



why
safety
matters

ANNUAL
REPORT

2017

WHY SAFETY MATTERS

Mark MacDonald, Health PEI

In May 2017, Mark MacDonald, a Service Worker with Health PEI, sustained a ruptured achilles tendon after a workplace accident. While Mark worked diligently with health care providers to recover, he was keen to stay connected to his workplace.

Research shows that an employee's connection with the workplace significantly improves the likelihood of a successful recovery. That's why the Workers Compensation Board works with employers and workers, to help them return to work in a safe, timely and sustainable way. As part of this effort, Health PEI piloted a Recover@Work program that increased supports for injured workers, to offer modified or alternate duties during their recovery.

As a testament to Mark's motivation and an engaged support system, he was able to safely ease back to his full duties by October 2017. When asked why returning to work was important to him, Mark said "I knew the sooner I get back to work, the sooner I could start my healing."



Photo Credit: PEI Government Photo, Brian L. Simpson

LETTER OF TRANSMITTAL



www.wcb.pe.ca

April 27, 2018

Hon. Sonny (Stanley) Gallant
Minister of Workforce and Advanced Learning
3rd Floor, Shaw Building North
95 Rochford Street
P.O. Box 2000
Charlottetown, PE C1A 7N8

Dear Minister Gallant:

In Accordance with Section 34 of the *Workers Compensation Act*, the Board is pleased to provide its Annual Report for the year ending December 31, 2017.

Respectfully submitted,

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

Stuart Affleck
Workers Compensation Board Chair

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THE WORKERS COMPENSATION BOARD OF PRINCE EDWARD ISLAND

The Workers Compensation Board (WCB) has been an integral part of the Island community since 1949. We serve over 70,000 workers and over 5,000 employers through the fair and effective administration of the provincial workplace compensation and safety system.

OUR MISSION

The WCB exists to protect workers and employers through a sustainable no-fault injury insurance program by caring for injured workers, promoting safe and healthy workplaces and enforcing safety legislation.

OUR VISION

Workplaces are safe. Injuries are eliminated. Service excellence is assured.

OUR VALUES

Integrity

We honour and are accountable for our commitments to our stakeholders and each other by operating in an open and transparent manner and being responsible for our actions and performance.

Fairness

Our work focuses on the needs of our stakeholders and a balance of both worker and employer interests. We consistently apply legislation and policy.

Professionalism

We strive for excellence in all aspects of our service delivery. We interact in a respectful, competent and efficient manner. We possess the knowledge, skills and attitudes that foster confidence in our stakeholders.

Teamwork

We build a collaborative culture by supporting each other; sharing ideas, opinions, and strengths; and sharing responsibility and leadership to meet our common goals.

STRATEGIC THEMES FOR 2016-2018

To meet and exceed the workplace safety and compensation needs of all Islanders, we have focused our efforts around six strategic themes:

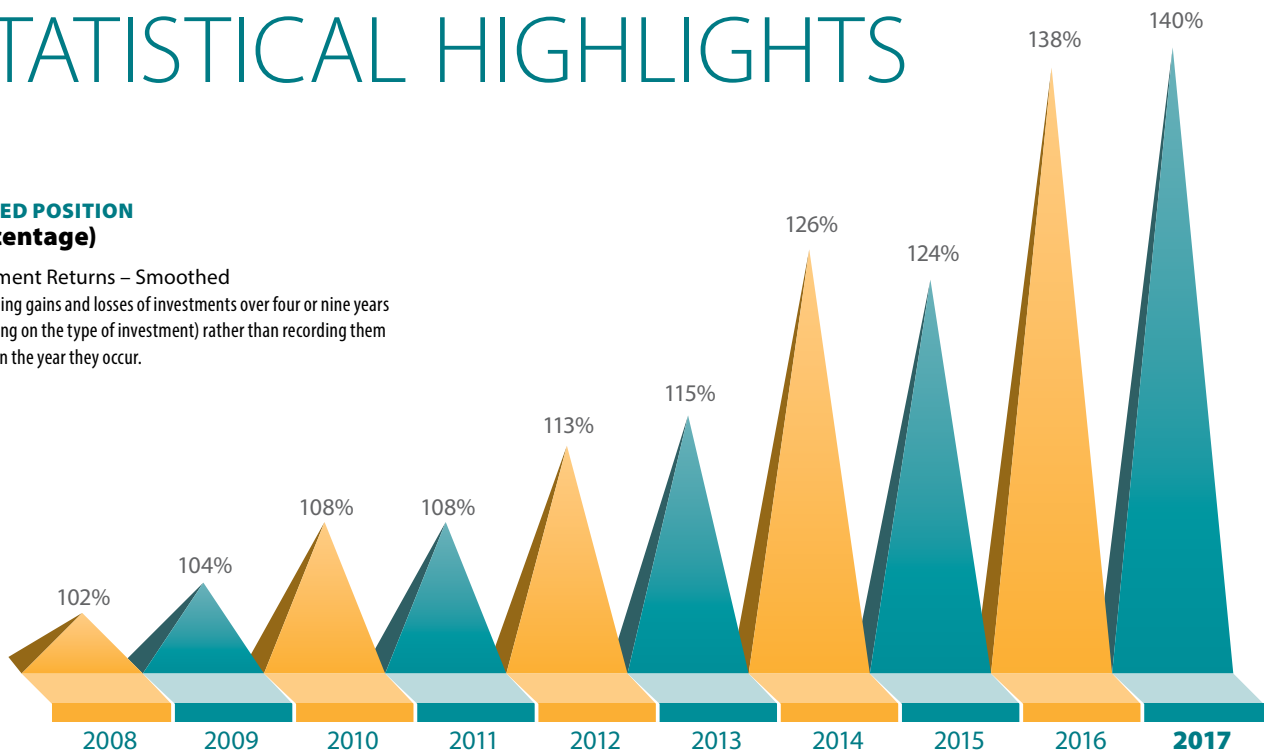
- Enhancing PEI's Workplace Safety Culture
- Improving Return to Work Outcomes
- Ensuring Financial Sustainability
- Strengthening Engagement and Partnerships
- Providing Continued Service Excellence
- Investing in Our Organization



STATISTICAL HIGHLIGHTS

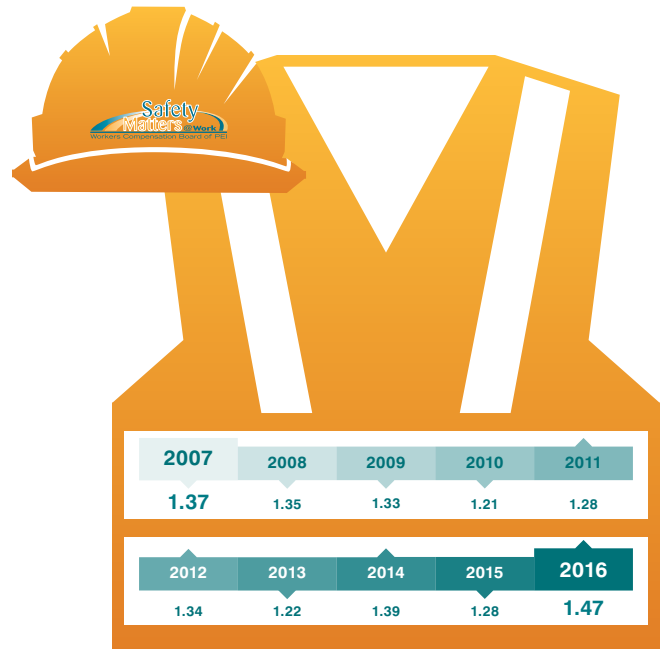
FUNDED POSITION (Percentage)

Investment Returns – Smoothed
Recognizing gains and losses of investments over four or nine years (depending on the type of investment) rather than recording them entirely in the year they occur.



FINANCIAL HIGHLIGHTS, 2016/2017

Financial Highlights	2016	2017
Assessment Revenue (\$ millions)	34.8	33.6
Investment Revenue (\$ millions)	23.1	23.7
Claim Costs (\$ millions)	22.2	22.0
Administration Expenses (\$ millions)	7.7	8.3
Surplus (Deficit) (\$ millions)	28.2	7.1
Fund Balance (\$ millions)	98.0	105.1
Investment Returns (%)	9.16	10.29



AVERAGE ASSESSMENT RATE, 2008-2017 (\$ per \$100 of assessable payroll)



SAFETY CULTURE: INJURY FREQUENCY RATE, 2007-2016 (Number of time loss injuries per 100 workers)





GOVERNANCE AND OVERSIGHT

“Vision is a destination - a fixed point to which we focus all effort. Strategy is a route - an adaptable path to get us where we want to go.”

Simon Sinek

MESSAGE FROM THE CHAIR AND BOARD OF DIRECTORS

MESSAGE FROM THE CHAIR AND BOARD OF DIRECTORS

For over 68 years, the Workers Compensation Board of Prince Edward Island has had a long history of serving the workers and employers of our beautiful province. As Chairman, on behalf of the Board of Directors, it is my privilege to share the Board's activities and accomplishments over the past year.

WCB of PEI's Board of Directors represent a diverse mix of workers and employers across the province. In the second year of the Strategic Plan, we continue to meet our obligation by providing leadership and commitment to a clear set of governance principles that define our conduct, roles, authorities and responsibilities.

The Board continues to be guided by the Meredith Principles, which Sir. William Meredith tabled in the Meredith Report nearly a century ago. This continues to be the foundation for workers compensation systems across Canada.

Financial sustainability is a cornerstone of the workers compensation system ensuring injured workers receive benefits while they recover. In accordance with our funding policy, we were pleased to approve a surplus distribution of \$21.4 million back to Island employers. We also lowered the 2017 average assessment rate to \$1.70 which has continued the downward trend and provided meaningful savings to employers.

Our annual surveys alternate polling between employers and workers. In 2017 employers were surveyed. The results showed an 82% satisfaction rate, which combines a variety of service dimensions, including: effectiveness, fairness and service delivery. This result reinforces that employers continue to see value in our service, and strongly positions us to focus on areas where meaningful improvements can be made.

The year 2017 signified a focus on improving customer service at every level from frontline reception through to our own Board processes. This continuous process filters through all levels of our organization and we are confident moving forward, we will continue to make a positive impact by focusing on prevention and effective return to work for workers and employers.

It is our privilege to serve the workers and employers of Prince Edward Island. On behalf of my colleagues, I wish to extend thanks to staff and stakeholders for continuing to advance our vision of eliminating injuries and ensuring that all workplaces are safe.



Stuart Affleck
Workers Compensation Board Chair



Stuart Affleck
Workers Compensation Board Chair

MESSAGE DU PRÉSIDENT ET DU CONSEIL D'ADMINISTRATION

MESSAGE DU PRÉSIDENT ET DU CONSEIL D'ADMINISTRATION

La Commission des accidents du travail (CAT) est au service des travailleurs et des employeurs de notre magnifique province depuis plus de 68 ans. En tant que président, et au nom du Conseil d'administration de la CAT, c'est un privilège de partager les activités que le Conseil a réalisées au cours de la dernière année.

Le Conseil d'administration de la CAT de l'Î.-P.-É. représente un groupe diversifié de travailleurs et d'employeurs de la province. Au cours de la deuxième année de notre plan stratégique, nous continuons à remplir nos obligations en assurant la direction et en nous engageant à un ensemble clair de principes de gouvernance qui définissent notre conduite, notre rôle, notre autorité et nos responsabilités.

Le Conseil est toujours guidé par les Principes Meredith que Sir William Meredith a présentés dans le Rapport Meredith il y a près de cent ans. Ces principes sont encore aujourd'hui à la base des systèmes d'indemnisation des travailleurs partout au Canada.

La rentabilité financière est une pierre angulaire du régime d'indemnisation des travailleurs, assurant que les travailleurs blessés reçoivent des prestations lorsqu'ils sont en rétablissement. Conformément à notre politique de financement, nous étions donc très heureux d'approuver une distribution de surplus de 21,4 millions de dollars aux employeurs de l'Île. Nous avons aussi réduit le taux moyen d'évaluation à 1,70 \$, permettant à la tendance à la baisse de se poursuivre et aux employeurs de faire des économies importantes.

