, secure message and by teleconference.

“The way we did our work may have changed, but the importance of it did not,” said Wendy Griffin, VP, Service Excellence, who oversaw WCB Nova Scotia’s transition to remote work.

The year was defined by the leveraging of technology to provide service, and was enabled in large part by years of foundational work toward technological improvements and updates.

Our service to workers and employers was uninterrupted, even if it looked a little different. Case conferences and workplace visits went digital in many cases, and we leveraged strong partnerships with the health service provider community to support them as they adapted, too. Our employer and worker service surveys suggest those we serve remain satisfied, with 81 and 72 per cent satisfaction, respectively.

Our [Annual Meeting was held as a webcast](#), connecting partners and stakeholders in a virtual way, for a productive discussion, in a format we plan to use again going forward.

From virtual leadership connections, to organization-wide meetings, to testing and trials of the online meeting platforms that now seem second nature, to a remote celebration of Safety and Health Week, our teams kept our own employees focused and engaged during the incredible year. The 2020 Employee Opinion Survey results reflected these efforts. For example, 84 per cent of employees agreed that the person they report to provides guidance during times of change.

“I am incredibly proud of our leaders and our people for making this transition happen. Teams across the organization came together, and did what was needed – and our strategic investments in technology are what made it possible,” said Stuart MacLean, CEO, WCB Nova Scotia.

“I look forward to the future, as a spirit of innovation will drive continued creative thinking in how we adapt and improve our service to workers and employers, leveraging technology.”

### Our Progress

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- Retooled and re-launched [digital clearance](#), following response to employer feedback.
- Relocated our workforce to at-home work, leveraging technology for all operations.
- Partnered with service providers to [support virtual delivery](#) of many health services.
- For the first time, [announced rates to employers digitally](#), leveraging MyAccount.
- Continued to improve and fine-tune the operations of our core systems, ironing out technological challenges and improving service.
- Advanced our security and disaster recovery processes to ensure the security and safety of our data.

### Our Plans

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- Stabilize new core systems and begin to explore future enhancements such as predictive analytics.
- Explore and lay the groundwork for increased remote work as part of our long-term operational approach.
- Consider overall digital approaches to customer experience, and how our systems might be leveraged to improve service in the future.



“I look forward to the future, as a spirit of innovation will drive continued creative thinking in how we adapt and improve our service to workers and employers, leveraging technology.”

– Stuart MacLean

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

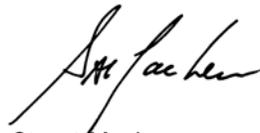
The financial statements of the Workers' Compensation Board (WCB) of Nova Scotia are prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and assets are properly safeguarded. Internal audit service providers perform periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The WCB's Board of Directors has approved the financial statements included in this annual report. The Board of Directors is assisted in its responsibilities by the Finance, Audit and Risk Committee. This committee reviews and recommends approval of the financial statements and meets periodically with management, the independent actuaries, and the internal and external auditors concerning internal controls and all other matters relating to financial reporting.

The firm of Eckler Partners Ltd. has been appointed as independent consulting actuaries to the WCB. Their role is to complete an independent annual actuarial valuation of the benefits liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial principles.

Grant Thornton LLP, the external auditors of the WCB, has performed an independent audit of the financial statements of the WCB in accordance with auditing standards generally accepted in Canada. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.



Stuart MacLean  
Chief Executive Officer



Maureen Boyd, CPA, CA  
Chief Financial Officer

As an integral part of the annual report, the Management Discussion and Analysis (MD&A) provides further insight into the operations and financial position of the Workers' Compensation Board of Nova Scotia (WCB). The discussion and analysis should be read in conjunction with the audited financial statements and supporting notes. This MD&A and the accompanying financial statements reflect amounts based on the facts and circumstances at the reporting date.

### FORWARD-LOOKING INFORMATION

This report contains forward-looking information and actual results may differ materially. Forward-looking information is subject to many risks and uncertainties as this information may contain significant assumptions about the future. Forward-looking information includes, but is not limited to, WCB strategies, targets, outlook and funding strategy.

Risk and uncertainties about future assumptions include, but are not limited to, the changing financial markets, industry mix related to the covered workforce in Nova Scotia, the economy, legislation, accounting standards, appeals and court decisions, and other risks which are known or unknown. We caution the reader about placing reliance on forward-looking information contained herein.

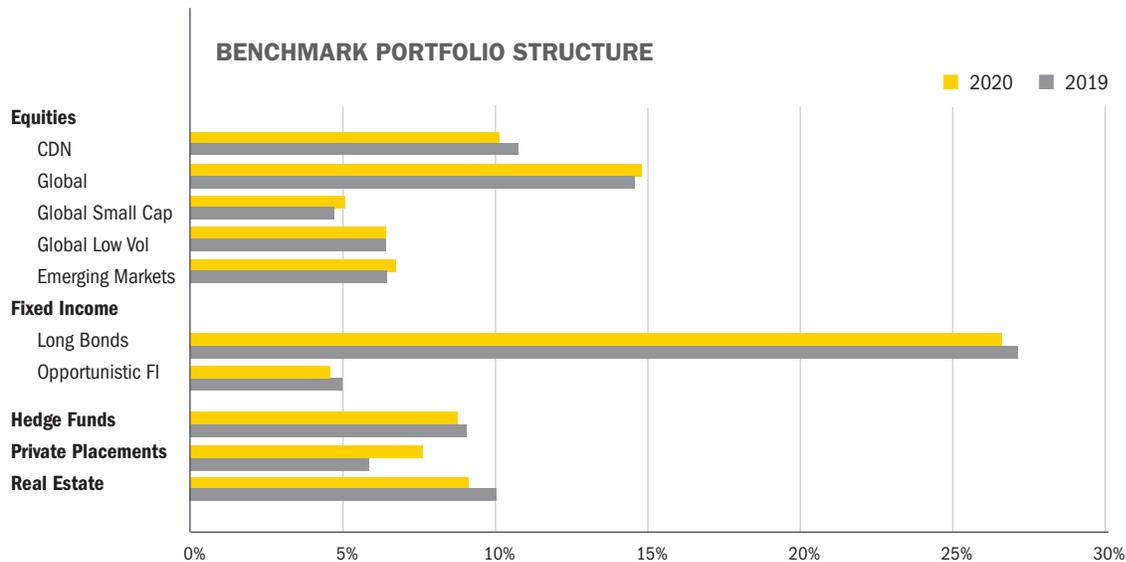
## STATEMENT OF Financial Position

In March 2020, COVID-19 was recognized as a pandemic by the World Health Organization. Despite significant declines in investment markets following the pandemic declaration, markets rebounded, as did the WCB investment portfolio with an investment return greater than planned. The strong investment returns and favourable actuarial experience contributed to better than expected financial results for 2020. As a result, the WCB's financial position was strengthened in 2020, despite challenging results on some key operational performance measures.

With the Accident Fund reaching 102.9 per cent funded, the WCB has eliminated the unfunded liability – a significant financial milestone. To put this in perspective, in 1994 the WCB was 27 per cent funded which meant the Accident Fund had only about a quarter of the funds needed to pay injured workers and their families the benefits to which they are entitled for claims that had already been accepted. This was a precarious financial situation and in 1996 the provincial government introduced a new *Workers' Compensation Act*. A funding strategy was developed at that time with a goal to eliminate the unfunded liability in 2039 – a 45-year plan.

The WCB's financial position has, for the most part, steadily improved over time and the period to eliminate the unfunded liability was reduced. The current funding strategy anticipated the unfunded liability would be eliminated between 2020 and 2024, well ahead of the date in the original strategy.

## MANAGEMENT DISCUSSION AND ANALYSIS



### INVESTMENTS

Benefits for injuries occurring in a year are paid in the year of injury and, for some workers, for many years after the injury. The WCB maintains an investment portfolio to secure the payment of benefits in the future.

#### Portfolio Structure

The WCB has a fund of funds managers arrangement with Mercer Global Investments Canada Limited (MGI). The benchmark portfolio reflects the fund's long-term risk tolerance. At any given time, the fund's asset allocation may differ from the benchmark. The benchmark is useful for assessing performance of the fund. As compared to 2019, target allocations have changed as detailed in the graph.

As set in a multi-year plan, the WCB continues to transition funds into alternative investments through limited partnerships. Moving to these alternative investment classes is intended to provide attractive risk-adjusted returns while reducing risk through further diversification of the investment portfolio and decreasing the WCB's exposure to equities. During 2020, the WCB entered into additional limited partnerships to invest a further \$395 million USD. Contributions to these funds commenced in 2020 and will continue until the funding calls have been reached, currently planned by 2026.

The WCB uses an active investment strategy where the investment manager is charged with exceeding the market index returns for all asset classes. The WCB continues to use a passive currency hedging overlay strategy with a hedge ratio of 15 per cent of the total foreign currency exposure. A glide path to reduce the hedging strategy is in place reducing the portion hedged gradually, and currency hedging will end completely when the Canadian dollar reaches \$0.85 USD.

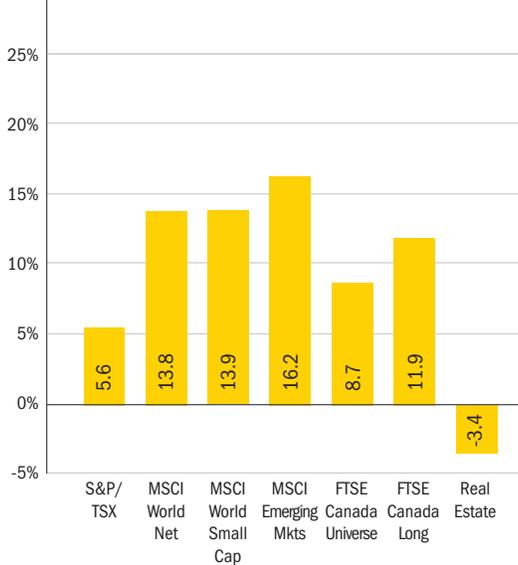
#### Capital Markets Review

Despite the challenges of a global pandemic, 2020 proved to be a year of resiliency for financial markets.

During the first quarter, global stock markets experienced sharp declines as fears related to the COVID-19 pandemic gripped markets. By the end of the second quarter, markets began to rebound in response to global monetary and fiscal stimulus programs which continued throughout 2020. During the fourth quarter, global equities rose as a number of vaccine breakthroughs fostered hopes of a return to economic normality. Investors seemingly ignored mixed economic data results suggesting signs of slow recovery due to rising virus cases and new waves of economic restrictions to curb the spread of COVID-19.

**2020 FINANCIAL MARKET RETURNS**

(in Canadian dollars)



The Fund objective is to exceed the performance of the benchmark portfolio over a five year, moving average period (before investment management fees). The five-year fund return of 7.7 per cent did not exceed the 7.9 per cent benchmark and therefore the objective was not met. The absolute return was above the long-term rate of 6.0 per cent that is assumed in the funding strategy. Fund manager objectives are established by individual mandates with each fund manager. Performance is reviewed at the fund and manager level by the Investment Committee, a sub-committee of the Board of Directors.

As the investments are held to meet payment obligations that extend many years into the future, the valuation of investments at a point in time provides a view of the financial position of the WCB at only that point in time. Note 8 of the financial statements describes the potential for volatility of the portfolio. The WCB maintains an investment portfolio diversified among a variety of asset classes and fund managers in order to optimize returns and manage risk.

**BENEFITS LIABILITIES**

The WCB’s benefits liabilities represent the actuarial present value at December 31, 2020 of all expected benefit payments that will be made in future years, which relate to claims arising from events that occurred on or before that date. The benefits liabilities represents the best estimate of the payments that would be required if these liabilities were settled in cash on December 31, 2020.

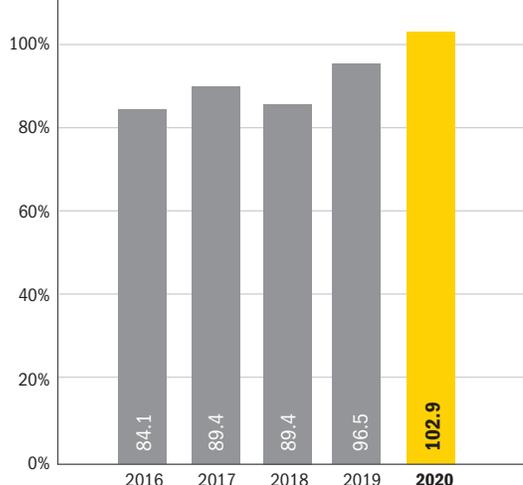
The benefits liabilities increased by \$27.1 million or 1.3 per cent. This is the change in the present value of benefits payable in future years, calculated through the annual actuarial valuation process. The valuation takes into account claims costs incurred, claims payments made, growth in the present value of the benefits liabilities, legislated change and actuarial experience adjustments including an adjustment for the change in liability for latent occupational disease.

