WCB Nova Scotia
Annual Report 2016

WORK SAFE. FOR LIFE.
WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

TABLE OF CONTENTS

Jarrett Fells-Hebb, an employee of MICCO Companies' Harvest Beer Wine Spirits division, connects with other industry safety champions in warehouse and materials management at the second annual Warehouse Symposium. The event was hosted by WCB Nova Scotia and MICCO Warehousing.

Those who know Jarrett speak of him as a leader in occupational health and safety, and a role model for others. He is supported by a strong safety culture at MICCO Warehousing – one built through training programs, employee involvement, hiring strategies and ergonomic best practices.

At the same time, as a young worker, Jarrett represents the working future of our province. In 2016, our 100th year of operation, WCB Nova Scotia began to modernize our systems – a long-term transformational plan, so that workers like Jarrett, and employers like MICCO Warehousing, get the service that they deserve.

We are reinventing what service from the WCB means in Nova Scotia. The changes will improve our systems and our processes, contributing to the long-term goal of reducing workplace injury's impact, and enabling a stronger province for tomorrow.

Year at a Glance (Dollar amounts in millions)	2016	2015	2014
Number of Covered Employers (Assessed and Self Insured)	18,800	18,800	18,700
Percentage of Labour Force Covered (Assessed and Self Insured)	75	73	73
Number of Claims Registered	24,311	23,933	24,505
Number of Compensable Time-Loss Claims Registered	5,847	6,014	5,953
Composite Duration Index (in days)	110	108	102
Targeted Average Assessment Rate per $100 of assessable payroll (in dollars)	$2.65	$2.65	$2.65
Actual Average Assessment Rate (in dollars)	$2.65	$2.67	$2.67
Assessable Payroll (billions)	$10.5	$10.2	$10.0
Assessment Revenue	$318.9	$314.2	$306.0
Investment Income	$100.1	$69.7	$135.3
Administration Costs	$54.2	$51.3	$50.1
Legislated Obligations	$15.4	$15.2	$14.6
Claims Costs Incurred	$212.5	$204.0	$202.6
Comprehensive Income	$64.2	$72.6	$97.8
Percentage Funded Ratio	84.1%	80.6%	76.9%
Assets (billions)	$1.7	$1.6	$1.5
Liabilities (billions)	$2.0	$2.0	$2.0
One-year Investment Returns	6.7%	5.0%	10.4%
Timeliness of First Payment to Injured Workers (percentage of payments made within 15 days of injury – 12 month average)	70.2%	70.8%	72.7%
Injury Rate: Time-Loss Injuries per 100 Covered Workers	1.74	1.84	1.82

COMPOSITE DURATION INDEX
110

TIME-LOSS INJURIES PER 100 COVERED WORKERS
1.74

MESSAGE FROM THE CHAIR AND BOARD OF DIRECTORS

WCB Nova Scotia Chair Rodney Burgar at the Workplace Safety Leadership Symposium in November 2016.

In 2016, we reached our 100th year of operations, and my first year as Chair. As we officially mark our centennial in 2017, it has given me an opportunity to reflect on the foundation of our compensation system.

Across Canada, workers' compensation is built on the principles recommended by Sir William Meredith in 1913. These include the concept of collective liability among employers, and the historic compromise, where injured workers give up the right to sue, for a financially guaranteed system of no-fault benefits.

The Meredith Principles are as relevant today as they were a century ago because we realize, more than ever, that people are Nova Scotia's most valuable resource. And, at their core, the Meredith Principles are about reducing the human and financial impact of workplace injury.

Our Board is made up of representatives for both workers and employers. We are pleased that in 2016 we achieved the lowest injury rate the province has seen since this measure was implemented. We believe this reflects a growing understanding by workers and employers that prevention is key to success.

As we look forward, prevention and return to work will be our fundamental drivers; they are the keys to reducing the long-term impact of workplace injury on the lives of working Nova Scotians and their employers. To achieve those goals in a digital world, we must fundamentally transform how we do business. To that end, WCB has completed the second year of a strategic, five-year business transformation plan scheduled for completion in 2020. As we transform how we deliver service, we have experienced some early, positive wins for workers, employers and WCB employees. And 2017 will see even bigger wins.

Worker injury in the health-care sector, particularly long-term care, remains stubbornly high. Reduction of injuries in the health-care sector is a major priority for WCB. To that end, the Board is pleased to see the progress being made by stakeholders through the Workplace Safety Action Plan for Nova Scotia's Health and Community Services Sectors, which is due to make its recommendations in 2017.

The Board considers it a privilege to oversee the WCB. Our work is rewarded when we see fewer and fewer worker injuries.

Rodney Burgar
Chair, WCB Nova Scotia Board of Directors

AT THE END OF 2016, THE NUMBER OF **TIME-LOSS INJURIES** PER 100 COVERED WORKERS IN NOVA SCOTIA WAS **1.74** THIS IS THE LOWEST IT HAS BEEN SINCE WE STARTED MEASURING TIME-LOSS INJURIES IN THIS MANNER.

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

The WCB Nova Scotia Board of Directors consists of four employer and four worker representatives, along with a Chair and Deputy Chair. The Board of Directors is responsible for representing stakeholder viewpoints while considering the interests of the WCB and the system overall. (L-R, back row: Luc Erjavec, Employer Representative; Betty Jean Sutherland, Worker Representative; Jeff Brett, Worker Representative; Janet Hazelton, Worker Representative; Brad Fraser, Executive Corporate Secretary; Duncan Williams, Employer Representative; Angus Bonnyman, Employer Representative; Rick Clarke, Worker Representative; L-R, front row: Stuart MacLean, Chief Executive Officer, Rodney Burgar, Chair; Chris Power, Deputy Chair.

In 2016, Employer Representative Phil Veinotte completed his second term on the Board of Directors. A passionate advocate for safer workplaces, Phil made a valuable contribution to workers' compensation in Nova Scotia during his eight years with our Board. We wish Phil well in his retirement.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

WCB Nova Scotia CEO Stuart MacLean at the Safety Services Nova Scotia Workplace Health and Safety Conference.

At WCB Nova Scotia, we succeed when others succeed.

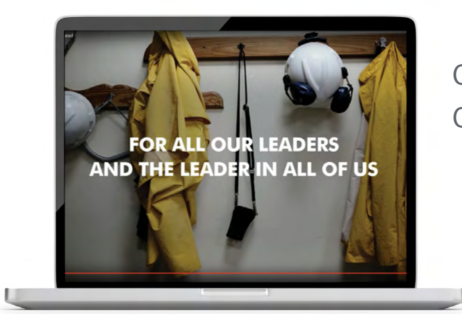
We inspire and educate Nova Scotians in workplace injury prevention. But success truly happens when leadership in the boardrooms translates into focus on best practice and discipline on the shop floors. It happens when small business owners make safety a day-to-day priority in all they do. It happens when people move from knowing about safety, to caring about it.

When a workplace injury occurs, we become one part of a team that includes the employer, the health-care provider, and the worker themselves. Success takes the commitment of everyone working together, and is founded in the understanding that work is healthy, and can play a role in recovery.

In 2016, we saw much success. We moved closer to financial sustainability, and to eliminating the unfunded liability. More importantly, it was a year of progress in reducing workplace injury's human impact in our province. From multi-national to family business, Nova Scotia leaders have moved this province to its lowest injury rate on record. And, although they increased slightly in 2016, the total days lost to time-loss injury are about half of what they once were.

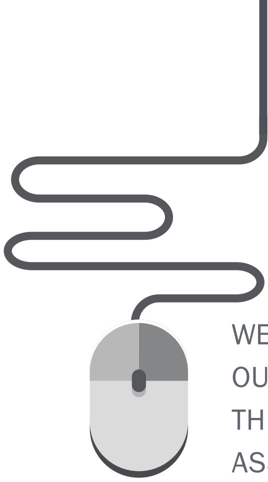
We also saw fewer acute fatalities from workplace tragedies this year. In 2016, there were two deaths – one in construction, and one in forestry. This is compared with eight in 2015. Last year, there were also 18 chronic fatalities due to health problems and occupational disease, compared with 19 in the previous year. But this is still too many. The only acceptable number for fatalities is zero. These deaths are stark reminders that our work must continue.

As we mark 100 years, we also know the future must be very different. We have looked to inspire change in others for many years – and now, we know we must change ourselves. We are revitalizing our own processes and systems in a comprehensive modernization. We saw significant investment, planning, and development work in 2016. In 2017 we will evolve this work further, adding online services, and laying the groundwork for the wholesale replacement of our core assessment and claims systems.



OUR VIDEO "A CALL TO LEAD," AT THE TIME OF PUBLICATION, HAD NEARLY **100,000** VIEWS ON YOUTUBE.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



WE ARE **MODERNIZING** TO RESPOND TO THE CHANGING NEEDS OF OUR CUSTOMERS. IN 2017 WE WILL ADD ONLINE SERVICES, AND LAY THE GROUNDWORK FOR THE WHOLESALE REPLACEMENT OF OUR CORE ASSESSMENT AND CLAIMS SYSTEMS.

These changes are needed so that progress can continue. And continue it must – especially in the length of time workers spend off the job due to injury. As we navigate complex injuries from complex industries like long-term care and home care, durations are increasing. Improvements through a centralized approach to surgeries, and strategic sourcing of some health services, will continue to reduce the amount of time lost to injury, supported by much better systems, and a workforce with updated tools, skills, and knowledge.

The changes will have real impact in all we do. They will create service that workers and employers in 2017 quite simply deserve. They will improve return-to-work outcomes, and reduce the impact of an injury on a worker's life, and on the employer's workplace.

These changes are not only a business and financial imperative; they are a moral imperative. They will bring a needed modernization to workers' compensation in Nova Scotia, as it enters its second century of operation.

I am proud of what we accomplished in 2016. By working together with workplaces, stakeholders and partners, we continue our journey toward a Nova Scotia safe and secure from workplace injury. We have the right plan, the right people, and a committed, engaged Board of Directors, all driven by a relentless focus to create a better tomorrow.

I look to 2017 with promise. We have much work to do, and there are many challenges – but there is vast opportunity. I am more motivated than ever about what the future holds for WCB Nova Scotia, and for our province.

Stuart MacLean
CEO, WCB Nova Scotia

RECOGNIZING **100** YEARS OF SERVICE

MESSAGE FROM THE CLIENT RELATIONS OFFICER

Tim McInnis is the WCB's Client Relations Officer.

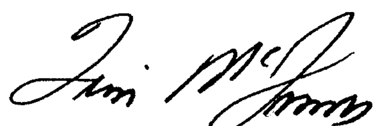
As the Client Relations Officer, I take complaints seriously. I am an independent and neutral voice for workers and employers when they have an issue with the service received from the WCB. This is my 13th year in the role, and I am continually reminded of how important it is for workers and employers to have an impartial and easy-to-access avenue to resolve issues.

Each year, I talk to hundreds of workers, employers and their representatives, including Members of the Legislative Assembly (MLAs), injured workers' groups, and other worker and employer representatives. In 2016, my office received 1,425 inquiries that resulted in 34 formal complaints of which 25 were found to be substantiated. Last year, the leading complaint was timeliness – that the WCB was not rendering decisions in a timely manner, and that appeal decisions were not being implemented within a reasonable timeframe.

As part of my role, I provide quarterly reports to the Board of Directors outlining the number of inquiries to my office and the number of formal complaints. This mechanism allows them to become aware of the issues and concerns voiced by workers, employers and other stakeholders within the Workplace Safety and Insurance System.

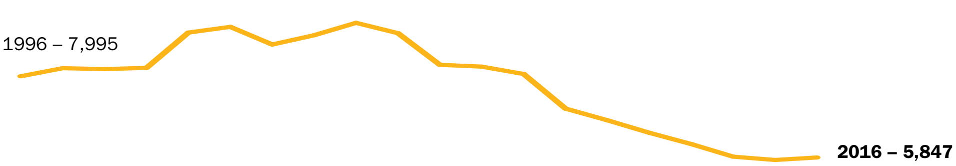
My goal is to treat everyone fairly, honestly and respectfully. I strive to answer each call or inquiry with compassion and understanding. I try to understand the various needs of workers and employers, as well as WCB staff. It is important to share feedback and remind each other that we are accountable to our stakeholders. In 2016, I made presentations on "What is Fairness?" to our service teams. This was an opportunity to share with adjudicators and case managers the issues and complaints I receive.

I look forward to continuing to provide assistance to workers and employers in the coming year.



Tim McInnis
Client Relations Officer

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS



TIME-LOSS WORKPLACE INJURIES ARE ON THE **DECLINE.**

BALANCED SCORECARD MEASURES

WCB Nova Scotia tracks performance using a Balanced Scorecard that contains a mix of financial and non-financial performance measures crucial to the fulfillment of our vision, mission, and goals. These performance measures help us drive change, enhance our business operations, and identify challenges and opportunities so we can better meet the needs of the people we serve. The four quadrants of our scorecard are Service, Operations, Employee, and Financial.

	Actual '15	Actual '16	Target '16	Target '17	Target '21
Service					
Worker Satisfaction Index	72%	74%	70%	70%	70%
Employer Satisfaction Index	81%	79%	70%	70%	70%
Operations					
Time-Loss Injuries per 100 Covered Workers	1.84	1.74	1.83	1.72	1.59
Composite Duration Index (in days)	108	110	107	110	108
Time-Loss Days Paid per 100 Covered Employees	236	232	231	229	208
Cost of New EERBs ($M)	$54.5	$59.2	$51.0	$59.6	$62.1
Return to Employability	95%	95.2%	94.9%	95.4%	95.6%
Employee					
WCB Employee Satisfaction Index	73%	71%	70%	70%	70%
Financial					
Claims Payments for the past 3 years per $100 of Assessable Payroll	$0.657	$0.664	0.636	$0.672	$0.634
Administration costs per $100 of assessable payroll (excluding prevention costs)	$0.38	$0.40	$0.40	$0.45	$0.37
Five-Year Rate of Return on Investment (as measured by the Benchmark Portfolio Return)			Exceed Benchmark Portfolio Return	Exceed Benchmark Portfolio Return	Exceed Benchmark Portfolio Return
Five-Year Return	8.8%	9.8%			
Five-Year Target	8.1%	9.3%			

ADMINISTRATIVE COSTS ARE EXPECTED TO **TEMPORARILY INCREASE** IN THE COMING YEARS, AS WE **INVEST IN OUR MODERNIZATION.**

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

STRATEGIC GOAL: Build a workplace safety culture

TIME-LOSS INJURIES PER 100 COVERED WORKERS

TARGET 1.83

Our work in 2016 had a strong focus on leadership commitment, as we continued to make progress in reducing the impact of workplace injury in Nova Scotia.

The signing of the Nova Scotia Health and Safety Leadership Charter by nearly 70 (and counting) leaders from across the province is an example of the strength of the Workplace Safety Strategy, as it takes on its own momentum with industry. This initiative is now being led by a dedicated group of employers and business leaders. In the fall, they hosted the inaugural Nova Scotia Health and Safety Leadership Conference, which focused on mental health.

We also created a social marketing campaign specifically targeting leaders, with a video, A Call to Lead. At the time of writing, this video had nearly 100,000 views.

We are seeing very real progress with the injury rate. At the end of 2016, the number of time-loss injuries per 100 covered workers in Nova Scotia was 1.74 – the lowest it has been since we started measuring time-loss injuries in this manner.

In 2016, there were two acute fatalities from workplace tragedies – one in construction and one in forestry. This is down from eight acute fatalities in 2015.

There were 18 chronic deaths in 2016, compared with 19 in the previous year. Chronic fatalities are deaths from occupational diseases stemming from exposures in the past, or due to a medical condition that may or may not be directly related to the work.

Every fatality is a tragedy. Two acute fatalities is still two too many. But the number of acute workplace fatalities is decreasing over time. As we approach the 25th anniversary of the Westray Mine explosion in May 2017, we must remain vigilant in our efforts to work with workers, employers and safety advocates to continue to reduce the impact of workplace injury in Nova Scotia.