Nos sondages annuels sont menés en alternance, avec les employeurs et les travailleurs. En 2017, nous avons sondé les employeurs. Les résultats ont démontré un indice de satisfaction des services de 82 %, ce qui comprend une variété de dimensions de services, y compris l'efficacité, l'équité et la prestation de services. Ce résultat corrobore le fait que les employeurs continuent à voir l'importance de notre service et nous place en excellente position, nous permettant de nous concentrer sur des domaines dans lesquels des améliorations significatives peuvent être apportées.

Au cours de l'année 2017, nous avons mis l'accent sur l'amélioration du service à la clientèle à tous les niveaux, du premier contact à la réception jusqu'aux travaux de notre Conseil. Ce processus continu touche tous les niveaux de notre organisation et nous sommes convaincus de pouvoir continuer à faire un impact positif en nous concentrant sur la prévention et le retour au travail efficace pour les travailleurs et les employeurs.

C'est un privilège de servir les travailleurs et les employeurs de l'Île-du-Prince-Édouard. Au nom de mes collègues, je tiens à exprimer ma reconnaissance au personnel et aux intervenants qui continuent à promouvoir notre vision, soit d'éliminer les blessures et d'assurer que tous les lieux de travail sont sécuritaires.



Stuart Affleck

Président de la Commission des accidents du travail



The year 2017 signified a focus on improving customer service at every level from frontline reception through to our own Board processes.

Stuart Affleck





WCB Board of Directors: Front row from left: Margaret Stewart, Chair Stuart Affleck and Vice Chair Angus Houston. Back row from left; Dianne Collins, Alan MacKinnon, Valerie Robinson, Nancy MacFadyen and Harvey Larkin

WCB BOARD OF DIRECTORS

Stuart Affleck has been Chair of the Board of Directors since September 2015. He was a farm owner and operator for 38 years and has held many positions through organizations such as the PEI Potato Board, East Prince Regional Health Board and PEI Unit 2 Regional School Board. Mr. Affleck has also served on the National Farm Products Council.

Dianne Collins has been a Worker Representative on the Board of Directors since 2011. She is a graduate of the Charlottetown Hospital School of Nursing and worked for over 30 years at Kings County Memorial Hospital (KCMH). Throughout her career, Ms. Collins has been dedicated to improving health and safety for Islanders, serving on the KCMH Occupational Health and Safety Committee and the PEI Health Governance Advisory Council.

Angus Houston has been an Employer Representative on the Board of Directors since 2008. He has over thirty years of experience as an employer in PEI working in a number of capacities in the health, marine and hospitality industries. Mr. Houston has also owned and co-owned restaurants in New Brunswick, Nova Scotia and PEI, and currently represents the WCB of PEI on the Dean's Advisory Committee to the Chair in Occupational Medicine with Dalhousie Medical School.

Harvey Larkin has been an Employer Representative on the Board of Directors since 2006. He was involved in the hospitality industry for several years and is a farm co-owner and operator in the turkey growing business. Mr. Larkin has also served as a board member on various community organizations.

Valerie Robinson is an experienced employee of Health PEI and has served on numerous committees for the PEI Society of Medical Laboratory Technologists, chairing numerous consecutive convention committees. At the National level, Valerie has served on the Board of Professional

Development Committee to promote higher learning, education and continuous efforts for self-improvement. Valerie is currently a Trustee for the Public Service Group Insurance Plan (PGSIP) and has extensive experience in this capacity.

Nancy MacFadyen has had a long career in the health care sector as a registered nurse in both acute care and in the community. As a staff nurse, nurse manager, educator and leader, she has experience in a variety of settings. Nancy has actively participated in her profession throughout her career by being a member/director of many associations and organizations, the most recent being President of the Association of Registered Nurses of Prince Edward Island and a director on the Canadian Nurses Association Board.

Margaret Stewart has been a Worker Representative on the Board of Directors since 2005. As a high school English teacher, then teacher-librarian, she was extensively involved in extra-curricular activities at the school, district and provincial levels. After serving on the Board of Governors and then the Executive of the PEI Teachers' Federation for ten years, from 2001-2003 she spoke for teachers provincially and nationally as president of the PEITF and as a Canadian Teachers' Federation Director. She served as a Worker Representative on the 2012 Workers Compensation Legislative Review Advisory Committee.

Alan MacKinnon is a retired Chartered Accountant and was a partner in an international accounting firm. He specialized in business advisory and corporate restructuring. He is a former President of the Canadian Association of Insolvency Restructuring Professionals and has served on numerous professional, charitable and community organizations. He currently serves as Business Manager for Georgetown Port Inc.

GOVERNANCE

ROLE OF THE WCB BOARD OF DIRECTORS

The role of the Board of Directors is to provide governance and oversight for the Workers Compensation Board of Prince Edward Island. The Board's responsibilities are set out in the *Workers Compensation Act* and include the following:

- Establishing policies and programs related to compensation and rehabilitation of injured workers, employer assessments, investments and the administration of the *Act*
- Approving the annual administrative and operating budgets, as well as appointing auditors to examine WCB finances
- Enacting bylaws, policies and practices for the good conduct of the business and affairs of the Board
- Periodically reviewing the *Workers Compensation Act* and its regulations and recommending amendments to ensure the legislation remains relevant and responsive to Island workplaces

ACHIEVEMENTS IN 2017

In 2017, the Board of Directors celebrated a number of significant achievements, including the following:

- **Amendments to the Workers Compensation Act – General Regulations.** After a comprehensive consultation with the farming industry in 2014 and 2015, Government approved the transition from optional to mandatory coverage under the *Workers Compensation Act*. As such, mandatory coverage for farmers under the *Workers Compensation Act* came into effect on January 1, 2017.
- **Consultation with the Fishing Industry.** In the fall of 2016, Government gave approval for the WCB to begin a formal consultation process with the fishing industry in respect to inclusion under the *Workers Compensation Act* as well as an education and awareness initiative for the sector. In 2017, a Workers Compensation Board team, including an Occupational Health and Safety Officer, met with eight Island fishing harbour authorities to discuss compensation and promote safety. The WCB is continuing its outreach efforts and has extended invitations to harbour authorities and fishing associations across the province.

- **Employer Survey.** In November 2017, the bi-annual Employer Survey was conducted by Corporate Research Associates. The Service Satisfaction Index which combines a variety of service dimensions including effectiveness, fairness and service delivery was rated at a high of 82%. The 2017 results show that nine in ten employers believe WCB is doing a good job of keeping employers informed and the WCB is providing a benefit to employers. The results also demonstrated that 70% of employers do not experience administrative 'red tape' in their interactions with WCB.
- **Clinical Day in Occupational Medicine and Work Disability Prevention.** On October 26, 2017 WCB hosted the inaugural professional development conference at the Delta Prince Edward Hotel. Attendees participated in a wide range of sessions related to such topics as: work disability prevention, clinical use of Marijuana, concussion rehabilitation, Post-Traumatic Stress Disorder recovery and many others. The day was certified as a Continuing Learning Accredited program by the College of Family Physicians of Canada.
- **Investment Education.** In September 2017 the Board attended an investment session with the WorkSafeNB Board of Directors which was facilitated by Morneau Shepell. The seminar focused on the building of sound investment policy, asset/liability management, the interaction between asset classes and risk management.
- **AWCBC Governance Summit.** In June 2017, the Board attended the AWCBC Governance Summit in Saint Andrews, New Brunswick. Delegates from across the country engaged in passionate discussion on topics such as stakeholder engagement, Board diversity, effective decision making and cannabis in the workplace.
- **WHMIS Regulations.** On July 29, 2017, the New WHMIS Regulations were enacted. To complement the new regulations, OHS staff developed a "Guide to WHMIS for PEI Workplaces" and a "Primer for Teachers on WHMIS 2015" as well as numerous education sessions throughout PEI for employers and workers.

The Board is committed to remaining open and accountable to the public and our stakeholders. Summaries of the monthly Board of Directors meetings, including its decisions, are posted on the WCB website at www.wcb.pe.ca/Information/BoardMinutes



OHS ADVISORY COUNCIL

Members of the Occupational Health and Safety (OHS) Advisory Council are appointed by the Minister and reflect a breadth of knowledge and experience relating to the principles and promotion of occupational health and safety. The Council consists of the WCB Chair, the WCB Director of OHS, three members representing workers, three members representing employers and one person representing the general public.

MEMBERSHIP

Scott Ryan, Council Chair and Employer Representative
Stuart Affleck, WCB Chair
Danny Miller, WCB Director of Occupational Health and Safety
Melinda Mulligan, Worker Representative
Lynn Boyver, Worker Representative
Ben MacDonald, Worker Representative
Vernon Anderson, Employer Representative
Alan McCormick, Employer Representative
Eric MacDonald, Public Representative

ROLE

The OHS Advisory Council advises the WCB Board of Directors on the following:

- The administration of the *OHS Act* and Regulations
- Monitoring and reporting on OHS activities throughout the province
- Exclusions from all or part of the application of the *OHS Act* or Regulations
- Any other matter relating to OHS, including amendments to the *OHS Act* and Regulations

ACCOMPLISHMENTS IN 2017

Effective April 18, 2017 the OHS Advisory Council welcomed new member, Vernon Anderson. The Council met, reviewed, and debated a variety of important issues related to occupational health and safety. In 2017, the OHS Advisory Council:

- Discussed the issues of medical marijuana and the potential effects on the workplace, the importance of employers complying with their responsibilities under the *OHS Act* to report fatalities and serious workplace injuries to the OHS Division, and the continued efforts to identify opportunities for regulatory harmonization across Canadian jurisdictions
- Discussed the OHS enforcement and education initiative that included inspecting arenas and other workplaces that use ammonia to power their mechanical refrigeration systems
- Provided input and made recommendations related to the amended Workplace Hazardous Materials Information System (WHMIS) regulations that were enacted on July 29, 2017
- Received several education sessions by OHS staff to provide Council members with insight into the roles of OHS officers and education consultants and the work they do to ensure workplaces on PEI are safe

OUR HISTORY

Before the workers compensation system was established, workers and employers had limited protection from the impacts of workplace injury and illness. Workers, those who could afford it, could use the legal system to sue their employers, but if a worker contributed to the accident in any way, they had no recourse. On the other hand, if a worker's lawsuit was successful, it could result in an employer being forced into bankruptcy.

The workers compensation system in Prince Edward Island is founded on the Meredith Principles, which were developed over 100 years ago. These principles anchor workers' compensation in Canada. Based on the Meredith Principles, workers were eligible for benefits when injury occurred, and in exchange, employers could not be sued. These principles were adopted to form the basis of the Canadian workplace injury insurance, and still guide our work today.

THE MEREDITH PRINCIPLES:

- **No-fault compensation**, by which workplace injuries are compensated regardless of fault, and the worker and employer waive the right to sue
- **Collective liability**, with the total cost of the compensation system shared by all employers
- **Security of payment**, with a fund established to guarantee that compensation will be available for injured workers when they need it
- **Exclusive jurisdiction**, with all compensation claims directed solely to the compensation board
- **Independent board**, autonomous and financially independent of Government or any special interest group



Formerly Charlottetown Railway Station (1907)

FUNCTIONAL STRUCTURE

LEGISLATION



GOVERNANCE & OVERSIGHT



OPERATIONS



EXTERNAL APPEALS





OPERATIONAL OVERVIEW

“Education is the foundation upon which we build our future.”

Christine Gregoire



Luanne Gallant

Chief Executive Officer of the Workers Compensation Board

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to present this year's annual report. The year 2017 marked the second year of our Strategic Plan, which has seen many meaningful updates to policy, programs and service delivery. Our vision in creating safe workplaces and eliminating injuries is constant, and we continually reflect on where we are, where we are going, and how to get there in order to better serve workers and employers.

