

# **2026 Funding Strategy**

With funding projections 2026-2030

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## Executive Summary

The WCB's funding strategy is the primary instrument for capital management and provides support for rate-setting purposes. The funding strategy involves assumptions about revenue from the covered workforce, investment returns, operational results and general economic conditions. In line with the strategic priorities, the funding strategy assumes a growing economy, reasonable long-term investment returns from a diversified portfolio and stabilized claims costs for a financially sustainable system. The WCB collects premiums from employers each year to cover the lifetime cost of workplace injuries that occurred in the year. Additionally, the WCB must maintain sufficient assets to cover the liability for benefits related to injuries incurred in the past. The funding strategy supports the WCB's ability to remain financially sustainable while maintaining the system and balancing worker and employer perspectives.

On a funding basis, the WCB's financial position improved in 2024 to 104.9%. This improvement is primarily attributed to positive investment returns in excess of long-term expectation, actuarial experience gains on long-term benefits, and assessment revenue in excess of current year costs.

Under the foundation scenario the 2026 funding strategy assumes:

- The average assessment rate utilized to establish employer rates is held at \$2.65/\$100 of payroll in 2026.
- No changes are made to the WCB's existing benefit structure.
- The funded ratio is projected to improve to 106.3% at the end of 2025 and to 110.0% by the end of 2026.
- Aligned to the ambitious strategic plan targets for improvements through 2030.

Effective January 1, 2023, a new international accounting standard - IFRS 17 Insurance Contracts was mandated for all insurance companies and workers' compensation boards in Canada, present value the liabilities at current market values. However, based on the economic and business fundamentals, the WCB continues to use a going-concern funding basis for funding strategy and rate-setting. Under the funding basis, liabilities are measured using the expected long-term return on the assets backing the liabilities as the discount rate. All of the financial information contained in this document pertains to the funding basis.

The Approved Rate Range (ARR) framework enables the system to consider changes and balance those changes with the principle of long-term stability and sustainability. The ARR framework defines the funding level where changes may be considered and sets upper and

lower thresholds for the system's funded ratio. This serves as a guide for consideration of when adjustments are made to the average assessment rate for employers or recommendations are made to Government to improve benefits for workers. The ARR framework aims to protect long-term system sustainability so we can deliver more value to workers and employers. Additional information on the approved rate range can be found under <https://www.wcb.ns.ca/ApprovedRateRange>.

The average assessment rate is proposed to be held at \$2.65/\$100 of payroll in 2026. This is supported by:

- The funded ratio is within the ARR range at the relatively mid-range. Any significant deterioration in the current funded ratio of 104.9% could take the WCB to the low end or below the bottom range and potentially impact benefit security and rates. Every \$27 million variance from plan represents approximately 1% to the funded ratio – for example: higher benefits costs or lower investment returns than assumed in the strategy could impact the funded ratio materially and swiftly return the WCB to an unfunded liability position.
- There is currently considerable uncertainty in investment markets given geopolitical tensions and ongoing trade tariffs. Investment returns year to date May 2025 are flat, falling short of longer term expected returns. Large gains or losses can occur due to investment market volatility and interest rate volatility and have significant impact on the funded ratio. For example, in March 2020, after significant investment market declines the funded ratio was 88%, and following market rebounds, the end of year result was a funded ratio of 102.9%. Similarly, in 2022, the funded ratio decreased to 92.1% from 106.4% in 2021.
- The WCB's Strategic Plan targets significant improvements in claim duration and injury frequency. While many programs are underway and initial results are promising, time is needed from an actuarial perspective to confirm improvements are on track with targets and are being sustained. Uncertainty in benefit costs remains for traumatic and gradual onset psychological injuries. There is little actual experience on which to assess potential costs. Staff continues to monitor emerging cost experience and future projections will be updated based on observed experience over time.

The 2026 foundation scenario includes overall provisions for growth in the workforce/revenue and meeting long term investment returns. It also reflects improvement in claims costs via reductions in lost-time injury frequency, claim durations and health care payments, and incorporates expected cost increases due to recent expansion to cover gradual psychological injury.

The organization recognizes that having a strong funded percentage is a necessity to support system reform and to withstand potential system shocks (through factors such as adverse economic growth, investment returns or claim costs). The financial position of WCB is a critical consideration in decisions around system improvements, such as increases to benefits and/or reductions of employer assessment rates. The ability to set rates approved by the Board of Directors and the level of benefits provided is set by the Government of Nova Scotia, and subject to interpretation by the Courts, the funding equation is not entirely within the control of the WCB as the neutral administrator.

The reality is that there will always be annual variability in the funded ratio. We continue to work toward strengthening the financial position and recognize that workers and employers have waited a long time for system reform. As we move forward, we must take a long-term view to maintain sustainable funding into the future.

Annual revisions to the funding strategy are required to reflect actual experience and changes in outlook/assumptions. The foundation scenario is used to prepare the financial projections and is the basis of the discussion here. Details on the foundation scenario are included in Appendix A.