The health and community services sectors are the next major opportunity for progress. Too many Nova Scotians are hurt caring for others, especially in long-term care and home care. As a whole, the health care industry pays almost $60 million in premiums, and much of that money could be going to patient care. More importantly, too many health care workers are off the job and not providing the care Nova Scotians need.

Halifax paramedics Christina Murray and Les Card were featured in a WCB video on the Internal Responsibility System or IRS. The IRS is the foundation of the Nova Scotia Occupational Health and Safety Act which says that everyone in the workplace shares responsibility for health and safety, and that the level of responsibility is determined by the extent of a person's authority.

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

Our social marketing focuses on the simple truth that the most important reasons for workplace safety aren't at work at all. In 2016, we extended that campaign, developing new advertising messages and in-workplace activities that focus on the important jobs we all hold outside of work.

In 2016, we began working with others towards a five-year action plan, focusing on improving safety for these sectors as part of the Workplace Safety Strategy.

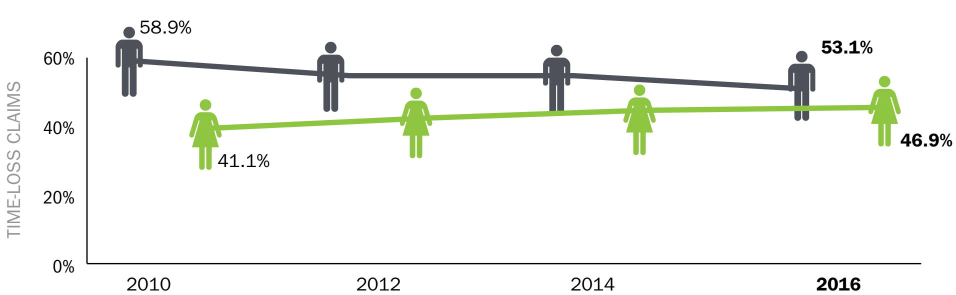
We continued to support workplace health and safety through visits to long-term care facilities, and to provide training on workplace violence prevention, and point of care assessment. We also supported the Department of Labour and Advanced Education as they conducted targeted inspections at facilities providing long-term care with a focus on safe resident lift and transfer.

In addition, our CEO Stuart MacLean participated on the Premier's working group on Workplace Safety in Health-Care Facilities with a goal to make sure appropriate measures are in place to keep staff, patients and visitors safe. All of this work, along with many other initiatives undertaken by our government and industry partners, supports the Workplace Safety Action Plan for Nova Scotia's Health and Community Services Sectors.

We continued to support the Workplace Safety Strategy, which saw significant progress in 2016. As the strategy enters its final year, there is strong momentum.

The Fishing Safety Now plan saw leaders in the fishing sector continue to forge the roots of a strong, lasting safety culture. Led by the Nova Scotia Fisheries Sector Council and the Fisheries Safety Association of Nova Scotia, a number of working groups made this action plan a reality.

We continued to connect with audiences through our social marketing campaigns. Two thirds of Nova Scotians reported having seen our advertising about the importance of coming home safe to family at the end of the day. We also supported campaigns targeting specific issues, including slips, trips and falls, safer lift and transfers in health care, and trucking safety. We also raised awareness of musculoskeletal injuries through an Office Ergonomic Resource Guide and supporting online resources.



THE **GENDER GAP IN TIME-LOSS CLAIMS** IS NARROWING, AS PROPORTIONALLY **MORE WOMEN** ARE BEING INJURED AT WORK.

Safety leaders from Nova Scotia's Department of Transportation and Infrastructure Renewal accept the province's highest workplace safety honour, the Mainstay Safety Award of Excellence, Organization, at the 7th annual Mainstay Awards.

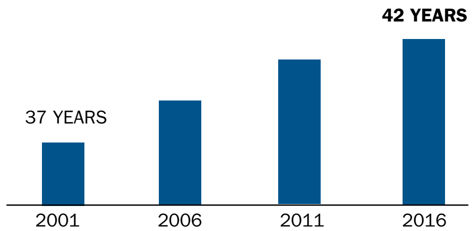
The Retail, Food and Beverage Industry Symposium in June brought together leaders and safety champions to help make the industry a safer place to work, with an emphasis on improving return-to-work programs and injury prevention. Pictured are Doreen Ash, Housekeeping Supervisor, Crothall Services Canada (left), and Dawn Devereaux, QA and Health and Safety Manager with Compass for Atlantic Canada.

LOOKING FORWARD

In the coming years, we will continue to focus on health care as a prevention priority. In 2017, we will continue to work with a broad stakeholder group as we gather input and continue to pursue a long-term plan for a safer industry. Nova Scotia's health and community services sectors combined are the province's largest employer group, and tackling this issue will require the involvement of many stakeholders working together.

We will continue to support leaders in creating safer workplaces, and to help prevent specific injury types, such as slips, trips, and falls. In 2017, we will also explore best practices to more effectively manage claims where a psychological overlay is secondary to a physical compensable injury, and to improve return-to-work outcomes in this area. The adjudication and management of these claims is a growing challenge, and a significant barrier to return to work. A comprehensive approach is needed to improve outcomes for workers and employers.

In the coming years, our business transformation will give employers access to better data to help them plan stronger prevention programs. The technology changes we are making to transform our business and improve our processes will enhance how those we serve experience the WCB, and will make it easier for them to do business with us.



THE AVERAGE **AGE** OF INJURED WORKERS IS **INCREASING** OVER TIME.

STRATEGIC GOAL: Improve outcomes for safe and timely return to work

In 2016, workplace injury in Nova Scotia saw an increase in average claim durations, and the deepening impact of past injuries. As always, we are mindful of the number of Nova Scotians who are moving on to receive long-term benefits as a result of the lasting impact injury has had on their lives.

The issues with claim durations in Nova Scotia are complicated. As the working population ages, the nature of a typical claim is becoming more complex. Musculoskeletal injuries, primarily from lifting and moving people in the long-term care and home-care industries, can be aggravated by other issues or challenges with a worker's overall health.

In 2016, we began to lay the groundwork for long-term advancement by creating capacity for service improvements – both in the health services sector, and in worker and employer interactions with us. We will be investing in our people, processes and systems. The efficiencies enabled by our modernization will ensure that customers get the support they need for improved outcomes in return to work.

In 2016, we introduced a new contract for physiotherapy and other multi-disciplinary health services in the management of more complex claims. Following a public tender, CBI Health Group became our vendor of choice. This new partnership will ensure consistent, focused care for workers who need more advanced treatment.

There were also improvements in surgical wait times. In partnership with the Nova Scotia Health Authority, we have a program to centralize surgical services. In 2016, this program led to 1,082 consultations with an average wait of 39 days, and 520 completed surgeries with an average wait of 67 days. This shows a steady downward trend in the average number of days to surgery.

Challenges in durations are not unique to Nova Scotia. In 2016, we continued our partnership with our colleagues in New Brunswick, Prince Edward Island, and Newfoundland and Labrador to create Working to Well, an Atlantic Canadian social marketing approach to support better return-to-work outcomes. This new platform and many associated materials will be rolled out in 2017.

As part of our overall transformation, we did significant work to better understand the service that workers and employers receive from us. Improving customer experience will be a dedicated area of focus as our transformation continues.

COMPOSITE DURATION INDEX

TARGET 107

Val Dann (right) is one of several workers who tested our new online services. With her is Margaret MacKenzie, WCB Case Manager and Subject Matter Expert to the Worker Online Channels project. As part of WCB's business transformation, workers will soon be able to interact with us securely online, making their overall return-to-work process a little easier and more efficient.

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

As a registered nurse, Denise Cann is used to caring for others. But when she was injured on the job, she was the one who needed care. She worked through her recovery, together with her employer, physiotherapist, and support from her family, and she returned to her full duties. Denise's story anchors the Nova Scotia segment of Working to Well, our new series of materials, videos, and a website dedicated to helping workers get back on the job. It was developed in 2016, in partnership with our colleagues in Newfoundland and Labrador, New Brunswick, and PEI. It's the first-ever Atlantic-Canada wide partnership focused on return to work.

TIME-LOSS DAYS PAID PER 100 COVERED EMPLOYEES

TARGET 231

LOOKING FORWARD

Workers and employers benefit from safe and timely return to work. Early intervention and maintaining the worker-employer relationship can speed recovery, while helping employers retain trained and skilled staff. In 2017, we will launch a pilot program in concussion management with the three clinics that currently treat the majority of workers with these injuries. The pilot builds on research conducted throughout 2016, and will help us determine the appropriate health resources needed for an effective treatment program. Ultimately, we are working toward developing a concussion-management protocol for WCB Nova Scotia that improves worker outcomes and helps ensure a safe and timely return to work.

In the coming years, our business transformation will better position us to deal with the impact of workplace injury. Today, too much time is lost to workplace injury in this province. Even a couple of days saved by doing business online or by processing a claim sooner, is a couple of days closer to returning to work, which benefits everyone.

The ability, for example, to communicate with workers through a secure, online service channel will in itself reduce the time it takes to share important information and paperwork. Our business transformation will give workplaces much better data to plan return-to-work strategies, and help us achieve better outcomes. Over time, our modernization will have a positive effect on our service, and ultimately help us reduce the impact of workplace injury.

COST OF NEW EXTENDED EARNINGS REPLACEMENT BENEFITS

TARGET $51.0M

STRATEGIC GOAL: Be financially stable and sustainable

The long-term reductions in workplace injury and time spent off the job are reducing the cost of benefits into the future. Along with investment returns and the management of administrative costs, prevention and return-to-work progress over time is bringing us closer to eliminating the unfunded liability.

However, we are not there yet. Financial progress toward sustainability is encouraging, but investment returns alone are not enough. In 2016 the five-year investment return exceeded the benchmark, adding value of 0.5 per cent. Changes to the portfolio structure in 2016 provided further diversification, including commitments to a hedge fund, private equity and infrastructure. The absolute return was above the long-term rate of six per cent that is required in the funding strategy. The road to eliminating the unfunded liability also depends upon continued decline in workplace injury, return-to-work improvements, and management of health care costs.

In 2016, the administration costs per $100 of payroll matched the target and included the investment of $10.1 million in total in our modernization. This work ensures we can continue to reduce the human and financial costs of workplace injury over the long term.

Transformation of this magnitude is a significant investment. But it will also bring efficiencies – not only to WCB operations, but more importantly, in our ability to better manage claims and process information more quickly to reduce time lost due to injury.

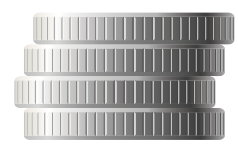
LOOKING FORWARD

In 2017, we'll take on the most substantial element of our plan, which is updating our core systems. We expect administration costs to increase over the next few years. Every dollar of our investment is carefully considered, and prioritized to focus on areas with the greatest impact on our long-term goals. These investments bring returns, creating efficiencies over time. Most importantly, they will speed up processes that will help reduce the time lost to workplace injury in our province.

Improving outcomes for injured workers is a key component of the funding strategy and a major focus of our transformation journey. Another integral part of the funding plan is to achieve investment returns averaging six per cent in each of the remaining years until the unfunded liability is eliminated. The investment portfolio is well diversified and the focus in 2017 will be to continue to implement strategies supporting the long-term goal of six per cent annual investment returns.

ADMINISTRATION COSTS PER $100 OF ASSESSABLE PAYROLL

$0.40



TARGET $0.40

CLAIMS PAYMENTS FOR THE LAST THREE YEARS PER $100 OF ASSESSABLE PAYROLL

TARGET $0.636

RETURN ON INVESTMENT

FIVE-YEAR RATE OF RETURN | **FIVE-YEAR TARGET**

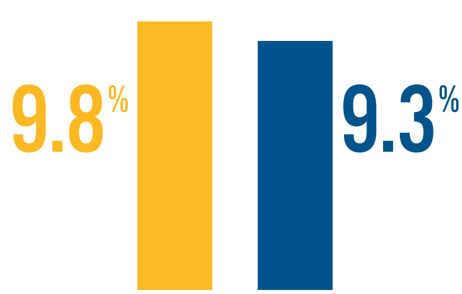


TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

STRATEGIC GOAL: Expand strategic relationships to enhance the commitment to workplace health and safety and return to work across the province

The WCB has an important role when it comes to health and safety, and return-to-work outcomes. But success in these areas means working with others. So much more can be achieved when we work together. There were many examples of this in 2016.

Perhaps the greatest success is the fishing industry's shining example of what industry leadership can look like. With the vision of two key stakeholders – the Fisheries Safety Association of Nova Scotia and the Nova Scotia Fisheries Sector Council – working groups came together to begin implementation of Fishing Safety Now. It is the culmination of work that the WCB and its partners have been moving forward for many years, and it's leading to positive outcomes. Assessment rates in fishing are at their lowest point in 20 years, and time-loss injuries are roughly half of what they were in 2010. In 2016, no one drowned in commercial fishing.

Jocelyn Vine, VP Patient Care and Chief Nurse Executive, IWK Health Centre; Wendy Griffin, WCB Nova Scotia VP People and Change, and IWK Foundation Board of Trustees; and Tracy Kitch, President and CEO, IWK Health Centre, at the "Scrub In" at the IWK Health Centre in November.

Another example is industry's leadership in forwarding the Nova Scotia Health and Safety Leadership Charter, which WCB and its partners initiated in 2015. As of this writing, some 70 organizations from across Nova Scotia have signed the charter. They have committed to the continuous growth of a positive workplace safety culture, to share best practices, and to work together to improve health and safety performance in Nova Scotia with the belief that a safer province is a more productive and prosperous province. In the fall, they held the inaugural conference for the charter, with a mental health focus. With its roots in the Workplace Safety Strategy, the charter is now overseen by a dedicated group of senior leaders in our province, who are working to grow its membership every day.

In 2016, the WCB helped guide a process to develop a Health and Safety Action Plan for Nova Scotia's Health and Community Services sectors. This plan to improve occupational health and safety outcomes, specifically for home care, long-term care, and the community services sectors, is being driven by a number of partners in industry and government.

We continued to work closely with our colleagues at the Department of Labour and Advanced Education (LAE) in new ways. In addition to our shared implementation of the Workplace Safety Strategy, there were a number of other issues and opportunities. Working through the employers of first responders, we created and distributed a brochure and other educational materials on Post Traumatic Stress Disorder. We collaborated with LAE to host Nova Scotia's first Workplace Mental Health and PTSD Conference, which helped to educate attendees on workplace mental health injuries, PTSD, early intervention strategies, and innovative treatment options.

We invested time in 2016 looking at how we can further improve the way we work together with our provincial WCB counterparts across Atlantic Canada. We also supported conversations within government about improvements in our processes and policies to reduce red tape for workplaces.

A number of other organizations can influence better outcomes when it comes to prevention and return to work. In 2016, we worked closely with the Workers' Advisers Program and the Workers' Compensation Appeals Tribunal to find administrative efficiencies that could speed up the appeals process. In 2016, we signed new contracts with the Office of the Employer Advisor and the Office of the Worker Counsellor. WCB Nova Scotia participated on the transition committee for the Occupational Health and Safety Advisory Council. The Minister formed the committee to determine how to implement a number of recommendations to ensure the council is in the best position to provide strategic advice on occupational health and safety in Nova Scotia.

As the workplace safety culture in Nova Scotia continues to evolve, there is encouraging progress in the number of young people hurt at work. In 2016, 37 per cent fewer young workers were hurt on the job compared to a decade ago. During that same timeframe, workplace health and safety has become part of school curriculum, and together with our partners, we continued to support safer outcomes for young workers through social marketing and a variety of other programs. In 2016, we partnered with Junior Achievement Nova Scotia to provide the *Staying Healthy and Safe at School, Home and Work* resource for Grade 6 students. In partnership with the Canadian National Institute for the Blind, the Nova Scotia Community College, and Labour and Advanced Education, we supported the CNIB's delivery of workshops on Eye Safety and Injury Prevention. We also continued our support of organizations, such as Skills Canada, as well as providing sponsorships and running awareness campaigns in support of young workers.

Tracey Leary, WCB Education Consultant, with Lauren Soulsby, an award recipient from the Junior Achievement Nova Scotia 2016 provincial awards competition. Lauren won the Vice President of Environment, Health and Safety award for a project that addressed environmental concerns and created a healthy and safe working environment.