Workplace injuries can cause stress and uncertainty for workers and employers. We understand the financial, emotional and physical impacts an injury can have on a worker and their family, their coworkers and the community. Therefore, in 2017, we improved our processes by implementing "face to face" meetings with injured workers who require support in returning to work. By establishing an early connection with the case coordinator, workers receive valuable information, have an opportunity to discuss their concerns and are involved in developing the next steps in their recovery. This is one way we have adjusted our service delivery to support ongoing communication that aids in safe and timely return to work. Although there was a slight increase in Injury Frequency (the number of time-loss injuries per 100 workers) in 2016, we are encouraged to see improvement in workers returning to work 20% more quickly than the previous year. Through early and ongoing communication and collaboration with workers, employers and health care providers, we are able to achieve these results.

We are committed to preventing future accidents. In support of this, our priority is to equip Islanders with tools, skills and knowledge to help them remain safe as they enter the workforce, and throughout their careers. As of 2017, we are pleased to note the Occupational Health and Safety Leadership Program is now represented in 13 Island high schools. This youth-focused initiative is in addition to the over 400 education sessions taking place

across the Island annually. We believe an emphasis on education, in combination with enforcement, helps Island communities maintain healthier workplaces.

We know developing a safety culture takes time, but we are committed to working together to make it a priority. In our second year of a partnership with Health PEI we continued to roll out initiatives specific to the health sector, aimed at reducing injury frequency and improving overall safety culture. Several positive initiatives have been implemented including: an inaugural CME Accredited Clinical Day in Occupational Medicine and Work Disability Prevention, updated clinical resources, access to online services and development of algorithms for managing common soft tissue injuries to support timely and safe return to work.

We will continue to work directly with our partners, workers and employers on focused programs to actively make a difference in preventing workplace injuries and illnesses, paying close attention to emerging trends and industries at risk of injuries.

In closing, I have been privileged to lead the dedicated staff at WCB of PEI through another year and would like to acknowledge the hard work and commitment they bring to their work to meet our goals. I am encouraged by the many great initiatives that took place in 2017 and look forward to working with all stakeholders to prevent injuries and illness and continue working towards our goal of providing outstanding service to Islanders.

Workers Compensation Board Chief Executive Officer

MESSAGE DE LA DIRECTRICE GÉNÉRALE

Je suis heureuse de présenter le rapport annuel de 2017. On en est à la deuxième année de notre plan stratégique au cours de laquelle plusieurs mises à jour importantes ont été apportées aux politiques, aux programmes et à la prestation de services. Notre vision de création de milieux de travail sécuritaires et d'élimination de blessures se poursuit et nous éprouvons continuellement le besoin de réfléchir à ce que nous avons réalisé, où nous allons et comment nous y rendre afin de mieux servir les travailleurs et les employeurs.

Les blessures en milieu de travail peuvent être une source de stress et d'incertitude pour les travailleurs et les employeurs. Nous sommes conscients de l'impact financier, affectif et physique que les blessures peuvent avoir sur les travailleurs, leur famille, leurs collègues et leur communauté. En 2017, nous avons donc amélioré nos processus en instaurant des rencontres en personne avec des travailleurs blessés qui ont besoin d'appui afin de retourner au travail. En établissant un lien dès le début avec le coordonnateur des réclamations, les travailleurs reçoivent de l'information utile, ont l'occasion de discuter de leurs préoccupations et participent au développement des prochaines étapes de leur rétablissement. C'est un des moyens que nous avons adoptés pour rajuster la prestation de services en vue d'appuyer les communications continues qui aident au retour au travail sécuritaire et rapide. Bien qu'il y a eu une légère augmentation de la fréquence des blessures (le nombre de blessures avec perte de temps par 100 travailleurs) en 2016, nous sommes encouragées par l'amélioration du nombre de travailleurs retournant au travail 20% plus rapidement que l'an dernier. C'est grâce à la communication et à la collaboration précoces et continues avec les travailleurs, les employeurs et les fournisseurs de soins de santé que nous avons été capables d'obtenir ces résultats.

Nous nous engageons à prévenir de futurs accidents. Notre priorité est donc de munir les Insulaires d'outils, de compétences et de connaissances pour les aider à demeurer en toute sécurité lorsqu'ils intègrent le marché du travail et tout au long de leur carrière. Depuis 2017, nous sommes heureux d'annoncer que le programme de leadership en santé et sécurité au travail se trouve maintenant dans treize écoles secondaires de l'Île. Cette initiative axée sur les jeunes s'ajoute au plus de 400 séances d'information qui ont lieu chaque année dans la province. Nous estimons que l'importance placée sur l'éducation et l'application aident les communautés insulaires à faire de leurs lieux de travail des endroits plus sains.

Nous sommes conscients que le développement d'une culture de sécurité prend du temps, mais nous nous engageons à travailler ensemble afin d'en faire une priorité. Dans notre deuxième année de partenariat avec Santé Î.-P.-É., nous avons continué à lancer des initiatives précises liées au secteur de la santé visant la réduction du taux de fréquence des blessures et améliorant la culture

globale en matière de sécurité. Plusieurs initiatives positives ont été mises en œuvre, y compris la toute première journée d'éducation clinique certifiée FMC pour les fournisseurs de soins de santé, les ressources cliniques actualisées, l'accès aux services en ligne et le développement d'algorithmes d'encourager un retour au travail rapide et sécuritaire.

Nous continuerons de travailler directement avec nos partenaires, nos travailleurs et nos employeurs sur des programmes particuliers afin de contribuer à la prévention des maladies et des blessures en milieu de travail, tout en demeurant attentifs aux tendances émergentes et aux industries où il y a des risques de blessures.

Pour conclure, j'ai eu le privilège de diriger le personnel dévoué de la CAT de l'Î.-P.-É. au cours d'une autre année et je tiens à souligner l'ardeur de leur travail et leur dévouement, nous permettant de réaliser nos objectifs. Je me réjouis des nombreuses excellentes initiatives entreprises en 2017 et j'ai bien hâte de travailler avec tous les intervenants à la prévention des blessures et des maladies ainsi que de continuer à nous rapprocher de notre objectif qui est de fournir un service exceptionnel aux Insulaires.



Directrice générale de la Commission des accidents du travail





CORE BUSINESS OVERVIEW

The WCB is a no-fault insurance system funded through employer assessments and governed by an independent Board of Directors. The Workers Compensation Board serves the Island community through fair and effective administration of the provincial workers compensation and workplace safety legislation.

Through collaboration with workers, employers and all Islanders, the Workers Compensation Board strives to build safe workplaces by increasing awareness of safety at work and promoting a culture of workplace injury prevention.

If a workplace injury or illness occurs, the WCB provides benefits and services to injured workers to help reduce the financial, physical and emotional effects of a workplace injury, and to assist in the recovery process. The WCB works with injured workers, employers and health care providers to assist workers in remaining at work after an injury or returning to work in a safe and timely manner.

The Workers Compensation System is funded on the principle of collective liability. Employer assessments are based on industry risks and costs of workplace injuries. The WCB manages the accident fund on behalf of Island employers to ensure the funds are available for workplace injuries that have already occurred or may occur in the future. To help reduce costs and protect workers, the WCB works with workplaces to develop effective injury prevention and return to work programs.



Photo Credit: PEI Government Photo, Brian L. Simpson

OPERATING ENVIRONMENT

The Workers Compensation Board operates in a complex environment in which a variety of factors can impact our outcomes and service delivery. We believe that the best way to safeguard Island workers and employers is to remain vigilant with our safety and prevention education and to have sound processes, policies and monitoring systems in place.

The WCB is entrusted with our clients' personal information and we must ensure that we meet the increasing expectations for the protection of privacy as well as for access to appropriate information. We are mandated to administer the *Workers Compensation Act* and the *Occupational Health and Safety Act*, and are committed to compliance with other legislation which intersects with our business, including the *Freedom of Information and Protection of Privacy Act*.

The public expectations are changing, with an increased demand for immediacy brought about by the technical advances of this generation. Online Services and social media are becoming more common and the Workers Compensation Board has been adapting to our stakeholders' technological needs and will continue to do so as we move forward.

Prince Edward Island's economy has a significant number of seasonal industries. This reality can present challenges in developing return to work and stay at work programs for injured workers. Although PEI's unemployment rate is high; some industries on PEI have difficulty recruiting and retaining workers

and are relying on temporary foreign workers to fill workforce gaps. The WCB must ensure that prevention and compensation measures are put in place to address the needs of an increasingly diverse and dynamic workforce.

Prince Edward Island's workforce is characterized by an aging demographic. Increasing rates of chronic health conditions, such as heart disease, arthritis, and diabetes, can contribute to longer healing times and more complex injuries. Other health-related issues that may present challenges to the balance between funding and compensation include mental health and psychological safety in the workplace, rising health care costs and access to timely and appropriate health care services.

Volatility in the markets create a challenge as it affects the investment returns of the pooled fund from which all WCB benefits and administration costs are drawn, in addition to employer assessments. It is crucial that the Workers Compensation Board continues to be financially responsible and remain in a fully-funded financial position.

The Workers Compensation Board must constantly assess our environment to identify potential risk factors and to develop mitigating strategies. Our commitment to stakeholders is that we will be diligent and have appropriate checks and balances in place to anticipate and adapt. We will work together in a proactive and responsive manner to build our collective understanding of how to best address our future challenges.



PERFORMANCE REPORTS

“It takes leadership to improve safety.”

Jackie Stewart



The WCB's 2016-2018 Strategic Plan was developed through consultation with stakeholders, Board members and staff. The plan guides the way the WCB allocates resources and positions the organization to fulfill its mission. In 2017, the Board participated in a strategic review process that validated the WCB priorities for the remainder of the planning cycle.

OVERVIEW OF 2016-2018 STRATEGIC PLAN

This past year marked the second year of the Strategic Plan for 2016-2018.

The WCB's 2016-2018 Strategic Plan was developed through consultation with stakeholders, Board members and staff. The plan guides the way the WCB allocates resources and positions the organization to fulfill its mission. In 2017, the Board participated in a strategic review process that validated the WCB priorities for the remainder of the planning cycle.

2016-2018 STRATEGIC THEMES

Enhancing PEI's Workplace Safety Culture

Workplace safety is everyone's responsibility and all Islanders can contribute to a culture of safety in which injuries are eliminated and all workplaces are safe. The WCB will work to encourage principles and practices that instill workplace safety as an integral part of the Island way of life.

Improving Return to Work Outcomes

Being active, productive and connected to the workplace can promote recovery and well-being for those who have been injured at work. The WCB will support and promote a culture in which the physical, emotional and social benefits of returning to work are understood and embraced.

Ensuring Financial Sustainability

As administrators of the workers compensation system, the Workers Compensation Board strives for sufficient, but responsive funding and rate-setting policies, as well as prudent fiscal management of the financial resources entrusted to it.

Strengthening Engagement and Partnerships

Effective and meaningful stakeholder engagement is critical to the success of our provincial workplace safety and compensation system. The WCB is committed to improving the ways in which we consult, collaborate and strengthen relationships with our stakeholders.

Providing Continued Service Excellence

The WCB strives toward service excellence to meet and exceed the expectations of our clients and to enhance confidence in the system. We will focus our efforts on delivering a consistent and positive experience at every point of client interaction.

Investing in Our Organization

The WCB fosters a culture that is representative of our organization's values and has committed to supporting the skills and competency development of our staff. By investing in the organization in this manner, the WCB will affect the conditions necessary for service excellence.

ENHANCING PEI'S WORKPLACE SAFETY CULTURE

STRATEGIC THEME

A safety culture is reflected by the attitudes, values and beliefs of employers and workers within a workplace.

The WCB strives to enhance the safety culture in all workplaces across PEI by promoting safety and compliance with legislation through education and enforcement. By focusing on safety culture, we can achieve our vision of eliminating injuries and ensuring that all workplaces are safe.