## **Background**

The Workers' Compensation Act passed in the spring of 1995 makes specific reference to the Workers' Compensation Board funding requirements. The Act mandates the WCB to make an assessment on and collect from employer's sufficient funds to cover the current and future claims and administrative costs of all injuries occurring in the year. These requirements give the WCB guidance for funding and budgeting decisions on an annual basis. The funding strategy incorporates this foundational guidance and other key assumptions into a financial model with an underlying goal of projecting the WCB's finances into the future.

Investment income is a key component of the funding strategy. The funding model requires that invested assets generate sufficient income over time to cover the growth in the benefits liability. While investment returns are a key component, they are also a key source of variability. In the short-term we have seen fluctuation around the long-term assumption of 6.0% for investment returns; however, over time actual experience has generally aligned with the assumption. In 2024, the portfolio returned 12.9% following a return of 7.7% in 2023. The annualized 10-year return as of December 2024 was 6.1%.

The original funding strategy was developed in December 1995 and anticipated elimination of the unfunded liability in 2039. Since that time, new and enhanced entitlements have added hundreds of millions of dollars to the liability: chronic pain, supplementary benefits, traumatic psychological injuries, firefighter cancers, the reinstatement of survivor benefits, changes to accounting policies and the inclusion of an allowance for latent occupational disease are also among the changes to benefit costs. In 2024, the costs related to new gradual onset psychological injury legislation began to have effect.

While there were challenges, the WCB also experienced greater economic growth than expected leading to covered payroll in recent years that exceeded original estimates. Overall, elimination of the unfunded liability occurred years sooner than expected. To a large extent, the funding period was used to absorb variations between financial projections and actual results. This approach allowed us to meet a key objective of maintaining a plan to eliminate the unfunded liability while providing relative stability in assessment rates and benefits paid to injured workers.

Financial progress over the past several years has been encouraging; however, there are many factors that can influence the funding strategy. At the end of 2024, assets exceeded liabilities with a funded ratio of about 104.9%, compared to 94.9% at the end of 2023. This demonstrates the potential volatility in the funded ratio and how quickly it can change between funded to unfunded when assets and liabilities are nearly equal.

## **Foundation Scenario for 2026**

For 2026, the foundation scenario incorporates recent results along with assumptions on future performance. The covered payroll in Nova Scotia grew 7.5% in 2024 due to increases in both average wages and overall workforce. Going forward, the size of the workforce will impact both time loss claims and payroll and is projected to grow at 1.0% in 2025 and 0.25% per annum for 2026 onwards. Wages are projected to increase at 3% per annum and will impact both payroll and benefit costs. For purposes of the funding strategy, the model assumes investments will earn 3.0% in 2025, followed by slightly higher returns (6.5%) in 2026-2029 to achieve a projected average return of 6.0% per annum over the long-term, consistent with expectations.

Key projection assumptions made in the funding strategy for 2025 and onward include:

- Gross interest rate of 5.5% per annum (funding discount rate).
- Long-term net investment return of 6.0% per annum.
- Long-term change in Consumer Price Index (CPI) of 2% per annum, based on bank of Canada forecasts.
- Aligned to strategic plan lost time claim injury rate reaching 1.16% in 2030 and matches short term duration reduction in days paid per covered worker force from 269 (2024) to 167 (2030). Continued progress on lost time claim and duration reduction targets arising from investments in prevention, return to work and exceptional service. Additionally, a reduction in health care benefit payments of approximately \$10 million in 2025.
- Average annual wage growth of CPI plus 1%.
- Increases in covered workforce of 1.0% in 2025 and 0.25% thereafter as supported by Conference Board of Canada and provincial forecasts.
- Actuarial gain of \$30 million in 2025 related to long term benefits and health care experience reflected in 2025 forecast.
- GPI experience – early experience is being monitored.

The targeted total revenue for 2026 is \$666.5 million based on:

- a projection for insured firms' assessable payroll of \$17.7 billion yielding assessment revenue of \$468.7 million at an average rate of \$2.65,
- investment income of \$189.0 million, and
- revenue from self-insured employers of \$8.8 million (administration fee).

In 2026, projected comprehensive income of \$110.1 million will improve the funded ratio to 110.0% at the end of 2026. This results from the total revenue target of \$666.5 million minus:

- claim costs incurred of \$289.8 million (insured claims),
- the growth in present value of the benefits liability of \$142.5 million, and
- estimated administrative costs, including legislated obligations and system support, of \$124.1 million.

## Recent Financial Results

The key operating results for 2024 and 2023 are attributed to the following factors:

	<b><u>2024</u></b> <b><u>(\$ millions)</u></b>	<b><u>2023</u></b> <b><u>(\$ millions)</u></b>
Assessment revenue in excess of current year costs	\$82.8	\$69.6
Investment income above (below) liability requirements*	141.5	51.2
Actuarial liabilities (more) less than previously anticipated	39.5	(53.8)
Re-measurement of employee benefits	3.9	(2.3)
Total comprehensive income (loss)	<u>\$267.7</u>	<u>\$64.7</u>

\* Surplus (Shortfall) of investment income relative to growth in present value of the benefits liabilities.