LOOKING FORWARD

In 2017, our work in strategic relationships will continue to be driven by three main pillars – completing the final year of the Workplace Safety Strategy, improving customer relationships as we modernize our business, and continuing to foster the important relationships that underpin our ongoing operations.

WCB NOVA SCOTIA AND ITS PARTNERS HAVE BEEN MOVING FORWARD FOR MANY YEARS, AND IT'S LEADING TO POSITIVE OUTCOMES – **RATES IN FISHING** ARE AT THEIR **LOWEST POINT IN 20 YEARS**.

Panel members at the Nova Scotia Health and Safety Leadership Conference in November. From left to right: Cecelia MacLellan, Director Customer Care Contact Centers, Staples, Janet Knox, President and CEO, Nova Scotia Health Authority, and Louise Bradley, President and CEO of the Mental Health Commission of Canada.

As we implement the final year of the Workplace Safety Strategy for Nova Scotia, our relationship with the Department of Labour and Advanced Education remains critically important. We will maintain and enhance this relationship as the working dynamics put in place by the Workplace Safety Strategy become operational. We will also establish new relationships with the incoming Joint Occupational Health and Safety Advisory Council. Outreach and partnership with other leaders will remain a priority as safety leadership gains momentum within industry. To that end, we will continue to support the steering committee of the Nova Scotia Health and Safety Leadership Charter.

The Workplace Safety Action Plan for Nova Scotia's Health and Community Services Sectors, a major deliverable of the Workplace Safety Strategy, will see success through relationships. There are many valuable perspectives within this sector, and all are important voices as the strategy comes together with a simple, unified purpose – to improve workplace safety for the many Nova Scotians who spend their working lives caring for others, with a particular focus in long-term care and home care.

As always, our ongoing work is based in partnerships and working relationships. Though perspectives may differ, all stakeholders share some common desire to reduce the impact of workplace injury in Nova Scotia and help workers with a safe and timely return to work. Toward this overall goal, we will continue to work with valued stakeholders, such as the Office of the Employer Advisor, the Office of the Worker Counsellor, injured worker associations, safety and industry associations, and organized labour.

THE TIME-LOSS INJURY RATE OF **3.11** PER 100 COVERED WORKERS IN **HEALTH CARE/SOCIAL SERVICES** IS **HIGHER** THAN ANY OTHER INDUSTRY.

STRATEGIC GOAL: Provide excellent and efficient service, leveraging technology to meet worker and employer expectations

In 2016, WCB Nova Scotia continued our journey of modernizing our service for a changing world. The intensive program of change represented significant effort and investment from teams across the organization.

Workers and employers continued to benefit from significant improvements to our telephone system. Updated phone systems are giving more workers and employers the information they need when they need it. In a typical month, more than 1,000 workers access information outside of business hours.

We also expanded our direct deposit program. Last year, 80 per cent of benefit payments to workers were made through direct deposit, thereby avoiding disruption due to weather or postal delays.

Online employer registration continues to streamline what used to be a cumbersome, paper-based process. The program was launched in 2015, and since that time 92 per cent of registrations have been completed online.

2016 was defined by change at WCB Nova Scotia. We established a new way of working with health service providers for more complex claims. We set the foundation to ensure workers with hearing aids receive a consistent quality of service and have their devices serviced and maintained regularly – a change that will also save about $500,000 a year in costs. We also developed secure online services for workers, employers and service providers, which will be available in 2017.

Amanda Messervey, Telephone Inquiries Representative with the WCB's Central Services team, at the 2016 North American Occupational Safety and Health (NAOSH) Week WCB event.

The change is significant. Over time, some of the skillsets we need at WCB will evolve, and we are likely to be a smaller organization at the end of the change. That's why a comprehensive plan for talent management, leadership, and helping our employees through change is such an important part of this transformation.

As the details become clearer, our employees can expect open, authentic communication about the impacts of the changes on their work, and they can expect to understand what those changes will mean.

IN 2016, THE NUMBER OF TIME-LOSS INJURIES CAUSED BY **SLIPS, TRIPS, OR FALLS DECREASED BY ALMOST** 20% FROM 2015.

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

WCB Nova Scotia employees Cherry Pittman, Roberta McGinn and Shellie Thistle from our Health and Extended Benefits team arrange a holiday basket as part of an employee-driven fundraiser in support of Feed Nova Scotia.

WCB EMPLOYEE SATISFACTION INDEX

TARGET 70%

Our employees have questions, and some are concerned about how these changes will impact their jobs. But they remain supportive of our strategic direction, and are open to changing if it will improve service. More than 70 per cent of employees agree we are headed in the right strategic direction. This is nine percentage points higher than the average from other Atlantic Canadian organizations in the database of our third-party market research provider. And 82 per cent say changes will improve services to those we serve. In 2016, we also exceeded our balanced scorecard target for employee satisfaction.

Delivering quality service continues to be a priority. Our measures for worker and employer satisfaction remained high in 2016, with 74 per cent of workers and 79 per cent of employers saying they are satisfied with the service they receive from us. We will continue to improve the service we provide through the modernization of our systems.

LOOKING FORWARD

In 2017, we will continue our investment to improve our systems, processes, and service. As online services become available to workers and service providers, and existing online services for employers are enhanced, we'll also begin the long-term replacement of our core systems, building sustainability into our claims management and assessment systems. The systems we use today are more than 25 years old, and our future requires something different in order to ensure we can continue to meet return-to-work and prevention goals now and into the future.

New technology will make it easier to do business with us – information will be more accessible through secure online services, which will reduce paperwork and red tape. Overall, these improvements will enable faster processes, faster decisions, and more consistent service. Our progress so far includes online registration for employers, the expansion of direct deposit so more workers receive their payments faster, and an enhanced self-serve phone system.

But it's not just about technology. The world works differently than it did when our systems were set up. Along with improvements to technology, we also need to change the way we think about information, the way we manage it, and how the work we do will evolve to meet the expectations of those we serve.

This is transformational change, and it is a significant investment. We need to evolve in order to meet our business and performance goals, and to play our part in the future Nova Scotia needs to see.

"I have had plenty of discussions around processes and how we currently provide service… and how we can better our services. What excites me most is to be able to be a part of the team, and be a part of that change, to see it go through… and be able to say I was a part of it being done successfully."

Greg MacLean, Assessment Officer and Subject Matter Expert, Employer Online Channels project

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	Leo D. McKenna, CPA, CA
Chief Executive Officer	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 WCB Nova Scotia. The discussion and analysis should be read in conjunction with the audited financial statements and supporting notes.

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 goals, 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

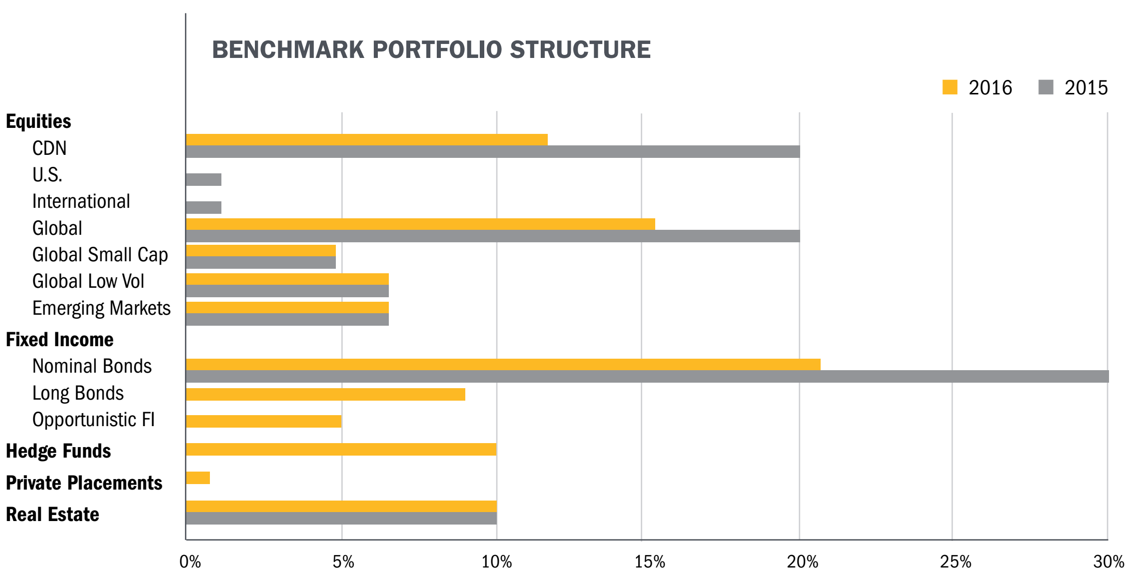
The WCB's financial position was strengthened in 2016. This was primarily the result of favourable actuarial adjustments materializing from past successes and investment returns. Most corporate performance measures were met with challenges on some key operational performance measures.

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
In early 2015, the WCB implemented a manager of fund managers arrangement with Mercer Global Investments Canada Limited (MGI). This resulted in changes to the portfolio structure with further changes continuing in 2016.

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 2015, target allocations have changed as detailed in the graph.

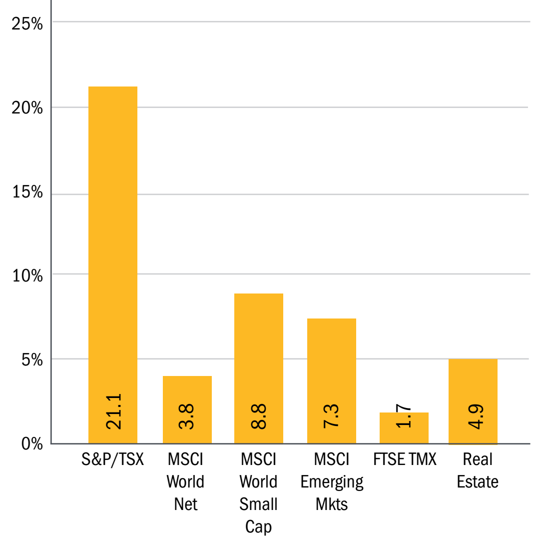
These changes occurred throughout 2016, including the opportunity to diversify the fixed income portion of the portfolio by investing in Long Bonds and Opportunistic Fixed Income classes. Further diversification was achieved with the reduction of equities to invest in alternative investment classes including hedge funds, private equity and infrastructure. 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. The funding of the commitment to invest in private equity and infrastructure mandates through limited partnerships totaling $57.5 million USD for each fund will continue until the funding commitments have been reached, currently planned by early 2020. In addition, over time, the remaining allocation in nominal bonds will be transitioned to long bonds.

In 2016 the real estate portfolio was further diversified with the commitment to a second real estate fund manager which will be funded gradually until the new manager has 50 per cent of the real estate mandate.

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 30 per cent of the total foreign currency exposure. In 2015 this ratio was 50 per cent. During the year, the WCB decided to end hedging the foreign currency exposure in the long term. A glide path to reduce the hedging strategy is in place reducing the portion hedged gradually. Currency hedging will end completely once the Canadian dollar reaches $0.85 USD.

2016 FINANCIAL MARKET RETURNS

(in Canadian dollars)



Capital Markets Review

Overall, major financial markets posted positive returns, despite volatility throughout the year with ongoing worries about global economic growth, continued collapse in energy prices, and surprising political results. Global equity markets posted negative returns in the opening quarter of 2016, however, fears started to recede as central banks stepped in to provide support and the price of oil rebounded by the end of the first quarter. This rally continued into the second quarter until a short pullback due to the unexpected United Kingdom referendum result.

In the third quarter investors quickly shook off concerns of a "Brexit," as optimism came from the United States over positive corporate earnings and encouraging economic data. Global equity markets were pushed to new highs and finished 2016 with solid gains in the fourth quarter, following the surprise U.S. presidential election results leading to expectations of tax reforms, infrastructure spending and deregulation, and the widely expected rate hike by the U.S. Federal Reserve. Canadian equity markets had a strong return primarily due to the rebounding energy sector and the weakening dollar compared to the U.S. dollar. Bond markets had

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

strong returns during the first three quarters of 2016, as yields hit new lows based on sluggish economic growth. The fourth quarter saw a significant selloff of bonds following the U.S. election results as yields spiked on speculation of increased spending and inflation. The Canadian dollar strengthened against the Euro, Yen and British Pound for the year, but weakened against the U.S. dollar. Real estate provided positive returns for the year.

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 9.8 per cent was a strong return in absolute terms and exceeded the 9.3 per cent benchmark return by 0.5 per cent. The Plans and Progress section of the annual report discusses this in more detail. 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.

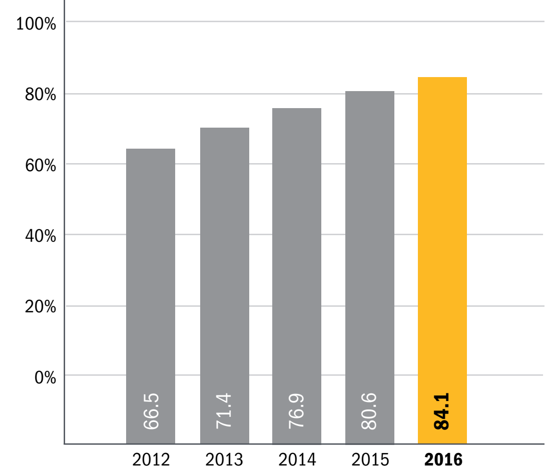
As the investments are held to meet payment obligations that extend many years into the future, the valuation of investments at a point in time provides a view of the financial position of the WCB at only that point in time. Note 7 of the financial statements describes the potential for volatility of the portfolio.

BENEFITS LIABILITIES

The WCB's benefits liabilities represent the actuarial present value at December 31, 2016, of all expected benefit payments that will be made in future years, which relate to claims arising from events that occurred on or before December 31, 2016, including a provision for latent occupational diseases. The benefits liabilities figure represents the best estimate of the payments that would be required if these liabilities were settled in cash on December 31, 2016.

FUNDED PERCENTAGE

For Nova Scotia, 2012 - 2016



The benefits liabilities increased by $25.3 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 present value of the benefits liabilities and actuarial experience adjustments, including an adjustment for the change in liability for latent occupational disease.

UNFUNDED LIABILITY

The WCB's liabilities total $2.0 billion and assets total $1.7 billion, with an unfunded liability of $317.6 million at the end of 2016. The WCB's funded percentage increased from 80.6 per cent in 2015 to 84.1 per cent.

STATEMENT OF Comprehensive Income

In 2016, total revenues of $419.0 million ($318.9 million in assessment revenues plus $100.1 million investment income) less total expenditures of $353.9 million, and the re-measurement of post-employment benefit liabilities of $0.9 million, yielded total comprehensive income of $64.2 million.

The operating results for 2016 and 2015 may be attributed to the following factors:

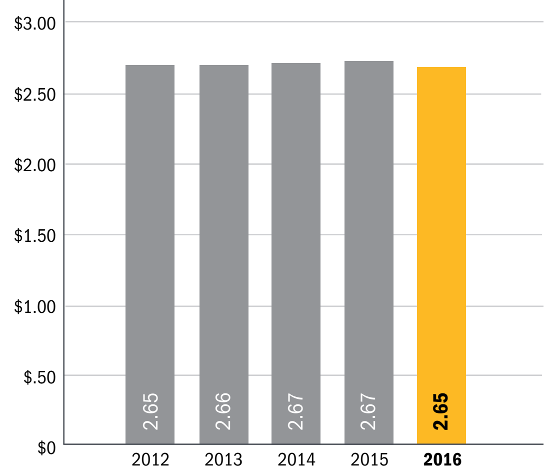
($000's)	2016	2015
Assessment revenue in excess of current year costs	$ 38,565	$ 45,684
Investment income (below) liability requirements	(7,521)	(38,026)
Actuarial liabilities and adjustments less than previously anticipated	34,064	61,252
Other comprehensive (loss) income from actuarial (losses) gains on post-employment benefits	(867)	3,661
Total comprehensive income	$ 64,241	$ 72,571

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 increased $4.8 million (1.5 per cent) from 2015 levels.

