# INDEPENDENT AUDITOR'S REPORT

**To the members of the Board of Directors**
**Workers' Compensation Board of Nova Scotia**

## Opinion

We have audited the financial statements of Workers' Compensation Board of Nova Scotia ("WCB"), which comprise the statement of financial position as at December 31, 2022, and the statements of comprehensive income, changes in the funded position and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Workers' Compensation Board of Nova Scotia as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for opinion

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

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

Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

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

Grant Thornton LLP

Halifax, Canada
June 21, 2023

Chartered Professional Accountants

## FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION
*as at December 31 (thousands of dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash & cash equivalents | $ 31,330 | $ 3,565 |
| Receivables (Notes 5 and 17) | 43,357 | 50,143 |
| Investments (Note 6) | 2,239,651 | 2,349,157 |
| Property and equipment (Note 8) | 3,946 | 4,138 |
| Intangible assets (Note 9) | 25,271 | 25,315 |
| | $ 2,343,555 | $ 2,432,318 |
| **Liabilities and (Unfunded) Funded Position** | | |
| Payables and accruals | $ 65,201 | $ 58,947 |
| Post-employment benefits (Note 10) | 19,727 | 26,635 |
| Benefits liabilities (Note 11) | 2,437,861 | 2,200,265 |
| | 2,522,789 | 2,285,847 |
| (Unfunded) funded position | (179,234) | 146,471 |
| | $ 2,343,555 | $ 2,432,318 |

Commitments (Note 19)
Capital Management (Note 21)

Approved on behalf of the Board of Directors on June 21, 2023:

S El-Darahali

Saeed El-Darahali
Chair, Board of Directors

Angus Bonnyman

Angus Bonnyman
Chair, Finance, Audit and Risk Committee

### STATEMENT OF COMPREHENSIVE INCOME
*year ended December 31 (thousands of dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Revenue** | | |
| Assessments (Notes 3, 12, 16 and 17) | $ 370,927 | $ 342,395 |
| Other Contribution – Province of NS (Note 11) | 69,563 | – |
| Investment (loss) income (Note 6) | (175,263) | 210,301 |
| | 265,227 | 552,696 |
| **Expenses** | | |
| Claims costs incurred (Notes 3, 11 and 17) | 241,059 | 233,788 |
| Growth in present value of benefits liabilities, actuarial adjustments and adjustment for latent occupational diseases (Note 11) | 276,576 | 162,786 |
| Administration costs (Notes 13, 17 and 20) | 61,562 | 62,610 |
| System support (Note 14) | 999 | 1,021 |
| Legislated obligations (Note 15) | 19,071 | 18,533 |
| | 599,267 | 478,738 |
| **Excess of (expenses over revenues) revenues over expenses** | (334,040) | 73,958 |
| **Other comprehensive income** | | |
| Re-measurement of post-employment benefits income (Note 10) | 8,335 | 10,420 |
| **Total comprehensive (loss) income** | $ (325,705) | $ 84,378 |

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

## STATEMENT OF CHANGES IN THE FUNDED POSITION

*year ended December 31 (thousands of dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Funded position excluding accumulated other comprehensive income** | | |
| Balance, beginning of year | $ 146,474 | $ 72,516 |
| Excess of (expenses over revenues) revenues over expenses | (334,040) | 73,958 |
| | $ (187,566) | $ 146,474 |
| **Accumulated other comprehensive income** | | |
| Balance, beginning of year | $ (3) | $ (10,423) |
| Other comprehensive income | 8,335 | 10,420 |
| | $ 8,332 | $ (3) |
| **(Unfunded) funded position** | $ (179,234) | $ 146,471 |

## STATEMENT OF CASH FLOWS

*year ended December 31 (thousands of dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Operating Activities** | | |
| Cash received from: | | |
| Employers, for assessments | $ 372,010 | $ 334,097 |
| Other Contribution – Province of NS | 69,563 | – |
| Net investment income | 13,114 | 130,381 |
| | 454,687 | 464,478 |
| Cash paid to: | | |
| Claimants or third parties on their behalf | (278,003) | (262,291) |
| Suppliers, for administrative and other goods and services | (65,255) | (65,286) |
| | (343,258) | (327,577) |
| Net cash provided by operating activities | 111,429 | 136,901 |
| **Investing Activities** | | |
| Increase in investments, net | (79,167) | (129,488) |
| Purchases of equipment and intangible assets | (4,497) | (1,108) |
| Net cash used in investing activities | (83,664) | (130,596) |
| **Net increase in cash and cash equivalents** | 27,765 | 6,305 |
| Cash and cash equivalents (bank indebtedness), beginning of year | 3,565 | (2,740) |
| Cash and cash equivalents, end of year | $ 31,330 | $ 3,565 |

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

## NOTES TO THE FINANCIAL STATEMENTS

*December 31st, 2022 (thousands of dollars)*

**NATURE OF OPERATIONS**

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

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

**2. BASIS OF PREPARATION**

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

**Going concern**
The WCB has assessed all relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy in place to maintain a funded position.

**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 (cashable with 24 hours' notice), with original maturities of one year or less are considered to be cash equivalents and are recorded at cost, which approximates fair market value.

Bank indebtedness includes the utilization of a line of credit. Cash advances from the line of credit are to a maximum of $20,000 and bear interest at the bank's prime interest rate less 0.85 per cent.

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

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

The following determines fair value of investments:

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

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

**d) Property and Equipment**
Property and equipment is stated at cost, less accumulated depreciation and when applicable, write-downs for impairment. Depreciation is charged using the straight-line method over the estimated useful life of the asset. A useful life of 3 to 40 years is used for building components and from 4 to 20 years for furniture and facilities, equipment and computer hardware. With the exception of equipment under finance leases, in the year of acquisition, a half year's depreciation is taken. The useful lives of items of property and equipment are reviewed at each balance sheet date and adjusted if required.

**Leases**
For new lease contracts entered into, the WCB determines if the contract is or contains a lease. A lease is defined as a contract or part of a contract that conveys the right to use an asset for a period of time in which consideration is paid. The lease liability is measured at the present value of the remaining unpaid lease payments discounted using the interest rate implicit in the lease if readily determinable or the lessee's incremental borrowing rate. The right-of-use asset is measured at the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred, and an estimate of costs to be incurred, if any, in dismantling or removing the underlying asset or restoring the site. Right of use assets are depreciated over the useful life of the asset or over the lease term, whichever is shorter. Short-term leases and leases of low-value assets where the payments are recognized as expense in profit or loss on a straight line basis over the lease term, using the practical expedients options available.