**FUNDED POSITION**

The WCB’s liabilities total \$2.15 billion and assets total \$2.21 billion, eliminating the unfunded liability at the end of 2020. The WCB’s funded percentage increased from 96.5 per cent in 2019 to 102.9 per cent. The WCB maintains a focus on long-term financial stability and sustainability of the workers’ compensation system.

**FUNDED PERCENTAGE**

For Nova Scotia, 2016 – 2020



## STATEMENT OF Comprehensive Income

In 2020, total revenues of \$497.2 million (\$313.9 million in assessment revenues plus \$183.3 million in investment income) less total expenditures of \$357.7 million and the re-measurement of post-employment benefit liabilities of \$3.2 million yielded a total comprehensive income of \$136.3 million.

The operating results for 2020 and 2019 may be attributed to the following factors:

(\$000's)	2020	2019
Assessment revenue in excess of current year costs	\$ 32,473	\$ 39,539
Investment income above liability requirements	82,066	144,254
Actuarial liabilities and adjustments less than previously anticipated*	24,939	50,329
Other comprehensive income from actuarial (losses) gains on post-employment benefits	(3,221)	(4,495)
<b>Total comprehensive income</b>	<b>\$136,257</b>	<b>\$229,627</b>

\*Net of the provision made for a legislative change through Bill 204, which received Royal Assent on October 30, 2019, with an effective date of October 30, 2020. This change requires mandatory coverage for volunteer firefighters and increased liabilities by \$9,845.

### ASSESSMENT REVENUE

The WCB receives two types of assessment revenue. Most employers pay an insurance premium with rates established based on prior years' experience. Federal and provincial government agencies and departments are self insured. Rather than paying an insurance premium, they reimburse the WCB for claims

payments made on their behalf plus an administration fee.

Total assessment revenue from insured firms decreased \$6.9 million (2.2 per cent) from 2019. Contributing to support the pandemic efforts and businesses, the WCB provided a six month deferral to employers on payment of premiums and a waiver of interest and penalties beginning in April 2020. As restrictions eased and the economy reopened, remittances from employers continued, with an overall decline in premium revenue from the prior year. Revenue estimates include remittances that are to be received and collected in the following year.

The payroll base was flat reflecting the net impact of an increase in the maximum assessable earnings for individuals, inflationary increase in wages, and a decrease in the insured workforce related to the pandemic. The actual average assessment rate per \$100 of assessable payroll, net of surcharge refunds and practice incentive rebates, was \$2.68 – an increase from the 2019 average rate of \$2.66. The fact that the actual rate is above target indicates that the mix of payroll amounts submitted by employers in high-rate industries and those submitted by employers in low-rate industries was slightly different than anticipated.

The 2020 self-insured administration fees increased slightly by \$0.7 million to \$8.1 million (10.3 per cent) from 2019. Administration fees are calculated based on 2019 claims payments and administration costs.

### INVESTMENT INCOME

Investment income is derived from the investment portfolio managed by external investment managers. Total investment income was \$183.3 million for 2020, a decrease of \$62.2 million (25.3 per cent) from the 2019 income of \$245.5 million. The investment return on the externally managed portfolio was a solid absolute return of 9.4 per cent.

The 2019 return was 13.6 per cent. The WCB recognizes changes in market value of investments in the year of occurrence. Note 8 to the financial statements provides investment income details.

**CLAIMS COSTS INCURRED**

Claims costs incurred are an estimate of the costs related to injuries which occurred in 2020. These estimates take into account claims reported and paid, unreported claims and claims that are reported but as yet unpaid. The liabilities include provisions for both the future cost of administration of claims that occurred prior to December 31, 2020, and for exposures that will result in future occupational disease claims beyond December 31, 2020. The liability does not include an allowance for any changes to present policies and practices, or for the extension of new coverage types.

Claims costs incurred increased by \$1.0 million (0.5 per cent) from 2019. Several factors influenced this aggregate, most significantly impacts of COVID-19. Details follow:

Claims costs incurred for short-term disability increased 4.9 per cent (\$2.3 million) in 2020. While fewer injuries occurred in 2020, the pandemic created challenges with return

to work and access to medical and related treatments. This, coupled with an increase in stress and psychological claims, which can be complex to manage, led to a 21 per cent increase in duration, which ultimately translated to the increase in costs.

The 4.0 per cent (\$3.7 million) increase in long-term disability is mainly the result of an 8.0 per cent increase in the average award partially offset by a lower than expected volume of new awards.

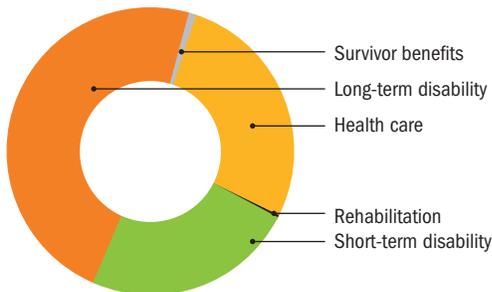
Health care costs decreased 7.2 per cent (\$4.3 million) in 2020 due to limited access to medical treatments during portions of the year due to the pandemic.

Survivor costs have decreased 24.3 per cent (\$0.6 million) in 2020. Claim volumes and costs in this area fluctuate year to year, and are not necessarily indicative of a trend.

Non-income rehabilitation costs are costs other than wage replacement benefits paid to workers in rehabilitation programs or workers receiving assistance with home or workplace modifications. In 2020, rehabilitation costs decreased from 2019 by 3.2 per cent (\$0.03 million). Fluctuations occur year to year in rehabilitation costs as significant costs incurred on a small number of claims have a notable impact.

**TOTAL CLAIMS COSTS INCURRED**

(in thousands)



	2020		2019	
Survivor benefits	2,014	1.0%	2,660	1.3%
Long-term disability	97,095	47.6%	93,388	46.0%
Health care	55,315	27.1%	59,612	29.4%
Rehabilitation	786	0.4%	812	0.4%
Short-term disability	48,651	23.9%	46,368	22.9%

## MANAGEMENT DISCUSSION AND ANALYSIS

### GROWTH IN PRESENT VALUE OF LIABILITIES, CHANGE IN ASSUMPTIONS AND ACTUARIAL EXPERIENCE ADJUSTMENTS

The benefits liability is calculated by an independent external actuary based on historical claims payment data coupled with assumptions about future experience. The growth in the present value of benefits liabilities is the increase in the present value of prior years' obligations due to an interest amount reflecting the time value of money. In 2020, this amount was \$101.2 million or about 5.0 per cent calculated as a percentage of the opening benefits liabilities. This amount varies slightly by benefit category as the expected inflation component varies. Based on the long-term assumptions for inflation and investment returns, we expect growth to occur at approximately 5.25 per cent annually.

Actuarial adjustments represent the difference between what was predicted based on the actuarial assumptions and methods used in the prior valuation years, and what actually occurred in the year. In 2020, the volume and average cost of new extended earnings replacement benefits (EERBs) were lower than expected in the actuarial assumptions. This and other factors such as mortality experience, future claims administration costs, and other non-specified actuarial adjustments, combined to produce a favourable adjustment of \$34.8 million. The legislated change related to mandatory coverage for firefighters was \$9.8 million.

### ADMINISTRATIVE COSTS

Administrative expenditures in 2020 totaled \$60.3 million, an increase of \$0.8 million or 1.4 per cent from 2019. This is primarily due to general inflationary increases.

### LEGISLATED OBLIGATIONS

The WCB reimburses the Province of Nova Scotia for the operating costs of the Occupational Health and Safety Division of the Department of Labour and Advanced Education, the Workers' Advisers Program, and the Workers' Compensation Appeals

Tribunal. The WCB and the Province of Nova Scotia have different fiscal years. The WCB's year-end is December 31, and the Province's year-end is March 31. The WCB's expenses for legislated obligations are estimates based on the forecasts of expenditures supplied by the Province of Nova Scotia. The legislated obligations expenses reported by the WCB and the amounts reported by the Province can vary significantly.

## STATEMENT OF Cash Flows

Cash decreased in 2020 as cash utilized for benefit payments and operations was more than the cash generated through assessments premiums.

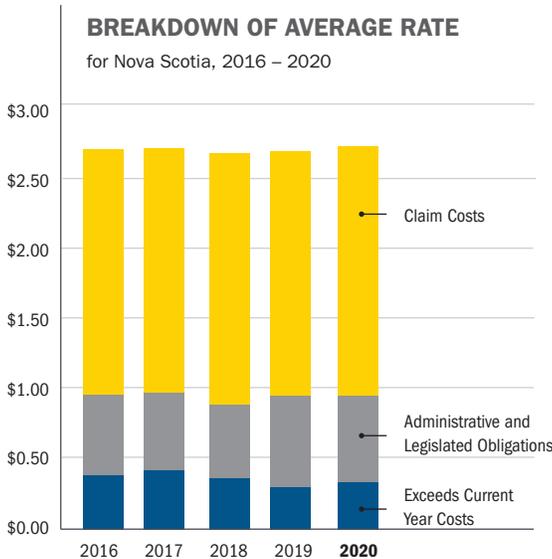
## Funding Strategy

The WCB's funding strategy encompasses assumptions about revenue from the covered workforce payroll base, operational results and investment returns. The WCB collects premiums from employers to pay the benefits resulting from workplace injuries that occurred in the year. Additionally, the WCB must maintain sufficient invested assets to pay benefits awarded in the past. In Nova Scotia, the invested assets prior to 2020 were not sufficient to fund these past claims and this shortfall was the unfunded liability.

In 2020, the invested assets are marginally greater than the amounts required to fund past claims. Small changes in investment returns, actuarial experience or unexpected shocks to the system could create volatility in our funded position. In order to avoid such volatility and the resulting variability of assessment rates, as the funded position is at or close to 100 per cent, the WCB Board of Directors will consider the appropriate funding level for the system.

Each year premiums are collected from employers based on a targeted average rate of \$2.65 per \$100 of assessable payroll. In

2020, the portion of the \$2.68 actual average rate required to fund injuries that occurred in the year is \$1.75 with administration and legislated obligations costs requiring an additional \$0.63. The remaining \$0.30 was applied to the unfunded liability. The composition of the average rate since 2016 is as follows:



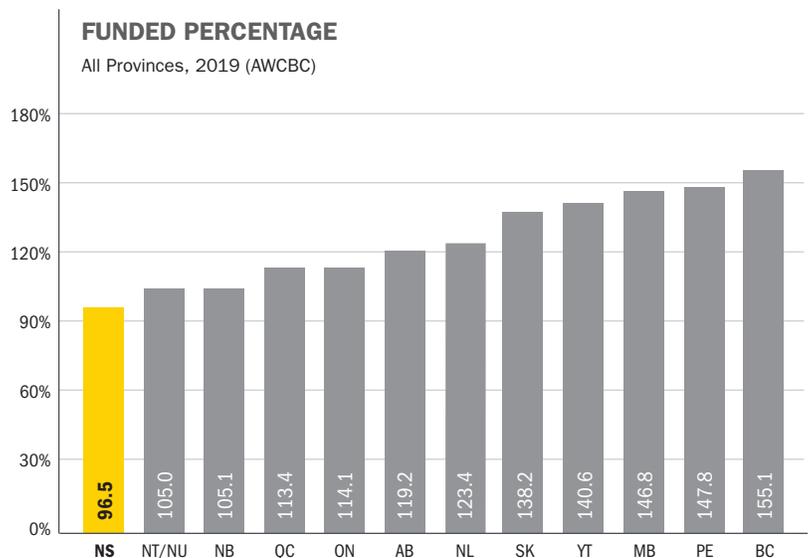
The WCB strives for continuous improvement in outcomes for injured workers through prevention and return to work as well as through a multi-year program of transformational change in the way we deliver service. The portion of the rate required to fund the cost of workplace injuries in 2020 was \$2.38, consistent with the estimated cost of 2019 injuries. Going forward, our primary goal will be to significantly improve return-to-work outcomes while maintaining a steady reduction in the volume of injuries occurring in workplaces across the province. Reductions require employers, workers, and health care providers to work together in fostering safe and timely return to work.