CURRENT STATE

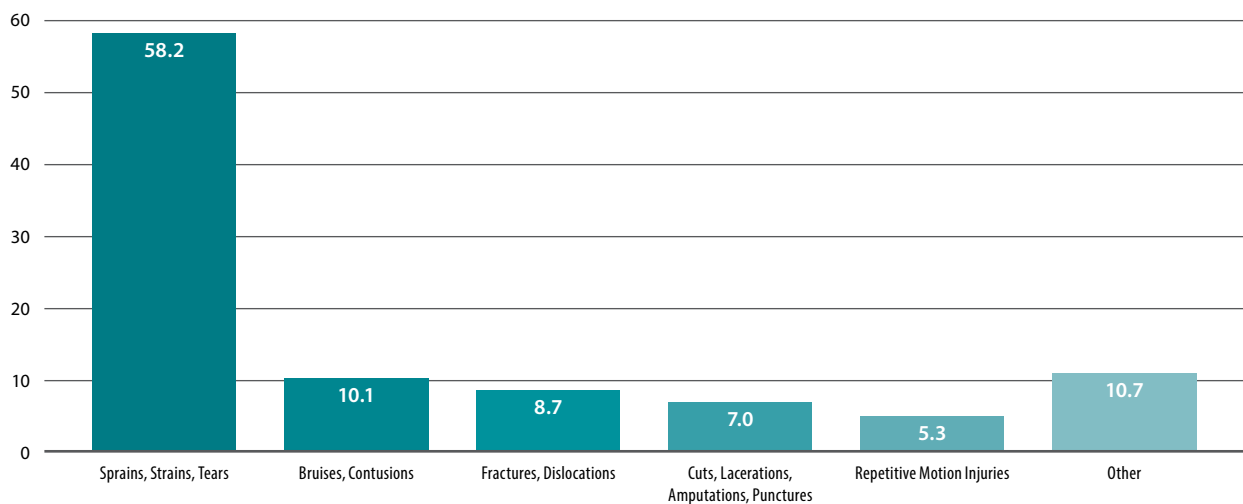
In an effort to monitor safety culture on PEI, we use statistics that represent the collective behavior of the workforce. The injury frequency rate is the number of time loss injuries per 100 workers over a period of one year. In 2016, the injury frequency rate of 1.47 represents an increase since 2015. A contributing factor to this is the number of time loss injuries rose from 871 to 980, while the covered workforce decreased by 1,274 workers. This is based on Statistics Canada workforce data, using the most current information available from the previous year. The WCB will continue to monitor this trend to help guide our prevention efforts and measure our safety culture.

The most common type of injury at work in 2017 continued to be sprain/strain type injuries. These injuries account for 58.2% of all injuries reported to the Workers Compensation Board of PEI.

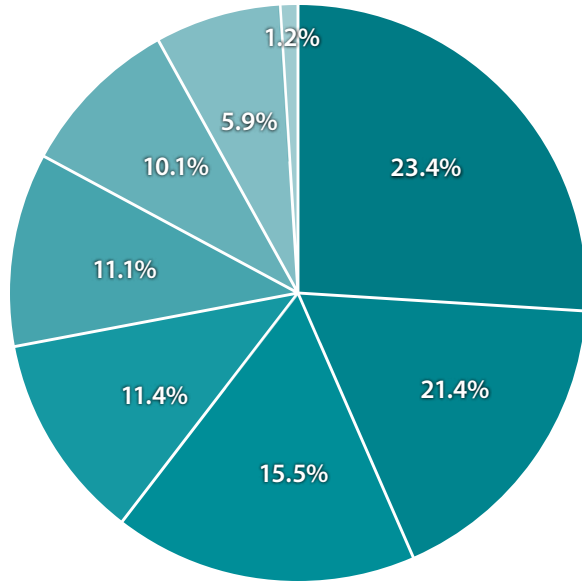


2017 Safety Matters Award winner Madeline MacDonald with Workers Compensation Vice-Chair Angus Houston and Chief Executive Officer Luanne Gallant

Nature of Injury, 2017 (Percent) (Graphic 1)



Anatomical Areas of Injury, 2017 (Graphic 2)



- Back (23.4%)
- Arm, Wrist, Hand (21.4%)
- Hip, Knee, Ankle, Foot (15.5%)
- Head, Neck, Throat (11.4%)
- Shoulder (11.1%)
- Multiple Body Parts (10.1%)
- Chest, Abdomen (5.9%)
- Other Body Parts (1.2%)

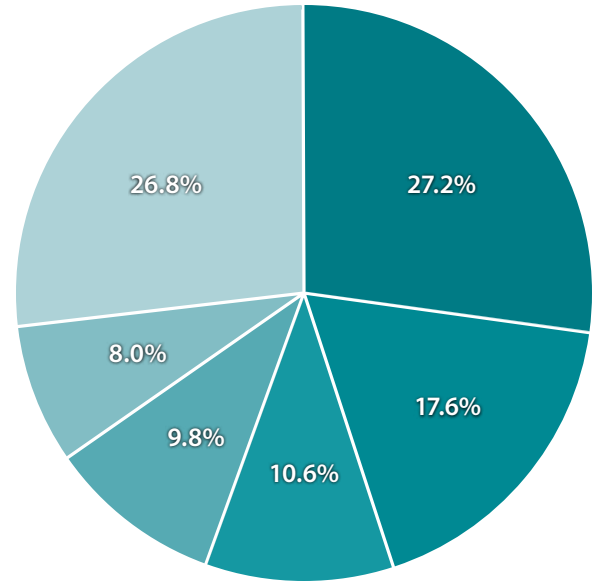
The most frequently injured body parts are similar to previous years. The back is the most commonly injured part of the body and these injuries account for 23.4% of all new claims. Arms, wrists and hands are consistently the second most frequently injured body parts at 21.4%.

The industry group with the highest rate of reported injuries continues to be the Health and Social Services sector accounting for 27.2% of all new claims. In an effort to address the high rate of injuries in this industry group the Workers Compensation Board is working collaboratively with the health care industry to help reduce injury frequency and improve return to work outcomes.

2017 Occupational Health and Safety Conference



Percentage of Workplace Injuries by Industry, 2017 (Graphic 3)



- Health and Social Services (27.2%)
- Manufacturing (17.6%)
- Government Service (10.6%)
- Construction (9.8%)
- Retail Trade (8.0%)
- Other (26.8%)
All other island industries; no other industry has >5% of workplace injuries

Effective leadership within management, learned health and safety practices and a positive progressive work environment have all been identified as key areas in which workplace safety culture can be improved. Building a safety culture particularly in the context of an aging workforce, economic pressures and workload demands create diverse challenges. The WCB continues to work collaboratively with employers and workers to provide resources that will improve the safety culture in all workplaces.

2017 OHS Leadership Program Participants with WCB Officials



ORGANIZATIONAL PERFORMANCE

In 2017, the WCB continued to provide numerous education initiatives with the goal of improving Prince Edward Island's workplace safety culture.

- Annually, the WCB hosts a Workplace Health and Safety Conference to promote safety culture in the workplace. The 2017 conference was held on May 4 and featured Candace Carnahan as the keynote speaker. A Workplace safety advocate, Candace tells her story of triumph following a devastating workplace incident at 21, to inspire others and help create safety culture change
- PEI high school students demonstrated leadership in workplace safety at the national level. Jack MacPhail (Bluefield High School) won a bronze medal in the Workplace Safety skill area at the Skills Canada competition in Winnipeg, Manitoba. Ben MacMillan and Jacob MacDonald (Morell Regional High School) placed 2nd in the Canadian Centre for Occupational Health & Safety annual *Focus on Safety* video contest
- Employers from industries such as farming, fishing and health care were provided with guidance to develop effective safety practices for use in their unique workplaces

The WCB continued to protect Island workers and employers in 2017 through education and enforcement.

EDUCATION

Education remains one of the best ways to prevent workplace accidents and injuries. In 2017, OHS education consultants delivered 480 education sessions which provided information and advice on health and safety and promoted the internal responsibility system. Workshops covered topics such as: Due Diligence, Effective Safety Committees, Incident Investigations, Speak Up for Safety, Best Practices for Training Young Workers, Workplace Inspections, and Hazard Assessments.

The WCB continues to deliver workplace safety education to the young worker audience (ages 15-24), knowing that new workers are among the most vulnerable groups for workplace injury. In addition to classroom presentations, our high school outreach focuses on peer education initiatives, including: a leadership program, an annual video contest, and a student bursary that recognizes safety leadership (Safety Matters Award). This year's \$500 bursary was awarded to Madeline MacDonald (Bluefield High School).

Other safety education initiatives for 2017 included the following:

- Development of Hazard Alerts, Guides and other important education materials to disseminate to employers and workers. Recent publications included a Guide to WHMIS 2015 for PEI Workplaces, Captain and Crew Responsibilities Posters, a Fishing Vessel Inspection Checklist, a Guide to Workplace Safety for Construction Sites, a Hazard Alert for Oyster Barge Crane Boom Failure, and a Prevention Update for Ammonia Gas Exposure in the Workplace. The publications provided information on



Photo Credit: PEI Government Photo, Brian L. Simpson

precautions that should be taken in order to prevent workplace injuries and illness from occurring in the workplace

- Development of a primer on WHMIS 2015 & the updated PEI regulations were created and distributed to all high school science, career & technical education teachers across PEI
- Delivery of presentations on workplace health & safety to community-based employability programs (many with a focus on youth or adults with barriers to work, which aim to provide industry-specific training)
- Coordination and implementation of the annual Workplace Safety competition as part of the provincial Skills Canada Competition.
- Continued growth of the OHS Leadership Program, which trains and supports teams of students to deliver peer education in workplace safety. In 2017, the number of participating high schools increased from ten to thirteen (25 leaders), with three French schools and one private school participating
- Participation in events and tradeshow across PEI to promote workplace safety

ENFORCEMENT

The WCB's OHS Officers enforce compliance with the workplace safety standards set out in the *Occupational Health and Safety Act* and its Regulations. This is done through inspections and investigations, and by responding to complaints received from workers, employers and concerned members of the public.

Enforcement activities in 2017 included the following:

- 2,513 workplace inspections
- 223 investigations into incidents and complaints about the safety of workers or the workplace
- 1,308 compliance orders, one for each violation of the safety legislation
- 49 orders in which work was stopped until safety compliance was achieved

Enforcement continues to play an important role in enhancing safety culture awareness in Prince Edward Island workplaces.

MOVING FORWARD

As part of our continued outreach to target young workers, we will broaden our education efforts to include parents this year.

In 2017, the WCB continued to work on draft amendments to the provincial regulations with respect to the handling and removal of asbestos-containing products. It is expected that the new regulations and accompanying guidelines for PEI will come into effect in 2018. Additionally, 2018 will bring a focus on resources and possible new legislation for psychologically healthy and safe workplaces.

The education team will continue to offer a variety of workshops and presentations, and will visit individual employers to provide them with customized consultation. The enforcement team will

be ensuring that workplaces on the Island are safe and that employers are in compliance with the *Occupational Health and Safety Act* and its Regulations.

To promote service excellence, OHS staff will be provided with ongoing training to meet the changing demands of industry knowledge and technology. It is important to provide consistent, accurate information to our stakeholders to help them improve safety culture at their workplaces.

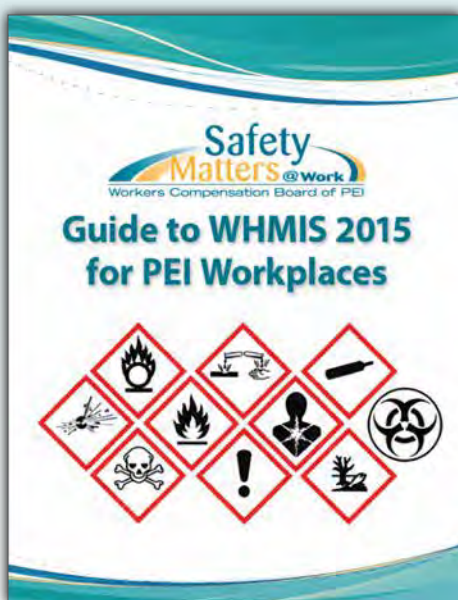
We recognize the changing demographics of our Island workplaces. Therefore, we will also continue to engage youth, newcomers, and others to focus on eliminating injuries and keeping all workplaces safe.