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

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

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

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

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

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

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

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

Depreciation is charged on a straight-line basis over a period of 5 to 10 years for internally generated software and process development costs, with one half year's depreciation taken in the year of completion. Intangible assets which are under development and not yet ready for its intended use so are not subject to depreciation. Assets under development and not ready for their intended use are tested for impairment annually.

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

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

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

**k) New Accounting Policy Implementations**
WCB staff monitors the pronouncements of the International Accounting Standards Board (IASB) and considers the impact that changes in standards may have on the WCB's financial reporting. The IASB has ongoing projects to improve existing standards and issue new standards, some of which will impact the WCB in future years.

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

**IFRS 17 – Insurance Contracts** – The new insurance standard will replace IFRS 4 Insurance Contracts. The mandatory effective date is January 1, 2023. IFRS 17 will make for better comparisons across WCBs as all will be using a similar discount rate range.

In June 2020, an amendment was issued to defer the effective date of IFRS 17 to annual periods beginning on or after January 1, 2023. The standard will affect how the WCB accounts for insurance contracts and how financial performance is reported, presented in the statement of comprehensive income, and disclosed in the notes to the financial statements. This standard will have material impacts for the WCB's financial reporting by introducing new recognition and measurement approaches for insurance revenue and liabilities. One of the most significant changes is the move to market-based interest rates used to discount the future cash flows of the benefits liabilities, which is expected to lead to an increase in the benefits liabilities on the statement of financial position and increase volatility in reported income.

Key changes to WCB's accounting policies anticipated as a result of the application of IFRS 17 include:

- The WCB insurance contracts will be grouped as a single portfolio. Rates are set at the system level to fund the system and have a one-year contract boundary, which coincides with the calendar year. The measurement model chosen is the Premium Allocation Approach (PAA), which is an optional model that can be utilized when the contract boundary is within one year, and rates are priced annually to reflect changing risk. The liability is set as the premiums received less acquisition expenses, premium revenue recognized, and amounts transferred to fund incurred claims.
- Assessment for onerous contracts is required at least annually, which is when the measurement of the estimated future cash flows results in an expected insurance results loss on the insurance contracts for any given year, either on inception, or when subsequently measured. When onerous contracts are identified, the onerous loss is recognized at the inception of the contracts, or when determined to be onerous, with the loss immediately recognized in income and a loss component added to the insurance contract liability.
- Measurement of the estimated future cash flows with a discount rate reflecting the time value of money, the financial risk that reflects the characteristics of the liabilities, and the duration of the portfolio (as compared to a discount rate selected by reference to the underlying portfolio of assets supporting the insurance contract liability under IFRS 4) is updated at each reporting period. The WCB will use the illiquid reference curve that will be published regularly by the Canadian Institute of Actuaries by Fiera Capital. The WCB has established that this rate adheres to the principles of the standard. Additionally, only expenses directly related to the fulfilment of obligations under insurance contracts will be recognized as insurance related expenses.

- Significant presentation and disclosure changes that will result in the presentation of insurance service results, being comprised of insurance revenue net of insurance service expenses, on the face of the Statement of Comprehensive (Loss) Income separate from investing activities and other expenses. Significant new disclosures are also required.
- WCB has determined that adoption will be applied with full retrospective application. Differences that arise in the recognition and measurement of insurance contracts will be recognized as an adjustment to the opening funded position on January 1, 2022 in the fiscal 2023 financial statements.

  Actuarial procedures and data requirements were assessed during 2021 and no data gaps were identified. There are no system changes required and the policy principles have been finalized during 2022. WCB is currently finalizing its quantification of the impact of the opening liabilities adjustment for 2022 and 2023.

### 4. ACCOUNTING JUDGEMENTS & ESTIMATES

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

| | 2022 | 2021 |
|---|---|---|
| Assessments | $ 33,188 | $ 28,316 |
| Self-insured employers | 4,237 | 10,193 |
| Assessments receivable | 37,425 | 38,509 |
| | | |
| Advance to related parties | – | 7,100 |
| Claim-related overpayments | 1,560 | 1,388 |
| Harmonized sales tax rebate | 1,939 | 1,665 |
| Other | 2,433 | 1,481 |
| | $ 43,357 | $ 50,143 |

Assessments receivable are net of an allowance for expected credit losses of $10,000 in 2022 (2021 – $8,149). Other receivables are net of an allowance of $2,197 in 2022 (2021 – $1,982). The accounts receivable collections were monitored throughout the year, and remittance patterns were consistent with the prior year.

### 6. INVESTMENTS

| | 2022 | 2021 |
|---|---|---|
| Equities | | |
| Canadian | $ 98,968 | $ 137,087 |
| Global | 180,113 | 218,593 |
| Global hedged | 60,500 | 83,004 |
| Global low volatility | 103,779 | 138,374 |
| Global small cap | 84,136 | 106,364 |
| Emerging markets | 106,743 | 133,002 |
| Private equity[1] | 278,241 | 221,749 |
| | 912,480 | 1,038,173 |
| Fixed income | | |
| Liability-matching bonds[2] | 478,019 | 570,531 |
| Opportunistic fixed income | 136,818 | 161,085 |
| Private debt[3] | 40,113 | 17,337 |
| | 654,950 | 748,953 |
| | | |
| Real estate[4] | 294,004 | 244,538 |
| Hedge funds | 194,992 | 196,009 |
| Infrastructure | 173,798 | 117,907 |
| Cash and money market | 9,427 | 3,577 |
| | $ 2,239,651 | $ 2,349,157 |

| **Investment Income** | 2022 | 2021 |
|---|---|---|
| Distributions from pooled funds | $ 54,008 | $ 79,233 |
| Unrealized fair value (loss) gain on investments | (188,673) | 79,920 |
| Realized (losses) gains from the sale of investments | (30,072) | 60,542 |
| Portfolio management expenses | (10,526) | (9,394) |
| Net investment (loss) income | $ (175,263) | $ 210,301 |

[1] Private equity includes private equity, co investments and secondary markets.

[2] Liability-matching bonds include long term bonds, synthetic federal real return bonds, synthetic mid-term provincial bonds, universe bonds and real return bonds.