A key component of the funding strategy is the return on invested assets. Investments delivered a 9.4 per cent return in 2020. Cumulative returns have been positive in recent years with the exception of a setback in 2018. The annualized 10-year return as of December 2020 was 8.2 per cent, exceeding

the long-term investment assumption of 6.0 per cent before fees.

The WCB's annual update of the funding strategy in June 2020 estimated the unfunded liability would be eliminated between 2020 and 2024. The funding period was partially based on an estimated total comprehensive loss for 2020 of \$284.4 million, based on significant declines in the investment portfolio fair market value at that time. Subsequently, markets rebounded, as did the WCB's investment portfolio. There are a number of variables affecting the funding position and annual variances are expected. The actual total comprehensive income for 2020 is \$136.3 million, resulting in the elimination of the unfunded liability earlier than expected.

In December 2018, the Auditor General noted the WCB had strong governance practices as well as a solid plan to reach financial sustainability. Progress toward that goal over the past several years has been encouraging and we have now reached a significant milestone, but, as always, there are many factors that can influence the funding strategy. All of the assumptions are based on long-term expectations. By nature, annual investment returns are unpredictable and we expect that short-term results will vary from the long-term expectations. Revenue from the covered workforce is dependent on economic activity and the size of the covered workforce. Claims experience can vary and Note 12 of



## MANAGEMENT DISCUSSION AND ANALYSIS

the financial statements details areas of uncertainty, including actuarial experience, which may have a significant impact on the WCB's benefits liabilities and funding strategy.

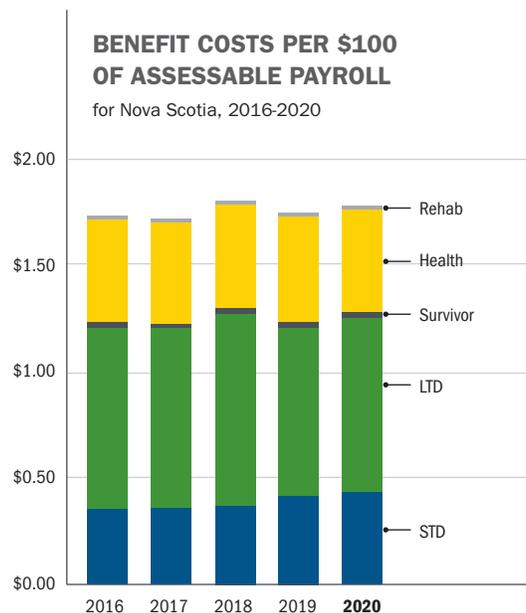
The 2020 results, the lingering impacts of COVID-19 and the expected outcomes of our new strategic plan will be incorporated when the Board completes its annual planning process in June of 2021.

### Risk Areas

Given the nature of our operations, the WCB is inherently susceptible to risks that, if unmitigated, could lead to significant financial consequences. Benefit costs, investment returns, economic conditions, fraudulent activities and technology risk are all considerations that can affect the WCB's performance and financial results.

### BENEFIT COSTS

Progress toward claims cost reductions stalled in 2020 largely due to the global pandemic. Payroll, claim volumes and durations were significantly impacted by a lengthy shut down of activities, including services for treatment of workplace injuries. While we had fewer claims, limited return-to-work opportunities and access to services led to a significant increase in the average duration of a claim. Additionally, the previously increasing duration trend due to increasingly complex claims, often due to psychological factors contributing to physical injury, continued in 2020. Despite these challenges, short-term disability costs were roughly as expected in 2020. Long-term disability costs were higher than planned mainly due to a larger than expected increase in the average award. The increase in long-term disability was more than offset by lower than expected health care costs leading to lower than expected claims costs overall. While claim costs are lower than expected, so too is payroll. The reduction in payroll is slightly more than the reduction in claims costs, therefore benefit costs per \$100 of assessable payroll have increased from \$1.74 in 2019 to \$1.75 in 2020.



A continued change agenda and the challenges associated with COVID-19 are expected to continue to impede operational results and progress towards our longer term goals over the next several months. Improved outcomes are expected to resume in 2021; however, the pattern of improvement that will result from our changes will likely evolve over time.

### INJURY RATE

The injury rate is one of the most significant drivers of benefit costs, and a key focus of the WCB's attention for risk mitigation. At the end of 2020, the injury rate was 1.53 time-loss claims per 100 covered workers, down from 1.67 in 2019.

As of December 31, 2020, there were 870 fewer time-loss injuries than in 2016. This reflects a 14.9 per cent decrease over the five-year period, with most of the decrease happening in 2020. However, a portion of the reduction in time loss in 2020 was due to a notable 4.5 per cent decrease in the covered workforce. We recognize that in 2020, these are artificially low numbers and are partly the result of reduced economic activity due to the pandemic.

Progress has slowed in recent years as the nature and mix of injuries has changed over time. Early volume reductions were among

lower cost injuries. Typically, reductions in more serious injuries take longer to materialize. Reductions in long-term disability claims and costs are expected to continue in 2021 as new systems and programs start to mature.

### CLAIM DURATIONS

In Nova Scotia, injured workers stay on short-term benefits longer than in many other provinces and a higher proportion of workers go on to receive long-term benefits. The WCB is beginning to introduce early intervention and new return-to-work approaches are designed to help reduce claims costs incurred over time, by reducing durations and reducing the number of workers going on to long-term disability.

Claim durations reflect the persistence of injuries that occur in the workplace. The WCB's goal is to improve outcomes for injured workers, and reduce the human and financial cost of workplace injuries in Nova Scotia. In 2020 claim durations increased dramatically reflecting the impact of the global pandemic. Limited access to health care services, lack of return-to-work opportunities, and delayed permanent impairment examinations, together with existing claim complexities led to a 31-day increase in the composite duration index. The impact of COVID-19 is expected to be temporary and we expect that improved processes and technology will lead to improvements in claim durations and overall cost reductions. As previously noted, the timing and pattern of improvement will evolve over time.

### INVESTMENT RETURNS

The WCB's assets are diversified among a variety of asset classes and fund managers in order to optimize returns and manage risk. External investment managers must comply with the WCB's Statement of Investment Policies and Objectives (SIPO) that outlines permissible investments. The SIPO is designed so the portfolio will provide reasonably secure payment of the long-term liabilities of the WCB.

Some risks cannot be directly controlled by the WCB. These risks include market volatility and interest rate changes. Investment returns that

are different than the long-term expectation for returns in the funding strategy can have a significant impact on our funding position.

The funding strategy adopted in June 2020 was prepared using a return on investments assumption of 6.0 per cent. During 2020, an asset allocation study reviewed our long-term expectation for inflation and real returns. Results of this work indicate that a long-term investment return of 6.0 per cent is a reasonable expectation.

### ECONOMIC CONDITIONS

Since early January 2020, the COVID-19 pandemic has spread across the globe causing massive disruption to business and economic activity. It continues to have an impact on our operations, revenue, investments and claims costs. Sadly, some employers may need to close due to the COVID-19 pandemic, which will have a direct impact on WCB revenues.

Despite the pandemic and the impact on local, national and international economies, the WCB has the ability to weather this situation and continue as a going concern. This has been tested in the past with the addition of chronic pain benefits and the investment market volatility of 2008.

### FRAUD

The WCB provides workplace injury insurance to about 20,200 employers and about 325,000 workers across Nova Scotia and uses the services of thousands of service providers. The significant volume and value of the monetary transactions that occur create a risk to the WCB of fraudulent activity by internal and external stakeholders. To proactively strengthen the management of this risk, the WCB performs data quality, integrity checks and reconciliations, implements internal controls including cyber monitoring, follows a policy framework and employs a Special Investigations Unit.

## MANAGEMENT DISCUSSION AND ANALYSIS

### TECHNOLOGY

The reliability of WCB's information technology is crucial to supporting the organization's operations and safeguarding personal records. System failures or security breaches are significant risks to the WCB. The organization has taken steps to mitigate these risks by investing in technology, maintaining backup systems and processes, developing staff expertise and having a disaster recovery plan and policies for information management and enterprise architecture purposes.

### Critical Accounting Policies and Estimates

The WCB follows International Financial Reporting Standards (IFRS). IFRS requires that management make assumptions and estimates. Financial statement Note 3 and Note 4 outline the WCB's significant accounting policies and estimates.

Significant policies include measurement of investment income and the valuation of the benefits liabilities. Reported investment income is affected by the changes in fair market values of the investments held. These changes in fair value are recorded directly in income in the period the changes occur. This adds to the volatility of reported investment income from year to year.

The benefits liabilities determined in the financial statements are estimated using many actuarial assumptions. The two most significant assumptions are the long-term discount rate and the long-term inflation rate, and estimates are highly sensitive to small changes in these assumptions. Measurement uncertainty is high because of the amount, timing, and duration of the benefits. Actual future results will vary from the actuarial valuation estimate and the variations could be material.

One of the most significant future changes is the move to market based interest rates

used to discount the future cash flows of the benefits liabilities (IFRS 17) effective January 1, 2023. Under this standard, the basis of accounting for the benefits liabilities will change to fair value utilizing a market based discount rate. At the end of 2020, this would have decreased the financial statement funded ratio from 102.9 per cent to 83.2 per cent, impacted in 2020 by declines in interest rates. A sensitivity analysis relating to insurance risk is included in Note 12 of the financial statements.

### OUTLOOK

The WCB operates as a going concern. The funding strategy supports the WCB's ability to remain financially sustainable while maintaining the system and balancing worker and employer interests.

The WCB's funding strategy assumptions include a growing economy, long-term investment return expectations across a diversified portfolio and stabilized claims costs for a financially sustainable system. In the past, to a large extent, the funding period has been used to absorb variations between financial projections and actual results. When financial results are different than the target, whether better or worse, there are three possible courses of action: adjust benefits to workers, adjust rates paid by employers or increase or decrease the time period over which the unfunded liability is to be eliminated. As the level of benefits is set by the Legislature, subject to interpretation by the Courts, the funding equation is not entirely within the control of the WCB as the neutral administrator.

This approach has allowed the WCB to meet a key objective of maintaining a long-term plan to eliminate the unfunded liability while providing relative stability in assessment rates and in the benefit structure.

With a funded position of greater than 100 per cent, the WCB and all system stakeholders must recognize and appreciate the volatility, and the delicate nature, of that situation. The

funded position will fluctuate in coming years, and will almost certainly hover above and below 100 per cent. As indicated in the funding strategy it is susceptible to many variables.

Stakeholders' interest to increase benefits for injured workers and/or reduce employer assessment rates has been growing for years, and the reporting of this funded percentage will increase that interest further. The WCB's current Strategic Priorities 2021-2023 includes consideration for supporting system reform and funding our future, founded on the principle that we must make the right strategic decisions now, to ensure a sustainably funded future. That means, among other things, establishing thresholds for the future funded percentage, outlining those funded ranges where action would be advisable, on rates and/or on benefits, for the best interests of the system, but just as importantly, where no action is the best approach. We must be strategic, responsible and do all we can to build a sustainable future.

COVID-19 may have an impact on claiming patterns, health care trend rates, mortality rates, and investment returns resulting from the global financial turbulence. There is currently no data available to support the potential impact of COVID-19 on our long-term assumptions and therefore, the results provided herein do not reflect any potential impact COVID-19 may have on the liability. Future valuations will have the benefit of analyzing this experience and any gains or losses will be reflected accordingly at that time.

Our plan is to achieve long-term sustainability and continued innovation and improvement. The focus of the WCB's efforts over the next several years will be to improve outcomes for people injured at work, and their employers, by supporting their safe and timely return to pre-injury earnings.

The Board of Directors will revisit the funding strategy as part of the annual budget process in June 2021. On an ongoing basis, the WCB weighs the views of stakeholders on a number

of topics, which includes the appropriate level of benefits, rates charged to employers and the WCB's funding position.

Although the funding strategy clearly labels assumptions as such, it is possible to read more certainty and precision into the strategy than warranted, given the number and nature of assumptions it contains. It is important to note that the funding strategy is our best estimate of what will happen given the assumptions. As noted in previous annual reports and in the funding strategy, actual results will differ from the projections and these differences may be material.