Feature Story: Transitioning to WHMIS 2015

Every workplace has chemicals, products or other materials that could be considered dangerous if not used properly. As such, employers must ensure hazardous products are properly identified, controlled, used and stored. Workers should also be aware and informed on how to use these products if it is part of their job.

In 2015, the Workplace Hazardous Materials Information System (WHMIS) was updated to reflect the Globally Harmonized System of Classification and Labelling of Chemicals (GHS). WHMIS 2015 is an updated information system for chemical products stored, handled or used in Canadian workplaces. The amendments established new requirements for labels and safety data sheets (SDSs) under WHMIS.

Following Health Canada changes, PEI amended its provincial WHMIS regulation pertaining to the workplace labelling, storage and use of hazardous products. The new regulations took effect in July 2017. OHS officers and education consultants were trained on the new regulations and continue to advise and support workplaces as they prepare for the end of the transition in December 2018. Education consultants delivered 11 information sessions across the province on the changes to the regulations in 2017.



The transition to the new requirements has been implemented in phases. This transition approach provides employers and employees time to learn the new regulations and hazard symbols, and allow suppliers and distributors time to start using the new labels. To help employers navigate the transition, WCB created a Guide to WHMIS 2015. The Guide is intended to help employers understand their obligations under the WHMIS regulations. It provides an overview of WHMIS 2015, roles and responsibilities, education and training requirements, labelling and safety data sheets. It also contains many useful tools, including a hazardous product inventory checklist, a sample WHMIS program checklist, and a sample training record.

IMPROVING RETURN TO WORK OUTCOMES

STRATEGIC THEME

Being active, productive and connected to the workplace can promote and accelerate recovery and well-being for those who have been injured at work. Research shows that the longer an injured worker is away from work, the less likely they are to return to work. The WCB's goal is to assist workers to remain at work or to return to work in a safe, timely and sustainable way following a workplace injury. To this end, the WCB will work with all Islanders to promote a culture in which the physical, emotional and social benefits of working during the recovery process are understood and embraced. We are committed to a client-centered approach to providing timely support and services necessary to foster appropriate outcomes.

CURRENT STATE

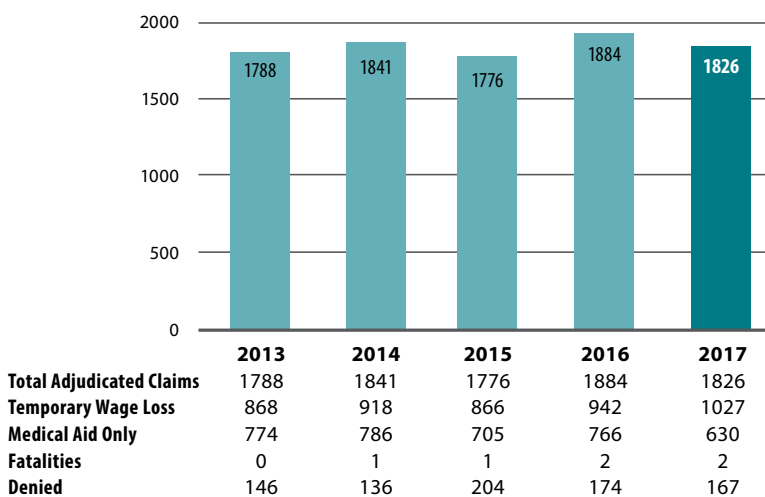
In 2017, the total number of WCB claims adjudicated for workplace injury decreased by 3.1%, from 1,884 in 2016 to 1,826 in 2017. The WCB accepted 91% of the claims that were adjudicated in 2017 and the number of claims that the WCB was unable to approve, reduced by 4% from 174 to 167. The WCB strives to make fair decisions based on legislation and policy and to explain these decisions in an understandable way.

There were two work related fatalities in 2017. Fatalities are recorded in the year in which the claim was accepted by the WCB.

The number of time loss claims, or the claims in which a temporary wage loss resulted, increased in 2017. The total number of time loss claims in 2017 was 1,027, a 9% increase from the 2016 total of 942 claims. In 2015, the WCB had a wait period of two days. Effective January 1, 2016, the wait period was eliminated. It was anticipated that there may be an increase in time loss claims as a result of this. This change has not resulted in a significant increase.

From a trending perspective, the variation in claim numbers year on year is not statistically significant. The injury frequency rate is considered to have more validity as it takes into account the size of the workforce in determining the rate of injury (see injury frequency page 4).

Number of Adjudicated Claims (Graphic 4)

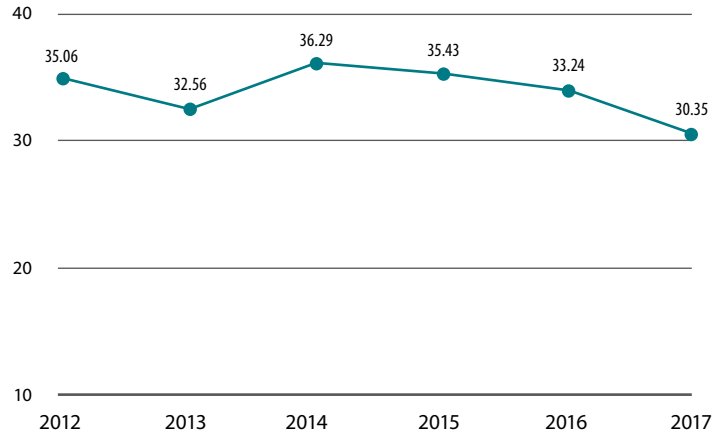


WCB Medical Advisor, Dr. Visser presenting on improving return to work outcomes

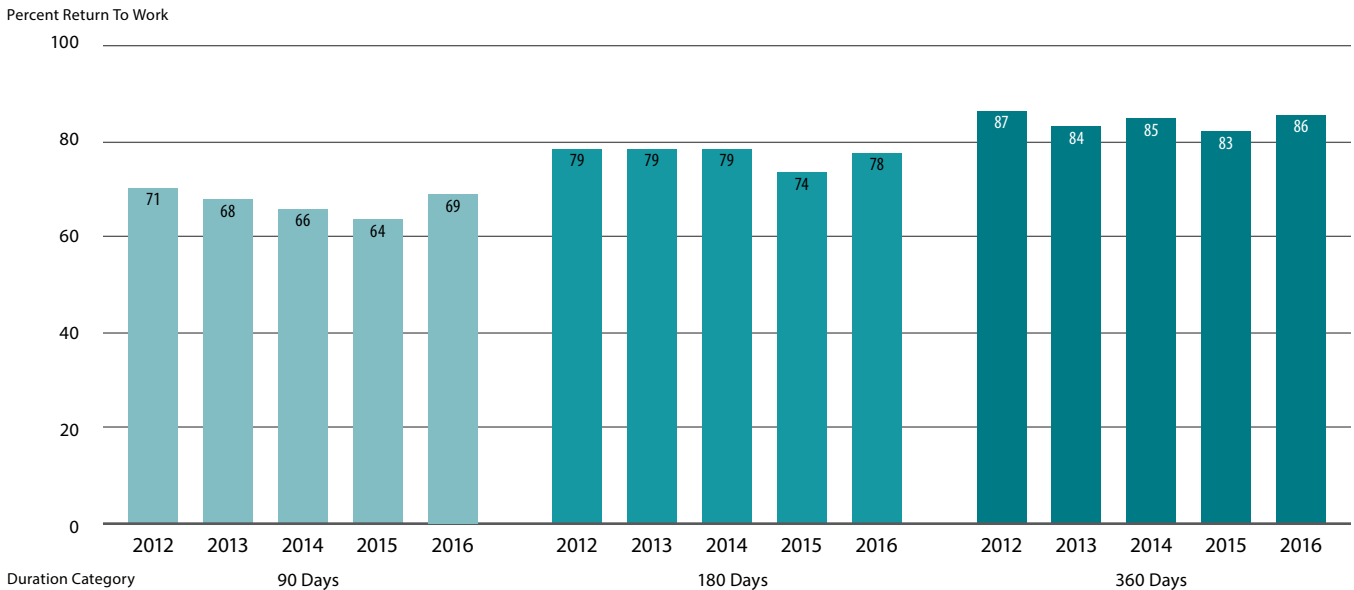


In 2017, average claim duration decreased by 2.89 days, from 33.24 days in 2016 to 30.35 days in 2017. The trend for this measure, which refers to the average duration of time loss claims, has shown a gradual decrease since 2014. Factors such as prolonged recovery periods, associated with an aging workforce and the psychological impact of workplace injury, can increase the length of time that an injured worker may require away from work after an injury. It is encouraging to see a reduction again in 2017. The benefit associated with work disability prevention is a compelling reason for the WCB's strategic focus on improving return to work outcomes. Evaluating and acting on emerging issues affecting a worker's ability to return to work, including challenges related to an aging population, mental health and timely provision of healthcare, will continue to be a strategic priority.

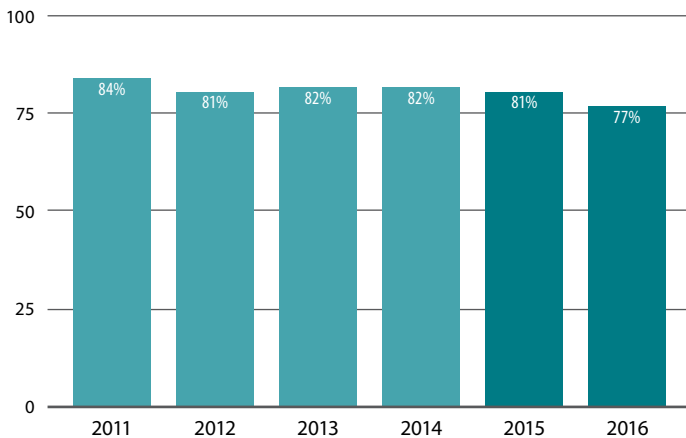
Average Days Claim Duration (Graphic 5)
(Average length of time loss for claims accepted in 2017)



Percentage of Injured Workers who are no Longer on Wage Loss Benefits, 2012-2016 (Graphic 6)



Percentage of Workers who Returned to Work with Pre-Injury Employer, 2011-2016 (Graphic 7)



Graphic 6 describes the percentage of injured workers who are no longer on wage loss benefits 90, 180 and 360 days after their injury. The most recent data available relates to claims with a 2016 accident date; the lag year allows us to measure the sustainability of return to work and considers the fact that not all workers are able to remain at work following an initial return. In 2016, there was an increase in the percentage of workers not requiring wage loss benefits in all categories. Most notably, there was a 5% increase in the 90 day category indicating that efforts to support early intervention are seeing some success. The percentage of workers who no longer require wage loss benefits after 360 days has fluctuated in the past five years between 83-87% (Graphic 6). The optimum outcome is for workers to return to work with their pre-injury employer. In 2017, 77% of workers were able to return to work with their pre-injury employer (Graphic 7).

Claim duration and return to work indicators help the WCB to determine where to focus work disability prevention efforts that will have the most positive impact. The WCB will continue to work with stakeholders to promote work as an important component of recovery from workplace injury.

ORGANIZATIONAL PERFORMANCE

In 2017, the WCB focused on a number of initiatives to improve claims management processes and return to work outcomes.