The total comprehensive income in 2024 is primarily related to positive investment experience, current year injury costs less than assessments with larger wage and workforce growth than expected (and includes stabilization charge) and actuarial gains on long-term disability awards.

In workers’ compensation, assessment revenue should roughly equal current year costs, otherwise transfers to or from future employers are occurring. The decisions we make now are important not only for the employers we cover today, but for generations in the future. However, preserving the WCB’s financial stability requires mitigation strategies including additional contributions to stabilize the WCB’s funding position. Approximately \$0.50 (2024) of the average assessment rate was used to support improving the WCB’s funded ratio. The \$0.50 was more than expected and is primarily related lower than expected administrative net costs and claims costs in the year.

In a system with a funded liability, investment income should be expected to equal liability requirements. That is, the invested funds should increase at a rate equal to the increase in the liability. In 2024, investments performed well (12.9% return) and exceeded the liability requirement by \$141.5 million.

## Future Claims Costs and Potential Savings

The WCB's *Protect More* Strategic Plan for 2024-2030 sets ambitious targets for bettering the system with a focus on injury prevention, return to work improvements and exceptional service. It aims to improve long-term system sustainability so we can deliver more value to workers and employers while reducing the potential for significant financial imbalances.

Time-Loss Days Paid per 100 Covered Employees increased from 259 days in 2023 to 269 days in 2024. The strategic plan targets improvements in coming years to an ultimate target of 167 days by the end of 2030. The targeted outcomes will be achieved through a continued focus on prevention and return to work including specialized programs to improve outcomes on psychological injuries. We are holding ourselves accountable at WCB through clear goals at individual levels. We are holding service providers accountable through a focus on dollars spent, value for money, and a return to Medical Disability Guidelines. We are holding employers accountable by engaging them differently, with a focus on those who most impact the overall system.

The injury rate is one of the most significant drivers of benefit costs, and a key strategic focus. At the end of 2024, the injury rate was 1.38 time-loss claims per 100 covered workers, down from 1.40 in 2023. Over the past two decades, the WCB has dramatically reduced injury rates. The strategic plan assumes continued improvements in the injury, reducing to 1.16 per 100 covered workers by 2030. Health care benefits are a significant cost and represent about 30% of incurred claim costs each year. Updated treatment protocols along with renegotiation of key vendor contracts are expected to reduce payments by \$10 million in 2025.

The foundation scenario links to injury rate, duration, and health care reduction targets set in the strategic plan and factors them into incurred costs for future accident years. Any variance could result in actuarial gains or losses that would likely accompany achievement of strategic plan targets are not incorporated into the foundation scenario beyond 2025. These would be recognized in future iterations of the funding strategy as they are observed.

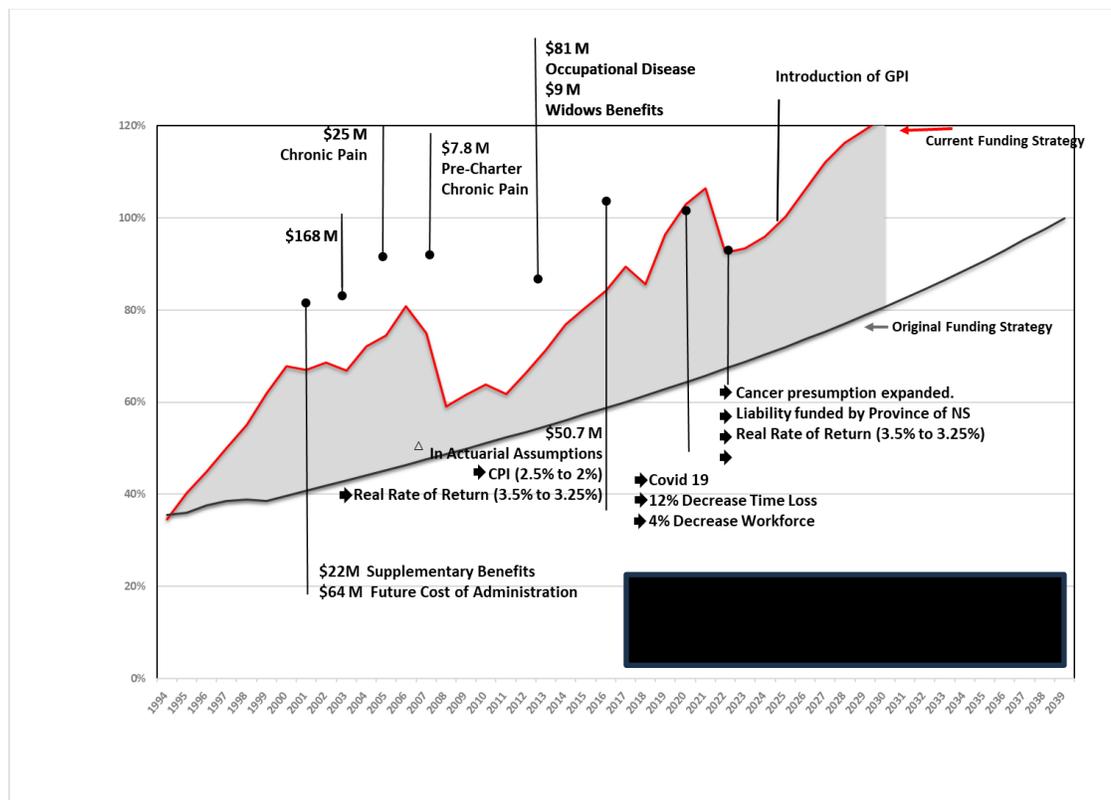
The administrative and legislated obligations portion of the rate is expected to increase to \$0.65 in 2026, as a result of resource and project investments to meet the strategic plan targets and decreasing to \$0.56 in 2030.