## INDEPENDENT AUDITOR'S REPORT

### **To the Members of the Board of Directors Workers' Compensation Board of Nova Scotia**

#### **Opinion**

We have audited the financial statements of Workers' Compensation Board of Nova Scotia ('WCB'), which comprise the statement of financial position as at December 31, 2020, and the statements of comprehensive income, changes in the funded position and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Workers' Compensation Board of Nova Scotia as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Halifax, Canada  
June 23, 2021

*Grant Thornton LLP*  
Chartered Professional Accountants

## FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION

as at December 31 (thousands of dollars)

	2020	2019
<b>Assets</b>		
Cash & cash equivalents	\$ -	\$ 11,082
Receivables (Note 6 and 18)	36,369	39,816
Investments (Note 7)	2,139,748	1,957,305
Property and equipment (Note 9)	5,613	6,493
Intangible assets (Note 10)	28,632	32,126
	<u>\$ 2,210,362</u>	<u>\$ 2,046,822</u>
<b>Liabilities and Funded (Unfunded) Position</b>		
Bank indebtedness	\$ 2,740	\$ -
Payables and accruals	43,170	51,019
Post-employment benefits (Note 11)	34,840	29,552
Benefits liabilities (Note 12)	2,067,519	2,040,415
	<u>2,148,269</u>	<u>2,120,986</u>
Funded (unfunded) position	62,093	(74,164)
	<u>\$ 2,210,362</u>	<u>\$ 2,046,822</u>

Commitments (Note 20)  
Capital Management (Note 22)

Approved on behalf of the Board of Directors on  
June 23, 2021:

  
Rodney Burgar  
Chair, Board of Directors

  
Angus Bonnyman  
Chair, Finance, Audit  
and Risk Committee

### STATEMENT OF COMPREHENSIVE INCOME

year ended December 31 (thousands of dollars)

	2020	2019
<b>Revenue</b>		
Assessments (Notes 4, 13, 17 and 18)	\$ 313,939	\$ 320,040
Investment income (Note 7)	183,284	245,474
	<u>497,223</u>	<u>565,514</u>
<b>Expenses</b>		
Claims costs incurred (Notes 4, 12 and 18)	203,861	202,840
Growth in present value of benefits liabilities, actuarial adjustments and adjustment for latent occupational disease (Note 12)	76,279	50,891
Administration costs (Notes 14, 18 and 21)	60,268	59,436
System support (Note 15)	1,012	1,007
Legislated obligations (Note 16)	16,325	17,218
	<u>357,745</u>	<u>331,392</u>
<b>Excess of revenues over expenses</b>	<u>139,478</u>	<u>234,122</u>
<b>Other comprehensive income</b>		
Re-measurement of post-employment benefits loss (Note 11)	(3,221)	(4,495)
<b>Total comprehensive income</b>	<u>\$ 136,257</u>	<u>\$ 229,627</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CHANGES IN THE FUNDED POSITION**
*year ended December 31 (thousands of dollars)*

	2020	2019
<b>Funded position excluding accumulated other comprehensive income</b>		
Balance, beginning of year	\$ (66,962)	\$ (301,084)
Excess of revenues over expenses	139,478	234,122
	<u>\$ 72,516</u>	<u>\$ (66,962)</u>
<b>Accumulated other comprehensive income</b>		
Balance, beginning of year	\$ (7,202)	\$ (2,707)
Other comprehensive loss	(3,221)	(4,495)
	<u>\$ (10,423)</u>	<u>\$ (7,202)</u>
<b>Funded (unfunded) position</b>	<u>\$ 62,093</u>	<u>\$ (74,164)</u>

**STATEMENT OF CASH FLOWS**
*year ended December 31 (thousands of dollars)*

	2020	2019
<b>Operating Activities</b>		
Cash received from:		
Employers, for assessments (Note 4)	\$ 317,970	\$ 312,707
Net investment income	68,331	65,151
	<u>386,301</u>	<u>377,858</u>
Cash paid to:		
Claimants or third parties on their behalf (Note 4)	(250,712)	(252,758)
Suppliers, for administrative and other goods and services	(80,133)	(53,800)
	<u>(330,845)</u>	<u>(306,558)</u>
Net cash provided by operating activities	55,456	71,300
<b>Investing Activities</b>		
Increase in investments, net	(67,485)	(44,488)
Purchases of equipment and intangible assets	(1,793)	(7,038)
	<u>(69,278)</u>	<u>(51,526)</u>
Net cash used in investing activities	(69,278)	(51,526)
<b>Net (decrease) increase in cash and cash equivalents</b>	(13,822)	19,774
Cash and cash equivalents, (bank indebtedness), beginning of year	11,082	(8,692)
(Bank indebtedness), cash and cash equivalents, end of year	<u>\$ (2,740)</u>	<u>\$ 11,082</u>

The accompanying notes are an integral part of the financial statements.

# FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS year ended December 31st, 2020 (thousands of dollars)

### NATURE OF OPERATIONS

1. The Workers' Compensation Board of Nova Scotia (WCB) is a board established by the Nova Scotia Legislature in 1917, under the *Workers' Compensation Act (Act)*, and is exempt from income tax. The address of the WCB's primary operations is 5668 South Street in Halifax, Nova Scotia. Pursuant to the *Act*, the WCB strives to prevent workplace injury, but when it occurs, supports injured workers and their employers to achieve a safe and timely return to work; administers the payment of benefits to injured workers and dependents; levies and collects assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and invests funds held for future benefit payments.

The current *Act* came into force February 1, 1996. Various amendments have since occurred to the *Act* and have received Royal Assent.

### 2. BASIS OF PREPARATION

#### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies applied in preparation of these financial statements are set out below.

#### Going concern

The WCB has assessed all relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy in place for the elimination of the unfunded liability.

#### Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

These financial statements are prepared and rounded in thousands of Canadian Dollars unless otherwise stated.

### 3. COVID-19 PANDEMIC

In March 2020, COVID-19 was recognized as a pandemic by the World Health Organization. WCB management closely monitored the evolution of this pandemic, including effects to the WCB, the economy and our stakeholders. The WCB took actions to keep employees, those we serve, and the general public safe and followed the advice of public health organizations. Employees transitioned to arrangements of working from home and/or office providing continuity of service to injured workers and employers.

The preparation of the WCB's Financial Statements requires management to make critical judgements, estimates and assumptions that affect the amounts reported. The potential impacts on the WCB's most significant estimates and judgements of COVID-19 include estimates of our revenues and benefits obligations for current and future years.

A primary source of revenue for the WCB is premiums from employers for workers' compensation coverage. During the early months of the pandemic restrictions, revenues from employers declined. The WCB provided a six-month deferral to employers on payment of premiums. As restrictions eased and the economy opened, remittances from employers resumed – with an overall decline of two per cent in premium revenue from the prior year. Estimates include remittances that are to be received and collected in the following year.

The largest expense to the WCB is the obligation to pay for current and future costs of injuries. While fewer injuries occurred in 2020, there were challenges with returning workers to workplaces and accessing health care resulting in higher temporary benefits costs and lower health care costs than would have been expected. The valuation of these benefits liabilities required assumptions that may differ materially from the WCB's current estimates as the scope of COVID-19 evolves.

The extent of the impact of COVID-19 on the WCB's operational, financial and investment portfolio performance will depend on future developments, including the duration and continued spread of the outbreak, restrictions that are mandated and the efficacy of vaccines. The WCB is positioned to continue to navigate the challenges presented by the COVID-19 pandemic.

### 4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared within the framework of the following accounting policies:

#### a) Cash and Cash Equivalents

Money market instruments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates fair market value. Bank indebtedness includes the utilization of a line of credit. Cash advances from the line of credit are to a maximum of \$40,000 and bear interest at the bank's prime interest rate less 1.00 per cent.

#### b) Assessments Revenue and Receivable

Premiums are billed when employers report their employees' insurable earnings for an applicable assessment year. For employers who have not reported, premiums are estimated based on historical experience and any difference between actual and estimated premiums is adjusted in the following year. As a significant portion of premium income for the year is not received until after year end, the amount recorded is a combination of actual and estimate based on statistical data. The difference between the estimate and the actual income received is adjusted to income in the following year. Historically, the difference has not been material.

#### c) Investments

All portfolio investments are designated as fair value through profit and loss. Realized gains and losses on the sale of investments and unrealized gains and losses arising from the change in the fair value of investments are recorded in investment income in the period in which they arise. All purchases and sales of portfolio investments are recognized on the date the trades are executed. Income from interest, dividends, and distributions from pooled funds and investment foreign currency gains and losses are recognized as investment income in the period incurred. Distributions from pooled funds are automatically reinvested within the pooled funds. Investment income is presented net of investment expenses.

The following determines fair value of investments:

- Pooled fund units (equities and fixed income) are valued at their year-end net asset values (NAV) as determined by the fund managers.
- Structured entities such as limited partnerships in infrastructure and private equity as well as hedge funds are valued at the most recent available NAVs as determined by the fund managers.
- The fair value of real estate fund units is based on independent property appraisals net of fund liabilities as determined by the fund manager.

#### Unconsolidated structured entities

Investments in limited partnerships for alternative asset classes do not satisfy the elements for control or significant influence and therefore have not been consolidated into these financial statements. Financial instruments accounting has been applied. The WCB's financial exposure is limited to the net carrying amount of the investments. Obligations are imposed on funds committed in structured entities, once committed, an investor is expected to fund the entire subscribed amount over the term of the agreement.

#### d) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and when applicable, write-downs for impairment. Depreciation is charged using the straight-line method over the estimated useful life of the asset. A useful life of two to 40 years is used for building components and from three to 20 years for furniture and facilities, equipment and computer hardware. With the exception of equipment under finance leases, in the year of acquisition, a half year's depreciation is taken. The useful lives of items of property and equipment are reviewed at each balance sheet date and adjusted if required.

#### Leases

For new lease contracts entered into, the WCB determines if the contract is – or contains – a lease. A lease is defined as a contract or part of a contract that conveys the right to use an asset for a period of time in which consideration is paid. The lease liability is measured at the present value of the remaining unpaid lease payments discounted using the interest rate implicit in the lease if readily determinable or the lessee's incremental borrowing rate. The right-of-use asset is measured at the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred, and an estimate of costs to be incurred, if any, in dismantling or removing the underlying asset or restoring the site. Right of use assets are depreciated over the useful life of the asset or

over the lease term, whichever is shorter. Short-term leases and leases of low-value assets where the payments are recognized as expense in profit or loss on a straight line basis over the lease term, using the practical expedients options available.

#### e) Post-Employment Benefits

An independent actuary is appointed to prepare the post-employment benefit estimates. The amounts are accrued over the periods during which the employees render services in return for these benefits. The projected unit credit method is used to calculate the defined benefit obligations and current service costs. Due to the curtailment of the retirement allowance program, the projected unit credit method has been adjusted such that the defined benefit obligation for the retirement allowance program is the present value of all future retirement allowance payments. Actuarial gains and losses arise from the actual experience of the plan's liabilities for a period and are recorded through other comprehensive income with no subsequent reclassification to comprehensive income. Current service, past service (including curtailment and settlement) and interest costs are recorded through profit and loss in the period in which they arise. Discount rates are based on the market yields of high quality corporate bonds.

#### f) Benefits Liabilities

An independent actuary completes a valuation of the benefits liabilities of the WCB at each year end. The benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for injuries which occurred in the current fiscal year or in any prior year including exposure for occupational diseases. The benefits liabilities includes provisions for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and for future costs of administering existing claims. Changes to the benefits liability arising from growth in present value, changes in actuarial assumptions and actuarial experience adjustments are recognized in expense annually based on the year end actuarial valuation. The benefits liabilities are accounted for using IFRS 4 - Insurance contracts.

#### g) Foreign Currency Translation

Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the Statement of Financial Position date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for investments.

#### h) Financial Instruments

The WCB uses IFRS 9 for financial instruments, which requires financial instruments to be classified as either amortized cost, or fair value through profit and loss. The applicable financial instruments for the WCB are as follows:

- Cash and cash equivalents – recorded at cost, which approximates fair market value
- Accounts receivable and payable – recorded at amortized cost
- Investments – recorded as fair value through profit and loss

The carrying values of accounts receivables and payables approximate fair values due to the short-term maturity and/or underlying terms and conditions. The WCB's accounts receivable are not subject to significant concentration of credit risk as the accounts are owed by a large number of employers, the Province of Nova Scotia and the Government of Canada on normal credit terms. Accounts receivable include an estimate for the lifetime expected credit losses using the simplified method with a provision matrix in the allowance for doubtful accounts and are regularly reviewed to determine whether the account should be written-off. Accounts are written-off when there is no reasonable expectation of recovery.

The investment portfolio does not contain any derivatives intended for speculation or trading purposes. The portfolio includes a currency hedging strategy by investing in the Hedged Mercer Global Equity Fund. The WCB has elected not to apply hedge accounting.