- Addition of a Service Quality Coordinator position
- Re-focus on standards to support timely claim adjudication
- Multi-disciplinary learning and case planning sessions for claims with high time loss
- Work disability prevention training for staff
- Education and development of resources to support service providers in caring for injured workers
- Requirements confirmation for future technology needs to support return to work planning
- Partnership with health care sector

MOVING FORWARD

In 2017, the WCB will continue to develop and implement initiatives to support improved return to work outcomes:

- Reduction of work disability by minimizing time from injury to confirmed diagnosis
- Focused intervention in assisting employers to develop return to work programs
- Early intervention in the return to work process
- Continuation of multi-disciplinary learning and case planning for claims with high time loss
- Implementation of case management standards
- Further focused intervention in the health care sector
- Continued work towards new technology to support return to work planning
- Development of concussion guidelines
- Continued focused communication and education with service providers
- Staff development and education on emerging trends and common injuries

Examination of factors that impact claim duration, such as psychological conditions and an aging workforce, will continue.

Feature Story: Supporting Return to Work

Work disability costs employers and the PEI economy millions annually¹. The most effective method of reducing prolonged or permanent absence from work is supporting and facilitating safe and timely return to work. We know that the longer a worker is absent, the less likely that they are to return to gainful employment of any type. We are working with service providers to promote the four principles of work disability prevention:

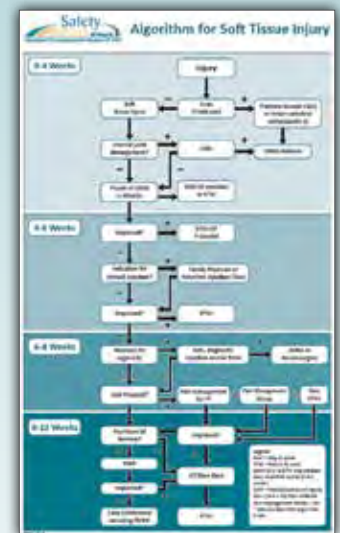
1. Prevent unnecessary delays
2. Prevent a confusing process
3. Prevent unnecessary duration of work place absence
4. Prevent unclear return to work plan and expectations

We have taken on several initiatives to encourage collaboration between injured workers' caregivers; including physicians, nurse practitioners, physiotherapists, chiropractors, specialists, and WCB staff, to coordinate our combined efforts in a unified way.

Our initiatives have included:

- A one day conference attended by approximately 80 clinicians, which as a result of positive feedback, will be held again in 2018
- A quarterly newsletter, *Clinician Touchpoint*, which is circulated by email, highlighting processes, best practices, and helpful resources available to service providers
- A "Lunch and Learn" program for service providers which includes information and discussion on work disability prevention
- Best practice algorithms (investigation and treatment plan flow sheets) for the most common types of injuries, to support clinicians in the care of injured workers

All these initiatives reflect our commitment to working together to achieve the best outcomes for injured workers.



¹ Estimated by Conference Board of Canada to be about \$2 million.

ENSURING FINANCIAL SUSTAINABILITY

STRATEGIC THEME

As the administrators for the workers compensation system, the Workers Compensation Board must strive for sufficient but responsive funding and rate-setting policies, as well as the prudent fiscal management of the financial resources entrusted to it.

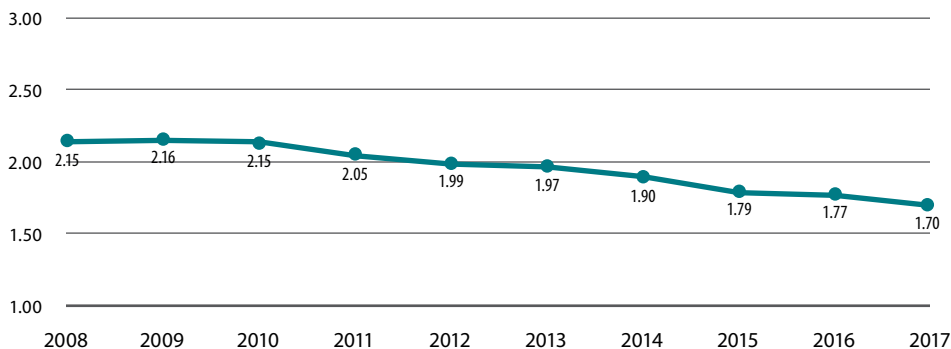
CURRENT STATE

The Workers Compensation Board has been in a fully funded position since 2007. In 2017, this funded position grew to 139.6%. As part of the 2016-2018 Strategic Plan, the WCB will continue to re-evaluate its funding policy to ensure the stability of the system, so that the current and future costs of workplace injuries are covered, while remaining as affordable as possible for the employer. The WCB is examining how it can best strike this balance.

ORGANIZATIONAL PERFORMANCE

Average Assessment Rate, 2008-2017

(\$ per \$100 of assessable payroll) (Graphic 8)



The provincial workers compensation system is funded by employer assessments. Every year, the WCB determines the revenue required from Island employers to cover the costs of workplace injuries. As a result of the WCB's positive investment returns and stable financial position, the WCB was able to provide an additional cost savings to employers in a reduction to the average assessment rate.

For the eighth consecutive year, the Workers Compensation Board lowered average assessment rates for Island employers. The rate for 2017 was \$1.70 per \$100 of assessable payroll, and represented a decrease of over 20% since 2008.

The required average assessment rate for 2017 was \$1.79, but due to the strong funded position, the WCB was able to apply a nine cent downward funding policy adjustment to achieve the rate of \$1.70 for 2017.

In October of 2017 the Board of Directors announced the average assessment rate for 2018 at \$1.60, representing a ten cent decrease from 2017. One of the key drivers of assessment rates is the costs

of workplace injuries. Another key driver is our positive investment returns which can contribute to assessment rate reductions.

When WCB PEI's funded position is outside of the Board's target range of 100-110 per cent, policy directs the Board to adjust assessment rates upward or downward to move closer to the target range. Every year the funded position is taken into consideration as the Board establishes the average employer assessment rate.

In 2017, the review of the current funding policy was concluded and in March 2017 the WCB Board approved amendments to the funding policy to include a surplus distribution approach while continuing to maintain the guiding principles of the funding policy. The purpose of the amendments was to provide balance between distributing surpluses and reducing adverse results which could lead to assessment rate fluctuation. Following the implementation of the amended policy, the Board approved a \$21.4 million surplus distribution to employers, with a commitment to evaluate and monitor the funding policy to ensure it continues to meet the organization's objectives.



Photo Credit: PEI Government Photo, Brian L. Simpson

In September 2017, the Board attended an investment education session with the WorkSafeNB Board of Directors. Board members engaged in a comprehensive review of all elements relevant to the investment management process and factors influencing key decisions. This included the nature of business and obligations, the Accident Fund, a review of asset classes and the building of sound investment policy.

In 2017, the WCB's external actuary performed a review of the WorkSafeNB Asset Liability Study results to confirm that the asset mix remains appropriate for our portion of the pooled investment fund. The results were presented to the WCB Board of Directors. The Directors confirmed that the asset mix continues to remain relevant.

To ensure there is ongoing quality assurance and continuous improvement programs, the WCB Board of Directors Audit and Finance Committee reviews and approves the internal audit workplan. An internal auditor provides independent, objective assurance that an organization's risk management, governance and internal control processes are operating effectively. The internal audit function provides assurance of key business risks, early warning of new exposures, and a review of complex, integrated and automated information systems.

The purpose of the Audit and Finance Committee is to enable the Board of Directors to fulfill their governance responsibilities regarding the financial services policies, activities, and reporting as well as fulfill the responsibilities of an audit committee. Management meets with the Audit and Finance Committee quarterly to present the financial activities and results of the Board. Financial activities and conditions are also discussed regularly at the Senior Leadership table to ensure budget targets and constraints are being maintained.

MOVING FORWARD

The WCB will continue to take a proactive approach to fiscal management by regularly monitoring emerging areas of risk. To help reduce costs and protect workers, the Workers Compensation Board also works with workplaces to develop effective injury prevention and return to work programs.

Jean Sinclair and Neville Warren, Meyer Housewares Canada Inc.



Photo Credit: PEI Government Photo, Brian L. Simpson



Employees from Standard Aero participating in an FEI session

Feature Story: Focused Employer Initiative



The Focused Employer Initiative (FEI) program is an opportunity for Island employers to work one-on-one with WCB staff to reduce injuries and enhance health and safety and return to work outcomes in the workplace. Through information sessions, WCB helps employers understand the direct connection between safety, cost of claims and WCB rate setting. The sessions and ongoing dialogue with employers help to identify meaningful measures that will improve workplace safety and reduce claim costs.

An area of particular focus of the session is helping employers develop a return to work (RTW) program for injured workers. RTW programs help to prevent work disability related to injuries. RTW can begin as soon as safe and functionally possible and can occur at the same time as medical and rehabilitation treatment to improve the worker's overall recovery.

Work is an important part of life, especially when recovering from an injury. Staying active, productive, and connected to the workplace can help workers recover faster.

As an employer, helping a worker return to work has many benefits. It can help to maintain business productivity, retain important corporate knowledge and experience and reduce the cost associated with training replacement workers. A successful RTW program shows employees that the business values them.

The FEI program is available to all employers free of charge. WCB welcomes business owners, managers, supervisors and front line staff to participate as part of our commitment to work together to make our island a safer place to live and work.

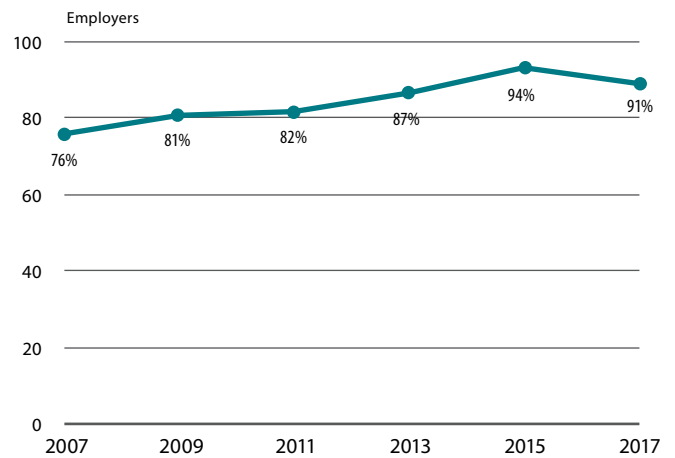
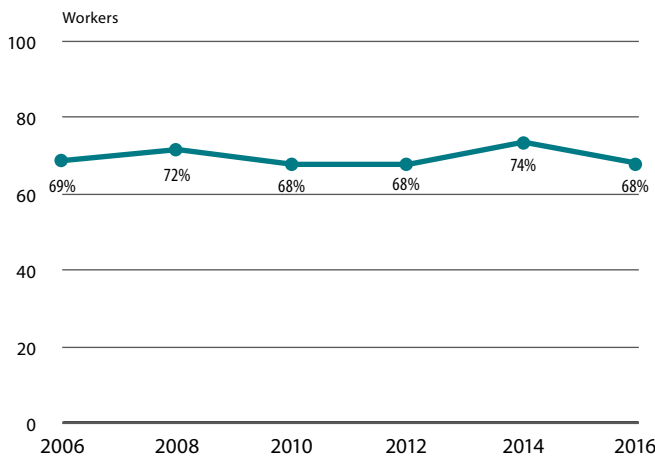
STRENGTHENING ENGAGEMENT AND PARTNERSHIPS

STRATEGIC THEME

At the Workers Compensation Board, we understand that meaningful engagement and partnership with our stakeholders are instrumental to developing successful policies and programs. We will continue to consult with our clients to understand how we can enhance our service delivery, and we will look for opportunities where we can collaborate with others to improve the safety culture on Prince Edward Island.

CURRENT STATE

Perception that the WCB Does a Good Job of Keeping Workers and Employers Informed (10 year trend) (Graphic 9)



Communication is an essential part of building trustworthy and meaningful relationships with our clients. One of the ways we determine how effectively we communicate with our stakeholders is to measure the perception of how well we keep them informed. The results from our stakeholder surveys over the past 10 years indicate that the majority of our clients agree that the WCB communicates effectively, with ratings higher among employers.

The WCB will continue to develop strategies to improve the ways we communicate with our clients and have identified this measure as one of our key organizational metrics to gauge success.