ACTUAL AVERAGE ASSESSMENT RATES

For Nova Scotia, 2012 - 2016



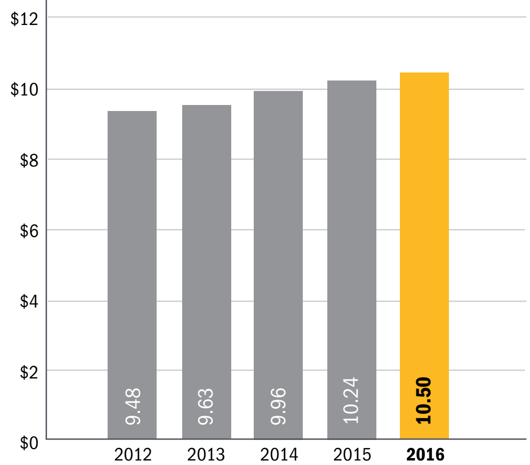
Revenues from insured firms increased $5.0 million (1.8 per cent) from 2015 revenue. This increase is primarily attributed to an increase in assessable payroll of 2.6 per cent. Increases to the payroll base reflect the net impact of an increase in the maximum assessable earnings for individuals, an inflationary increase in wages, and a stable, covered workforce. The actual average assessment rate, net of surcharge refunds and practice incentive rebates, was $2.65 and is a decrease from the $2.67 average rate in 2015. The targeted average assessment rate remained constant at $2.65 from 2015 to 2016. The fact that the actual rate matches the 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 as expected.

The self-insured firms experienced slightly lower claims payments in 2016 spread across payment categories with a slight increase in administration. The 2016 self-insured administration fees have increased slightly from the prior year and are calculated based on 2015 claims payments and administration costs.

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

TOTAL ASSESSABLE PAYROLL

For Nova Scotia, 2012 - 2016



INVESTMENT INCOME

Investment income is derived from the investment portfolio managed by external investment managers. Total investment income was $100 million for 2016, an increase of $30.3 million (43.4 per cent) from 2015. In 2016, the annual investment return on the externally managed portfolio was 6.7 per cent compared to 5.0 per cent in 2015. The WCB recognizes changes in market value of investments in the year of occurrence. Note 6 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 2016. These estimates take into account both unreported claims and claims reported but as yet unpaid. The liabilities include a provision for the future cost of administering claims that occurred on or before December 31, 2016. The incremental change for occupational disease liabilities is accrued each year. The liability does not include an allowance for any changes to present policies and practices or for the extension of new coverage types.

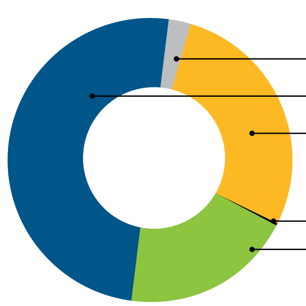
Claims costs incurred increased by $8.5 million (4.1 per cent) from 2015. Several factors influenced this aggregate result.

Claims costs incurred for short-term disability increased 1.6 per cent in 2016 due to inflation and an increase in the average time injured workers were off the job. Volume decreases in 2016 were offset by a larger proportion of claims advancing beyond ten weeks in duration, leading to the slight increase in short-term disability costs.

The 4.9 per cent increase in long-term disability costs resulted from an increase in the average cost of long-term earnings loss benefits. In prior years, approximately 36 per cent of claims had either actual or estimated earnings that reduced the cost of the award. In 2016, the proportion of long-term benefits,

TOTAL CLAIMS COSTS INCURRED

(in thousands)



	2016		2015	
Survivor benefits	5,332	2.5%	4,790	2.3%
Long-term disability	105,702	49.7%	100,791	49.4%
Health care	58,955	27.7%	56,403	27.6%
Rehabilitation	754	0.4%	947	0.5%
Short-term disability	41,748	19.7%	41,100	20.1%

partially mitigated through post injury earnings, dropped to 32 per cent. This, combined with an increased volume of permanent impairment benefits, led to the increase in long-term disability costs.

Health-care costs increased 4.5 per cent in 2016. This increase is slightly less than expected based on observed growth in health-care costs and investments made in this area that are expected to translate to lower payments later in the life of the claim. While we have experienced an increase in the estimated cost of claims that occurred in 2016, we have experienced gains on older claims as payments appear to be reducing on older injuries.

Survivor costs have increased 11.3 per cent ($0.5 million) in 2016. 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 2016, rehabilitation costs decreased from 2015 by 20.4 per cent ($0.2 million). Fluctuations occur year to year in rehabilitation costs as significant costs incurred on a small number of claims have a notable impact.

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

The benefits liability is calculated 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 2016, this amount was $107.6 million or 5.6 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 6.0 per cent annually.

In 2016, there were no changes in actuarial assumptions. The assumed Consumer Price Index (CPI) rate was 2.5 per cent. The CPI at 2.5 per cent combined with the real rate of return on assets assumption of 3.5 per cent results in a gross rate of return assumption of 6.0 per cent.

In 2016, there were favourable actuarial experience adjustments of $35.1 million. These 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 2016, the volume of new extended earnings replacement benefits (EERBs) and survivor benefits on insured claims was below the volume assumed in the actuarial assumptions resulting in a favorable adjustment of $21.1 million. Other factors such as lower than expected inflation for benefits in pay, mortality experience, future claims administration costs and other non-specified actuarial adjustments resulted in favourable adjustments totaling $14.0 million. We expect this experience to continue in the next few years and to result in continued favourable experience in long-term disability. The timing and magnitude of the savings is difficult to predict until a series of representative data emerges over the next few years.

Recent years have been producing fewer EERBs with 325 awarded in 2016 compared to the 558 average awarded in years 2005 to 2010. Early indicators suggest injuries that occurred in more recent years will result in fewer long-term earnings loss benefits than in the recent past. For example, for injury year 2005, EERBs awarded as of December 31, 2006, the year following injury, totaled 68. For injury year 2015, EERBs awarded as of December 31, 2016, the year following injury, totaled 26.

The number of Permanent Impairment Benefits awarded in 2016 was 14 per cent higher than in 2015, increasing from 1,248 to 1,421 for insured claims. Volumes continue to be substantially lower than in prior years when they peaked at over 1,700 in 2008. However the volume of new benefits in 2016 was higher than the 1,236 benefits predicted in the valuation assumptions.

ADMINISTRATIVE COSTS

Administrative expenditures in 2016 totaled $51.5 million, an increase of $3.1 million or 6.4 per cent from 2015. This is primarily due to increases in project related initiatives. We anticipate costs will increase in the next few years as we make important changes to become more modern and efficient, positioning the organization to meet challenges anticipated in future years.

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 2016 as cash utilized for benefit payments and operations was slightly more than the cash generated through assessments premiums.

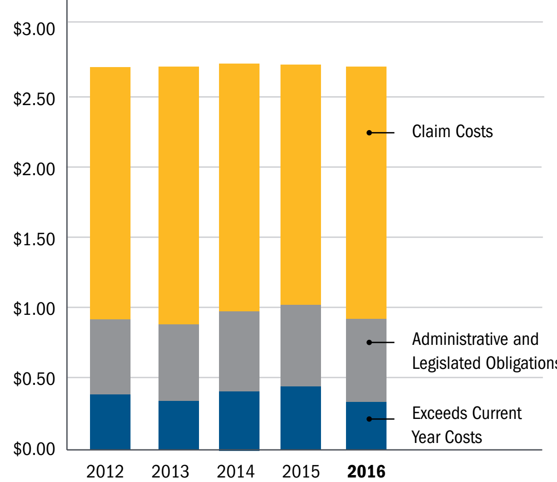
FUNDING STRATEGY

The funding of the WCB involves the funding of current year injuries and ensuring that sufficient assets are available to fund benefits awarded in the past. In Nova Scotia, the invested assets are not currently sufficient to fund these past injuries and this shortfall is the unfunded liability. The funding strategy maps out our approach to eliminate this unfunded liability between 2019 and 2023. The WCB's funding strategy encompasses assumptions about revenue from the covered workforce payroll base, operational results and investment returns.

The strategy relies on growth in the payroll base in order to collect sufficient funds to eliminate the unfunded liability. Each year premiums are collected from employers based on a targeted average rate of $2.65 per $100 of assessable payroll. In 2016, the

BREAKDOWN OF AVERAGE RATE

for Nova Scotia, 2012 – 2016



portion of the $2.65 actual average rate required to fund the estimated cost of injuries that occurred in the year was $1.72 with administration and legislated obligations costs absorbing an additional $0.58. The remaining $0.35 is available to be applied to reduce the unfunded liability and any shortfall of investment income to liability growth. Since 2012, the breakdown of the average rate is as shown on the previous page.

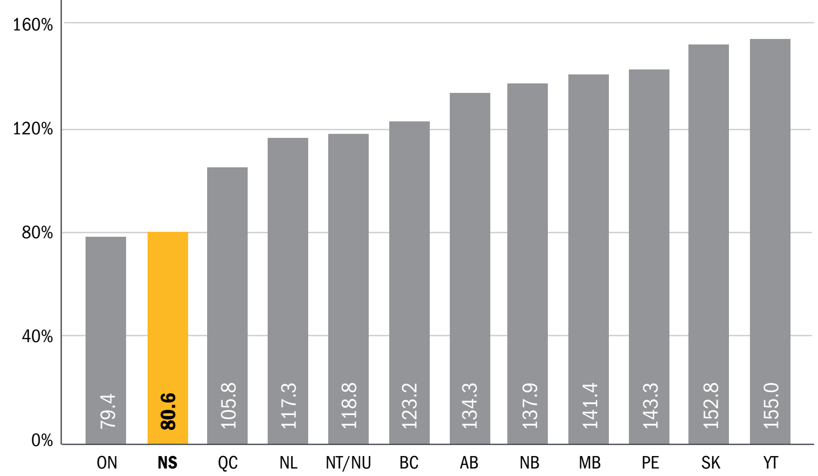
Another key assumption in the funding strategy is a substantial reduction in the cost of workplace injuries through prevention and return-to-work programs and through a five-year program of transformational change in the way we deliver service. The goal is to reduce the combined cost of current year injuries, administrative and legislated obligations from the current $2.30 to $2.09 in 2022; and to eliminate the unfunded liability. In 2016, the reduction targets for time loss claims were achieved; however reduction targets for the amount of time people were off work due to injury were not achieved. Increasing claims duration adds costs to the system. Reductions require focus for employers, workers, and health care providers to work as a team in fostering safe and timely return to work.

Another key component of the funding strategy is the return on invested assets. Returns have been encouraging in the past few years, with the annualized 10-year return as of December 2016 of 6.7 per cent exceeding the current long-term assumption of 6.0 per cent. In order to achieve our funding goals, investment returns must meet or exceed the growth in liabilities (currently 6.0 per cent) between now and when the unfunded liability is eliminated.

The WCB's annual revision of the funding strategy in June 2016 maintained our previously published estimate of eliminating the unfunded liability between 2019 and 2023. The funding period was partially based on an estimated total comprehensive income for 2016 of $32.0 million. Given the number of variables affecting the funding position, annual variances are expected. The actual total comprehensive income for 2016 was $64.2 million. This is $32.2 million more than expected in the funding strategy. The 2016 variances included:

FUNDED PERCENTAGE

All Provinces, 2015 (AWCBC)



- Investment income $3.8 million more than expected.
- Actuarial adjustment $23.2 million more than expected.
- Growth in benefits liability $10.2 million less than expected
- Claims costs incurred $7.4 million more than expected.
- Assessment Revenue $0.2 million less than expected.
- Administrative and Legislated Obligations costs $3.5 million less than expected, and
- The re-measurement of post-employment benefits resulted in a loss of $0.9 million.

While financial progress is encouraging, there are many factors influencing the funding strategy. All of the assumptions are based on long-term expectations. Annual investment returns, by their nature, are unpredictable, and 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 11 of 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.

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

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.

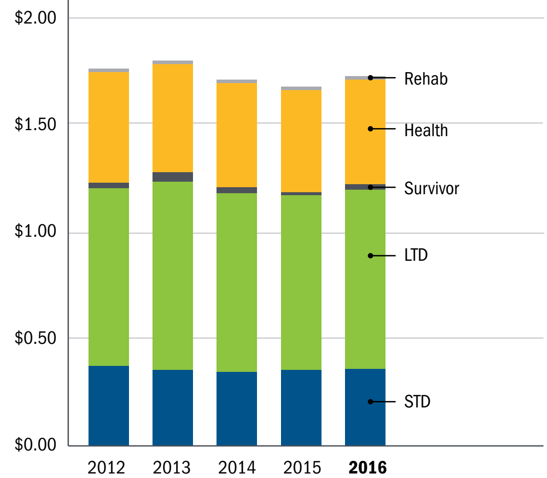
BENEFIT COSTS

Benefit costs are affected by injury rates and claim durations. The average rate paid employers for workplace injury insurance is affected by benefit costs. Over the past decade, there have been significant changes in the breakdown of benefits cost per $100 of assessable payroll. For example, benefits related to chronic pain had a significant impact on the volume of permanent impairment and extended earnings loss benefits granted between 2005 and 2008. This had an impact on the volume of expected permanent benefits from 2009 to 2013 resulting in a substantial increase in long-term disability costs per $100 of assessable payroll during that period.

Additionally, and in response to claims for benefits related to chronic pain, investments were made in health care and administration to facilitate injury prevention and improve return-to-work outcomes. These investments led to a sustained period of decreasing short-term disability costs through reduced injury rates and decreasing average duration of injuries. In recent years, the cost of health care per $100 of assessable payroll has stabilized as a result of decreases in the volume of injuries and enhanced contract management. In 2016, long-term disability costs increased slightly following two years of decreases. Over the longer term, we expect reduced claim volumes and improved return-to-work outcomes to continue resulting in further benefit cost reductions.

The portion of the rate used to fund current year claims costs increased almost three per cent from $1.67 in 2015 to $1.72 in 2016. Additionally, the portion of the rate

BENEFIT COSTS PER $100 OF ASSESSABLE PAYROLL



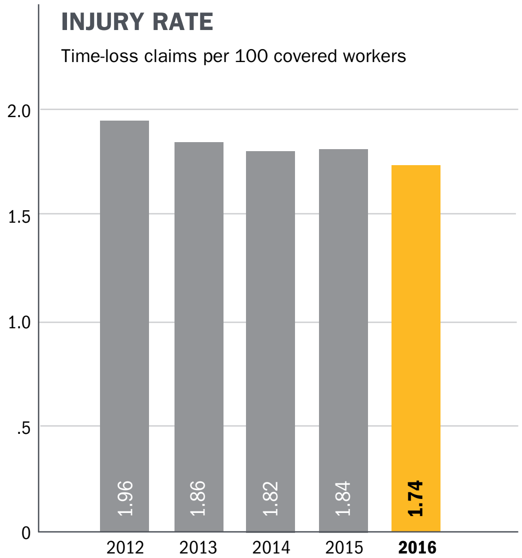
used to fund the costs of administration and legislated obligation increased from $0.56 in 2015 to $0.58 in 2016. At $2.30, the combined system costs increased almost three per cent from 2015 leaving $0.35 to apply to the unfunded liability and any shortfall of investment income to liability growth. Over the next six years, the funding strategy contemplates a nine per cent reduction in system costs to $2.09 in the year the unfunded liability is eliminated. Although forecasts are subject to revision to reflect emerging trends and experience, at present, we expect that reductions in the injury rate and claim durations will yield the required savings.

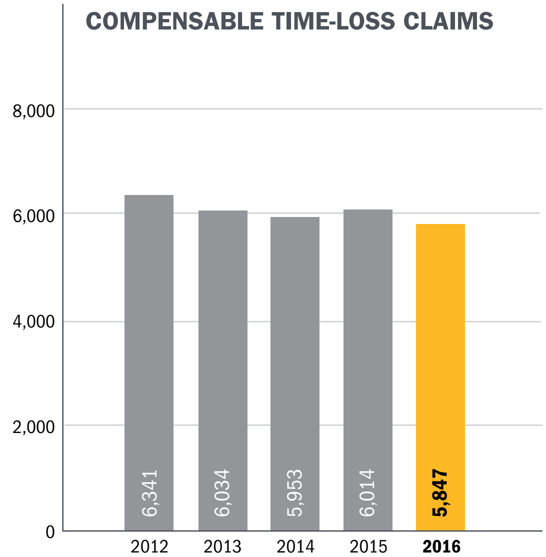
INJURY RATE

The injury rate is one of the most significant drivers of benefit costs and the focus of the WCB's attention for risk mitigation. At the end of 2016, the injury rate was 1.74 time-loss injuries per 100 covered workers and is down 5.4 percent from 1.84 in 2015.