#### i) Intangible Assets

Intangible assets are stated at cost, less accumulated depreciation and when applicable, write-downs for impairment. Intangible assets consist of externally purchased software applications, and process development costs. To qualify for capitalization, the intangible asset must be separately identifiable, the WCB must have control of the asset and the asset must have future economic benefits.

Depreciation is charged on a straight-line basis over a period of 5 to 10 years for internally generated software and process development costs, with one half

year's depreciation taken in the year of completion. Intangible assets which are under development and not yet ready for its intended use so are not subject to depreciation. Assets under development and not ready for their intended use are tested for impairment annually.

Expenditures related to the research phase of an internal project are recognized as an expense in the period incurred. Software purchases are depreciated on a declining-balance basis at an annual rate of 50 per cent. The useful lives of intangible assets are reviewed at each reporting date and adjusted if required.

#### j) Asset Impairment Testing

IFRS requires a test for impairment at least annually whenever there is objective evidence that the carrying value of an asset may exceed its fair value. Impairment tests must be conducted for an individual asset, an asset group or at the cash-generating unit level which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows of other assets.

Based on the analysis of the entity and its cash flows, the WCB has determined that it is a single cash generating unit. Impairment of assets at the entity level is unlikely as the WCB has the power under the *Act* to revise premiums to ensure the continuity of the workers' compensation system. Therefore, individual assets are monitored for impairment using a variety of qualitative considerations including, but not limited to: obsolescence, damage, and reduction in asset performance, disposal or the existence of plans to discontinue the use of the asset. If an asset is deemed impaired, the asset is written off completely or subjected to accelerated depreciation, whichever is appropriate.

#### k) New Accounting Policy Implementations

WCB staff monitors the pronouncements of the International Accounting Standards Board (IASB) and considers the impact that changes in standards may have on the WCB's financial reporting. The IASB has ongoing projects to improve existing standards and issue new standards, some of which will impact the WCB in the current year or in future years as follows:

#### l) Future Accounting Policy Developments

**IAS 1 – Presentation of Financial Statements (Amendment)** – The IASB has amended the standard to require entities to disclose their material accounting policies rather than the current significant accounting policies. The IASB has issued supporting documentation including a detailed “4 step process” to guide the assessment. The WCB will be conducting a review and any changes are applicable for periods beginning on or after January 1, 2023.

**IFRS 17 – Insurance Contracts (Replacing IFRS 4)** – This new insurance standard will replace IFRS 4. The standard was released in May 2017. The mandatory effective date has been extended to January 1, 2023 to give entities additional time to prepare. This standard will have material impacts for the WCB's financial reporting by introducing new recognition and measurement approaches for insurance revenue and liabilities. One of the most significant changes is the move to market-based interest rates used to discount the future cash flows of the benefits liabilities which is expected to lead to an increase in the benefits liabilities on the statement of financial position and increase volatility in reported income. Other changes impact actuarial procedures, data requirements, valuation methods, disclosures and possible system changes. The standard will change the financial statement presentation, with a separation of insurance and financing activities, and expanded disclosures about amounts recognized, significant judgements and assumptions, and the nature and extent of risks arising from insurance contracts. The WCB is continuing to assess the full impact of this new standard with research, collaboration with other WCBs, auditors and external actuaries and working towards an implementation plan. No determination can be made of its full effects on WCB's financial position and operating results at this time.

## 5. ACCOUNTING JUDGEMENTS & ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, in particular, benefits liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ materially from those estimates. Decisions of the WCB may be appealed to the Workers' Compensation Appeals Tribunal, subsequently to the Nova Scotia Court of Appeal, and finally, to the Supreme Court of Canada. Rulings by these bodies have the potential to impact benefits liabilities. Legislated Obligations

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excluding the Workers' Compensation Appeals Tribunal are based on forecasts supplied by the Province of Nova Scotia with the actual billing through an order in council occurring post release of the annual report.

Information about the judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in detail in the following notes:

- Note 7 – Investments
- Note 8 – Financial Risk Management
- Note 11 – Post-employment benefits
- Note 12 – Benefits liabilities
- Note 13 – Assessment revenue

### 6. RECEIVABLES

	2020	2019
Assessments	\$ 22,238	\$ 23,204
Self-insured employers	7,863	11,038
Assessments receivable	30,101	34,242
Harmonized sales tax rebate	1,246	3,288
Other	5,022	2,286
	<u>\$ 36,369</u>	<u>\$ 39,816</u>

Assessments receivable are net of an allowance for expected credit losses of \$8,800 in 2020 (2019 - \$8,348). Other receivables are net of an allowance of \$1,831 in 2020 (2019 - \$1,789). In response to the COVID-19, a six month deferral on employers premiums was offered to employers (April through September). The impact on accounts receivable collections was monitored throughout the year, and by the end of the year end remittance patterns were consistent with the prior year.

### 7. INVESTMENTS

	2020	2019
<b>Equities</b>		
Canadian	\$ 214,036	\$ 215,186
Global	227,903	213,676
Global hedged	87,971	83,530
Global low volatility	138,202	131,224
Global small cap	107,365	94,807
Emerging markets	144,164	128,640
Private equity <sup>1</sup>	102,242	53,871
	<u>1,021,883</u>	<u>920,934</u>
<b>Fixed income</b>		
Long-term bonds	560,535	517,539
Opportunistic fixed income	96,935	91,216
Credit opportunities	3,158	-
	<u>660,628</u>	<u>608,755</u>
<b>Real estate</b>	<u>196,013</u>	<u>196,213</u>
Global real estate	3,470	-
Hedge funds	187,711	171,995
Infrastructure	69,770	59,210
Cash and money market	273	198
	<u>\$ 2,139,748</u>	<u>\$ 1,957,305</u>
<b>Investment Income</b>		
Distributions from pooled funds	\$ 66,559	\$ 67,525
Change in fair market value increase	114,957	180,303
Realized gains from the sale of investments	9,946	5,850
Portfolio management expenses	(8,178)	(8,204)
Net investment income	<u>\$ 183,284</u>	<u>\$ 245,474</u>

<sup>1</sup> Private equity includes private equity co-investments and credit opportunities

### Funding Commitments

The WCB has entered into limited partnership agreements with externally managed funds that commit the WCB to contribute into these investments which will be drawn down over the next several years. Unfunded commitments as of December 31, are as outlined in the table below:

Mandate	2020 Undrawn Funding Commitments	Total Commitment
Infrastructure	\$ 143,086 USD	\$ 190,500 USD
Private equity	\$ 169,159 USD	\$ 228,500 USD
Private debt	\$ 69,720 USD	\$ 72,000 USD
Global Real estate	\$ 92,150 USD	\$ 95,000 USD

Mandate	2019 Undrawn Funding Commitments	Total Commitment
Infrastructure	\$ 51,900 USD	\$ 95,500 USD
Private equity	\$ 61,600 USD	\$ 95,500 USD

During 2020, the WCB added additional limited partnership commitments of \$395.0 million USD total into infrastructure, private equity, private equity co-investments, private debt, global real estate, credit opportunities and secondary markets. During 2019, the WCB added additional limited partnership commitments of \$38.0 million each to infrastructure and private placements. These commitments can extend into the future for a period of up to 14 years.

### 8. FINANCIAL RISK MANAGEMENT

In accordance with IFRS 7 – Financial Instruments, Disclosure, the following provides qualitative and quantitative information relating to market risk, interest rate and currency risks, credit risk and liquidity risk.

The WCB manages its investments in accordance with a Statement of Investment Policies and Objectives and manages investment risk by using a diversified portfolio both across and within asset classes engaging fund managers with a broad range of investment practices and styles.

#### Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Equity investments are sensitive to market risks. The following table presents the decrease to comprehensive income (CI) as a result of potential adverse change in the key risk variable – the sector benchmark – for each equity mandate in the WCB's investment portfolio. Possible outcomes are estimated using the historical 5-year variability as measured by the standard deviation of each mandate.

Equities	2020		2019	
	% Change (1 Std Deviation)	CI Impact	% Change (1 Std Deviation)	CI Impact
Canadian	15.9%	\$ (34,053)	10.5%	\$ (22,595)
Global	12.7%	\$ (29,012)	10.2%	\$ (21,795)
Global hedged	16.9%	\$ (14,850)	11.2%	\$ (9,355)
Global low volatility	12.7%	\$ (17,593)	10.2%	\$ (13,385)
Global small cap	18.9%	\$ (20,271)	12.2%	\$ (11,566)
Emerging markets	15.0%	\$ (21,581)	12.6%	\$ (16,209)

#### Interest rate risk

Fluctuations in interest rates can impact the market value of the fixed-term investment portion of the portfolio. Interest rate risk is mitigated through diversification of the term to maturities to partially match the duration of the benefits liabilities of 9.6 years. The duration of the fixed income investments are as outlined in the following table.

Duration of bond portfolios (in years)	2020	2019
Long-term bonds	16.4	16.0
Opportunistic fixed income	5.1	3.8

The following table presents the effect of an increase in market interest rates for fixed income investments and the resulting decrease to comprehensive income.

0.5% change	2020	2019
	CI Impact	CI Impact
Long-term bonds	\$ (46,074)	\$ (41,435)
Opportunistic fixed income <sup>1</sup>	\$ (2,457)	\$ (1,742)

<sup>1</sup> This fund holds debt securities that are outside of Canada. The holdings that are outside of Canada will not be impacted by a change in Canadian interest rates.

**Currency risk**

Currency risk is the risk of gain or loss due to movements in foreign currency rates as compared to the Canadian Dollar. To mitigate these risks, the WCB has an allocation of global equities invested in a global equity hedged fund to hedge approximately 15 per cent of the foreign currency denominated assets.

The following table presents the effect of a 10 per cent appreciation in the Canadian Dollar as compared to the US Dollar, Euro, Japanese Yen and British Pound and the decrease to comprehensive income.

Currency	2020	2019
	CI Impact	CI Impact
USD	\$ (48,428)	\$ (39,593)
EURO	\$ (4,404)	\$ (4,231)
YEN	\$ (3,120)	\$ (2,999)
POUND	\$ (1,584)	\$ (1,912)

**Credit risk**

Credit risk with financial instruments arises from the possibility that the counterparty to an instrument may fail to meet its obligations. There could be increased credit risk on trade receivables if employers are not able to pay on their accounts. The WCB mitigates credit risk through a well-diversified portfolio with limited exposure to any one entity, industry or country, and a Statement of Investment Policies and Objectives that addresses asset mix and investment constraints with respect to the credit quality of short-term investments, fixed term investments, and foreign exchange forward contract counterparties.

The credit ratings of the WCB's fixed-income securities at December 31 are listed in the table below.

Credit Rating	2020		2019	
	Total	%	Total	%
AAA	\$ 98,680	14.9%	\$ 101,837	16.7%
AA	279,846	42.4%	253,255	41.6%
A	116,069	17.6%	122,913	20.2%
BBB	100,863	15.3%	93,885	15.4%
Below BBB/Not Rated <sup>1</sup>	65,170	9.8%	36,865	6.1%
Total	\$ 660,628	100.0%	\$ 608,755	100.0%

<sup>1</sup> 2019 Credit ratings BB, B and Below B/Not Rated reported under category Below BBB/Not Rated.

The WCB is also exposed to credit risk through its trade receivables. The risk is mitigated through assigned staff monitoring and collecting overdue accounts. Risk is reduced due to the large number of customers and their different geographic areas and industries. The allowance for doubtful accounts is reviewed and updated on a regular basis.

**Liquidity risk**

The WCB has contractual obligations and financial liabilities and therefore is exposed to liquidity risk. The WCB generally generates sufficient cash to meet obligations from revenue from employers. The WCB monitors its current and expected cash flow requirements to ensure it has sufficient cash and cash equivalents to meet its liquidity requirements short and long term. In addition, the WCB maintains a line of credit with its principal banker to meet potential short-term liquidity requirements.

The WCB's investment portfolio is well diversified in pooled funds that are primarily highly liquid. There were restrictions on the redemption of a portion of the portfolio invested with certain Canadian real estate holdings during a portion of the reporting period, with the restriction removed prior to the end of year. Further exceptions listed in the following table. Due to the absence of active markets and the contract terms the investments cannot be sold or converted easily to cash in a timely and cost-effective manner.