John Paquet, Owner of Prince Edward Aqua Farms Inc.



Joint Safety Campaign with Maritime Electric

ORGANIZATIONAL PERFORMANCE

- In 2017, the WCB collaborated with internal and external stakeholders in the policy development process as it undertook a review of over 25 policies and the associated procedures. Informed by feedback from stakeholders, the WCB implemented a number of policy amendments to improve benefits for injured workers while maintaining affordable and effective coverage for Island employers. For example, under the Travel and Related Expenses policy for workers, reimbursement rates were increased and the types of eligible expenses were expanded. Concurrently in 2017, the Funding policy was amended to allow for a consideration of a surplus redistribution to Island employers when the funding status achieves a level above 130%. The WCB will continue to reach out to its stakeholders to identify areas in which to strengthen benefits, services and sustainability while balancing the interests of workers and employers.
- Given that there are many similarities in the workplaces and industries across the Atlantic region, the WCB continues to work collaboratively with our Atlantic Counterparts to create safer workplaces through joint marketing initiatives. This cooperation has led to significant cost savings across the Boards and has produced an array of social marketing campaigns that influence perceptions and behaviors about safety and compensation.

MOVING FORWARD

The WCB will continue to look for ways to gain efficiencies and effectiveness in the way we communicate with our clients and the services we offer them.

Stakeholder engagement and satisfaction is important to our organization, and we will continue to measure these indexes in order to identify areas for improvement.



WCB staff presenting at an information session to new physiotherapists on Prince Edward Island



Feature Story: Coverage for Fishing

Since the inclusion of farming under the *Workers Compensation Act* in January 2017, the fishing industry remains as the only major industry that is not included under the *Workers Compensation Act*. Fishing is a mandatory industry under the workers compensation system in all Canadian jurisdictions except Prince Edward Island, New Brunswick and Saskatchewan. In 2016, Government gave approval for the WCB to begin a formal consultation process with the fishing industry in respect to inclusion under the *Workers Compensation Act*, as well as an education and awareness initiative for the sector.

Throughout 2017, the WCB met with harbour authorities to discuss compensation and promote safety. The WCB is continuing its outreach efforts and has extended invitations to harbour authorities and fishing associations across the province. WCB representatives also participated in the annual PEI Fisherman's Association AGM and Tradeshow, with approximately 200 fishers in attendance. In recent months, OHS officers from the WCB have reached out directly to fishers in communities across the Island to assist them in safety and prevention and to offer additional information about the WCB. The WCB has prepared new educational materials to help inform captains and crew about their roles and responsibilities and create awareness around safety culture. The WCB has also added an additional staff resource that could assist with the anticipated additional education/enforcement requirements related to the fishing industry.

The WCB continues to have respectful and engaging conversations with fishers across the province and listens to any questions or concerns that they might have about the workers compensation system. Plans are currently underway for WCB representatives to meet with various fishing groups in 2018.



WCB staff at the PEI Fisherman's Association AGM and Tradeshow

PROVIDING CONTINUED SERVICE EXCELLENCE

STRATEGIC THEME

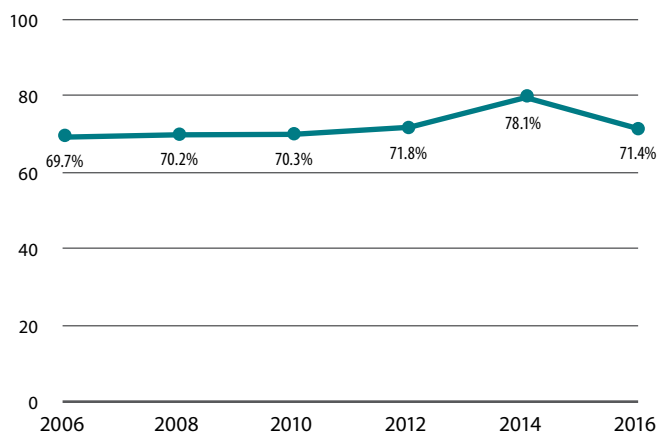
The WCB strives to meet and exceed the expectations of our clients through service excellence. A significant part of the WCB's work involves enforcing workplace safety standards, helping workers recover from workplace injury and collecting assessments from employers. The WCB's goal for service excellence is to deliver a consistent and positive experience at every point of client interaction. It is extremely important that we are respectful, knowledgeable, accountable and transparent in all that we do. The nature of our work can require difficult decisions. We want to provide the best service possible to meet client needs, effectively and respectfully, and to continue to inspire confidence in the safety and compensation system.

CURRENT STATE

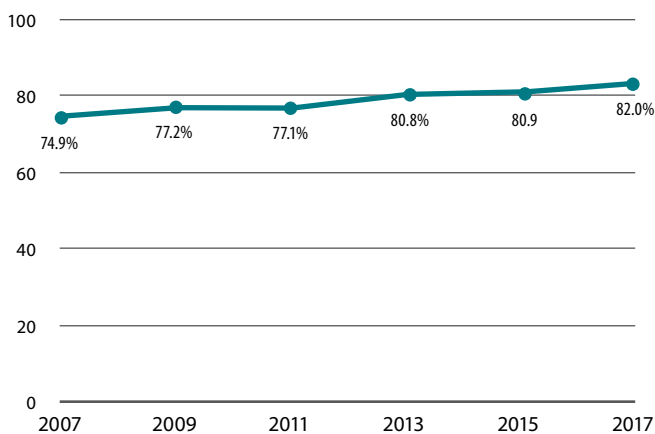
One way to determine how satisfied our clients are is to measure the satisfaction levels of injured workers and employers through biannual surveys. The purpose of the survey is to measure how well we are meeting our clients' service expectations and to identify areas for improvement in our program and service delivery.

Our survey results indicate that overall satisfaction with the WCB continues to remain at a positive level. Although the WCB has achieved high satisfaction ratings with its stakeholders, we will continue to find ways to improve.

Injured Workers WCB Performance Index, %, 2006-2016 (Graphic 10)



Employer Survey Service Satisfaction Index, %, 2007-2017 (Graphic 11)

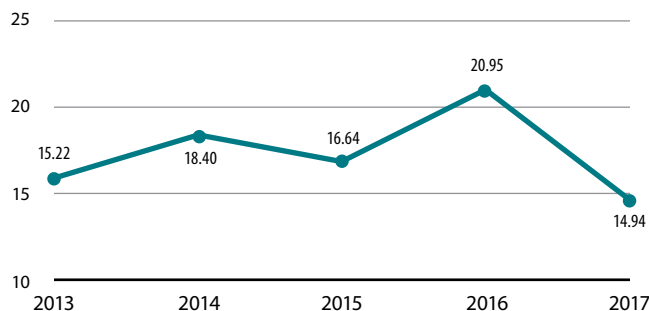


ORGANIZATIONAL PERFORMANCE

In 2017, the WCB continued to work to improve its service to clients. A Service Quality Coordinator position was created to support staff in the provision of service excellence and to support stakeholders in understanding decisions and processes of the WCB.

According to our 2016 injured worker survey, WCB clients expect to receive their first benefit payment within two weeks. In 2017, there was a renewed focus on providing payment in a timely manner; this resulted in a decrease of 6 days from 2016. WCB will continue to monitor this pillar of service excellence closely to ensure provision of excellent service.

Claim Processing: Average Calendar Days to First Payment, 2013-2017 (Graphic 12)

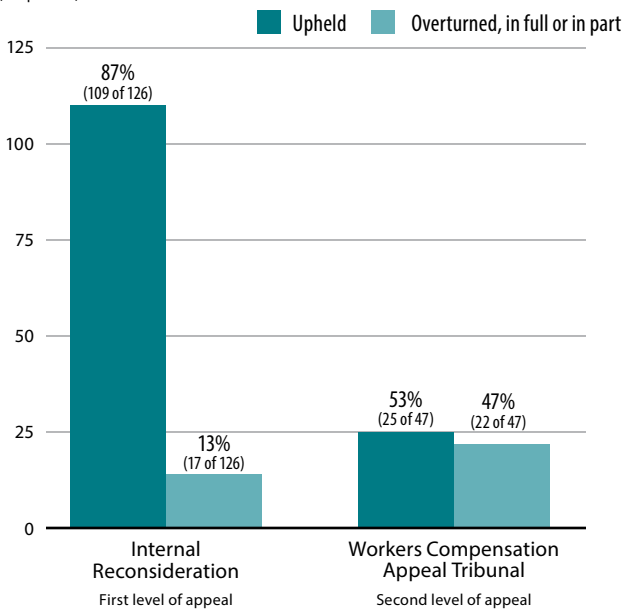


DECISION MAKING

The WCB is committed to making decisions that apply our policy and legislation in a fair and objective manner. In the event that a worker or employer is not satisfied with a decision, there is a reconsideration and appeal process in place. One way in which we can monitor our ability to make effective decisions is by observing the rate at which they are upheld at reconsideration and appeal (Graphic 13).

Number of Upheld Decisions at Appeal, 2017

(Graphic 13)



If a worker or employer does not agree with a decision of the WCB they can request Internal Reconsideration. There were 126 decisions rendered by the WCB Internal Reconsideration Officer in 2017, 95% were related to worker appeals and 5% were related to employer appeals.

At Internal Reconsideration, the WCB's decision made on the claim was upheld 87% of the time. There were no employer assessment-related appeal decisions in 2017. When an internal reconsideration decision is appealed, it is heard at the Workers Compensation Appeal Tribunal (WCAT). Of the 47 decisions made at the WCAT level in 2017, 53% of the internal reconsideration decisions were upheld.

2017 WCB Staff Service Awards



We will continue to work on improving the quality and accuracy of our decisions as well as ensuring that decisions are communicated in an understandable way while providing support mechanisms for clients if they do not understand or agree with a decision.

TECHNOLOGY

In 2017, the WCB continued to strive to provide its clients and stakeholders with Online Services to facilitate interactions with the WCB. New Online Services were launched to allow physician's to self-register for online services and submit Form 8 reports (Physician's report) online. Changes were also made to offer direct deposit to all WCB providers. Over the year, the WCB has taken steps to modernize the current IT infrastructure in order to ensure the long term viability of the environment and prepare for future initiatives. The WCB also enhanced their systems to provide employers with the ability to use their CRA Business Number as an identifier when accessing services with the WCB.

IT MODERNIZATION

Based on a review of the WCB's core IT systems, it was recognized that it was time to modernize these applications in order to meet the future challenges faced by the WCB and its clients. The WCB has spent significant effort reviewing the current systems, determining the desired functionality for the future, and assessing options. As a result, the WCB has identified the current Occupational Health and Safety system for replacement in 2018 and continues to explore options for the Assessment and Case Management Systems.

MOVING FORWARD

The WCB will continue to focus on work disability prevention efforts. Collaborative work with high injury sectors will continue and we will work to improve processes to support better return to work planning. The WCB will focus on collaboration and communication with service providers and will offer specific and specialized training to staff in areas that will yield better outcomes. Standardizing processes to improve efficiency will be another area of focus. WCB will continue its efforts to improve services for employers by reviewing business processes and considering how technology can better support its services.

Left to right: Jason Parker, Keynote speaker at the 2017 Clinical Day in Occupational Medicine and Work Disability Prevention with Dr. Visser, WCB Medical Advisor, Stuart Affleck, Board Chair and Kate Marshall, Director of Workplace Services



Feature Story:

Face to Face Meetings

Workers who require support in returning to work following a workplace injury are assigned a case coordinator. The role of the case coordinator is to support the injured worker in their recovery and work collaboratively with the employer and service providers in assisting the worker in their transition back to work.

In the summer of 2017, WCB initiated “face to face meetings” for all injured workers following assignment to a case coordinator. Workplace injuries can impact all aspects of a workers life. The intent of the face to face meeting is to ensure, at the beginning of a worker’s recovery, that WCB processes are clear and understood, and that any questions the injured worker may have are answered. Injured workers often have questions about their benefits, expectations of returning to work, or treatment options. At these meetings, the worker receives information about the importance of return to work as a key component of recovery.