As of December 31, 2016, there were approximately 3,200 fewer time-loss injuries than in 2005, reflecting an average annual decrease of almost 3.9 per cent since 2005. While this is significant progress, cost reductions did not occur as originally expected. This was partially because the majority of the decrease in injury volume over the last nine

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS





years was among lower-cost injuries, and because savings from long-term disability costs take longer to materialize. Long-term disability cost reductions started to emerge in 2014 and are expected to continue through 2022, as the volume of long-term benefits is less than assumed in previous valuations.

CLAIM DURATIONS

In Nova Scotia, injured workers stay on short-term benefits longer than in many other provinces and a higher proportion go on to receive long-term benefits. The WCB's early intervention and return-to-work philosophy is anticipated to reduce claims costs incurred over time by shortening 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. For purposes of tracking performance and estimating future cost savings, claims are divided into two categories; over and under 10 weeks. In recent years, we have seen a significant reduction in the volume of time-loss injuries. However, the decrease has occurred primarily in the shorter, low cost, low complexity claims. Future expected savings, therefore, reflect a slight change in the historical split of claims with 20 per cent of time-loss claims assumed to persist beyond 10 weeks compared to 19 per cent in 2015. In other words, higher-cost, higher-complexity claims are becoming a greater portion of the total. If the mix of claims trends further outside of historical levels, duration targets will not be met and the funding strategy may be impacted.

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 are required to 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 has a real rate of return assumption of 3.5 per cent. Analysis indicates that 3.5 per cent is a realistic real rate of return based on 10-year, 30-year and 75-year running averages. The real rate of return coupled with our long-term CPI assumption

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

of 2.5 per cent, yields a nominal rate of 6.0 per cent. During 2015 an asset liability study was completed. One benefit of the study was confirmation of the reasonableness of the asset allocation strategy used to diversify the investment portfolio. Results of this study supported the current investment strategy and indicates that a long-term investment return of 6.0 per cent is a reasonable expectation.

ECONOMIC CONDITIONS

The benefits liabilities of the WCB are partially indexed to the Consumer Price Index (CPI) on an annual basis. Payments to benefit recipients are increased by one-half of the Nova Scotia CPI at the beginning of each calendar year. Significant fluctuations in CPI represent a risk to the WCB. While CPI has been fairly stable in recent years, the risk exists that CPI may fluctuate due to unforeseen economic developments. We are also susceptible to cost increases in the health care system where in recent years the rate of growth has been greater than general inflation.

Nova Scotia's employment is expected to increase slightly in 2017. This is expected to have minimal impact on the WCB covered workforce. Slow growth or contraction of the economy could impact the funding strategy where the growth in payroll falls below the funding strategy expected level.

FRAUD

The WCB provides workplace injury insurance to about 18,800 employers and about 336,000 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 and integrity checks, implements internal controls, follows a policy framework, and employs a Special Investigations Unit.

TECHNOLOGY

The reliability of WCB's information technology is crucial to supporting the organization's operations and safeguarding personal records. A system failure or security breach 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 for information technology purposes.

In support of our mission, the WCB has embarked on a comprehensive program of business transformation, which will position the organization to be more efficient and meet the challenges of the digital environment. This will take place over the next several years. In other jurisdictions where similar systems have been replaced, the investment has been in the tens of millions of dollars.

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 "Significant Accounting Policies" and Note 4 "Accounting Judgments and Estimates" 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

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

discount rate and the long-term inflation rate. 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. A revised IFRS 4 Insurance Contracts Standard is expected to be effective after 2020. The basis of accounting for the benefits liabilities could change to fair value utilizing a market based discount rate. This change could impact the WCB's financial results. A sensitivity analysis relating to insurance risk is included in Note 11 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 needs.

The funding strategy reflects the balance struck between the level of benefits, rates charged to employers and the WCB's funding position. When financial results are different than the target, whether better or worse, the choice becomes: adjust benefits, adjust rates or lengthen or shorten the period over which the unfunded liability is 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.

In 2016, the funding position was strengthened; primarily attributable to favourable experience adjustments for injuries that occurred in prior years and slightly better performance of the investment portfolio than expected. The positive performance in 2016 increases the probability that we will be able to stay on plan and eliminate the unfunded liability between 2019 and 2023. That said, there are many variables and the range of the possible results over the short- to medium-term is quite wide. The asset liability study performed in 2015 shows the probability of eliminating the unfunded liability by the end of 2022 is greater than 60 per cent, and the probability of being less than 70 per cent funded is less than six per cent.

The WCB recognizes that there will be variances from the funding strategy each year. The funding strategy contains numerous assumptions about future financial performance and spans several years. The length of the period, coupled with the number of assumptions, makes the funding strategy fairly sensitive to changes. Small changes in the early years potentially have a considerable impact in the later years. The target funding range between 2019 to 2023 continues in the 2017 plan and has been the target since 2011. As the target date for eliminating the unfunded liability approaches, the sensitivity to changes will be more relevant with any negative impacts representing a challenge as there will be limited market cycles over which to recover. Positive results are a step in the right direction and the focus will be to maintain momentum forward.

The Board of Directors will revisit the funding strategy as part of the annual budget process in June 2017. 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, many users may credit the strategy with more certainty and precision than warranted given the number and nature of assumptions it contains. Users should remember that the funding strategy is our best estimate of what will happen given the assumptions. As noted in previous annual reports and 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

We have audited the accompanying financial statements of the Workers' Compensation Board of Nova Scotia, which comprise the statement of financial position as at December 31, 2016, and the statements of comprehensive income, changes in the unfunded liability, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board of Nova Scotia as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of the Workers' Compensation Board of Nova Scotia for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on March 17, 2016.

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Halifax, Canada
March 31, 2017

STATEMENT OF FINANCIAL POSITION

as at December 31 (thousands of dollars)

	2016	2015
Assets		
Cash & cash equivalents	$ -	$ 1,805
Receivables (Note 5 and 17)	29,890	28,190
Investments (Note 6)	1,645,712	1,546,039
Property and equipment (Note 8)	4,072	4,307
Intangible assets (Note 9)	4,726	1,184
	$ 1,684,400	$ 1,581,525
Liabilities and Unfunded Liability		
Bank Indebtedness	$ 8,865	$ -
Payables and accruals	39,982	37,526
Post-employment benefits (Note 10)	28,792	26,804
Benefits liabilities (Note 11)	1,924,386	1,899,061
	2,002,025	1,963,391
Unfunded liability	(317,625)	(381,866)
	$ 1,684,400	$ 1,581,525

Commitments (Note 19)
Capital Management (Note 21)

Approved on behalf of the Board of Directors on March 31, 2017:

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)

	2016	2015
Revenue		
Assessments (Notes 12, 16 and 17)	$ 318,962	$ 314,187
Investment income (Note 6)	100,070	69,738
	419,032	383,925
Expenses		
Claims costs incurred (Notes 11, 16 and 17)	212,491	204,031
Growth in present value of benefits liabilities, actuarial adjustments and adjustment for latent occupational disease (Note 11)	73,527	46,512
Administration costs (Notes 13, 17 and 20)	51,520	48,399
System support (Note 14)	956	868
Legislated obligations (Note 15)	15,430	15,205
	353,924	315,015
Excess of revenues over expenses	65,108	68,910
Other comprehensive income		
Re-measurement of post-employment benefits (Note 10)	(867)	3,661
Total comprehensive income	$ 64,241	$ 72,571

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

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

STATEMENT OF CHANGES IN THE UNFUNDED LIABILITY

year ended December 31 (thousands of dollars)

	2016	2015
Unfunded liability excluding accumulated other comprehensive income		
Balance, beginning of year	$ (376,017)	$ (444,927)
Excess of revenues over expenses	65,108	68,910
	$ (310,909)	$ (376,017)
Accumulated other comprehensive income		
Balance, beginning of year	$ (5,849)	$ (9,510)
Other comprehensive income	(867)	3,661
	$ (6,716)	$ (5,849)
Unfunded liability end of year	$ (317,625)	$ (381,866)

STATEMENT OF CASH FLOWS

year ended December 31 (thousands of dollars)

	2016	2015
Operating Activities		
Cash received from:		
Employers, for assessments	$ 313,685	$ 308,990
Net investment income	41,854	284,984
	355,539	593,974
Cash paid to:		
Claimants or third parties on their behalf	(254,848)	(248,724)
Suppliers, for administrative and other goods and services	(64,822)	(61,232)
	(319,670)	(309,956)
Net cash provided by operating activities	35,869	284,018
Investing Activities		
Increase in investments, net	(41,449)	(284,532)
Purchases of equipment and intangible assets	(5,090)	(1,485)
Net cash used in investing activities	(46,539)	(286,017)
Net decrease in cash and cash equivalents	(10,670)	(1,999)
Cash and cash equivalents, beginning of year	1,805	3,804
Bank indebtedness, cash and cash equivalents, end of year	$ (8,865)	$ 1,805

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

NOTES TO THE FINANCIAL STATEMENTS *year ended December 31, 2016 (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 timely return to safe and healthy 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. 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 bear interest at the bank's prime interest rate less 1.0 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, distributions from pooled funds and investment foreign currency gains and losses are recognized as investment income in the period incurred. These distributions 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. In some instances, the most recent available NAV is earlier than Dec 31st. In these instances the NAVs are adjusted for capital movements, fees and any known change in circumstances that could warrant an adjustment between the NAV date and year end.
- The fair value of real estate fund units is based on independent property appraisals net of fund liabilities as determined by the fund manager.
- Forward foreign exchange contracts are recorded at the current unrealized gain or loss position at year end based on quoted market prices for the underlying currencies.

Unconsolidated structured entities
The investments in limited partnerships for infrastructure and private equity and a pooled hedge fund do not satisfy the elements for control or significant influence and therefore have not been consolidated into these financial statements. As passive portfolio investments, such interests would apply financial instruments accounting. 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 10 to 40 years is used for building components and from 5 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.

Finance Leases
Finance leases transfer to the WCB substantially all the risks and benefits of ownership of the leased property. These leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned to interest charges and the reduction of the lease liability until the liability is reduced to zero at the end of the lease term. Leased assets are depreciated over the useful life of the asset or over the lease term, whichever is shorter.

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 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.

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

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 balance sheet date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for investments.

h) Financial Instruments
The WCB early adopted IFRS 9 – Financial instruments (2009), which require 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:

- 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 because of their short-term maturity and/or underlying terms and conditions. The WCB's accounts receivable are not subject to significant concentration of credit risk because 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 are reviewed regularly for consideration to be included in the allowance for doubtful account or to be written-off.

The investment portfolio does not contain any derivatives intended for speculation or trading purposes. The portfolio includes a currency overlay hedge strategy. 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 and internally generated 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.

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, 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) Current and Future Accounting Policy Developments
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 future as follows:

IAS 1 – Presentation of Financial Statements – A revision was issued by IASB providing guidance in the determination of what information to disclose and how to present that information in the financial statements, the impact to potentially reduce some disclosures. The change was effective January 1, 2016 which has been applied and did not have a significant impact on these financial statements.

IFRS 4 – Insurance Contracts – The IASB is working on a new Insurance Contracts standard which will be effective no earlier than 2020. To address the temporary accounting challenges created by this standard having a different effective date than IFRS 9 "Financial Instruments" (which has an effective date of January 1, 2018) the IASB has introduced an amendment to IFRS 4 including options for an overlay approach and a temporary exemption. The overlay approach would adjust profit and loss through other comprehensive income and the temporary exemption approach would apply the existing requirements of IFRS 9 through profit and loss that were adopted in 2011 until the effective date of the new Insurance Contracts standard. The WCB is assessing this amendment for the impact to the WCB in conjunction with the issuance of IFRS 9 in the final form standard.

IFRS 9 – Financial instruments – The standard introduces the option to recognize unrealized investment gains and losses as fair value through other comprehensive income (OCI) with no subsequent reclassification to profit or loss. The mandatory effective date for adoption is for years beginning on January 1, 2018. The WCB is assessing this amendment for the impact to the WCB.

IFRS 15 – Revenues from Contracts with Customers – The standard replaces various revenue recognition standards and interpretations. The new standard does not apply to insurance contracts. The mandatory effective date for adoption is for years beginning on or after January 1, 2018. The WCB's financial statements are not expected to be significantly impacted by this standard.

IFRS 16 – Leases – This new standard requires all leases be treated as finance type leases with assets and liabilities recorded on the statement of financial position, with the exception of short-term and low dollar value leases. The most important change for the WCB will be reporting an asset and liability related to the WCB's leases for office space. The mandatory effective date for adoption is for years beginning on or after January 1, 2019.

4. ACCOUNTING JUDGMENTS & 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 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 6 – Investments
- Note 7 – Financial Risk Management
- Note 10 – Post-employment benefits
- Note 11 – Benefits liabilities
- Note 12 – Assessment revenue

5. RECEIVABLES

	2016	2015
Assessments	$ 20,873	$ 21,118
Self-insured employers	6,156	3,916
Assessments receivable	27,029	25,034
Harmonized sales tax rebate	762	827
Other	2,099	2,329
	$ 29,890	$ 28,190

Assessments receivable are net of an allowance for doubtful accounts of $4,279 in 2016 (2015 - $3,477). Other receivables are net of an allowance for doubtful accounts of $1,301 in 2016 (2015 - $1,297). Amounts written to bad debts were $1,200 in 2016 (2015 - $900).

6. INVESTMENTS

	2016	2015
Equities		
Canadian	$ 213,673	$ 263,338
Global	269,412	245,578
Global low volatility	107,629	102,551
Global small cap	83,531	75,179
Emerging markets	109,257	101,464
Private equity	4,770	-
	788,272	788,110
Fixed income	314,178	468,149
Long term bonds	134,848	-
Opportunistic fixed income	81,613	-
Real estate	158,683	151,547
Hedge funds	156,980	-
Infrastructure	9,025	-
Cash and money market	592	155,201
Currency overlay	1,521	(16,968)
	$ 1,645,712	$1,546,039

Investment Income	2016	2015
Interest and dividends	$ -	$ 5,006
Distributions from pooled funds	49,780	47,990
Realized gains from the sale of investments	9,930	270,260
Change in fair market value	39,735	(200,648)
Currency overlay gains (losses)	6,882	(47,861)
Portfolio management expenses & interest	(6,257)	(5,009)
Net investment income	$ 100,070	$ 69,738

Funding Commitments

During 2016, commitments were made into limited partnership agreements with externally managed infrastructure, private equity and real estate funds that require contributions into these investments over the next several years. Unfunded commitments as of December 31, 2016 are as outlined in the below table.

Mandate	2016 Undrawn Funding Commitments	Total Commitment
Infrastructure	$ 50,500 USD	$ 57,500 USD
Private equity	$ 53,600 USD	$ 57,500 USD
Real estate	$ 67,200 CDN	$ 80,000 CDN

7. 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.

The following table is prepared with information provided by an external investment consultant and presents the decrease to comprehensive income (CI) as a result of a 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.

	2016		2015	
Equities	% Change	CI Impact	% Change	CI Impact
	(1 Std Deviation)		(1 Std Deviation)	
Canadian	9.0%	$ (19,231)	11.1%	$ (29,231)
Global	10.0%	$ (26,941)	10.8%	$ (26,522)
Global Low Volatility	10.0%	$ (10,763)	10.8%	$ (11,076)
Global Small Cap	11.7%	$ (9,773)	13.7%	$ (10,300)
Emerging Markets	12.0%	$ (13,111)	13.8%	$ (14,002)

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 8.7 years. The duration of the fixed income investments are as outlined in the following table.