The foundation scenario currently reflects a combined cost of claims and administration of \$2.29 for 2026, gradually decreasing to \$2.07 in 2030. The probability of achieving these

estimates will be significantly improved based on the resource investments being made. As per the current foundation scenario, the excess available to stabilize the funded ratio in 2026 is projected to be \$0.36.

Other factors that can impact claim costs include:

1. The benefit structure contained in the Workers' Compensation Act, which is the governing legislation. Court decisions, legislative reviews, emerging issues and resulting legislation periodically change coverage. For example, in 2003, a court decision relating to chronic pain benefits had a significant impact on the unfunded liability and on the estimated claims costs incurred going forward. This and other changes that have increased the benefits liabilities are chronicled below:



2. Actuarial and accounting standards for reporting liabilities of Workers' Compensation Benefits. For example, in 2013, the Actuarial Standards Board adopted a new standard of practice requiring an estimation of liabilities for occupational disease during the latency period. In prior periods, the liability only included an amount for occupational disease confirmed through diagnosis. This change had a significant impact on the benefits liabilities and, to a lesser extent, on the claims cost incurred.

3. The number and severity of injuries, which occur in workplaces across the province. This is normally correlated with the real growth in the economy but also reflects to some degree the shift between different sectors of the economy. This is important, as certain sectors are subject to more workplace injuries than other sectors. In addition, there is an ongoing shift in the type of injuries from physical to psychological in nature. In addition to traumatic psychological injury, compensability of gradual onset psychological injury became effective September 1, 2024. In order for the WCB to achieve the targeted results, it is critical that workplaces across the province embrace prevention and return to work, collaborate work with the WCB to improve claim outcomes, and foster psychologically safe workplaces.
4. Administrative processes can have a significant impact on claims costs incurred, primarily due to changes in the way that claims are administered. For example, the WCB's early engagement philosophy is anticipated to reduce claims costs incurred over time by shortening durations for the average claim and reducing the number of claims going on to long term disability. However, this philosophy of increased early support and additional investments to lead these initiatives has increased costs as we look more broadly to determine how we might assist injured workers to return to work in a safe and timely manner. These expenses are intended to reduce overall costs by helping injured workers return to work.
5. Long Term Awards (EERBs) are a significant cost driver for the WCB, and the number of new awards granted in 2024 decreased significantly to more regular amounts from the higher levels experienced in 2021 to 2023. Variations around expected EERB experience can generate significant gains or losses for the WCB each year. The increasing prevalence of psychological injuries and recent legislative change around gradual onset psychological stress has potential to generate a permanent increase in long term awards in future years. This will be reviewed with our external actuary as we gain more experience with these claims. The potential to reduce long term benefit costs seems reasonable and achievable given Nova Scotia's experience relative to other jurisdictions.

## Factors Considered

Funding of the Workplace Safety and Insurance System (WSIS) reflects the balance struck between the level of benefits, rates charged to employers and the WCB's funding position.

In the past, when financial results were different than the target, whether better or worse, there were three possible courses of action: adjust benefits to workers, adjust rates paid by employers, or increase or decrease the time period over which the unfunded liability is to be eliminated. As the level of benefits is set by the Legislature, subject to interpretation by the Courts, the funding equation is not entirely within the control of the WCB as the neutral administrator.

Many of the variables that influence the funding plan, such as CPI, economic activity and investment returns, are outside the control of the WCB and can be subject to significant variability. While we make every effort to provide reasonable estimates, there are times when extraordinary events can occur that can have a significant impact on the funding plan.