[3] Private Debt includes Private Debt and Credit Opportunities.

[4] Real estate includes Canadian real estate and Global real estate.

**Funding Commitments**

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

| Mandate | 2022 Undrawn Funding Commitments | Total Commitments |
|---|---|---|
| Infrastructure | $ 73,016 USD | $ 190,500 USD |
| Private equity | $ 89,116 USD | $ 228,500 USD |
| Private debt | $ 44,555 USD | $ 72,000 USD |
| Global real estate | $ 59,375 USD | $ 95,000 USD |
| | | |
| Infrastructure | $ 114,000 CAD | $ 114,000 CAD |
| Private equity | $ 142,867 CAD | $ 167,000 CAD |
| Private debt | $ 96,000 CAD | S 96,000 CAD |
| Global real estate | $ 82,008 CAD | $ 90,000 CAD |

During 2022, the WCB added additional limited partnership commitments of $467.0 million CAD into infrastructure, private equity, private equity co-investments, private debt, global real estate and secondary markets.

| Mandate | 2021 Undrawn Funding Commitments | Total Commitments |
|---|---|---|
| Infrastructure | $ 107,976 USD | $ 190,500 USD |
| Private equity | $ 104,979 USD | $ 228,500 USD |
| Private debt | $ 59,240 USD | $ 72,000 USD |
| Global real estate | $ 78,375 USD | $ 95,000 USD |

## 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.

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Equities | % Change | CI Impact | % Change | CI Impact |
| | (1 Std Deviation) | | (1 Std Deviation) | |
| Canadian | 15.5% | $ (15,340) | 13.8% | $ (18,918) |
| Global | 13.5% | $ (24,315) | 11.4% | $ (24,920) |
| Global hedged | 17.1% | $ (10,364) | 14.3% | $ (11,870) |
| Global low volatility | 9.1% | $ (9,444) | 11.4% | $ (15,775) |
| Global small cap | 16.6% | $ (13,967) | 14.7% | $ (15,635) |
| Emerging markets | 14.4% | $ (15,371) | 12.8% | $ (17,024) |

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

| **Duration of bond portfolios** (in years) | 2022 | 2021 |
|---|---|---|
| Long term bonds | 14.8 | 16.3 |
| Universe bonds | 7.6 | 8.6 |
| Synthetic mid-term provincial bonds | 20.9 | 20.0 |
| Synthetic federal real return bonds | 45.7 | 45.4 |
| Real return bonds | 14.1 | 15.8 |
| Opportunistic fixed income | 5.1 | 4.2 |

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

| **0.5% change** | 2022 CI Impact | 2021 CI Impact |
|---|---|---|
| Long term bonds | $ (14,585) | $ (41,281) |
| Universe bond fund | $ (2,487) | $ (360) |
| Synthetic mid-term provincial bonds | $ (8,710) | $ (3,091) |
| Synthetic federal real return bonds | $ (10,299) | $ (2,614) |
| Real return bond fund | $ (6,214) | $ (1,358) |
| Opportunistic fixed income[1] | $ (3,489) | $ (3,345) |

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

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

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

| **Currency** | 2022 CI Impact | 2021 CI Impact |
|---|---|---|
| USD | $ (72,520) | $ (69,217) |
| EURO | $ (3,806) | $ (4,783) |
| YEN | $ (2,590) | $ (2,880) |
| POUND | $ (941) | $ (1,316) |

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

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **Credit Rating** | Total | % | Total | % |
| AAA | $ 158,984 | 24.3% | $ 105,014 | 14.0% |
| AA | 242,899 | 37.1% | 303,984 | 40.6% |
| A | 55,956 | 8.5% | 109,532 | 14.6% |
| BBB | 55,235 | 8.4% | 107,266 | 14.3% |
| Below BBB/Not Rated | 141,876 | 21.7% | 123,157 | 16.5% |
| Total | $ 654,950 | 100.0% | $ 748,953 | 100.0% |

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

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

The WCB's investment portfolio is well diversified in pooled funds that are primarily highly liquid. Further exceptions listed in the following table. Due to the absence of active markets and the contract terms the investments cannot be sold or converted easily to cash in a timely and cost-effective manner.

| Mandate | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Infrastructure[1] | $ 173,798 | $ 117,907 |
| Private equity[1] | 278,241 | 221,749 |
| Private debt[1] | 40,113 | 17,337 |
| Global real estate[1] | 58,242 | 23,904 |
| Hedge funds[2] | 194,992 | 196,009 |
| Total | $ 745,386 | $ 576,906 |

[1] These funds are closed-end funds with a 12–14 year life expected to end between 2031 – 2036. The general partner has the option to extend the funds' lives by 1 year.

[2] The liquidity of this fund is subject to change but is estimated to be 74 per cent (2021 – 66 per cent) redeemable within 1 year of redemption request, 18 per cent (2021 – 28 per cent) within two years, 4 per cent (2021 – 2 per cent) within three years, and 4 per cent (2021 – 4 per cent) thereafter.

**Fair value hierarchy**

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

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

| 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Short-term investments | $ 9,427 | $ – | $ – | $ 9,427 |
| Equities | – | 634,239 | 278,241 | 912,480 |
| Fixed term investments | – | 614,837 | 40,113 | 654,950 |
| Real estate | – | – | 294,004 | 294,004 |
| Hedge funds | – | – | 194,992 | 194,992 |
| Infrastructure | – | – | 173,798 | 173,798 |
| | $ 9,427 | $ 1,249,076 | $ 981,148 | $ 2,239,651 |

| 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Short-term investments | $ 3,577 | $ – | $ – | $ 3,577 |
| Equities | – | 816,424 | 221,749 | 1,038,173 |
| Fixed term investments | – | 731,616 | 17,337 | 748,953 |
| Real estate | – | – | 244,538 | 244,538 |
| Hedge funds | – | – | 196,009 | 196,009 |
| Infrastructure | – | – | 117,907 | 117,907 |
| | $ 3,577 | $ 1,548,040 | $ 797,540 | $ 2,349,157 |