Duration of bond portfolios (in years)	2016	2015
Fixed income	7.4	7.4
Long term bonds	14.6	-
Opportunistic fixed income	4.7	-

The following table presents the effect of an increase in market interest rates for fixed income investments (which are held in pooled funds) and the resulting decrease in comprehensive income.

0.5% change	2016 CI Impact	2015 CI Impact
Fixed income	$ (11,646)	$ (17,415)
Long term bonds	$ (9,851)	$ -
Opportunistic fixed income	$ (1,934)	$ -

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 foreign exchange forward contracts to hedge approximately 30 per cent (2015 – 50 per cent) of the foreign currency denominated assets held in British Pounds, Euros, Japanese Yen, and US Dollars. Foreign exchange forward contracts are contracts to exchange an amount of one currency for another at a future date at a set price determined at contract inception.

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	2016 CI Impact	2015 CI Impact
USD	$ (24,576)	$ (13,952)
EURO	$ (3,219)	$ (1,917)
YEN	$ (2,803)	$ (1,971)
POUND	$ (2,524)	$ (1,304)

The fair market value of the overlay contracts positions is as follows:

Currency Overlay Contracts by Currency	2016 Position	2015 Position
USD	$ (1,329)	$ (11,222)
POUND, EURO, YEN	$ 2,850	$ (5,746)
Total position	$ 1,521	$ (16,968)

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

Credit risk

Credit risk with financial instruments arises from the possibility that the counterparty to an instrument may fail to meet its obligations. 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.

	2016		2015	
Credit Rating	Total	%	Total	%
AAA	$ 157,484	29.7%	$ 196,154	41.9%
AA	136,428	25.7%	118,910	25.4%
A	115,021	21.7%	105,802	22.6%
BBB	63,029	11.9%	47,283	10.1%
BB	35,009	6.6%	-	0.0%
B	16,241	3.0%	-	0.0%
Below B	7,427	1.4%	-	0.0%
Total	$ 530,639	100.0%	$ 468,149	100.0%

The WCB is also exposed to credit risk through its trade receivables. The risk is mitigated through the receivable monitoring process. 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. Accounts past 60 days due are approximately 15% of assessments receivables.

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 no restrictions on the redemptions of portfolio investments during the reporting period, except for those 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. The WCB did not have investments considered illiquid at December 31, 2015.

Mandate	December 31, 2016
Infrastructure[1]	$ 9,025
Private equity[1]	$ 4,770
Hedge funds[2]	$ 156,980
Total	$ 170,775

[1] *This fund is a closed-end fund with a 14 year life expected to end in July 2031. The general partner has the option to extend the fund's life by one year.*

[2] *The liquidity of this fund is subject to change but is estimated to be 81 per cent redeemable within one year of redemption request, 15 per cent within two years and 4 per cent after two years.*

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.

2016	Level 1	Level 2	Level 3	Total
Short-term investments	$ 592	$ -	$ -	$ 592
Currency overlay	-	1,521	-	1,521
Equities	-	783,502	4,770	788,272
Fixed term investments	-	530,639	-	530,639
Real estate	-	-	158,683	158,683
Hedge funds	-	-	156,980	156,980
Infrastructure	-	-	9,025	9,025
	$ 592	$1,315,662	$ 329,458	$1,645,712

2015	Level 1	Level 2	Level 3	Total
Short-term investments	$155,201	$ -	$ -	$ 155,201
Currency overlay	-	(16,968)	-	(16,968)
Equities	-	788,110	-	788,110
Fixed term investments	-	468,149	-	468,149
Real estate	-	-	151,547	151,547
	$155,201	$1,239,291	$ 151,547	$1,546,039

The WCB holds units in real estate investments and the fair values are appraised annually by qualified external real estate appraisers retained by the fund manager. The fund manager may adjust individual property values periodically due to changing market conditions.

Source of Change in Value of Level 3 Investments	Private Equities	Real Estate	Hedge Funds	Infra-structure	Total
Value December 31, 2015	$ -	$151,547	$ -	$ -	$151,547
Purchase of units	5,198	12,761	155,000	9,189	182,148
Unrealized gains (losses)	(396)	8,403	1,980	(147)	9,840
Sale of units	-	(12,761)	-	-	(12,761)
Investment management fees	(32)	(1,267)	-	(17)	(1,316)
Value December 31, 2016	$4,770	$158,683	$156,980	$ 9,025	$329,458

For the year ended December 31, 2015, the Level 3 fair value measurement of $151,547 changed by unrealized gains of $6,721 less investment manager fees of $1,231.

Concentration risk

The WCB has concentrations in countries other than Canada through investments in the global pooled funds, hedge fund, opportunistic fixed income fund, private equity and infrastructure totalling $821.0M at Dec 31 (2015 - $524.8M). The WCBs five most significant foreign country concentrations are summarized in the table below.

Significant exposure	2016		2015
United States	48.6%	United States	44.7%
Japan	5.2%	Japan	8.1%
United Kingdom	5.0%	United Kingdom	5.7%
China	3.9%	China	5.7%
Brazil	2.4%	South Korea	3.2%
All other global	34.9%	All other global	32.5%
	100.0%		100.0%

8. PROPERTY AND EQUIPMENT

	Land and Building[1]	Furniture and facilities	Equipment and computer hardware	Total
Historical cost				
Balance at Jan. 1, 2016	$ 3,993	$ 3,254	$ 3,126	$ 10,373
Additions	208	263	459	930
Disposals & retirements	(236)	(486)	(644)	(1,366)
Balance at Dec. 31, 2016	$ 3,965	$ 3,031	$ 2,941	$ 9,937
Depreciation and impairment				
Balance at Jan. 1, 2016	$ (2,046)	$(2,080)	$ (1,940)	$ (6,066)
Current period depreciation	(248)	(352)	(519)	(1,119)
Impairment losses	(31)	(1)	(14)	(46)
Disposals & retirements	236	486	644	1,366
Balance at Dec. 31, 2016	$ (2,089)	$(1,947)	$ 1,829)	$ (5,865)
Carrying amount at Dec. 31, 2016	$ 1,876	$ 1,084	$ 1,112	$ 4,072

	Land and Building[1]	Furniture and facilities	Equipment and computer hardware	Total
Historical cost				
Balance at Jan. 1, 2015	$ 4,427	$ 2,982	$ 2,862	$ 10,271
Additions	118	433	420	971
Disposals & retirements	(552)	(161)	(156)	(869)
Balance at Dec. 31, 2015	$ 3,993	$ 3,254	$ 3,126	$ 10,373
Depreciation and impairment				
Balance at Jan. 1, 2015	$ (2,360)	$(1,904)	$ (1,605)	$ (5,869)
Current period depreciation	(238)	(337)	(488)	(1,063)
Impairment losses	-	-	(3)	(3)
Disposals & retirements	552	161	156	869
Balance at Dec. 31, 2015	$ (2,046)	$(2,080)	$ (1,940)	$ (6,066)
Carrying amount at Dec. 31, 2015	$ 1,947	$ 1,174	$ 1,186	$ 4,307

[1] *Includes $155 cost of the land which has an indefinite useful life and is not depreciated.*

Finance leased assets

Equipment and computer hardware includes the following amounts where the WCB is a lessee:

	2016	2015
Cost – capitalized finance leases	$ 227	$ 367
Accumulated depreciation	(208)	(290)
Net book value	$ 19	$ 77

There were no additions to equipment under finance leases during 2016 or 2015.

9. INTANGIBLE ASSETS

	Acquired software	Internally generated software	Internally generated processes	Total
Historical cost				
Balance at Jan. 1, 2016	$ 902	$ 1,521	$ 191	$ 2,614
Additions	13	4,148	-	4,161
Disposals & retirements	(158)	(11)	-	(169)
Balance at Dec. 31, 2016	$ 757	$ 5,658	$ 191	$ 6,606
Depreciation and impairment				
Balance at Jan. 1, 2016	$ (717)	$ (522)	$ (191)	$(1,430)
Current period depreciation	(72)	(544)	-	(616)
Impairment losses	(3)	-	-	(3)
Disposals & retirements	158	11	-	169
Balance at Dec. 31, 2016	$ (634)	$ (1,055)	$ (191)	$(1,880)
Carrying amount at Dec. 31, 2016	$ 123	$ 4,603	$ -	$ 4,726

	Acquired software	Internally generated software	Internally generated processes	Total
Historical cost				
Balance at Jan. 1, 2015	$ 902	$ 1,387	$ 191	$ 2,480
Additions	30	484	-	514
Disposals & retirements	(30)	(350)	-	(380)
Balance at Dec. 31, 2015	$ 902	$ 1,521	$ 191	$ 2,614
Depreciation and impairment				
Balance at Jan. 1, 2015	$ 649	$ 723	$ 191	$ 1,563
Current period depreciation	97	142	-	239
Impairment losses	1	7	-	8
Disposals & retirements	(30)	(350)	-	(380)
Balance at Dec. 31, 2015	$ 717	$ 522	$ 191	$1,430
Carrying amount at Dec. 31, 2015	$ 185	$ 999	$ -	$ 1,184

10. POST-EMPLOYMENT BENEFITS

The WCB provides post-employment benefits other than pensions (Note 20) consisting of retirement allowances, post-employment life insurance, dental and medical programs. An extrapolation of the 2015 actuarial valuation was performed as at December 31, 2016.

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

	2016	2015
Discount rate, benefits expense for the year	4.10%	4.25%
Discount rate, accrued benefit obligation	3.95%	4.10%
Expected health care costs trend rate; decreasing annually by 0.20% increments to an ultimate rate of 4.50% (2015 – 4.0%)	6.30%	6.50%
Drug claim increases trend rate; decreasing annually by 0.20% increments to an ultimate rate of 4.50% (2015 – 5.0%)	6.30%	6.50%
Dental cost escalation	3.00%	3.00%
Retirement age assumption	59 years	59 years

Costs Arising in the Period	2016	2015
Current service costs	$ 1,275	$ 1,409
Interest costs	1,139	1,249
Past service cost curtailment	(695)	-
Total employee future benefits expense	$ 1,719	$ 2,658

Accrued Benefit Obligation	2016	2015
Beginning of year	$ 26,804	$ 28,158
Total employee future benefits expense	2,414	2,658
Actuarial (gains) losses on ABO through OCI (a)	867	(3,661)
Benefits paid	(598)	(351)
Past service cost curtailment	(695)	-
End of year	$ 28,792	$ 26,804

The net actuarial loss of $867 as at December 31, 2016 arises from re-measurement of the liability at the end of fiscal 2016 using a lower discount rate. The gain from past service cost curtailment of $695 arises as a result of the assumptions for the retirement allowance service accrual reflecting the years of service up to April 1, 2015 to a maximum of 26 weeks, with no new members added to the plan and assumes the benefit continues to be payable upon retirement with an unreduced pension from the Public Service Superannuation Plan based on salary at retirement.

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).

	2016 CI Impact	2015 CI Impact
1% decrease in the discount rate	$ (5,091)	$ (6,376)
1% increase in the discount rate	$ 6,933	$ 4,693
1% decrease in the assumed health care cost trend rate	$ 4,345	$ 3,882
1% increase in the assumed health care cost trend rate	$ (5,921)	$ (5,381)

11. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2016
Balance, beginning of year	$ 104,666	$ 1,190,546	$ 118,173	$ 371,658	$ 6,524	$ 1,791,567	$ 107,494	$ 1,899,061
Growth in present value of benefit liabilities	5,155	69,124	6,779	20,099	344	101,501	6,090	107,591
Actuarial experience adjustments (a)	2,889	(29,541)	397	(6,089)	(820)	(33,164)	(1,990)	(35,154)
Total growth	8,044	39,583	7,176	14,010	(476)	68,337	4,100	72,437
Claims costs incurred	41,748	105,702	5,332	58,955	754	212,491	10,812	223,303
Less: Claims payments made	(44,898)	(132,532)	(14,080)	(65,581)	(874)	(257,965)	(13,540)	(271,505)
Balance, end of year	109,560	1,203,299	116,601	379,042	5,928	1,814,430	108,866	1,923,296
Change in liability for occupational disease in latency (b)	229	333	11	445	10	1,028	62	1,090
Balance, end of year	$ 109,789	$ 1,203,632	$ 116,612	$ 379,487	$ 5,938	$ 1,815,458	$ 108,928	$ 1,924,386

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2015
Balance, beginning of year	$ 98,877	$ 1,200,723	$ 124,030	$ 366,390	$ 5,787	$ 1,795,807	$ 107,749	$ 1,903,556
Growth in present value of benefit liabilities	4,800	69,672	7,123	19,772	297	101,664	6,100	107,764
Actuarial experience adjustments (a)	4,357	(50,991)	(4,004)	(7,614)	650	(57,602)	(3,457)	(61,059)
Total growth	9,157	18,681	3,119	12,158	947	44,062	2,643	46,705
Claims costs incurred	41,100	100,791	4,790	56,403	947	204,031	10,276	214,307
Less: Claims payments made	(44,427)	(129,591)	(13,764)	(63,214)	(1,155)	(252,151)	(13,163)	(265,314)
Balance, end of year	104,707	1,190,604	118,175	371,737	6,526	1,791,749	107,505	1,899,254
Change in liability for occupational disease in latency (b)	(41)	(58)	(2)	(79)	(2)	(182)	(11)	(193)
Balance, end of year	$ 104,666	$ 1,190,546	$ 118,173	$ 371,658	$ 6,524	$ 1,791,567	$ 107,494	$ 1,899,061

a) 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 2016, actuarial experience adjustments decreasing the benefits liabilities totalled $35,154. The adjustments included:

- A net decrease of $21,100 as a result of lower than expected new Extended Earnings Replacement Benefits (EERBs) and new Survivor awards.
- A decrease of $5,900 as a result of lower than anticipated inflation for awards in pay.
- A decrease of $10,100 as a result of mortality experience.
- A decrease of $1,990 in the estimated cost of future claims administration.
- Other accumulated actuarial adjustments resulted in a net increase to the benefits liabilities of $3,936.

In 2015, actuarial experience adjustments decreasing the benefits liabilities totalled $61,059. The adjustments included:

- A net decrease of $35,400 as a result of lower than expected new Extended Earnings Replacement Benefits (EERBs) and new Survivor awards.
- A decrease of $9,300 as a result of lower than anticipated inflation for awards in pay.
- A decrease of $8,700 as a result of mortality experience.
- A decrease of $3,457 in the estimated cost of future claims administration.
- Other non-specified actuarial adjustments resulted in an decrease to the benefits liabilities of $4,202.

b) 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 $82,868 and is included in the total benefits liability for 2016 (2015 - $81,778).

Actuarial Assumptions and Methods

All liabilities were calculated using an underlying assumption of 3.50 per cent for real rate of return on assets and a rate of increase in the CPI equal to 2.50 per cent. The gross rate of return that results from the CPI and the real rate of return assumptions is 6.00 per cent. The inflation assumptions and the resulting net interest rates are presented below:

2016 and 2015 Category	Expected Inflation	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits (LTD)	0.5% + CPI	3.00%	3.00%
All other LTD, Survivor Pensions	50% * CPI	1.25%	4.75%
Health Care	1.75% + CPI	4.25%	1.75%
All Others	CPI	2.50%	3.50%

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 2.50 per cent assumption 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.

Real Rate of Return – The 3.50 per cent real rate of return assumption 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 3.50 per cent 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 assumptions for CPI of 2.50 per cent and real rate of return of 3.50 per cent, the gross rate of return assumption is 6.00 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 1.25 per cent (i.e. 50 per cent of 2.50 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 1.75 per cent higher than the general rate of inflation. As a result, medical inflation assumption is 4.25 per cent (i.e. 1.75 per cent + 2.50 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 3.00 per cent (2.50 per cent + 0.50 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. 2.50 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. In past valuations, occupational disease claims were recognized upon diagnosis of the covered occupational disease. In 2013, a review of past data was conducted by our independent actuaries to determine a reasonable estimate of the incidence of occupational disease in Nova Scotia Workplaces. The review concluded that an additional provision of 4.50 per cent of the total benefits liability was adequate to cover the cost of occupational disease in the latency period.