Factors to consider when constructing a strategy to achieve financial sustainability:

1. **Stability** – the current model is built on the premise that regardless of the rate strategy selected, employers prefer to have some certainty and a long-term outlook with respect to the direction rates are heading as opposed to a significant amount of volatility.
2. **Competitiveness** - at more than 2.5% of payroll, Nova Scotia rates are viewed as the highest rates in the country while providing among the lowest benefits to individuals. However, this is only part of the story as comparisons do not take into account key differences across jurisdictions. For example, Nova Scotia covers 75% of the payroll base and this results in a higher average rate than those that provide universal coverage. It is also worth noting that in some industries, Nova Scotia actually has the lowest rates in Canada.
3. **Policy in the context of an unfunded liability** – the existence of a large unfunded liability in the past tended to have a dramatic impact on any significant policy or financial initiative of the WCB, and on the Legislative Assembly when considering new legislation. The WCB's updated Strategic Plan for 2024-2030 includes strategic considerations for system reforms that may result in benefit enhancements and rate reductions. This will likely result in fluctuations in the funding ratio and will make negative economic downturns more difficult to recover from, all else equal.

4. Intergenerational transfers – with the unfunded liability, intergenerational transfers between employers can be limited going forward if strategies are adopted to mitigate the risk of falling outside specified funding ranges in future years. The WCB’s Approved Rate Range is a designed to mitigate this risk.
5. Security - the potential for liabilities to exceed assets in future will call into question the sustainability of the fund and the security of future benefits. Again, the Approved Rate Range is a tool to mitigate this risk.

## **Rationale for Key Assumptions**

A key point to emphasize throughout the discussion of the funding strategy is the interdependence of various assumptions. In some cases, the relationship between two or more assumptions plays a more significant role in the projections than the choice of individual assumptions. For example, when determining the assessment rate required to fund the cost of future injuries, it is the relationship between the rate of claims cost increase and assessable payroll growth rate that is more important than either of the individual rates. Therefore, it is important to take care in setting both individual assumptions and relationships among the various assumptions.

The rationale for the key proposed assumptions is as follows:

1. Consumer Price Index Assumption

The long-term assumption for annual changes in CPI is 2.0% based on an analysis of historical results, the Bank of Canada target range for inflation, and Conference Board of Canada forecasts.

2. Claims Costs Incurred

The baseline claims costs incurred is based on the WCB’s actual experience in recent accident years adjusted for expected impact of Gradual Psychological Injury coverage. Claims costs incurred are assumed to grow at the rate of inflation (CPI) plus 1% as many benefits are wage-related, with the exception of health care costs which are assumed to grow at CPI plus 2.25% due to assumed health care inflation in excess of regular inflation based on historical experience.

### 3. Assessable Payroll

In Nova Scotia over the 40-year period of 1983 to 2024, claims costs incurred and administration costs have grown at a compound rate of 6% while assessable payroll has grown at 4%. While the administration budget did grow in the period, the main source of increase in Nova Scotia was claims costs; a result of the implementation of the new earnings loss system in 1996.

In order to grow our funded ratio, the trend of growth in costs exceeding growth in payroll in Nova Scotia must reverse. Targeted reductions in the frequency and duration of claims will have to materialize in order to achieve this goal.

The Average Assessment Rate Table in Appendix A indicates the importance of the relationship between the rate of growth of claims costs incurred and assessable payroll. If payroll and costs grow as expected, the average rate for current year costs is expected to be at \$2.07 in 2030; a reduction from the 2026 cost of \$2.29.

### 4. Discount Rate

The funding valuation used a net real rate of return assumption of 3.50% in 2024, consistent with 2023. Analysis indicates that 3.50% is a realistic real rate of return based on the WCB's current portfolio and is comparable with other jurisdictions and the Canadian national average. The real rate of return coupled with our long-term CPI assumption of 2.0%, yields a nominal discount rate of 5.50%. Changes in these assumptions can significantly impact the liabilities of the accident fund.

### 5. Investment Returns

Investment market volatility can create significant fluctuations in reported income in any given year. While there can be significant volatility in the short-term, the WCB expects to earn an average net return of 6.0% per annum over the long term. For purposes of the funding strategy, the foundation scenario is based on a reasonable pattern of investment income such that a nominal rate of return approximating 6.0% over the longer term is achieved.

In 2024, the WCB contracted Mercer to conduct an asset liability study. An integral part of the study was centered on expected investment returns and found the long-term average assumption of 6.0% per annum was reasonable given the WCB's investment strategy.

## 6. Mortality

The mortality assumption that underlies the calculation of liabilities and claims costs incurred for long-term disability and survivors' pensions will also influence the projections. The 2024 benefits liability valuation utilizes the 1983 Group Annuitant Mortality Table (with 10% margin) as the basis underlying liabilities. While there are newer mortality tables available, the table is applied to an injury population. In addition, the appropriateness of the mortality assumption is reviewed each valuation by the WCB's external actuary. Given the general trend over recent years to increased life expectancies, it is possible that future valuations will feature actuarial adjustments in respect of mortality. Such adjustments, all else equal, would lead to increases in both liabilities and claims costs incurred. However, the magnitude of such adjustments would tend to be small as the largest component of long-term disability costs relate to extended earnings replacement benefits payable to age 65, where mortality rates are relatively minor. A change in the assumed mortality table will therefore mainly impact only the costs associated with permanent impairment awards which are a smaller portion of total long term disability costs.