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

| **2022 Source of Change in Value of Level 3 Investments** | Private Equities | Real Estate | Hedge Funds | Infra-structure | Fixed Income | Total |
|---|---|---|---|---|---|---|
| Value December 31, 2021 | $ 221,749 | $ 244,538 | $ 196,009 | $ 117,907 | $ 17,337 | $ 797,540 |
| Purchase of units | 34,167 | 25,219 | – | 34,960 | 14,685 | 109,031 |
| Unrealized gains | 24,133 | 50,760 | (339) | 22,002 | 8,388 | 104,944 |
| Sale of units | – | (25,219) | – | – | – | (25,219) |
| Investment management fees | (1,808) | (1,294) | (678) | (1,071) | (297) | (5,148) |
| Value December 31, 2022 | $ 278,241 | $ 294,004 | $ 194,992 | $ 173,798 | $ 40,113 | $ 981,148 |

| **2021 Source of Change in Value of Level 3 Investments** | Private Equities | Real Estate | Hedge Funds | Infra-structure | Fixed Income | Total |
|---|---|---|---|---|---|---|
| Value December 31, 2020 | $ 102,242 | $ 199,483 | $ 187,711 | $ 69,770 | $ 3,158 | $ 562,364 |
| Purchase of units | 64,180 | 13,775 | – | 35,110 | 10,480 | 123,545 |
| Unrealized gains | 56,472 | 46,117 | 8,979 | 13,820 | 3,925 | 129,313 |
| Sale of units | – | (13,775) | – | – | – | (13,775) |
| Investment management fees | (1,145) | (1,062) | (681) | (793) | (226) | (3,907) |
| Value December 31, 2021 | $ 221,749 | $ 244,538 | $ 196,009 | $ 117,907 | $ 17,337 | $ 797,540 |

**Concentration Risk**

The WCB has concentrations in countries other than Canada through investments in the global pooled funds, hedge fund, opportunistic fixed income fund, long bond fund, private equity and infrastructure totalling $1,645,682 at December 31 (2021 – $1,928,231). The WCB's most significant foreign country concentrations are summarized in the table below.

| Significant exposure | 2022 | | 2021 |
|---|---|---|---|
| United States | 52.1% | United States | 52.4% |
| United Kingdom | 4.5% | China | 5.6% |
| China | 4.2% | United Kingdom | 3.5% |
| Japan | 2.7% | Japan | 2.9% |
| France | 3.0% | France | 2.4% |
| All other global | 33.5% | All other global | 33.2% |
| | 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, 2022** | $ 4,939 | $ 3,584 | $ 3,333 | $ 11,856 |
| Additions | 10 | 3 | 822 | 835 |
| Disposals and retirements | – | (114) | (291) | (405) |
| **Balance at Dec. 31, 2022** | $ 4,949 | $ 3,473 | $ 3,864 | $ 12,286 |
| **Depreciation and impairment** | | | | |
| **Balance at Jan. 1, 2022** | $ (2,947) | $ (2,323) | $ (2,448) | $ (7,718) |
| Current period depreciation | (186) | (342) | (493) | (1,021) |
| Impairment losses | – | (6) | – | (6) |
| Disposals and retirements | – | 114 | 291 | 405 |
| **Balance at Dec. 31, 2022** | $ (3,133) | $ (2,557) | $ (2,650) | $ (8,340) |
| **Carrying amount at Dec. 31, 2022** | $ 1,816 | $ 916 | $ 1,214 | $ 3,946 |

| | Land and Building[1] | Furniture and facilities | Equipment and computer hardware | Total |
|---|---|---|---|---|
| Historical cost | | | | |
| Balance at Jan. 1, 2021 | $ 4,923 | $ 5,895 | $ 3,280 | $ 14,098 |
| Additions | 16 | 37 | 212 | 265 |
| Disposals and retirements | – | (2,348) | (159) | (2,507) |
| Balance at Dec. 31, 2021 | $ 4,939 | $ 3,584 | $ 3,333 | $ 11,856 |
| Depreciation and impairment | | | | |
| Balance at Jan. 1, 2021 | $ (2,754) | $ (3,605) | $ (2,126) | $ (8,485) |
| Current period depreciation | (193) | (1,007) | (478) | (1,678) |
| Impairment losses | – | (59) | (3) | (62) |
| Disposals and retirements | – | 2,348 | 159 | 2,507 |
| Balance at Dec. 31, 2021 | $ (2,947) | $ (2,323) | $ (2,448) | $ (7,718) |
| Carrying amount at Dec. 31, 2021 | $ 1,992 | $ 1,261 | $ 885 | $ 4,138 |

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

**Right of use assets**

Included in Furniture and Facilities are right of use assets for office space and included in Equipment and Hardware are right of use assets for office copiers and postal equipment where the WCB is a lessee. WCB has right to use assets totalling $358 at December 31 (2021 – $545).

## 9. INTANGIBLE ASSETS

| | Acquired Software | Internally generated software | Total |
|---|---|---|---|
| **Historical cost** | | | |
| **Balance at Jan. 1, 2022** | $ 885 | $ 39,455 | $ 40,340 |
| Additions | 33 | 3,690 | 3,723 |
| Disposals and retirements | – | (4,138) | (4,138) |
| **Balance at Dec. 31, 2022** | $ 918 | $ 39,007 | $ 39,925 |
| **Depreciation and impairment** | | | |
| **Balance at Jan. 1, 2022** | $ (675) | $ (14,350) | $ (15,025) |
| Current period depreciation | (82) | (3,658) | (3,740) |
| Impairment losses | – | (27) | (27) |
| Disposals and retirements | – | 4,138 | 4,138 |
| **Balance at Dec. 31, 2022** | $ (757) | $ (13,897) | $ (14,654) |
| **Carrying amount at Dec. 31, 2022** | $ 161 | $ 25,110 | $ 25,271 |

| | Acquired Software | Internally generated software | Total |
|---|---|---|---|
| Historical cost | | | |
| Balance at Jan. 1, 2021 | $ 670 | $ 38,909 | $ 39,579 |
| Additions | 215 | 676 | 891 |
| Disposals and retirements | – | (130) | (130) |
| Balance at Dec. 31, 2021 | $ 885 | $ 39,455 | $ 40,340 |
| Depreciation and impairment | | | |
| Balance at Jan. 1, 2021 | $ (590) | $ (10,357) | $ (10,947) |
| Current period depreciation | (85) | (4,119) | (4,204) |
| Impairment losses | – | (4) | (4) |
| Disposals and retirements | – | 130 | 130 |
| Balance at Dec. 31, 2021 | $ (675) | $ (14,350) | $ (15,025) |
| Carrying amount at Dec. 31, 2021 | $ 210 | $ 25,105 | $ 25,315 |

### 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 actuarial valuation was performed as at December 31, 2021 and rolled forward to December 31, 2022.