Mortality – Mortality for permanent awards is based on the 1983 Group Annuitant Mortality Table (GAM 1983) with a 10 per cent margin (i.e. mortality rates are reduced by 10 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 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 were developed for the 2008 valuation. Each year, actual claim experience is compared to that expected by the table and minor experience adjustments are implemented when warranted.

TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

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 (3.50 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:

1. Scenario 1 tests the impact of a 100 basis point decrease in the assumed rate of investment earnings.
2. Scenario 2 tests the impact of a 100 basis point increase in the assumed rate of inflation.
3. 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. This scenario can also be thought of as a market value based measurement of the liabilities.
4. Scenario 4 shows the impact of strengthening economic assumptions by reducing the assumed inflation rate by 50 basis points.
5. Scenario 5 shows the impact of strengthening economic assumptions by reducing both the assumed inflation rate and real rate of return by 50 basis points.
6. Scenario 6 provides an integrated test of the impact of a high inflation, low real rate of return environment.
7. Scenario 7 provides the impact of a 1.0 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	2.5%	2.5%	5.0%	Increase	$ 151,901	$ 14,813
2	3.5%	3.5%	7.0%	Decrease	$ (42,573)	$ (3,395)
3	1.7%	1.7%	3.4%	Increase	$ 337,953	$ 32,371
4	3.5%	2.0%	5.5%	Increase	$ 22,375	$ 1,781
5	3.0%	2.0%	5.0%	Increase	$ 97,026	$ 9,038
6	2.5%	3.5%	6.0%	Increase	$ 103,253	$ 10,418
7	Increase Health Care Inflation Rate by 1.0%			Increase	$ 45,274	$ 3,414

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.

Claims Development Table

The following claims development table is a required disclosure under International Financial Reporting Standards. The top section of the table shows the total dollar amount expected to be paid on claims incurred in the accident year as estimated at various times. Note that claims paid are referred to as "cash flows" in the table so as to be clear that these figures do not include discounting.

To put the top section of the table in context, consider the entry in accident year 2008, and year of estimate 2008 (i.e. $268,645). This figure was the estimated total cash flows expected to be paid on accidents in 2008, as measured at December 31, 2008. The amount in accident year 2008, and year of estimate 2016 (i.e. $236,316) provides the same figure re-estimated at a later date. Estimated cash flows in respect of individual accident years will continue to change over time to the extent there are changes in actuarial assumptions and experience is different than expected.

The lower section of the table shows the development of the liability (or present value of future cash flows associated with each accident year) for accident years 2007 through 2016, as well as the liability in respect of accidents prior to 2006.

	Year of Estimate	Accident Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Estimated Total Cash Flow (including Past and Future Cash Flows)	2007	$ 264,014										$ 264,014
	2008	258,286	$ 268,645									526,931
	2009	259,194	268,721	$ 277,094								805,009
	2010	264,685	274,394	272,679	$ 291,200							1,102,958
	2011	266,190	278,871	262,142	285,756	$307,785						1,400,744
	2012	254,151	262,054	236,655	257,080	272,468	$ 292,523					1,574,931
	2013	256,841	256,798	235,326	250,970	257,182	280,830	$ 308,160				1,846,107
	2014	251,762	247,688	223,735	236,287	232,763	242,790	275,937	$293,068			2,004,030
	2015	246,115	243,925	221,488	228,787	221,940	227,030	258,543	275,718	$ 293,116		2,216,662
	2016	243,791	236,316	219,694	228,306	220,043	218,202	253,355	259,320	287,475	$ 309,241	2,475,743
Current (2016) Estimate of Total Cash Flow		243,791	236,316	219,694	228,306	220,043	218,202	253,355	259,320	287,475	309,241	2,475,743
Total Cash Flows Paid to December 31, 2016		(136,215)	(123,921)	(107,090)	(100,829)	(88,119)	(79,966)	(77,884)	(66,193)	(53,119)	(27,130)	(860,466)
Estimated Future Cash Flows		107,576	112,395	112,604	127,477	131,924	138,236	175,471	193,127	234,356	282,111	1,615,277
Impact of Discounting		(43,081)	(44,157)	(48,429)	(54,317)	(56,822)	(58,786)	(75,976)	(84,552)	(103,711)	(123,691)	(693,522)
Liability in Respect of Accident Years 2007 to 2016		$ 64,495	$ 68,238	$ 64,175	$ 73,160	$ 75,102	$ 79,450	$ 99,495	$ 108,575	$ 130,645	$ 158,420	921,755
Liability in Respect of Accident Years 2006 and prior												815,526
Claims Administration												104,237
Balance Sheet Liability, Excluding Latent OD												$ 1,841,518
Latent Occupational Disease Provision												82,868
Balance Sheet Liability at December 31, 2016												$ 1,924,386

12. ASSESSMENT REVENUE

	2016	2015
Assessed employers	$ 281,886	$ 277,432
Self-insured employers (Note 16)	39,099	39,372
Assessment reporting penalties and interest	1,196	1,100
	322,181	317,904
Deduct: practice incentive rebates and surcharge refunds	(3,219)	(3,717)
	$ 318,962	$ 314,187

Practice incentive rebates and surcharge refund programs are voluntary and offer refunds and rebates to those registered workplaces that have met certain eligibility requirements. They are payable in the following year.

13. ADMINISTRATION COSTS

	2016	2015
Salaries and staff expense	$ 36,409	$ 37,183
Professional, consulting and service fees	7,789	5,117
Building operations	2,464	2,324
Services contracted	2,450	1,795
Depreciation	1,784	1,313
Communications	1,383	1,447
Supplies	831	869
Travel and accommodations	727	739
Training and development	411	499
	54,248	51,286
Change in liability for future administration costs	(2,728)	(2,887)
	$ 51,520	$ 48,399

14. SYSTEM SUPPORT

System support costs are costs associated with providing support to the Workplace Safety Insurance System (WSIS) agencies and the Office of the Employer Advisor and the Office of the Worker Counsellor. Both offices are focused on improving the ease of stakeholders interacting with the Workplace Safety and Insurance System agencies.

15. LEGISLATED OBLIGATIONS

	2016	2015
Occupational Health and Safety	$ 10,441	$ 10,077
Workers' Advisers Program	3,328	3,484
Workers' Compensation Appeals Tribunal	1,661	1,644
	$ 15,430	$ 15,205

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 is 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.

16. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers – federal and provincial government bodies – who directly bear the costs of their own incurred claims and an appropriate share of WCB administration costs.

	2016	2015
Revenue	$ 39,099	$ 39,372
Claims payments made		
Short-term disability	$ 4,970	$ 5,263
Long-term disability	16,480	16,643
Survivor benefits	3,396	3,417
Health care	7,454	7,314
Rehabilitation	-	134
	32,300	32,771
Administration costs	6,799	6,601
	$ 39,099	$ 39,372

Self-insured employers are included in claims cost incurred; however, the benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

17. 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 16 for the Province of Nova Scotia are as follows:

	2016	2015
Revenue	$ 6,430	$ 6,323
Claims payments made	4,768	4,757
Administration costs	1,662	1,566
	$ 6,430	$ 6,323

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, 2016, the amount receivable from the Province of Nova Scotia was $859 (2015 - $639) for claims payments made and administration costs.

Key management personnel of the WCB (CEO, Vice Presidents, 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)

	2016						2015	
	Number of Individuals	Salary	Benefits	Other	Total	Notes	Number of Individuals	Total
Chair, Board of Directors	1	$ 41,812	$ 36	$ -	$ 41,848		1	$ 11,837
Acting Chair	1	1,833	-	-	1,833		1	42,671
Board of Directors	8	166,984	7,746	-	174,731		8	161,899
	10	210,629	7,782	-	218,410	1	10	216,407
Chief Executive Officer	1	269,216	24,986	14,448	308,650		1	300,439
Chief Financial Officer	1	168,067	25,356	4,126	197,549		1	197,018
VP People and Planning	1	161,346	24,453	10,332	196,131		1	187,359
VP Prevention and Service Delivery	1	168,067	25,319	10,590	203,976		1	204,737
	4	766,696	100,114	39,496	906,306		4	889,553
Staff Salaries & Benefits (Average 2016-$76,562; 2015-$76,291)	433	29,366,804	3,894,056	331,298	33,592,158	2	431	33,459,760
Post-employment Benefits	-	-	1,771,504	-	1,771,504		-	2,690,912
Administration-Salaries & Benefits	447	$ 30,344,129	$ 5,773,456	$ 370,794	$ 36,488,379	3	444	$ 37,256,632

1 The Chair's/Acting Chair's combined 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. The Chair's term commenced January 19, 2016. The Deputy Chair was the Acting Chair and received the Chair's rate of remuneration until January 18, 2016. 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.

2 This figure represents the average number of employees on payroll during the fiscal year.

3 Salary includes regular base pay. 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 2016 of $36,488,379 (2015 - $37,256,632) varies by $79,581 (2015 - $73,922) from Note 13 in the financial statements due to travel allowance disclosed in 'Other', which is posted to 'Travel and accommodations' in Note 13.

18. 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	2016	2015
Construction	Nova Scotia Construction Safety Association	$ 1,825	$ 1,038
Trucking	Nova Scotia Trucking Safety Association	301	294
Fishing	Fisheries Safety Association of Nova Scotia	230	224
Forestry	Forestry Safety Society	149	147
Auto Retailers	Nova Scotia Automobile Dealers' Safety Association	135	129
Retail Gasoline	Retail Gasoline Dealers' Association	32	32
		$ 2,672	$ 1,864

19. COMMITMENTS

Operating lease commitments

The WCB leases office space under operating leases. Halifax office space lease has a non-cancellable term of five years which commences on January 1, 2017, effective through 2021.

Sydney office space lease has a non-cancellable term of 10 years which commenced on November 1, 2009. The agreement includes two renewal options for a period of five years each with the base rent cost to be negotiated at fair market rates.

Lease payments recognized as an expense and included in administration expenses during the year were as follows:

	2016	2015
Basic rent[1]	$ 737	$ 737
Variable rent[2]	932	895
Total rent expense	$ 1,669	$ 1,632

1 Basic rent represents the per-square-foot base rent paid (or minimum lease payments).

2 Variable rent is the rent paid to reimburse the lessor for common area costs, insurance and property taxes.

The future aggregate minimum lease payments are as follows:

	2016	2015
Within 1 year	$ 765	$ 737
More than 1 year and up to 5 years	2,566	2,754
Later than 5 years	-	530
Total	$ 3,331	$ 4,021

Finance lease commitments

The WCB has finance 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. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

		2016		2015
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	$ 21	$ 21	$ 64	$ 62
One to five years	-	-	22	21
More than five years	-	-	-	-
Total minimum lease payments	21	21	86	83
Less finance charges	-	-	(3)	-
Present value of minimum lease payments	$ 21	$ 21	$ 83	$ 83

Leased assets are pledged as collateral for the related finance leases.

Investment Commitments

There are undrawn investment commitments for certain limited partnerships and pooled funds. See Note 6 *"Investments"*.

20. 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 2016 were $2,476 (2015 - $2,497) 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.

21. 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 funding current operations and the eventual elimination of the unfunded liability. 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 unfunded status based on the funding percentage. The funding percentage calculated by the ratio of total assets to total liabilities is 84.1 per cent (2015 – 80.6 per cent).

ACTUARIAL CERTIFICATE

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, 2016, 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 $1,924,386,000 represents the actuarial present value at December 31, 2016, 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, 2016. 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 3.50% per annum for the real rate of return on invested assets and 2.50% 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 1.25% 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 2.50% 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, we used an inflation rate of 4.25% per annum reflecting the greater expected inflation and utilization rate for this benefit category.

It is our opinion that:

- the data are sufficient and reliable for the purpose of this valuation;
- the actuarial assumptions and the methods employed are appropriate for the purpose of the valuation; and
- the amount of benefit liabilities makes appropriate provision for future benefit payments on accidents incurred prior to the valuation date.

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

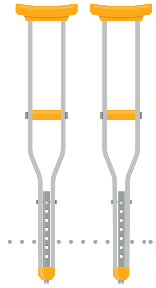
Further information on the data, assumptions, methods, and valuation results can be found in our actuarial valuation report.

Jeff Turnbull,
FSA, FCIA

Scott Mossman,
FSA, FCIA

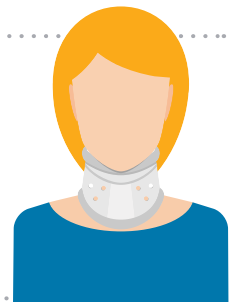
2016 STATISTICAL SUMMARY

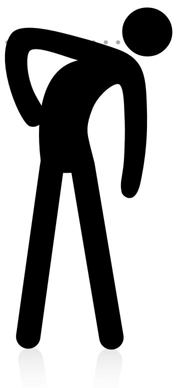
The provincial **INJURY RATE** has **DECREASED** to **1.74**, the **LOWEST** it has been since we started measuring time-loss injuries in this manner.



TIME-LOSS CLAIMS in 2016, a **2.8% DECREASE** from the 2015 total of 6,014.

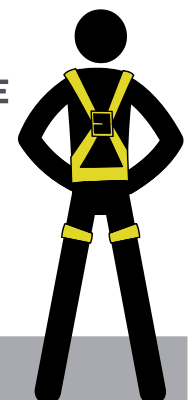
63.5% of all 2016 compensable time-loss claims are **SPRAINS AND STRAINS**, the most common type of time-loss injury.





BACK INJURIES comprise over one quarter of all time-loss injuries in 2016 at **28.6%**

There was a **17%** **DECREASE** in the number of time-loss claims related to **FALLS**, 997 in 2016 down from 1,201 in 2015.



TOTAL ASSESSABLE PAYROLL has increased steadily. The current figure of **$10.50 BILLION** represents an average annual increase of 2.95% over the last 10 years.

HEALTH/SOCIAL SERVICES is the largest industry sector in the province and accounts for the highest volume of time-loss injuries at 1,680 in 2016, which is more than **2.5** **TIMES** as many as the next closest sector.

While the 2016 **INJURY RATE** in **HOSPITALS** dropped (from 1.63 to 1.53), it **INCREASED** in **NURSING HOMES** (from 4.77 to 5.24) and in **HOME CARE** (from 8.46 to 9.13).

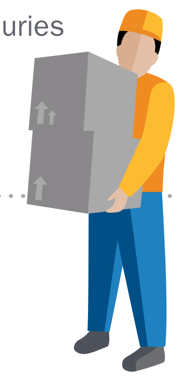
INJURY RATES FELL notably in Wholesale Trade (from 1.39 to 1.18), Fishing/Trapping (from 2.39 to 1.77) and Transportation/Storage (from 2.79 to 2.47).

WOMEN represented **47%** of time-loss claims in 2016, compared to just 35% in 2002.

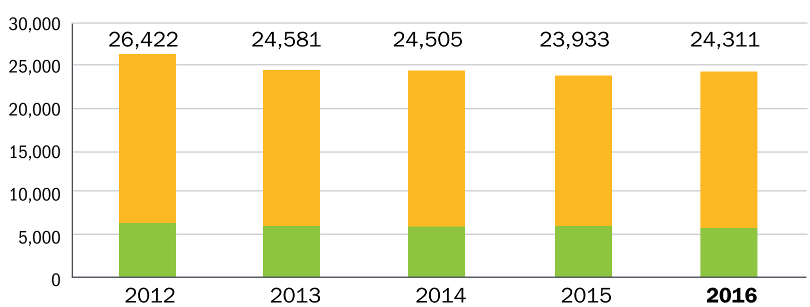
39% of all time-loss claims in 2016 impacted workers **AGE 50 OR OLDER**. This figure is more than double the 2002 figure of 19%.

Over the past decade, time-loss claims for **YOUNG WORKERS** (under 25) have **DECREASED** by **37%**

BODILY REACTION AND EXERTION was the most common injury description with **54.9%** of all time-loss injuries in 2016.