Mandate	December 31,	December 31,
	2020	2019
Infrastructure <sup>1</sup>	\$ 69,770	\$ 59,210
Private placements <sup>1</sup>	102,242	53,871
Credit opportunities <sup>1</sup>	3,158	-
Global real estate <sup>1</sup>	3,470	-
Hedge funds <sup>2</sup>	187,711	171,995
Total	\$ 366,351	\$ 285,076

<sup>1</sup> These funds are closed-end funds with a 12-14 year life expected to end between 2031 – 2034. The general partner has the option to extend the funds' lives by 1 year.

<sup>2</sup> The liquidity of this fund is subject to change but is estimated to be 80 per cent (2019 – 81 per cent) redeemable within 1 year of redemption request, 8 per cent (2019 - 16 per cent) within two years, 9 per cent (2019 – 3 per cent) within three years, and 2 per cent (2019 – 0 per cent) thereafter.

**Fair value hierarchy**

A fair value hierarchy is used to categorize valuation techniques used in the determination of fair value. Quoted market prices are categorized as Level 1, internal models using observable market information as inputs are Level 2, and internal models without observable market information as inputs are Level 3 reflecting assumptions about market pricing using the best internal and external information available.

The following fair value hierarchy table presents information about the financial assets measured at fair value on a recurring basis as of December 31st. There were no transfers between levels during either year.

2020	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 273	\$ -	\$ -	\$ 273
Equities	-	919,641	102,242	1,021,883
Fixed term investments	-	657,470	3,158	660,628
Real estate	-	-	199,483	199,483
Hedge funds	-	-	187,711	187,711
Infrastructure	-	-	69,770	69,770
	\$ 273	\$ 1,577,111	\$ 562,364	\$ 2,139,748

2019	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 198	\$ -	\$ -	\$ 198
Equities	-	867,063	53,871	920,934
Fixed term investments	-	608,755	-	608,755
Real estate	-	-	196,213	196,213
Hedge funds	-	-	171,995	171,995
Infrastructure	-	-	59,210	59,210
	\$ 198	\$ 1,475,818	\$ 481,289	\$ 1,957,305

Investments classified as level 2 represent units held in pooled funds operated by a number of fund managers. The pooled funds are comprised of publically traded securities and fixed income holdings with observable market information with respect to value. Investments classified as level 3 include units of pooled funds in private equity, real estate, hedge funds and infrastructure investments. Valuations are provided by the fund managers for financial reporting purposes. Valuation techniques are selected based on the characteristics of the investments, with the overall objective of maximizing market-based information. Management is responsible for ensuring the technique is appropriate in the circumstances.

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2020 Source of Change in Value of Level 3 Investments	Private Equities	Real Estate	Hedge Funds	Infra-structure	Fixed Income	Total
Value December 31, 2019	\$ 53,871	\$ 196,213	\$ 171,995	\$ 59,210	\$ -	\$ 481,289
Purchase of units	25,425	2,850	-	3,800	2,280	34,355
Unrealized gains (losses)	22,946	3,992	15,716	6,760	878	50,292
Sale of units	-	(2,850)	-	-	-	(2,850)
Investment management fees	-	(722)	-	-	-	(722)
Value December 31, 2020	\$ 102,242	\$ 199,483	\$ 187,711	\$ 69,770	\$ 3,158	\$ 562,364

2019 Source of Change in Value of Level 3 Investments	Private Equities	Real Estate	Hedge Funds	Infra-structure	Fixed Income	Total
Value December 31, 2018	\$ 29,599	\$ 180,971	\$ 162,932	\$ 35,444	\$ -	\$ 408,946
Purchase of units	12,210	-	-	16,445	-	28,655
Unrealized gains (losses)	12,062	15,926	9,063	7,321	-	44,372
Sale of units	-	-	-	-	-	-
Investment management fees	-	(684)	-	-	-	(684)
Value December 31, 2019	\$ 53,871	\$ 196,213	\$ 171,995	\$ 59,210	\$ -	\$ 481,289

### Concentration risk

The WCB has concentrations in countries other than Canada through investments in the global pooled funds, hedge fund, opportunistic fixed income fund, long bond fund, private equity and infrastructure totalling \$1,214,562 at December 31 (2019 - \$1,094,509). The WCB's most significant foreign country concentrations are summarized in the table below.

Significant exposure	2020		2019
United States	50.7%	United States	48.6%
China	7.1%	Japan	6.1%
Japan	3.7%	China	3.8%
United Kingdom	3.4%	United Kingdom	3.6%
France	2.9%	France	2.6%
All other global	32.2%	All other global	35.3%
	100.0%		100.0%

### 9. PROPERTY AND EQUIPMENT

	Land and Building <sup>1</sup>	Furniture and facilities	Equipment and computer hardware	Total
<b>Historical cost</b>				
Balance at Jan. 1, 2020	\$ 4,895	\$ 6,119	\$ 3,249	\$ 14,263
Additions	58	368	486	912
Disposals & retirements	(30)	(592)	(455)	(1,077)
Balance at Dec. 31, 2020	\$ 4,923	\$ 5,895	\$ 3,280	\$ 14,098
<b>Depreciation and impairment</b>				
Balance at Jan. 1, 2020	\$ (2,561)	\$ (3,123)	\$ (2,086)	\$ (7,770)
Current period depreciation	(223)	(1,040)	(492)	(1,755)
Impairment losses	-	(34)	(3)	(37)
Disposals & retirements	30	592	455	1,077
Balance at Dec. 31, 2020	\$ (2,754)	\$ (3,605)	\$ (2,126)	\$ (8,485)
Carrying amount at Dec. 31, 2019	\$ 2,169	\$ 2,290	\$ 1,154	\$ 5,613

	Land and Building <sup>1</sup>	Furniture and facilities	Equipment and computer hardware	Total
<b>Historical cost</b>				
Balance at Jan. 1, 2019	\$ 4,458	\$ 3,315	\$ 3,430	\$ 11,203
Additions	592	2,871	431	3,894
Disposals & retirements	(155)	(67)	(612)	(834)
Balance at Dec. 31, 2019	\$ 4,895	\$ 6,119	\$ 3,249	\$ 14,263
<b>Depreciation and impairment</b>				
Balance at Jan. 1, 2019	\$ (2,442)	\$ (2,169)	\$ (2,202)	\$ (6,813)
Current period depreciation	(262)	(1,019)	(485)	(1,766)
Impairment losses	(12)	(2)	(11)	(25)
Disposals & retirements	155	67	612	834
Balance at Dec. 31, 2019	\$ (2,561)	\$ (3,123)	\$ (2,086)	\$ (7,770)
Carrying amount at Dec. 31, 2019	\$ 2,334	\$ 2,996	\$ 1,163	\$ 6,493

<sup>1</sup> Includes \$155 cost of the land which has an indefinite useful life and is not depreciated.

**Right of use assets**

Included in Furniture & Facilities are right of use assets for office space and included in Equipment & Hardware are right of use assets for office copiers and postal equipment where the WCB is a lessee:

	Furniture and facilities	Equipment and computer hardware	Total
<b>Historical cost</b>			
<b>Balance at Dec. 31, 2020</b>	\$ 2,646	\$ 215	\$ 2,861
<b>Depreciation and impairment</b>			
<b>Balance at Jan. 1, 2020</b>	\$ (717)	\$ (111)	\$ (828)
Current period depreciation	(717)	(61)	(778)
<b>Balance at Dec. 31, 2020</b>	\$ (1,434)	\$ (172)	\$ (1,606)
<b>Carrying amount at Dec. 31, 2020</b>	\$ 1,212	\$ 43	\$ 1,255

	Furniture and facilities	Equipment and computer hardware	Total
<b>Historical cost</b>			
Balance at Jan. 1, 2019	\$ -	\$ 215	\$ 215
Adoption of IFRS 16	2,646	-	2,646
Balance at Dec. 31, 2019	\$ 2,646	\$ 215	\$ 2,861

<b>Depreciation and impairment</b>			
Balance at Jan. 1, 2019	\$ -	\$ (50)	\$ (50)
Current period depreciation	(717)	(61)	(778)
Balance at Dec. 31, 2019	\$ (717)	\$ (111)	\$ (828)
Carrying amount at Dec. 31, 2019	\$ 1,929	\$ 104	\$ 2,033

**10. INTANGIBLE ASSETS**

	Acquired software	Internally generated software	Total
<b>Historical cost</b>			
<b>Balance at Jan. 1, 2020</b>	\$ 697	\$ 38,029	\$ 38,726
Additions	-	880	880
Disposals & retirements	(27)	-	(27)
Balance at Dec. 31, 2020	\$ 670	\$ 38,909	\$ 39,579
<b>Depreciation and impairment</b>			
<b>Balance at Jan. 1, 2020</b>	\$ (561)	\$ (6,039)	\$ (6,600)
Current period depreciation	(56)	(4,318)	(4,374)
Impairment losses	-	-	-
Disposals & retirements	27	-	27
<b>Balance at Dec. 31, 2020</b>	\$ (590)	\$ (10,357)	\$ (10,947)
<b>Carrying amount at Dec. 31, 2020</b>	\$ 80	\$ 28,552	\$ 28,632

	Acquired software	Internally generated software	Total
<b>Historical cost</b>			
Balance at Jan. 1, 2019	\$ 828	\$ 32,271	\$ 33,099
Additions	33	5,758	5,791
Disposals & retirements	(164)	-	(164)
Balance at Dec. 31, 2019	\$ 697	\$ 38,029	\$ 38,726

<b>Depreciation and impairment</b>			
Balance at Jan. 1, 2019 <sup>1</sup>	\$ (647)	\$ (3,045)	\$ (3,692)
Current period depreciation	(77)	(2,994)	(3,071)
Impairment losses	(1)	-	(1)
Disposals & retirements	164	-	164
Balance at Dec. 31, 2019	\$ (561)	\$ (6,039)	\$ (6,600)
Carrying amount at Dec. 31, 2019	\$ 136	\$ 31,990	\$ 32,126

<sup>1</sup> Classification change to opening balances between Acquired software and Internally generated software from prior year.

**11. POST-EMPLOYMENT BENEFITS**

The WCB provides post-employment benefits other than pensions (Note 21) consisting of retirement allowances, post-employment life insurance, dental and medical programs. An actuarial valuation was performed as at December 31, 2019 and rolled forward to December 31, 2020.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations (ABO) as at December 31 are as follows:

	2020	2019
Discount rate, benefits expense for the year	2.85%	3.25%
Discount rate, accrued benefit obligation	2.85%	3.25%
Expected health care costs trend rate; decreasing linearly to an ultimate rate of 3.6% in 2040	6.00%	6.00%
Drug claim increases trend rate; decreasing linearly to an ultimate rate of 3.6% in 2040	6.00%	6.00%
Dental cost escalation	3.60%	3.60%
Retirement age assumption	59 years	59 years

<b>Costs Arising in the Period</b>	2020	2019
Current service costs	\$ 1,353	\$ 1,049
Interest costs	1,000	958
<b>Total employee future benefits expense</b>	<b>\$ 2,353</b>	<b>\$ 2,007</b>

<b>Accrued Benefit Obligation</b>	2020	2019
Beginning of year	\$ 29,552	\$ 23,356
Total employee future benefits expense	2,353	2,007
Actuarial losses on ABO through OCI (a)	3,221	4,495
Regular benefits paid	(286)	(306)
End of year	<b>\$ 34,840</b>	<b>\$ 29,552</b>

- a) The actuarial loss of \$3,221 as at December 31, 2020 is due to a change in the discount rate. The net actuarial loss of \$4,495 as at December 31, 2019 arises due to a decrease in the discount rate and other smaller adjustments.
- b) Estimates are highly sensitive to changes in discount rates and health care cost trends.

The table below provides sensitivity for changes to the discount rate or the assumed health care cost trend rates with resulting increases (decreases) to Comprehensive Income (CI).