## Key Areas of Uncertainty

There are numerous areas of uncertainty that are considered with respect to the funding strategy. Some of the key areas of uncertainty include:

1. Changes in the Provincial Economy

A combination of factors was used to estimate the size of the Nova Scotia workforce for the next several years. This data included private bank forecasts for the NS economy, year-to-date data on payroll and premium receipts, Statistics Canada data, and Province of NS government projections. In 2024, the workforce increased by 2.3%. In 2025 we have assumed workforce growth will slow to 1.0% and further decrease to a rate of 0.25% per annum thereafter. We have also assumed a 3% per annum increase in average wages, based on a long-term inflation assumption of 2% and 1% additional wage inflation based on historical experience. A significant variance from these assumptions could have a material impact on the foundation scenario.

2. Injury Costs

The foundation scenario includes assumptions around reductions in costs available through improvements in the WCB's injury experience. Not achieving the targeted improvements outlined in the strategic plan could have a significant impact on the foundation scenario results. Reductions to the benefits liability that may result from achieving targeted improvements in injury experience have not been incorporated into the Foundation Scenario.

3. Legislative Framework/Reform/System Review

The claims costs incurred side of the funding equation is influenced by legislative decisions with respect to benefit levels and terms. A review of the WCB system was completed in 2024 and contained recommendations for changes. Any changes to the WCB's benefit structure could have significant impact on its liabilities and/or required rate. The Foundation Scenario does not consider any changes to the WCB's current benefit structure.

#### 4. Inflation

The Workers' Compensation Act prescribes a partial indexing formula to be applied to clinical rating system (CRS) pensions, permanent impairment benefits (PIB), and extended earnings replacement benefits (EERB). Due to indexing, CPI increases higher than the long-term assumption will result in increased liabilities and represent a risk to the accident fund.

#### 5. Coverage for New Conditions

The cost estimates assume that there will be no change in the WCB's policy/practice, and that there will be no coverage for new conditions. Any provision for new benefit costs flowing from judicial decisions, legislative amendments, and/or changes in WCB policy, except as expressly noted in this document, may require revisions to the funding strategy. The foundation scenario does include a provision for estimated costs associated with the recently adopted coverage for gradual psychological injury.

Although the Funding Strategy clearly labels assumptions as such, many users may credit the strategy with more certainty than warranted given the number and nature of assumptions it contains. Users are reminded that the Funding Strategy is a best estimate of what will happen given the assumptions. Actual results may differ from the projections and these differences may be material.

Funding the Workplace Safety and Insurance System (WSIS) requires consideration of a number of complex variables and assumptions relating to future events. This creates significant uncertainty and limits our ability to accurately predict future financial results. As a result, we recommend that the results presented in this document be viewed as estimates with room for potential variances.

# Appendix A

2025 – 2030 Financial Projections

## Appendix A

### 2025 - 2030 Financial Projections

#### Workers' Comensation Board of Nova Scotia Projected Statement of Operations

	2024 Actual	2025 Original	2025 Revised	2025 Forecast	2026 Projected	2027 Projected	2028 Projected	2029 Projected	2030 Projected
<b>Revenue</b>									
Assessments - Regular Classified	\$437,095,000	\$449,138,000	\$449,138,000	\$455,011,000	\$468,696,000	\$483,964,000	\$499,729,000	\$516,008,000	\$416,200,000
Assessments - Self Insured	9,413,000	7,500,000	7,500,000	8,500,000	8,755,000	9,018,000	9,288,000	9,567,000	9,854,000
Investment Income	267,228,000	167,604,000	167,604,000	83,298,000	189,041,000	201,085,000	214,172,000	228,536,000	225,784,000
	\$713,736,000	\$624,242,000	\$624,242,000	\$546,809,000	\$666,492,000	\$694,067,000	\$723,189,000	\$754,111,000	\$651,838,000
<b>Claim Costs</b>									
Growth PV of Benefits Liability	\$265,439,000	\$296,908,000	\$296,908,000	\$285,843,000	\$289,847,000	\$292,795,000	\$296,995,000	\$301,026,000	\$304,849,000
Administration Costs *	125,717,000	139,389,000	139,389,000	136,662,000	142,529,000	146,400,000	150,272,000	154,031,000	157,673,000
Liability for Future Administration Costs	78,767,000	87,536,000	90,535,000	90,535,000	99,600,000	102,162,000	98,057,000	96,732,000	95,014,000
OCI OPEBs Actuarial Gains/Losses	(3,526,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Legislated Obligations	(3,923,000)	-	-	-	-	-	-	-	-
System Support	21,897,000	23,911,000	23,791,000	23,791,000	24,940,000	25,439,000	25,948,000	26,467,000	26,996,000
Actuarial Experience Adjustments	1,186,000	1,439,000	1,480,000	1,480,000	1,510,000	1,540,000	1,571,000	1,602,000	1,634,000
	(39,481,000)	-	-	(30,000,000)	-	-	-	-	-
	\$446,076,000	\$547,183,000	\$550,103,000	\$506,311,000	\$556,426,000	\$566,336,000	\$570,843,000	\$577,858,000	\$584,166,000
<b>Comprehensive Income</b>	\$267,660,000	\$77,059,000	\$74,139,000	\$40,498,000	\$110,066,000	\$127,731,000	\$152,346,000	\$176,253,000	\$67,672,000
* Excludes Total Capital									
	2024 Actual	2025 O. Budget	2025 R. Budget	2025 Forecast	2026 Projected	2027 Projected	2028 Projected	2029 Projected	2030 Projected
Funding Position, End of the Year	\$131,803,000	(\$24,172,000)	(\$24,172,000)	\$172,301,000	\$282,367,000	\$410,098,000	\$562,444,000	\$738,697,000	\$806,369,000
Funding Percentage, End of the Year	104.9%	99.2%	99.2%	106.3%	110.0%	114.2%	118.9%	124.1%	125.7%