STATUS OF NEW CLAIMS



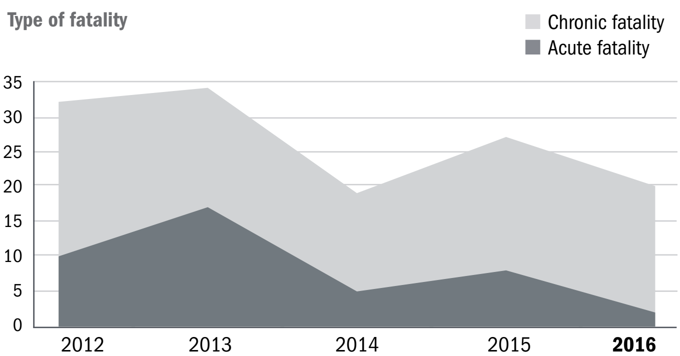
	2012	2013	2014	2015	**2016**
Compensable Time-Loss	6,341	6,034	5,953	6,014	5,847
Other:					
No Compensable Time-Loss	15,565	14,374	14,342	13,356	13,545
Not Pursued or Disallowed	4,516	4,173	4,210	4,563	4,919
Other Subtotal	20,081	18,547	18,552	17,919	18,464
Total	26,422	24,581	24,505	23,933	24,311
Fatalities[1]	32	34	19	27	20
Clients with Registered Claims[2]	23,548	22,410	22,410	21,790	22,026

[1] 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.

[2] 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.

WORKPLACE FATALITIES IN NOVA SCOTIA: 2016

20 workplace fatalities occurred in Nova Scotia in 2016.



2 deaths were classified as "acute," and were caused by traumatic injuries at a workplace.

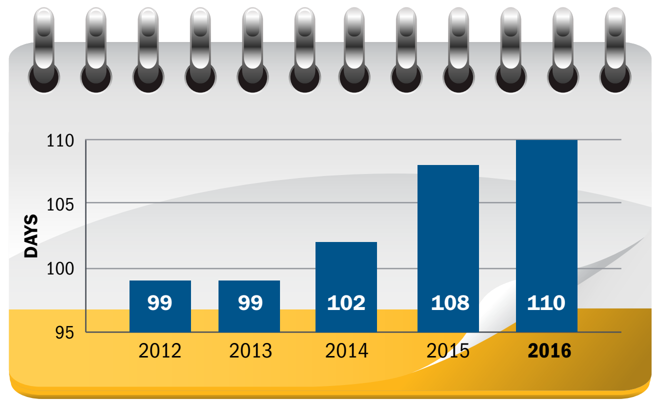
18 deaths were classified as "chronic." This includes two categories:

- 13 deaths related to occupational diseases or conditions, often from previous exposures; and
- 5 deaths occurring at a workplace, from other health conditions not necessarily related to the work, primarily cardiac events.

WCB Nova Scotia and the Nova Scotia Department of Labour and Advanced Education's Occupational Health and Safety Division report a single fatality number including both deaths at worksites, and deaths due to occupational disease or illness from previous exposures in a given year. Occupational disease fatalities are those which occurred in 2016, and are on record as of year-end.

COMPOSITE DURATION INDEX

Using AWCBC Composite Method



GENDER OF CLIENT

Compensable time-loss claims

	2015	%	2016	%
MALE	3,240	53.9%	3,106	53.1%
FEMALE	2,774	46.1%	2,741	46.9%
	6,014	100.0%	5,847	100.0%

TARGETED AVERAGE ASSESSMENT RATE

All provinces per $100 of assessable payroll, 2015 (AWCBC)

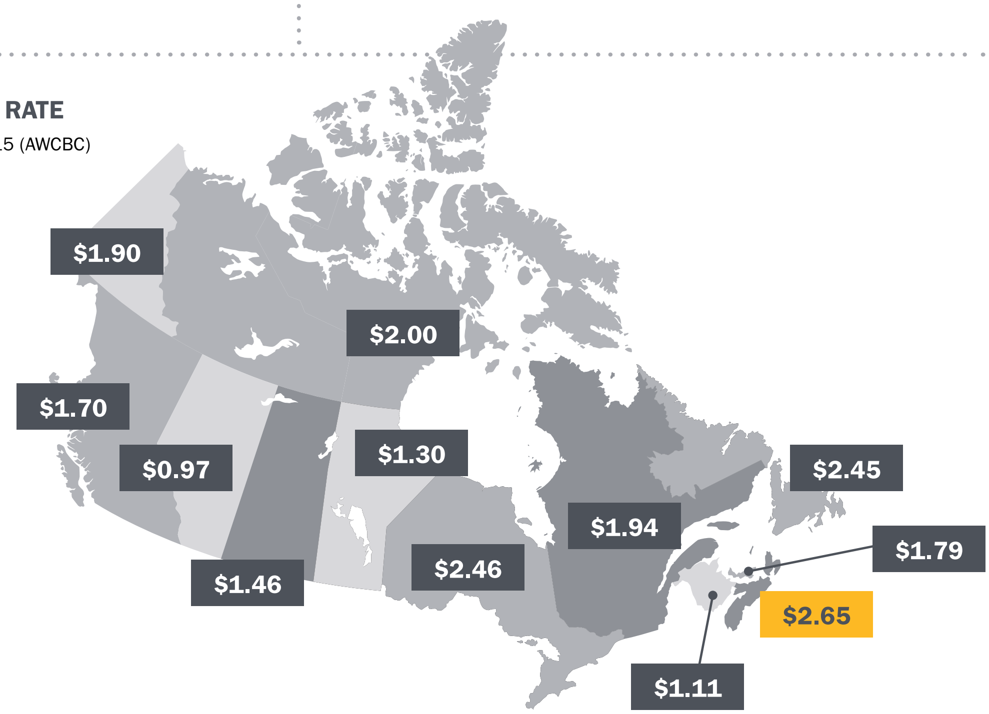


TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

INJURY FREQUENCY AND CLAIM VOLUMES BY INDUSTRY

For Nova Scotia, 2016

	Excluding Self Insured Claims								Including Self Insured Claims			
	Assessable Payroll ($ millions)	% of Total Assessable Payroll	Number of Claims Registered (No Self Insured)	% of Claims Registered (No Self Insured)	Number of Time-Loss Claims (No Self Insured)	% of Time-Loss Claims (No Self Insured)	Injury Frequency	Injury Frequency Last Year (2015)	Number of Claims Registered (Inc. Self Insured)	% of Claims Registered (Inc. Self Insured)	Number of Time-Loss Claims (Inc. Self Insured)	% of Time-Loss Claims (Inc. Self Insured)
Health/Social Services	2,053.7	19.6%	5,019	22.3%	1,680	31.3%	3.11	3.13	5,019	20.6%	1,680	28.7%
Retail Trade	1,381.3	13.2%	2,486	11.1%	625	11.6%	1.30	1.24	2,576	10.6%	650	11.1%
Manufacturing	1,314.2	12.5%	3,301	14.7%	628	11.7%	1.87	1.80	3,301	13.6%	628	10.7%
Construction	1,115.5	10.6%	2,337	10.4%	523	9.7%	1.91	1.99	2,337	9.6%	523	9.0%
Wholesale Trade	871.6	8.3%	1,453	6.5%	275	5.1%	1.18	1.39	1,453	6.0%	275	4.7%
Accommodation/Food/ Beverages	616.4	5.9%	1,784	7.9%	384	7.1%	1.38	1.34	1,784	7.3%	384	6.6%
Transportation/Storage	543.3	5.2%	1,221	5.4%	312	5.8%	2.47	2.79	1,233	5.1%	316	5.4%
Business Services	484.2	4.6%	426	1.9%	109	2.0%	0.64	0.73	426	1.8%	109	1.9%
Communication/Utilities	435.7	4.1%	673	3.0%	109	2.0%	1.07	1.23	871	3.6%	176	3.0%
Government Services	413.7	3.9%	564	2.5%	140	2.6%	1.44	1.60	2,078	8.6%	514	8.8%
Other Services	347.2	3.3%	731	3.3%	176	3.3%	1.48	1.47	731	3.0%	176	3.0%
Educational Services	292.3	2.8%	628	2.8%	170	3.2%	1.94	2.46	631	2.6%	170	2.9%
Fishing/Trapping	263.6	2.5%	271	1.2%	90	1.7%	1.77	2.39	271	1.1%	90	1.5%
Real Estate/Insurance Agents	128.7	1.2%	179	0.8%	69	1.3%	1.94	1.53	179	0.7%	69	1.2%
Mining/Quarries/Oil Wells	82.3	0.8%	88	0.4%	22	0.4%	1.43	0.86	103	0.4%	22	0.4%
Agriculture/Related Services	78.5	0.7%	144	0.6%	41	0.8%	1.56	1.54	144	0.6%	41	0.7%
Logging/Forestry	48.4	0.5%	82	0.4%	21	0.4%	1.39	2.14	82	0.3%	21	0.4%
Finance/Insurance	31.6	0.3%	10	0.0%	2	0.0%	0.18	0.18	10	0.0%	2	0.0%
Unknown	0.0	0.0%	1,082	4.8%	1	0.0%	0.00	0.00	1,082	4.5%	1	0.0%
Total	$10,502.2	100.0%	22,479	100.0%	5,377	100.0%			24,311	100.0%	5,847	100.0%

CLAIMS REGISTERED BY FIRMS

Number of Firms	Number of Claims Registered 2016	% of all Firms	Number of New Claims Registered	% of New Claims Registered	% of Total Assessable Payroll ($ millions)
10	200 or more	0.05%	5,076	20.88%	16.8%
22	100 or more	0.12%	6,794	27.95%	22.8%
51	50 or more	0.27%	8,832	36.33%	27.1%
134	25 or more	0.71%	11,721	48.21%	35.6%
357	10 or more	1.89%	15,123	62.21%	46.8%
752	5 or more	3.99%	17,703	72.82%	56.4%

INJURY REGION

Compensable time-loss claims

	2015	%	2016	%
Halifax Regional Municipality	2,492	41.5%	2,542	43.5%
South Shore & Valley	1,306	21.7%	1,278	21.8%
Central & North Shore	1,366	22.7%	1,204	20.6%
Cape Breton	826	13.7%	805	13.8%
Other	24	0.4%	18	0.3%
	6,014	100.0%	5,847	100.0%

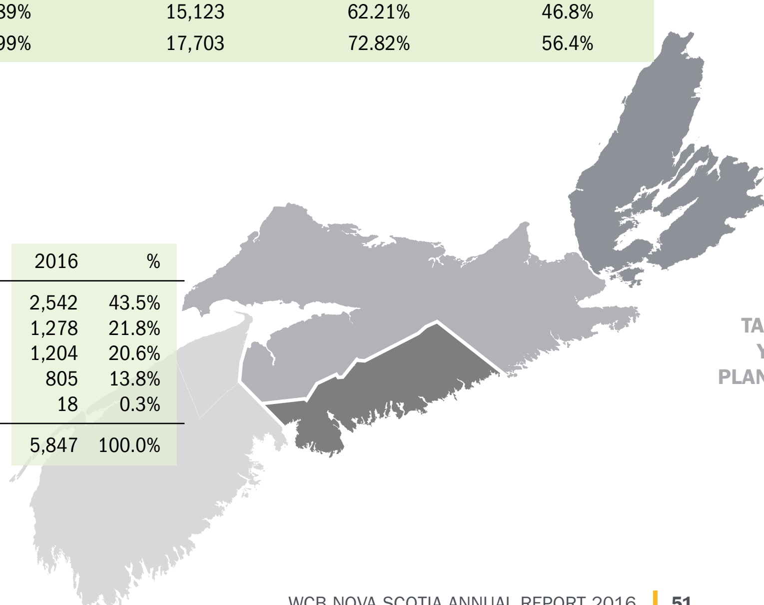


TABLE OF CONTENTS
YEAR AT A GLANCE
PLANS AND PROGRESS
MD&A
FINANCIALS
STATISTICS

2016 STATISTICAL SUMMARY

AGE AT INJURY DATE

Compensable time-loss claims

	2015	%	2016	%
Less than 20	142	2.4%	130	2.2%
20 to 24	505	8.4%	431	7.4%
25 to 29	521	8.7%	570	9.7%
30 to 34	484	8.1%	490	8.4%
35 to 39	589	9.8%	560	9.6%
40 to 44	691	11.5%	658	11.3%
45 to 49	736	12.2%	738	12.6%
50 to 54	941	15.6%	832	14.2%
55 to 59	765	12.7%	786	13.4%
60 to 64	446	7.4%	489	8.4%
65 or older	194	3.2%	163	2.8%
Total	6,014	100.0%	5,847	100.0%

PART OF BODY

Compensable time-loss claims

	2015	%	2016	%
Back, including spine, spinal cord	1,799	29.9%	1674	28.6%
Leg(s)	527	8.8%	569	9.7%
Shoulder, including clavicle, scapula	558	9.3%	527	9.0%
Multiple body parts	524	8.7%	498	8.5%
Finger(s), fingernail(s)	364	6.0%	343	5.9%
All Other	399	6.6%	339	5.8%
Cranial region, including skull	219	3.6%	279	4.8%
Ankle(s)	304	5.1%	262	4.5%
Arm(s)	281	4.7%	239	4.1%
Wrist(s)	219	3.6%	221	3.8%
Neck, except internal location of diseases or disorders	174	2.9%	203	3.5%
Hand(s), except finger(s)	161	2.7%	159	2.7%
Foot(feet), except toe(s)	131	2.2%	142	2.4%
Multiple trunk locations	113	1.9%	139	2.4%
Chest, including ribs, internal organs	122	2.0%	130	2.2%
Pelvic region	119	2.0%	123	2.1%
Total	6,014	100.0%	5,847	100.0%

SOURCE OF INJURY

Compensable time-loss claims

	2015	%	2016	%
Persons, Plants, Animals, and Minerals	2,354	39.1%	2,439	41.7%
Structures and Surfaces	1,175	19.5%	1,044	17.8%
Containers	626	10.4%	629	10.8%
Parts and Materials	444	7.4%	426	7.3%
Vehicles	378	6.3%	378	6.5%
Tools, Instruments, and Equipment	361	6.0%	311	5.3%
Machinery	264	4.4%	241	4.1%
Furniture and Fixtures	207	3.5%	213	3.6%
Other Sources	167	2.8%	144	2.5%
Chemicals and Chemical Products	38	0.6%	22	0.4%
Total	6,014	100.0%	5,847	100.0%

NATURE OF INJURY

Compensable time-loss claims

	2015	%	2016	%
Sprains,Strains	3852	64.1%	3,715	63.5%
Fractures, Dislocations	476	7.9%	503	8.6%
Contusion, Crushing, Bruise	270	4.5%	308	5.3%
Inflamed Joint, Tendon, Muscle	348	5.8%	302	5.2%
Cut, Laceration, Puncture	304	5.1%	290	5.0%
Concussions, Intracranial Injuries	229	3.8%	283	4.8%
Other traumatic injuries and disorders	254	4.2%	222	3.8%
All Other	129	2.1%	103	1.8%
Burns	110	1.8%	77	1.3%
Digestive system diseases and disorders	42	0.7%	44	0.7%
Total	6,014	100.0%	5,847	100.0%

INJURY EVENT

Compensable time-loss claims

	2015	%	2016	%
Bodily Reaction and Exertion	3,215	53.4%	3,211	54.9%
Contact With Objects and Equipment	1,044	17.3%	1,071	18.3%
Falls	1,201	20.0%	997	17.1%
Assaults, Violent Acts and Harrassment	167	2.8%	234	4.0%
Transportation Accidents	198	3.3%	202	3.5%
Exposure to Harmful Substances or Environments	174	2.9%	125	2.1%
Fires and Explosions	10	0.2%	5	0.1%
Other Events or Exposures	5	0.1%	2	0.0%
Total	6,014	100.0%	5,847	100.0%

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.

WORK SAFE. FOR LIFE.
WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Halifax Office
5668 South Street
P.O. Box 1150
Halifax, NS B3J 2Y2

Tel: 902 491 8999
Toll Free: 1 800 870 3331
Injury Reporting Fax: 902 491 8001

Sydney Office
404 Charlotte Street
Suite 200
Sydney, NS B1P 1E2

Tel: 902 563 2444
Toll Free: 1 800 880 0003
Fax: 902 563 0512

Email
info@wcb.ns.ca

On the Web
wcb.ns.ca
worksafeforlife.ca

Employer Account Access
my-account.ns.ca

Twitter
@worksafeforlife