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

| | 2022 | 2021 |
|---|---|---|
| Discount rate, benefits expense for the year | 5.20% | 3.45% |
| Discount rate, accrued benefit obligation | 5.20% | 3.45% |
| Expected health care costs trend rate; decreasing linearly to an ultimate rate of 3.6% in 2040 | 5.66% | 5.66% |
| Drug claim increases trend rate; decreasing linearly to an ultimate rate of 3.6% in 2040 | 5.66% | 5.66% |
| Dental cost escalation; decreasing linearly to an ultimate rate of 3.6% in 2027 | 5.66% | 3.60% |
| Retirement age assumption (a) | Later of 59 years and full eligibility | Later of 59 years and full eligibility |

| **Costs Arising in the Period** | 2022 | 2021 |
|---|---|---|
| Current service costs | $ 798 | $ 1,595 |
| Interest costs | 941 | 1,032 |
| **Total employee future benefits expense** | $ 1,739 | $ 2,628 |

| **Accrued Benefit Obligation** | 2022 | 2021 |
|---|---|---|
| Beginning of year | $ 26,635 | $ 34,840 |
| Total employee future benefits expense | 1,739 | 2,628 |
| Actuarial (gains) on ABO through OCI (b) | (8,335) | (10,420) |
| Regular benefits paid | (312) | (413) |
| End of year | $ 19,727 | $ 26,635 |

a) Full eligibility is the earliest of age 55 with 2 years of service (10 years if hired on or after October 1, 2018) and the earliest unreduced age under the Public Service Super Annuation Act.

b) The net actuarial gain of $8,335 as at December 31, 2022 arises from an increase in the discount rate, offset by a loss due to a change in the dental cost increases assumption and a loss due to a change for an increase in the general wage increases assumption. The actuarial gain of $10,420 as at December 31, 2021 arises from the recognition of updated claims and premium experience, a gain due to an increase in the discount rate, a gain due to the change in the assumption portion of members electing family health and dental coverage upon retirement, a gain due to plan demographics, a gain due to the change in attribution period for employees hired on or after October 1, 2018 offset by a loss due to the change in the assumed retirement age.

c) 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).

| | 2022 CI Impact | 2021 CI Impact |
|---|---|---|
| 1% decrease in the discount rate | $ (4,429) | $(7,204) |
| 1% increase in the discount rate | $ 3,348 | $ 5,269 |
| 1% decrease in the assumed health care cost trend rate | $ 3,227 | $ 4,796 |
| 1% increase in the assumed health care cost trend rate | $ (4,215) | $(6,400) |

### 11. BENEFITS LIABILITIES

| | Short-Term Disability | Long-Term Disability | Survivor Benefits | Health Care | Rehabilitation | Subtotal | Claims Administration | Total 2022 |
|---|---|---|---|---|---|---|---|---|
| Balance, beginning of year | $ 153,950 | $ 1,363,640 | $ 107,176 | $ 446,816 | $ 4,138 | $ 2,075,721 | $ 124,544 | $ 2,200,265 |
| Growth in present value of benefit liabilities | 6,862 | 69,278 | 5,345 | 21,166 | 169 | 102,820 | 6,169 | 108,989 |
| Change Method/Assumptions (a) | (727) | (21,098) | (2,229) | (9,081) | (14) | (33,149) | (1,989) | (35,138) |
| Actuarial experience Adjustments (b) | (2,967) | 87,586 | 7,497 | (20,025) | (537) | 71,554 | 4,294 | 75,848 |
| Other changes (c) | 13,689 | 6,555 | 5,920 | 94,475 | (943) | 119,696 | 7,181 | 126,877 |
| Total growth | 16,857 | 142,321 | 16,533 | 86,535 | (1,325) | 260,921 | 15,655 | 276,576 |
| Claims costs incurred | 58,402 | 115,573 | 1,751 | 64,620 | 713 | 241,059 | 14,463 | 255,522 |
| Less: Claims payments made | (60,885) | (139,469) | (10,380) | (66,422) | (676) | (277,832) | (16,670) | (294,502) |
| Balance, end of year | $ 168,324 | $ 1,482,065 | $ 115,080 | $ 531,549 | $ 2,851 | $ 2,299,869 | $ 137,992 | $ 2,437,861 |

| | Short-Term Disability | Long-Term Disability | Survivor Benefits | Health Care | Rehabilitation | Subtotal | Claims Administration | Total 2021 |
|---|---|---|---|---|---|---|---|---|
| Balance, beginning of year | $ 141,197 | $ 1,248,209 | $ 107,698 | $ 447,442 | $ 5,943 | $ 1,950,489 | $ 117,030 | $ 2,067,519 |
| Growth in present value of benefit liabilities | 6,221 | 63,439 | 5,362 | 21,496 | 262 | 96,780 | 5,807 | 102,587 |
| Change Method/Assumptions (a) | – | (22,965) | (175) | – | – | (23,140) | (1,389) | (24,529) |
| Actuarial experience Adjustments (b) | 10,571 | 94,337 | 3,465 | (26,490) | (1,951) | 79,932 | 4,796 | 84,728 |
| Total growth | 16,792 | 134,811 | 8,652 | (4,994) | (1,689) | 153,572 | 9,214 | 162,786 |
| Claims costs incurred | 57,215 | 108,395 | 1,347 | 66,064 | 767 | 233,788 | 14,028 | 247,816 |
| Less: Claims payments made | (61,254) | (127.775) | (10,521) | (61,696) | (882) | (262,128) | (15,728) | (277,856) |
| Balance, end of year | $ 153,950 | $ 1,363,640 | $ 107,176 | $ 446,816 | $ 4,139 | $ 2,075,721 | $ 124,544 | $ 2,200,265 |

a) In 2022, the discount rate of return assumption increased from 5.25% to 5.50% as a result of an increase in the long-term expected real rate of return on assets in the Injury Fund resulting in a favourable adjustment of $35,138.

b) Actuarial experience adjustments represent the difference between what was predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred in the year. In 2022, actuarial experience adjustments increasing the benefits liabilities totalled $75,848.