**2025 - 2030 PROJECTION ASSUMPTIONS  
AVERAGE ASSESSMENT RATE**

	<u>Claim Costs Incurred and Admin</u>	<u>Funding Level Adjustment</u>	<u>Total</u>
<b>2024</b>	<b>\$2.13</b>	<b>\$0.50</b>	<b>\$2.63</b>
<b>2025</b>	<b>\$2.28</b>	<b>\$0.37</b>	<b>\$2.65</b>
<b>2026</b>	<b>\$2.29</b>	<b>\$0.36</b>	<b>\$2.65</b>
<b>2027</b>	<b>\$2.25</b>	<b>\$0.40</b>	<b>\$2.65</b>
<b>2028</b>	<b>\$2.18</b>	<b>\$0.47</b>	<b>\$2.65</b>
<b>2029</b>	<b>\$2.13</b>	<b>\$0.52</b>	<b>\$2.65</b>
<b>2030</b>	<b>\$2.07</b>	<b>\$0.00</b>	<b>\$2.07</b>

# Appendix B

## Current Funding Strategy and Assumptions

## Appendix B

### Current Funding Strategy & Assumptions

Workers' Compensation Board of Nova Scotia  
 Administration and Legislative Obligations Projections 2025 - 2030  
 Payroll Growth - Per Targeted Assumptions  
 Claims Costs Incurred and Investment Income - Per Targeted Assumptions

Cal Year	Total Rate	Assessable Payroll (\$millions)	Total Revenue (\$millions)	Assess Rev (\$millions)	Assess Penalties (\$millions)	SI Admin Fee (\$ millions)	Invest Rev (\$millions)	Recognized Invest Rev (\$millions)	Projected Invest Adjust (\$millions)	Val Gross Return	Assumed Net Inv Return	Admin & LO (\$millions)	Change in OCI due to OPEBs	Admin Inflation
2020	2.68	11,677	497.223	305.822	0.009	8.108	183.284	183.284	-	5.25%	6.00%	77.606	(3.221)	0.030
2021	2.60	12,693	552.696	334.618	0.000	7.777	210.301	210.301	-	5.25%	6.00%	82.163	10.420	0.030
2022	2.60	13,906	265.227	432.689	0.000	7.801	(175.263)	(175.263)	-	5.50%	6.00%	81.272	8.335	0.030
2023	2.63	15,318	583.409	403.719	0.000	8.239	171.451	171.451	-	5.50%	6.00%	87.795	-2.362	0.030
2024	2.63	16,465	713.736	437.095	0.000	9.413	267.228	267.228	-	5.50%	6.00%	98.325	3.923	0.030
<b>2025</b>	<b>2.65</b>	<b>17,129</b>	<b>546.809</b>	<b>455.010</b>	<b>0.000</b>	<b>8.500</b>	<b>83.298</b>	<b>83.298</b>	<b>(85.000)</b>	<b>5.50%</b>	<b>6.00%</b>	<b>113.806</b>	<b>0.00</b>	<b>0.030</b>
<b>2026</b>	<b>2.65</b>	<b>17,687</b>	<b>666.492</b>	<b>468.696</b>	<b>0.000</b>	<b>8.755</b>	<b>189.041</b>	<b>189.041</b>	<b>15.000</b>	<b>5.50%</b>	<b>6.00%</b>	<b>124.050</b>	<b>0.00</b>	<b>0.030</b>
2027	2.65	18,263	694.067	483.964	0.000	9.018	201.085	201.085	15.000	5.50%	6.00%	127.141	0.00	0.030
2028	2.65	18,858	723.189	499.729	0.000	9.288	214.172	214.172	15.000	5.50%	6.00%	123.576	0.00	0.030
2029	2.65	19,472	754.111	516.008	0.000	9.567	228.536	228.536	15.000	5.50%	6.00%	122.801	0.00	0.030
2030	2.07	20,106	651.838	416.200	0.000	9.854	225.784	225.784		5.50%	6.00%	121.644	0.00	0.030