	2020 CI Impact	2019 CI Impact
1% decrease in the discount rate	\$(10,211)	\$(8,500)
1% increase in the discount rate	\$ 7,340	\$ 6,135
1% decrease in the assumed health care cost trend rate	\$ 7,204	\$ 5,824
1% increase in the assumed health care cost trend rate	\$(9,897)	\$(7,926)

# FINANCIAL STATEMENTS

## 12. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabil- itation	Subtotal	Claims Administration	Total 2020
Balance, beginning of year	\$ 127,560	\$ 1,245,116	\$ 111,721	\$ 432,993	\$ 7,530	\$ 1,924,920	\$ 115,495	\$ 2,040,415
Growth in present value								
of benefit liabilities	5,384	63,328	5,601	20,824	352	95,489	5,729	101,218
Legislative change (a)	2,067	3,016	99	4,017	89	9,288	557	9,845
Actuarial experience adjustments (b)	19,308	(39,364)	(1,404)	(9,415)	(1,941)	(32,816)	(1,968)	(34,784)
Total growth	26,759	26,980	4,296	15,426	(1,500)	71,961	4,318	76,279
Claims costs incurred	48,651	97,095	2,014	55,315	786	203,861	12,232	216,093
Less: Claims payments made	(61,773)	(120,982)	(10,333)	(56,292)	(873)	(250,253)	(15,015)	(265,268)
Balance, end of year	\$ 141,197	\$ 1,248,209	\$ 107,698	\$ 447,442	\$ 5,943	\$ 1,950,489	\$ 117,030	\$ 2,067,519

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabil- itation	Subtotal	Claims Administration	Total 2019
Balance, beginning of year	\$ 113,553	\$ 1,277,818	\$ 114,333	\$ 411,321	\$ 9,718	\$ 1,926,743	\$ 115,605	\$ 2,042,348
Growth in present value								
of benefit liabilities	4,797	64,940	5,764	19,520	470	95,491	5,729	101,220
Actuarial experience adjustments (a)	16,643	(69,799)	(1,030)	9,408	(2,703)	(47,481)	(2,848)	(50,329)
Total growth	21,440	(4,859)	4,734	28,928	(2,233)	48,010	2,881	50,891
Claims costs incurred	46,368	93,388	2,660	59,612	812	202,840	12,170	215,010
Less: Claims payments made	(53,801)	(121,231)	(10,006)	(66,868)	(767)	(252,673)	(15,161)	(267,834)
Balance, end of year	\$ 127,560	\$ 1,245,116	\$ 111,721	\$ 432,993	\$ 7,530	\$ 1,924,920	\$ 115,495	\$ 2,040,415

a) On October 30, 2020, Bill 204 expanded presumptive cancer benefits for volunteer firefighters, resulting in an adjustment to benefits liabilities of \$9,845.

b) Actuarial experience adjustments represent the difference between what was predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred in the year. In 2020, actuarial experience adjustments decreasing the benefits liabilities totalled \$34,784.

- A net decrease of \$25,700 as a result of lower than expected volume and cost of new Extended Earnings Replacement Benefits and New Permanent Impairment Benefits and new survivor awards.
- A net decrease of \$7,800 as a result of lower than anticipated inflation on awards in pay.
- A net decrease of \$5,400 as a result of mortality experience.
- A net decrease of \$1,968 as a result of changes in the provision for future administrative costs.
- A net increase of \$4,200 for changes in claiming patterns across all benefit categories.
- A net increase of \$1,500 as a result of changes in actual payments across all benefit categories being higher than expected.
- A net increase of \$700 as a result of a change in provision for occupational disease awards.
- Other accumulated actuarial adjustments resulted in a net decrease of \$316.

Actuarial experience adjustments represent the difference between what was predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred in the year. In 2019, actuarial experience adjustments decreasing the benefits liabilities totalled \$50,329. The adjustment included:

- A net decrease of \$63,200 as a result of lower than expected volume and cost of new Extended Earnings Replacement Benefits (EERBs), New Permanent Impairment Benefits (PIBs) and new survivor awards.
- A net decrease of \$2,800 as a result of mortality experience.
- A net decrease of \$2,800 as a result of changes in the provision for future administrative costs.
- A net decrease of \$1,200 as a result of lower than anticipated inflation on awards in pay.

• Other accumulated actuarial adjustments resulted in a net decrease of \$1,329.

• A net increase of \$21,000 as a result of changes in current and future expected payments.

The Actuarial Standards Board requires workers' compensation organizations to include an estimation of liabilities for occupational disease during the latency period rather than when the occupational disease is confirmed through diagnosis. The liability for latent occupational disease is estimated at \$98,453 and is included in the total benefits liability for 2020 (2019 - \$87,865).

### Actuarial Assumptions and Methods

In 2020 and 2019, all liabilities were calculated using an underlying assumption of 3.25 per cent and real rate of return on assets and a rate of increase in the CPI equal to 2.00 per cent. The gross rate of return that results from the CPI and the real rate of return assumptions is 5.25 per cent. The inflation assumptions and the resulting net interest rates are presented below:

2020 and 2019 Category	Expected Inflation	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits (LTD)	0.50% + CPI	2.50%	2.75%
All other LTD, Survivor Pensions	50% * CPI	1.00%	4.25%
Health Care	2.25% + CPI	4.25%	1.00%
All Others	CPI	2.00%	3.25%

**General Statement** - Given the statutory nature of its operations, the Board adopts a long-term view for running its business. A long-term perspective avoids overreaction to what may be a temporary trend and provides for more stable assessment rates. Economic assumptions are chosen to be consistent with the Board's approved investment and funding strategies, both of which consider very long-term trends. Demographic assumptions are chosen to reflect the Board's actual underlying experience. Given the significant statistical volatility associated with workers' compensation benefits, demographic assumptions are not updated each year in response to emerging experience. Rather, they are updated over time once enough experience is available to credibly suggest that deviations are due to actual trends rather than statistical fluctuations.

**Consumer Price Index** - The 2.0 per cent assumption for 2020 (2019 - 2.00 per cent) for the rate of increase in CPI is chosen to be consistent with assumptions used by the Bank of Canada inflation controlled target rate of range of 1.00 to 3.00 per cent. This rate is consistent with long-term averages and assumptions on the assets backing the benefits liabilities.

**Real Rate of Return** – The 3.25 per cent real rate of return assumption for 2020 (2019 – 3.25 per cent) was chosen to be consistent with the Board’s funding and investment strategies. It is based on expected long-term real return on the assets backing the benefit liabilities. Analysis of historical returns by Board staff has shown that percentage appears to be a reasonable and prudent real return target (after investment expenses) given the Board’s strategic asset allocation within the investment portfolio.

**Gross Rate of Return** – The gross rate of return assumption is derived as the sum of the Board’s CPI and real rate of return assumptions. Given the 2020 assumptions for CPI of 2.00 per cent (2019 – 2.00 per cent) and real rate of return of 3.25 per cent (2019 – 3.25 per cent), the gross rate of return assumption is 5.25 per cent (2019 – 5.25 per cent).

**Benefit Inflation** – The inflation rates assumed for the specific benefit categories are based on their relation to general consumer price inflation, as follows:

*LTD & Survivor Benefits* – The Act specifies indexing for these benefits at a rate equal to 50 per cent of the change in the CPI. The assumption is 50 per cent of CPI or 1.00 per cent (i.e. 50 per cent of 2.00 per cent); (2019 – 2.00 per cent).

*Medical Aid Benefits* – The cost of medical care has historically increased at rates exceeding the general rate of inflation. To account for this, the assumption is that increases due to medical inflation and utilization will be 2.25 per cent higher than the general rate of inflation. As a result, medical inflation assumption is 4.25 per cent (i.e. 2.25 per cent + 2.00 per cent); (2019 – 4.25 per cent). The appropriateness of this rate is monitored on a regular basis.

*Supplementary Awards* – Supplementary awards provide an income tested benefit to certain claimants injured prior to March 23, 1990. The assumption is that indexing for supplementary awards will be 0.50 per cent higher than the general rate of inflation, or 2.50 per cent (2.00 per cent + 0.50 per cent); (2019 – 2.50 per cent). Past reviews of supplementary award experience has shown this assumption to be adequate.

*All Other Benefits* – All other benefits are subject to general inflation, therefore utilizing the same assumption as used for CPI (i.e. 2.00 per cent); (2019 – 2.00 per cent).

**Future Administration** – Future administrative expenses are assumed to be equal to 6.00 per cent of future benefit payments. This assumption is based on an internal review of past administrative expenses conducted by Board staff and is assessed each year to ensure that it remains appropriate.

**Occupational Disease** – The valuation includes a provision for all recognized occupational diseases that are expected to arise from past workplace exposures. The 2020 provision is 5.00 per cent (2019 – 4.50 per cent) of the benefits liabilities to reflect changes to the Act to provide mandatory coverage to volunteer firefighters and previously this coverage was available on a volunteer basis. The amendment to the Act was effective October 30, 2020. In past valuations, occupational disease claims were recognized upon diagnosis of the covered occupational disease.

**Mortality** – Mortality for permanent awards is based on the 1983 Group Annuitant Mortality Table (GAM 1983) with a 10.00 per cent margin (i.e. mortality rates are reduced by 10.00 per cent to reflect on-going increases in life expectancy). This table was selected based on the results of a study of the Board’s mortality experience conducted during 2010. The study concluded that this table is reasonable based on the number of deaths that occurred among the injured worker population over the past several years.

**Future Permanent Awards** – Future Extended Earnings Replacement Benefits (EERB) and Permanent Impairment Benefit (PIB) awards are assumed to occur in accordance with claims run-off tables. These run-off tables are based on the past claims patterns for the Board and are updated from time to time as emerging experience dictates. The run-off tables currently in use for EERB awards were developed for the 2008 valuation. In 2017, the run off tables for PIBs were updated to reflect increasing PIB experience. Each year, actual claim experience is compared to that expected by the table and minor experience adjustments are implemented when warranted.

## Sensitivity Analysis of Insurance Risk

The benefit liabilities determined in the report are estimated using many actuarial assumptions. The two most significant assumptions are the long-term real rate of return (3.25 per cent) and the long-term inflation rate (2.50 per cent). The liability estimates are highly sensitive to small changes in these assumptions. The following table provides examples of their sensitivity along with the implied investment rate for the test.

Section 5460 of the actuarial standards of practice for Public Personal Injury Compensation Plans requires that plans (at minimum) provide sensitivity testing for certain specified scenarios. These mandated scenarios are tested, along with other plausible scenarios, in the table below. The scenarios tested can be summarized as follows:

- Scenario 1 tests the impact of a 1.00 per cent decrease in the assumed rate of investment earnings.
- Scenario 2 provides an integrated test of the impact of a high inflation, low real rate of return environment.
- Scenario 3 shows the impact of using a discount rate that is equal to the expected rate of return earned on a hypothetical fixed income portfolio, consisting of high-quality bonds of pertinent duration (can also be thought of as a market value based measurement of the liabilities).
- Scenario 4 provides the impact of a 1.00 per cent increase in the assumed health care inflation rate.

## Sensitivity of Valuation Assumptions

	Assumptions			Change to Liabilities and Incurred Claims		
	Real Return	Inflation	Investment	Effect	Liabilities	Incurred Claims
1	2.25%	2.00%	4.25%	Increase	\$ 169,793	\$ 16,375
2	2.25%	3.00%	5.25%	Increase	\$ 121,871	\$ 12,155
3	0.80%	1.40%	2.20%	Increase	\$ 509,015	\$ 48,986
4	Increase Health Care Inflation Rate by 1.00%			Increase	\$ 62,577	\$ 4,093

## Claims Risk Management

### (a) Managing insurance risk

The WCB has an objective to manage claims risk. In addition to the inherent uncertainty of claims risk, which can lead to significant variability in the loss experience, performance from operations are significantly affected by factors external to the WCB.

Insurance risk associated with the volume and cost of claims is managed by focussing on performance at the system level, the industry level and the employer level. The balanced scorecard includes corporate performance measures for financial and operational results. Annually, these metrics are linked to the funding strategy and go through a targeting exercise where corporate targets are developed. Metrics are tracked and reported to the Board of Directors quarterly.

At the industry level, Integrated Service Teams are aligned by industry, in order to focus on a single industry, and add value from an injury prevention and return-to-work perspective. Work includes assisting the industry safety associations to understand the trends in their industries and target areas where value can be added. At the employer level, employer injury rate and trends are used to identify those employers that could improve results from a prevention and return-to-work perspective. In addition, the rate-setting model provides incentives through Experience Rating for employers to manage injuries and work to prevent future injuries.

### (b) Concentration of insurance risk

A large proportion of the covered workers are employed in a relatively small number of workplaces. These workplaces receive more personalized services through Integrated Service Teams, including relationship management, prevention and return-to-work consulting. In addition to focusing on workplaces with a large number of employees, the Nova Scotia Department of Labour and Advanced Education is provided with data to allow targeted occupational health and safety inspections.



## 16. LEGISLATED OBLIGATIONS

	2020	2019
Occupational Health and Safety	\$ 11,073	\$ 11,686
Workers' Advisers Program	3,230	3,608
Workers' Compensation Appeals Tribunal	2,022	1,924
	<u>\$ 16,325</u>	<u>\$ 17,218</u>

The WCB is required by the Act to reimburse the Province of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of the Nova Scotia Department of Labour and Advanced Education.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the Act to absorb the operating costs of the WAP.