- A net increase of $54,100 as a result of higher than expected volume and cost of new Extended Earnings Replacement Benefits and new Permanent Impairment Benefits and new Survivor awards.
- A net increase of $38,000 as a result of higher than anticipated inflation on awards in pay.
- A net increase of $6,500 as a result of changes in the provision for future EERBs.
- A net increase of $4,294 as a result of changes in the provision for future administrative costs.
- A net decrease of $1,100 as a result of changes in actual payments across all benefit categories being lower than expected.
- A net decrease of $15,200 for changes in claiming patterns across all benefit categories, primarily related to medical aid.
- A net decrease of $10,500 as a result of mortality experience.
- Other accumulated actuarial adjustments resulted in a net decrease of $246.

In 2021, actuarial experience adjustments increasing the benefits liabilities totalled $84,728.

- A net increase of $77,600 as a result of higher than expected volume and cost of new Extended Earnings Replacement Benefits and new Permanent Impairment Benefits and new Survivor awards.
- A net increase of $8,900 as a result of higher than anticipated inflation on awards in pay.
- A net increase of $8,300 as a result of a changes in the provision for future EERBs.
- A net increase of $6,322 as a result of a change in provision for occupational disease awards.
- A net increase of $4,438 as a result of changes in the provision for future administrative costs.
- A net increase of $3,000 as a result of changes in actual payments across all benefit categories being higher than expected.
- A net decrease of $18,500 for changes in claiming patterns across all benefit categories, primarily related to medical aid.
- A net decrease of $5,000 as a result of mortality experience.
- Other accumulated actuarial adjustments resulted in a net decrease of $332.

c) In 2022, other changes increased the benefits liability by $126,877. This was comprised of:

Effective July 1, 2022, amendments to the Firefighters' Compensation Regulations expanded the number of cancers with presumptive benefits from six to 19, and also expanded coverage to include heart attacks that occur within 24 hours of an emergency call. This resulted in an increase of $69,563 to the benefits liabilities; with equal and off-setting contributions received from the Province of Nova Scotia: "Other contribution – Province of Nova Scotia."

Additionally, the 2022 provision for future long-latency occupational diseases was increased by $57,314 as a result of an updated actuarial study on workplace exposures incurred up to the measurement date.

**Actuarial Assumptions and Methods**

In 2022, all liabilities were calculated using an underlying assumption of 3.50 per cent (2021 – 3.25 per cent) and real rate of return on assets and a rate of increase in the CPI equal to 2.00 per cent. The gross rate of return that results from the CPI and the real rate of return assumptions is 5.50 per cent (2021 – 5.25 per cent). The inflation assumptions and the resulting net interest rates are presented as follows:

| 2022 Category | Expected Inflation | Resulting Inflation Rate | Resulting Net Interest Rate |
|---|---|---|---|
| Supplementary Benefits (LTD) | 0.50% + CPI | 2.50% | 3.00% |
| All other LTD, Survivor Pensions | 50% * CPI | 1.00% | 4.50% |
| Health Care | 2.25% + CPI | 4.25% | 1.25% |
| All Others | CPI | 2.00% | 3.50% |

| 2021 Category | Expected Inflation | Resulting Inflation Rate | Resulting Net Interest Rate |
|---|---|---|---|
| Supplementary Benefits (LTD) | 0.50% + CPI | 2.50% | 2.75% |
| All other LTD, Survivor Pensions | 50% * CPI | 1.00% | 4.25% |
| Health Care | 2.25% + CPI | 4.25% | 1.00% |
| All Others | CPI | 2.00% | 3.25% |

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

**Consumer Price Index** – The 2.00 per cent assumption for 2022 (2021 – 2.00 per cent) for the rate of increase in CPI is chosen to be consistent with assumptions used by the Bank of Canada inflation controlled target rate of range of 1.00 to 3.00 per cent. This rate is consistent with long-term averages and assumptions on the assets backing the benefits liabilities.

**Real Rate of Return** – The 3.50 per cent real rate of return assumption for 2022 (2021 – 3.25 per cent) was chosen to be consistent with the Board's funding and investment strategies. It is based on expected long-term real return on the assets backing the benefit liabilities. Analysis of historical returns by WCB staff has shown that percentage appears to be a reasonable and prudent real return target (after investment expenses) given the Board's strategic asset allocation within the investment portfolio.

**Gross Rate of Return** – The gross rate of return assumption is derived as the sum of the Board's CPI and real rate of return assumptions. Given the 2022 assumptions for CPI of 2.00 per cent (2021– 2.00 per cent) and real rate of return of 3.50 per cent (2021 – 3.25 per cent), the gross rate of return assumption is 5.50 per cent (2021 – 5.25 per cent).

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

*LTD & Survivor Benefits* – The *Act* specifies indexing for these benefits at a rate equal to 50 per cent of the change in the CPI. The assumption is 50 per cent of CPI or 1.00 per cent (i.e. 50 per cent of 2.0 per cent); (2021 – 2.00 per cent).

*Medical Aid Benefits* – The cost of medical care has historically increased at rates exceeding the general rate of inflation. To account for this, the assumption is that increases due to medical inflation and utilization will be 2.25 per cent higher than the general rate of inflation. As a result, medical inflation assumption is 4.25 per cent (i.e. 2.25 per cent + 2.00 per cent); (2021 – 4.25 per cent). The appropriateness of this rate is monitored on a regular basis.

*Supplementary Awards* – Supplementary awards provide an income tested benefit to certain claimants injured prior to March 23, 1990. The assumption is that indexing for supplementary awards will be 0.50 per cent higher than the general rate of inflation, or 2.50 per cent (2.00 per cent + 0.50 per cent); (2021 – 2.50 per cent). Past reviews of supplementary award experience has shown this assumption to be adequate.

*All Other Benefits* – All other benefits are subject to general inflation; therefore utilizing the same assumption as used for CPI (i.e. 2.00 per cent); (2021 – 2.00 per cent).

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

**Occupational Disease** – The valuation includes a provision for all recognized occupational diseases that are expected to arise from past workplace exposures. The 2022 assumption is 10.50 per cent (2021 – 5.00 per cent) of the benefits liabilities and reflects changes to the *Act* to provide mandatory coverage to volunteer firefighters and previously this coverage was available on a volunteer basis. The amendment to the *Act* was effective October 30, 2020. In past valuations, occupational disease claims were recognized upon diagnosis of the covered occupational disease.