Workers' Compensation Board of Nova Scotia  
Administration and Legislative Obligations Projections 2025 - 2030  
Payroll Growth - Per Targeted Assumptions  
Claims Costs Incurred and Investment Income - Per Targeted Assumptions

Cal Year	LTD (\$millions)	LTD Inflation	Surv (\$millions)	STD (\$millions)	STD Inflation	Rehab (\$millions)	Rehab Inflation	Health Care (\$millions)	HC Inflation	Rehab Non- Income inflation	Rehab Non- Income (\$millions)	Total Incurred Claims (\$millions)	Total Incurred Claims + Admin (\$millions)	Interest on Liability (\$millions)	Actuarial Adjustments (\$millions)	Adj To OD Liability (\$millions)
2020	97.095	0.030	2.014	48.651	0.030	-	0.030	55.315	0.0425	0.030	0.786	203.861	281.467	101.217	(24.939)	
2021	108.395	0.030	1.347	57.215	0.030	-	0.030	66.064	0.0425	0.030	0.767	233.788	315.951	102.588	60.199	
2022	115.573	0.030	1.751	58.402	0.030	-	0.030	67.127	0.0425	0.030	0.713	243.566	324.838	108.823	186.911	
2023	122.984	0.030	2.320	57.369	0.030	-	0.030	71.225	0.0425	0.030	0.644	254.542	342.337	120.203	53.825	
2024	122.475	0.030	5.967	58.682	0.030	-	0.030	77.667	0.0425	0.030	0.648	265.439	363.764	125.716	(39.481)	
2025	134.411	0.030	6.207	62.709	0.030	-	0.030	81.842	0.0425	0.030	0.674	285.843	399.649	131.270	(30.000)	5.392
2026	138.443	0.030	6.266	61.683	0.030	-	0.030	82.761	0.0425	0.030	0.694	289.847	413.897	134.012	-	8.517
2027	142.596	0.030	6.276	59.086	0.030	-	0.030	84.121	0.0425	0.030	0.715	292.795	419.936	138.258	-	8.141
2028	146.874	0.030	6.271	56.295	0.030	-	0.030	86.819	0.0425	0.030	0.737	296.995	420.571	142.352	-	7.919
2029	151.280	0.030	6.265	53.345	0.030	-	0.030	89.378	0.0425	0.030	0.759	301.027	423.828	146.333	-	7.698
2030	155.819	0.030	6.195	50.275	0.030	-	0.030	91.779	0.0425	0.030	0.781	304.849	426.493	150.200	-	7.474



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Cal Year	BOY Liabilities (\$millions)	BOY Accumulated OCI (\$millions)	BOY MV Asset (\$millions)	BOY Funding Position excl AOCI (\$millions)	BOY Funding Position (\$millions)	BOY Funding Percentage	Surplus (Deficit) from Op's (\$millions)	Total Comp Income (\$millions)
2020	2,120.986	-7.202	2,046.822	-66.962	-74.164	96.5%	139.478	136.257
2021	2,148.269	-10.423	2,210.362	72.516	62.093	102.9%	73.958	84.378
2022	2,285.847	-0.003	2,432.318	146.474	146.471	106.4%	-355.345	-347.010
2023	2,544.094	8.332	2,343.555	-208.871	-200.539	92.1%	67.044	64.682
2024	2,655.021	5.970	2,519.164	-141.827	-135.857	94.9%	263.737	267.660
<b>2025</b>	<b>2,664.907</b>	<b>9.893</b>	<b>2,796.710</b>	<b>121.910</b>	<b>131.803</b>	<b>104.9%</b>	<b>40.498</b>	<b>40.498</b>
<b>2026</b>	<b>2,721.655</b>	<b>9.893</b>	<b>2,893.956</b>	<b>162.408</b>	<b>172.301</b>	<b>106.3%</b>	<b>110.066</b>	<b>110.066</b>
<b>2027</b>	<b>2,811.287</b>	<b>9.893</b>	<b>3,093.653</b>	<b>272.474</b>	<b>282.367</b>	<b>110.0%</b>	<b>127.731</b>	<b>127.731</b>
<b>2028</b>	<b>2,896.963</b>	<b>9.893</b>	<b>3,307.060</b>	<b>400.205</b>	<b>410.098</b>	<b>114.2%</b>	<b>152.346</b>	<b>152.346</b>
<b>2029</b>	<b>2,980.304</b>	<b>9.893</b>	<b>3,542.748</b>	<b>552.551</b>	<b>562.444</b>	<b>118.9%</b>	<b>176.253</b>	<b>176.253</b>
<b>2030</b>	<b>3,061.318</b>	<b>9.893</b>	<b>3,800.015</b>	<b>728.804</b>	<b>738.697</b>	<b>124.1%</b>	<b>67.672</b>	<b>67.672</b>