Combined with the Workers' Advisers Program are the Injured Workers' Associations which provide advice and assistance to workers on workers' compensation issues. The WCB is required by the Act to provide funding to Injured Workers' Associations on such terms and conditions as the Minister of the Nova Scotia Department of Labour and Advanced Education deems appropriate, or the Governor in Council prescribes.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the Act to absorb the operating costs of the WCAT.

## 17. SELF-INSURED EMPLOYERS

Self-insured employers - federal and provincial government bodies directly bear the costs of their own incurred claims. The WCB administers these claims and charges self-insured employers an administration fee based on their pro-rata share of WCB administration costs and it is included in revenue on the Statement of Comprehensive Income.

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. Section 134(3) of the Act references that self-insured employers are liable individually to pay an amount based on the cost of claims plus administrative costs incurred by the Board with respect to those

claims. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

During the year, the following administration fee revenue and claims cost reimbursements were levied:

	2020	2019
Administration fee revenue	\$ 8,108	\$ 7,352
Claims cost reimbursements		
Short-term disability	\$ 10,370	\$ 8,262
Long-term disability	15,665	18,510
Survivor benefits	3,115	2,380
Health care	7,498	7,334
	<u>\$ 36,648</u>	<u>\$ 36,486</u>

## 18. RELATED PARTY TRANSACTIONS

The WCB provides self-insured coverage to provincial government agencies and departments. The Province is considered a related party as the Province administers the Act through which the WCB is governed. The Province, as a self-insured employer, reimburses the WCB for its own incurred claims and a share of WCB administration costs. The amounts included in Note 17 for the Province of Nova Scotia are as follows:

	2020	2019
Administration fee revenue	\$ 2,245	\$ 1,994
Claims costs recoveries	\$ 6,363	\$ 5,859

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due from the Province of Nova Scotia are non-interest bearing and under normal credit terms. At December 31, 2020, the amount receivable from the Province of Nova Scotia was \$1,566 (2019 - \$4,419) for claims payments made and administration costs.

Key management personnel of the WCB (CEO, Vice Presidents, CFO, Directors and the Board of Directors) are deemed related parties. In addition, close family members of the key management personnel are also related parties of the WCB. There were no transactions or relationships with these related parties, with the exception of salaries and benefits shown below, that require disclosure.

## WCB Salaries and Benefits (in actual dollars)

	2020						2019	
	Number of Individuals	Salary	Benefits	Other	Total	Notes	Number of Individuals	Total
Chair, Board of Directors	1	\$ 31,400	\$ 340	\$ -	\$ 31,740		1	\$ 39,342
Board of Directors	9	129,300	6,193	-	135,493		9	172,706
	10	160,700	6,533	-	167,233	1	10	212,048
Chief Executive Officer	1	288,616	27,240	24,873	340,729		1	334,192
Chief Financial Officer	-	90,088	16,409	77,431	183,928	2	-	
Chief Financial Officer	1	72,072	11,700	2,166	85,938	3	1	206,338
VP, People and Change	1	180,176	24,918	4,331	209,425		1	203,800
VP, Prevention and Service Delivery	1	180,176	28,284	4,331	212,791		1	216,443
	4	811,128	108,551	113,132	1,032,811		4	960,773
Staff Salaries & Benefits	470	31,779,489	5,881,003	481,009	38,141,501	4	468	37,255,492
Average 2020-\$80,885; 2019-\$79,342								
Post-employment Benefits			2,350,965		2,350,965			2,034,406
Administration-Salaries & Benefits	484	\$ 32,751,317	\$ 8,347,052	\$ 594,141	\$ 41,692,510	5	482	\$ 40,462,719

<sup>1</sup> The Chair's remuneration was based on a daily per diem allowance of \$300 in addition to an honorarium of \$20,000 annually, to a maximum of \$50,000 per year. All other Board members received a daily allowance of \$300 for attendance at Board meetings and related work. In addition to the per diem, the Deputy Chair received an honorarium of \$3,000 per annum and the Committee Chairs received an honorarium of \$2,000 per annum.

<sup>2</sup> The Chief Financial Officer retired June 30, 2020.

<sup>3</sup> An acting Chief Financial Officer was appointed effective May 11, 2020 and appointed as Chief Financial Officer effective October 1, 2020.

<sup>4</sup> This figure represents the average number of employees on payroll during the fiscal year.

<sup>5</sup> Salary includes regular base pay, and settlement provisions of the collective agreement. Benefits include the employer's share of the employee benefits - CPP, EI, pension, health/dental, life insurance and long-term disability. 'Other' includes vacation payout and travel allowance. Total salaries and benefits in 2020 of \$41,692,510 (2019 - \$40,462,719) varies by \$100,761 (2019 - \$100,364) from Note 14 in the financial statements due to travel allowance disclosed in 'Other', which is posted to 'Travel and accommodations'.

## FINANCIAL STATEMENTS

### 19. INDUSTRY LEVIES

As a result of Orders-in-Council or agreements with the industry associations, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of health and safety programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council or agreements with the industry associations. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the Statement of Comprehensive Income.

Industry	Payee	2020	2019
Construction	Nova Scotia Construction Safety Association	\$ 1,951	\$ 2,202
Fishing	Fisheries Safety Association of Nova Scotia	392	256
Trucking	Nova Scotia Trucking Safety Association	314	351
Forestry	Forestry Safety Society	154	166
Auto Retailers	Nova Scotia Automobile Dealers' Safety Association	116	134
Retail Gasoline	Retail Gasoline Dealers' Association	31	31
		<u>\$ 2,958</u>	<u>\$ 3,140</u>

### 20. COMMITMENTS

#### Leases

The WCB leases office space which has been recorded in the financial statements as right of use assets.

The WCB also has right of use asset leases for various items of equipment. Lease terms range from 3 to 5 years and have no terms of renewal, purchase options or escalation clauses. Leased equipment assets are pledged as collateral for the related right of use assets.

The maturity analysis of all lease liabilities at December 31 is as follows:

	Within one Year	Within one to five years	Total
<b>2020</b>			
Lease payments	\$ 800	\$ 582	\$ 1,382
Finance charges	(42)	(34)	(76)
Net Present Value	<u>\$ 758</u>	<u>\$ 548</u>	<u>\$ 1,306</u>
<b>2019</b>			
Lease payments	\$ 844	\$ 1,382	\$ 2,226
Finance charges	(78)	(76)	(154)
Net Present Value	<u>\$ 766</u>	<u>\$ 1,306</u>	<u>\$ 2,072</u>

The WCB's liquidity risk inherent in the maturity of lease liabilities is low. The WCB has a capital management plan to fund current operations. See note 22 for further details.

The future aggregate minimum lease payments for payments not included in the measurement of lease liabilities is as follows:

	2020	2019
Within 1 year	\$ 1,058	\$ 1,047
More than 1 year and up to 5 years	713	1,740
Later than 5 years	-	-
<b>Total</b>	<u>\$ 1,771</u>	<u>\$ 2,787</u>

#### Investment Commitments

There are undrawn investment commitments for certain limited partnerships and pooled funds. See Note 7 "Investments".

### 21. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund (Plan), a contributory pension plan administered by the Pension Services Superannuation Plan Trustee Incorporated, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both employees and the WCB. Total WCB employer contributions for 2020 were \$2,853 (2019 - \$2,697) and are recognized as an expense in the period. The WCB is not obligated for any unfunded liability, nor does the WCB have entitlement to any surplus that may arise in this Plan.

### 22. CAPITAL MANAGEMENT

The capital management objective reflects the mandate to pay benefits and to ensure the long-term financial sustainability of the Workers' Compensation System. The funding strategy outlines the WCB's planned approach to secure financial obligations of current and future benefits to workers and operations. Funding of the Workers' Compensation System requires consideration of a number of complex variables and assumptions (rates, benefits, funding period and investment returns).

The WCB monitors the funded and unfunded status based on the funding percentage. The funding percentage is calculated by the ratio of total assets to total liabilities is 102.9 per cent (2019 - 96.5 per cent).

We have completed an actuarial valuation of the benefit liabilities for insured employers under the *Workers' Compensation Act of Nova Scotia* (the "Act") as at December 31, 2020, for the purpose of providing input to the Financial Statements of the Workers' Compensation Board of Nova Scotia (the "Board"). The valuation is in respect of assessed firms only, and does not include any provision for future payments in respect of self-insured firms

Our estimate of the benefits liabilities of \$2,067,519,000 represents the actuarial present value at December 31, 2020, of all expected health-care payments, short-term disability benefits, long-term disability benefits, survivor benefits, rehabilitation and other payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2020. The liabilities include a provision for future administrative expenses. The liabilities also include a provision for potential occupational diseases in the latency period. No allowance has been made in these liabilities for any future deviations from the present policies and practices of the Board or for the extension of new coverage types.

Data required for the valuation has been provided by the Board. We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years.

The liabilities have been allocated into six categories, namely: short-term disability, long-term disability, survivors' benefits, health care, rehabilitation and administration.

All liabilities have been calculated using underlying assumptions of 3.25% per annum for the real rate of return on invested assets and 2.00% per annum for the rate of increase in the Consumer Price Index. These assumptions are consistent with those in the Board's approved funding and investment strategies.

The CPI assumption equates to inflation rates for indexing benefits of 1.00% per annum in respect of long-term disabilities and permanent survivor benefits, because indexing for these benefits is specified under the Act as 50% of the rate of increase in the Consumer Price Index.

Liabilities in respect of permanent long-term disability and survivor benefits in-pay have been determined by projecting cash flows on an individual claimant basis using mortality as the only decrement.

Liabilities in respect of future permanent long-term disability and survivor benefits awards have been determined based on factors developed from historical patterns of permanent

awards, and using mortality and valuation interest rate assumptions identical to those used in determining the existing pension and long-term disability liabilities. The liabilities in respect of short-term disability, health care, rehabilitation and the non-permanent portion of survivors' benefits have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 2.00% per annum has been used to project future cash flows for short-term disability claims, rehabilitation, and the non-permanent portion of survivors' benefits. For health care, an inflation rate of 4.25% per annum was used, reflecting the greater expected inflation and utilization rate for this benefit category.

We are not aware of any events subsequent to the valuation date that would have a material impact on our liability calculations. We consider the COVID-19 pandemic and its consequences to be an on-going event with regard to our work on the December 31, 2020 benefit liability valuation. Adjustments to the data provided by the Board were made, based on discussions with Board staff. The emerging impact of COVID-19 on the Board's liabilities will continue to be assessed and reflected in future valuations.

It is our opinion that:

- the data on which the valuation is based are sufficient and reliable for the purpose of the valuation;
- the assumptions are appropriate for the purpose of the valuation;
- the methods employed in the valuation are appropriate for the purpose of the valuation; and
- the amount of the benefits liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.

Our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial practice in Canada.

Further information on the data, assumptions, methods, and valuation results can be found in our actuarial valuation report.



Jeff Turnbull,  
FSA, FCIA



Scott Mossman,  
FSA, FCIA

# WORK SAFE. FOR LIFE.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

## OUR VISION

Nova Scotians – safe and secure from workplace injury.

## OUR MISSION

We set the standard for workplace injury insurance. We inform and inspire Nova Scotians in the prevention of workplace injury, but if it occurs, we support those whose lives it touches by championing a timely return to safe and healthy work.

## OUR GOALS

Working in collaboration with workers, employers and our partners, the WCB's goals are to:

- Build a **workplace safety culture**;
- Improve outcomes for **safe and timely return to work**;
- Be **financially stable and sustainable**;
- **Expand strategic relationships** to enhance the commitment to workplace health and safety and return to work across the province;
- Provide **excellent and efficient service**, leveraging technology to meet worker and employer expectations.

## OUR VALUES

Employees of the WCB model three corporate values:

- **Can-do Attitude**  
We will deliver on our promises and provide top-notch service.
- **Safety Champion**  
We will be a champion for workplace safety through our relationships and innovative solutions, and by keeping prevention and return to work at the heart of our business.
- **Caring and Compassionate**  
We will strive to walk a mile in workers' and employers' shoes. We will serve as we like to be served and provide those we serve with the respect and support they need to be successful.

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### Workplace Safety Tools and Resources

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### Twitter

[@worksafeforlife](https://twitter.com/worksafeforlife)