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

**Future Permanent Awards** – Future Extended Earnings Replacement Benefits (EERB) and Permanent Impairment Benefit (PIB) awards are assumed to occur in accordance with claims run-off tables. These run-off tables are based on the past claims patterns for the WCB and are updated from time to time as emerging experience dictates. The run-off tables currently in use for EERB awards were developed for the 2008 valuation. In 2017, the run off tables for PIBs were updated to reflect increasing PIB experience. The average accident age for future EERB awards is 47 years, up from 46 years in 2020. The average accident age for future PIB awards is 48 years, up from 47 years in 2020. Each year, actual claim experience is compared to that expected by the table and minor experience adjustments are implemented when warranted.

**Sensitivity Analysis of Insurance Risk**

The benefit liabilities determined in the report are estimated using many actuarial assumptions. The two most significant assumptions are the long-term real rate of return (3.50 per cent) and the long-term inflation rate (2.00 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 1.00 per cent decrease in the assumed rate of investment earnings.
2. Scenario 2 provides an integrated test of the impact of a high inflation, low real rate of return environment.
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 (can also be thought of as a market value based measurement of the liabilities).
4. Scenario 4 provides the impact of a 1.00 per cent increase in the assumed health care inflation rate.

**Sensitivity of Valuation Assumptions**

| | Assumptions | | | Change to Liabilities and Incurred Claims | | |
|---|---|---|---|---|---|---|
| | Real Return | Inflation | Investment | Effect | Liabilities | Incurred Claims |
| 1 | 2.50% | 2.00% | 4.50% | Increase | $ 185,090 | $ 18,248 |
| 2 | 2.50% | 3.00% | 5.50% | Increase | $ 117,309 | $ 13,526 |
| 3 | 3.00% | 2.10% | 5.10% | Increase | $ 82,497 | $ 8,327 |
| 4 | Increase Health Care Inflation Rate by 1.0% | | | Increase | $ 56,386 | $ 4,331 |

**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 focusing 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, Skills and Immigration 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 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 2013, and year of estimate 2013 (i.e. $308,160). This figure was the estimated total cash flows expected to be paid on accidents in 2013, as measured at December 31, 2013. The amount in accident year 2013, and year of estimate 2022 (i.e. $230,939) 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 2013 through 2022, as well as the liability for accident years prior to 2012.

| Year of Estimate | Accident Year 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimated Total Cash Flow (including Past and Future Cash Flows) | | | | | | | | | | | |
| 2013 | $ 308,160 | | | | | | | | | | $ 308,160 |
| 2014 | 275,937 | $ 293,068 | | | | | | | | | 569,005 |
| 2015 | 258,543 | 275,718 | $ 293,116 | | | | | | | | 827,377 |
| 2016 | 253,355 | 259,320 | 287,475 | $ 309,241 | | | | | | | 1,109,391 |
| 2017 | 235,571 | 241,904 | 260,226 | 282,282 | $ 299,129 | | | | | | 1,319,112 |
| 2018 | 241,034 | 237,833 | 257,554 | 274,944 | 299,625 | $ 322,735 | | | | | 1,633,725 |
| 2019 | 234,716 | 228,728 | 249,629 | 255,353 | 276,400 | 306,018 | $ 320,637 | | | | 1,871,481 |
| 2020 | 229,409 | 225,190 | 243,714 | 252,742 | 268,077 | 299,132 | 315,688 | $ 332,965 | | | 2,166,917 |
| 2021 | 228,632 | 229,960 | 241,039 | 259,661 | 291,813 | 328,299 | 331,960 | 334,081 | $ 356,472 | | 2,601,917 |
| 2022 | 230,939 | 226,120 | 245,013 | 263,577 | 300,758 | 347,592 | 362,896 | 348,254 | 362,355 | $ 378,156 | 3,065,660 |
| Current (2022) Estimate of Total Cash Flow | 230,939 | 226,120 | 245,013 | 263,577 | 300,758 | 347,592 | 362,896 | 348,254 | 362,355 | 378,156 | 3,065,660 |
| Total Cash Flows Paid to December 31, 2022 | (127,869) | (115,083) | (116,337) | (115,450) | (116,272) | (125,235) | (113,602) | (85,776) | (67,443) | (30,609) | (1,013,676) |
| Estimated Future Cash Flows | 103,070 | 111,037 | 128,676 | 148,127 | 184,486 | 222,357 | 249,294 | 262,478 | 294,912 | 347,547 | 2,051,984 |
| Impact of Discounting | (38,047) | (41,725) | (50,230) | (58,431) | (71,611) | (86,166) | (94,296) | (100,317) | (114,890) | (130,714) | (786,427) |
| Liability in Respect of Accident Years 2013 to 2022 | $ 65,023 | $ 69,312 | $ 78,446 | $ 89,696 | $ 112,875 | $ 136,191 | $ 154,998 | $ 162,161 | $ 180,022 | $ 216,833 | 1,265,557 |
| Liability for Accident Years 2012 and Prior | | | | | | | | | | | 815,772 |
| Claims Administration | | | | | | | | | | | 124,880 |
| Latent Occupational Disease Provision | | | | | | | | | | | 231,652 |
| **Benefits liabilities as at December 31, 2022** | | | | | | | | | | | $ 2,437,861 |

## 12. ASSESSMENT REVENUE

| | 2022 | 2021 |
|---|---|---|
| Assessed employers | $ 365,131 | $ 337,578 |
| Practice incentive rebates and surcharge refunds | (2,005) | (2,960) |
| Assessment revenue | 363,126 | 334,618 |
| Administration fee revenue | | |
| Self-insured employers (Note 16) | 7,801 | 7,777 |
| Revenue from employers | $ 370,927 | $ 342,395 |

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

| | 2022 | 2021 |
|---|---|---|
| Salaries and staff expense | $ 43,770 | $ 43,510 |
| Professional, consulting and service fees | 6,075 | 7,221 |
| Services contracted | 5,939 | 3,942 |
| Depreciation | 4,545 | 5,189 |
| Building operations | 1,361 | 2,588 |
| Communications | 793 | 761 |
| Supplies | 594 | 595 |
| Travel and accommodations | 374 | 270 |
| Training and development | 318 | 234 |
| | 63,769 | 64,310 |
| Change in liability for future administration costs (Note 11) | (2,207) | (1,700) |
| | $ 61,562 | $ 62,610 |

## 14. SYSTEM SUPPORT

System support costs are costs associated with providing support and funding for the Workplace Safety and 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

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Occupational Health and Safety | $ | 13,612 | $ | 13,440 |
| Workers' Advisers Program | | 3,520 | | 3,168 |
| Workers' Compensation Appeals Tribunal | | 1,939 | | 1,925 |
| | $ | 19,071 | $ | 18,533 |

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, Skills and Immigration.

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

Combined with the Workers' Advisers Program are the Injured Workers' Associations which provide advice and assistance to workers on workers' compensation issues. The WCB is required by the *Act* to provide funding to Injured Workers' Associations on such terms and conditions as the Minister of the Nova Scotia Department of Labour, Skills and Immigration 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

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

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. Section 134.3 of the *Act* references that self-insured employers are liable individually to pay an amount based on the cost of claims plus administrative costs incurred by the WCB with respect to those claims. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

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

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Administration fee revenue | $ | 7,801 | $ | 7,777 |
| | | | | |
| Claims cost reimbursements | | | | |
| Short-term disability | $ | 11,319 | $ | 11,207 |
| Long-term disability | | 18,100 | | 16,897 |
| Survivor benefits | | 3,143 | | 3,003 |
| Health care | | 9,811 | | 9,565 |
| | $ | 42,373 | $ | 40,672 |

### 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:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Administration fee revenue | $ | 2,634 | $ | 2,446 |
| | | | | |
| Claims costs recoveries | $ | 8,769 | $ | 7,451 |

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, 2022, the amount receivable from the Province of Nova Scotia was $1,991 (2021 – $4,305) for claims payments made and administration costs.

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

### 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 | 2022 | 2021 |
|---|---|---|---|
| Construction | Construction Safety Nova Scotia | $2,892 | $2,432 |
| Fishing | Fish Safe NS | 436 | 385 |
| Trucking | Nova Scotia Trucking Safety Association | 439 | 383 |
| Forestry | Forestry Safety Society of Nova Scotia | 146 | 151 |
| Auto Retailers | Nova Scotia Automobile Dealers' Safety Association | 137 | 121 |
| Retail Gasoline | Retail Gasoline Dealers' Association | 36 | 34 |
| | | $4,086 | $3,506 |

**WCB Salaries and Benefits** (in actual dollars)

| | 2022 Number of Individuals | 2022 Salary | 2022 Benefits | 2022 Other | 2022 Total | Notes | 2021 Number of Individuals | 2021 Total |
|---|---|---|---|---|---|---|---|---|
| Chair, Board of Directors | 1 | $ 47,215 | $ 2,738 | $ – | $ 49,953 | | 1 | $ 22,653 |
| Acting Chair | – | – | – | – | – | | 1 | 6,667 |
| Board of Directors | 9 | 148,435 | 7,188 | – | 155,623 | | 8 | 144,981 |
| | 10 | 195,650 | 9,926 | – | 205,576 | 1 | 10 | 174,301 |
| Chief Executive Officer | 1 | 300,892 | 10,323 | 36,614 | 347,829 | 2 | 1 | 355,574 |
| Interim CEO & VP People and Strategy | 1 | 190,988 | 29,438 | 13,230 | 233,656 | 3 | 1 | 219,631 |
| VP Service Excellence | 1 | 185,624 | 26,922 | 4,576 | 217,122 | | 1 | 213,982 |
| VP Prevention and Return to Work | 1 | 163,350 | 26,462 | 11,084 | 200,896 | | 1 | 180,590 |
| AVP Strategy and Technology | 1 | 158,182 | 25,851 | 11,658 | 195,691 | | 1 | 176,176 |
| Chief Financial Officer | 1 | 163,350 | 26,462 | 4,576 | 194,388 | | 1 | 176,174 |
| | 6 | 1,162,386 | 145,458 | 81,738 | 1,389,582 | | 6 | 1,322,127 |
| Staff Salaries & Benefits Average 2022 – $85,171; 2021-$84,048 | 474 | 33,274,015 | 6,555,387 | 703,300 | 40,532,702 | 4 | 472 | 39,490,313 |
| Post-employment Benefits | | | 1,760,252 | | 1,760,252 | | | 2,648,862 |
| Administration – Salaries & Benefits | 490 | $34,632,051 | $ 8,471,023 | $ 785,038 | $ 43,888,112 | 5 | 488 | $43,635,603 |

[1] The 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. 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] The Chief Executive Officer retired November 30, 2022.

[3] The VP of People and Strategy was appointed Interim CEO effective December 1st 2022.

[4] This figure represents the average number of employees on payroll during the fiscal year.

[5] Salary includes regular base pay, and settlement provisions of the collective agreement. Benefits include the employer's share of the employee benefits – CPP, EI, pension, health/dental, life insurance and long term disability. 'Other' includes vacation payout and travel allowance. Total salaries and benefits in 2022 of $43,888,112 (2021 of $43,635,603) varies by $118,246 (2021 – $125,378) from Note 13 in the financial statements due to travel allowance disclosed in 'Other', which is posted to 'Travel and accommodations'.

## 19. COMMITMENTS

**Leases**

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

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

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

| | Within one year | Within one to five years | Total |
|---|---|---|---|
| 2022 | | | |
| Lease payments (principal and interest) | $ 215 | $ 158 | $ 373 |

| | Within one year | Within one to five years | Total |
|---|---|---|---|
| 2021 | | | |
| Lease payments (principal and interest) | $ 217 | $ 357 | $ 574 |

The WCB's liquidly risk inherent in the maturity of lease liabilities is low. The WCB has a capital management plan to fund current operations. See Note 21 for further details.

The future aggregate minimum lease payments relating to leases that are short-term or low-value in nature for payments not included in the measurement of lease liabilities is as follows:

| | 2022 | 2021 |
|---|---|---|
| Within 1 year | $ 252 | $ 252 |
| More than 1 year and up to 5 years | 210 | 462 |
| Later than 5 years | – | – |
| **Total** | $ 462 | $ 714 |

**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 2022 were $3,042 (2021 – $2,852) 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 secure financial obligations of current and future benefits to workers and operations. Funding of the Workers' Compensation System requires consideration of a number of complex variables and assumptions (rates, benefits, funding period and investment returns).

The WCB monitors the funded and unfunded status based on the funding percentage. The funding percentage calculated by the ratio of total assets to total liabilities is 92.9 per cent (2021 – 106.4 per cent).