Injured workers have expressed appreciation for the opportunity to meet with their case coordinator in person and have their questions answered, as it eliminates uncertainty and concerns regarding their recovery from a workplace injury.

WCB staff indicate that the “face to face” meetings are very valuable. The meetings allow the case coordinator to build a relationship with the worker early in the claim process and to better understand the impact of the injury on the worker’s life. It also enables more open and transparent communication.



INVESTING IN OUR ORGANIZATION

STRATEGIC THEME

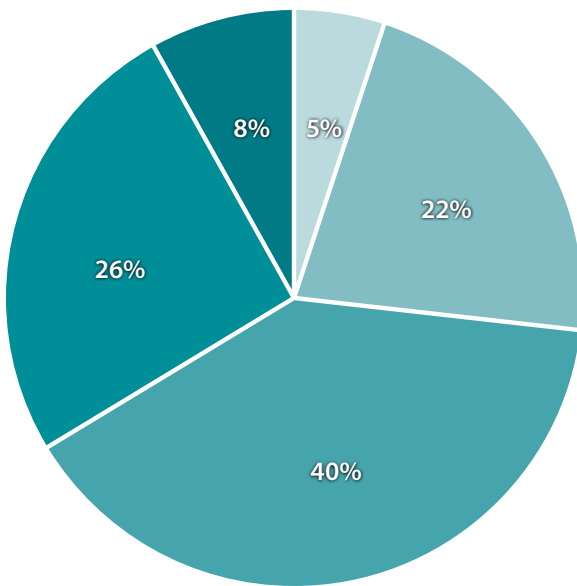
To achieve its mission, the Workers Compensation Board requires skills, competencies and a commitment to living its values. As part of its 2016-2018 Strategic Plan, the WCB will continue to foster a culture that represents its values, and supports the skills and competency development of its staff. By investing in the organization in this manner, the WCB will affect the conditions necessary for service excellence.

CURRENT STATE

Age Demographic Total (as of December 31, 2017)

(Graphic 14)

20-29 30-39 40-49 50-59 >60



The composition of the WCB team is a key consideration in the development of a collaborative organization. In 2017, the age demographic of our staff shifted slightly, with a 5% increase in staff under 39 years of age. Our average employee age is 46, with a gender ratio of 70% female and 31% male. As our workforce becomes increasingly diverse, we are creating a professional work environment that is rich with experience and maturity as well as youthful exuberance and fresh ideas.

At our 2017 Annual Service Awards we recognized six employees with five to 30 years of service, totaling 95 years of service with the Workers Compensation Board.

ORGANIZATIONAL PERFORMANCE

The WCB continues to invest in development opportunities to cultivate the diverse set of skills required by staff needed to drive performance improvement and support our mission, vision and goals.

In 2017, a number of initiatives were pursued:

- Webinars, workshops and information sessions were held for WCB directors, managers and supervisors to support their ongoing efforts to provide efficient and continuous performance management. The WCB continued to support an environment of continuous learning through the training and development funds. Through these resources, staff were able to access training on the following topics: Collaborative Leadership & Facilitation; Bullying, Harassment and Psychological Safe Workplace Awareness, Intermediate and Managerial Accounting; Investigative Interviewing; De-escalating Potentially Violent Situation; Mental Health First Aid; and French Language Training.
- The Privacy Breach Management Committee fulfilled the second year of its mandate to promote best practices in privacy breach management and to make recommendations to enhance the Workers Compensation Board's culture of privacy protection. The committee was made up of members from all areas of the organization to ensure that the collaborative problem-solving processes included the diversity of perspectives required to produce optimal outcomes. The committee's focus in 2017 was on raising awareness about the importance of protecting privacy and the WCB's commitment to effective stewardship of the personal information with which we are entrusted.
- More than ever before, our employees play many different roles in their lives. They are employees, parents, spouses, caregivers of elderly relatives and volunteers in their communities. Providing Work-Life balance supports employees in taking care of their own physical and mental well-being. To accommodate this need, the WCB continued to support an Alternate Hours of Work policy that provides employees with the ability to work a weekly schedule that better suits their personal life schedule and satisfies the operational requirements of their positions. In 2017, 56% of employees took advantage of this policy.

- To assist in achieving a high level of staff satisfaction, the organization surveyed employees to ensure employee needs are being met. The Staff Satisfaction Survey is instrumental to understanding an employee's opinion of programs and benefits offered to WCB employees and shape the direction for the future. Employee surveys help the organization measure and understand employee feedback, motivation and whether the Board's objectives are being met.
- The WCB is committed to a safe and secure workspace for our employees. Safety is ingrained in our core values and is a central focus in all our activities. As part of our initiative to be workplace safety leaders, improvements were made to our internal Safety Program. These changes include new processes for conducting workplace inspections; meeting with clients; and identifying hazards and incidents. As a leader in workplace safety, the WCB Safety Program is an evolving document that changes over time as we become more efficient by eliminating hazards in the workplace.
- To effectively introduce new employees to the organization and their new role, the WCB has taken steps to improve our Employee Orientation Program. In 2017, the WCB began developing a new program for the purpose of identifying the necessary skills, knowledge and behaviours our new employees might require to become effective contributors to the organization. To be rolled out in early 2018, the new program provides Supervisors with the necessary onboarding and orientation tools to ensure new employees are engaged early with timely information and guidance.

MOVING FORWARD

- The WCB will continue to promote and encourage personal development and teamwork. Creating a culture where employees feel valued and receive the necessary training they require to effectively perform their work will benefit the organization as a whole
- The WCB is committed to leverage a diverse and inclusive workplace. Our goal is to attract, develop and retain the best and the brightest from all walks of life and backgrounds. This is why WCB strives to have a culture of inclusion where all individuals feel respected, are fairly treated, provided with a work-life balance and an opportunity to advance and excel in their chosen careers
- With a goal of improving efficiencies within our Performance Management Program, the organization will explore opportunities to improve our performance assessment tool to ensure employees are being assessed against relevant competencies in an efficient and streamlined process

Workplaces play an essential part in maintaining positive mental health. They can provide individuals with the opportunity to feel productive and be a strong contributor to employee well-being. Yet, it can also be a stressful environment that contributes to

the rise of mental health problems and illnesses. The WCB is not immune from these risks and cannot afford to limit our definition of occupational health and safety to only the physical well-being. As part of our commitment to maintaining a mentally healthy workplace, the WCB will adopt the National Standard of Canada for Psychological Health and Safety in the Workplace. Implementation of these standards will begin in 2018.

Feature Story: Training and Development

The WCB is always looking for ways to enhance service delivery for our clients and one way to do that is through employee professional development. In 2017, three of the WCB employees that took advantage of the Training and Development Program completed the Collaborative Leadership and Facilitation Certification through the University of Prince Edward Island.

Barbara Groome-Wynne, Kelly Heydens and Jenny White completed the facilitation program which focused on developing skills required to become successful collaborators, leaders and facilitators.

"WCB is encouraging of ongoing education and I feel supported to continue to develop a well-rounded skill set that aids in my own professional development and gives me confidence in supporting injured workers and employers" said Kelly Heydens, Return to Work Coordinator.

While all three individuals work in different capacities within WCB, they acknowledge leadership and facilitation as an important skill set. Jenny White, Information Specialist said "We all have a shared goal of creating safer workplaces. Having the skills to engage in and facilitate meaningful conversations helps contribute to a healthier environment and a safer Prince Edward Island."



A PART OF OUR ISLAND COMMUNITY

The WCB believes in strengthening our Island community. Our efforts to build a return to work and safety culture on Prince Edward Island can be enhanced through active participation in our community.

COMMUNITY LEADERSHIP

Some of our community initiatives included the following:

- Funds raised through dress-down days were donated to the Alzheimer Society of PEI, Heart & Stroke Foundation, Canadian Mental Health Association of PEI, PEI Humane Society, Canadian Red Cross, Canadian Cancer Society, Brain Injury Association, MS Society, PEI, Autism Society of PEI, IWK, and Anderson House
- WCB staff supported Pink Shirt Day by wearing pink to increase awareness about bullying and raise funds for the Charlottetown Boys and Girls Club
- The WCB organized a Christmas Food Drive and donated the proceeds to the Upper Room Hospitality Ministry
- A number of older Ipads were donated to the Pediatric Unit at the Queen Elizabeth Hospital

In addition, the WCB continued to support Threads of Life, a national community organization that helps families who have been impacted by a workplace tragedy. The organization provides programs and services to support families in their journeys toward healing.

WCB participated in their annual fundraiser, Steps for Life, and won the Steps for Life Corporate Challenge Award for the highest staff participation by an Island company. In addition, the WCB provided donations to Threads of Life in lieu of speaker's gifts at the 2017 OHS Conference.

The WCB will continue to seek out socially responsible initiatives that will strengthen community engagement and have a positive outcome for all Islanders.



The WCB is a proud sponsor of the annual Steps for Life Walk, a fundraiser that raises awareness about workplace safety and helps families affected by workplace tragedy



WCB Staff
Photo Credit: PEI Government Photo, Brian L. Simpson



WCB Staff participating in Pink Shirt Day



Contributions to the Upper Room Hospitality Ministry, PEI's Central food bank

FINANCIAL ANALYSIS

OVERVIEW AND ANALYSIS OF 2017 FINANCIAL RESULTS

2016 and 2017 Highlights (Graphic 15)

Financial Highlights (\$ millions)	2016	2017
Portfolio Investments	248.7	255.1
Benefit Liabilities	162.4	157.3
Assessment Revenue	34.8	33.6
Investment Revenue	23.1	23.7
Claim Costs	22.2	22.0
Administration Expenses	7.7	8.3
Surplus (Deficit)	28.2	7.1
Fund Balance	98.0	105.1
Operational Highlights		
Funded Position (%)	138.0	139.6
Market Rate of Return on Portfolio (%)	9.16	10.29
Number of Assessed Employers	5,276	5,592
Estimated Size of Prince Edward Island Workforce (#)*	71,500	73,700
Average Assessment Rate (\$ per \$100 of assessable payroll)	1.77	1.70
Assessable Payroll (\$ in millions)	1,898.8	2,002.1
Maximum Assessable Earnings (\$)	52,200	52,800
Number of Claims Adjudicated	1,884	1,826

* Based on Statistics Canada Labour Force Survey Estimates of entire PEI workforce

PREFACE TO THE FINANCIAL STATEMENT

Long term sustainability of the workers compensation system in Prince Edward Island depends on sound fiscal management, stringent audit standards, full-funding policies and transparent financial reporting. The Workers Compensation Board is committed to protecting the future of the workers compensation system on behalf of Island workers and employers.

FINANCIAL REPORTING STANDARDS

The WCB financial statements are prepared in accordance with International Financial Reporting Standard (IFRS). This requires that the financial statements are measured at fair market value. Under the fair market value method of recording investment income, gains and losses are recognized in the year they occur.

FUNDING STRATEGY

The WCB's funded percentage, as per the Funding Policy POL-136, was 139.6% at the end of 2017, compared with 138.0% at the end of 2016.

WCB continues to smooth investment returns for the purpose of setting employer assessment rates and for maintenance of the funding policy. The funding percentage is calculated based on a smoothed investment return to ensure that the fluctuations in the market do not cause the same fluctuations in the assessment rate.

The primary goals of the funding policy are to:

- minimize the risk of becoming unfunded
- minimize cost volatility for employers so the average assessment rate for the current year will not vary significantly from the previous year's average assessment rate
- minimize the total cost charged to employers by ensuring the funded status is appropriate in relation to financial needs
- ensure today's employers pay for the current and future cost of today's accidents

The funding policy targets a funded status in the range of 100%-110% and includes specific adjustments to be applied to the assessment rate setting process should the funded status fall outside this range.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDING DECEMBER 31, 2017

For background, it is recommended that the following pages be read in combination with the consolidated financial statements and accompanying notes.

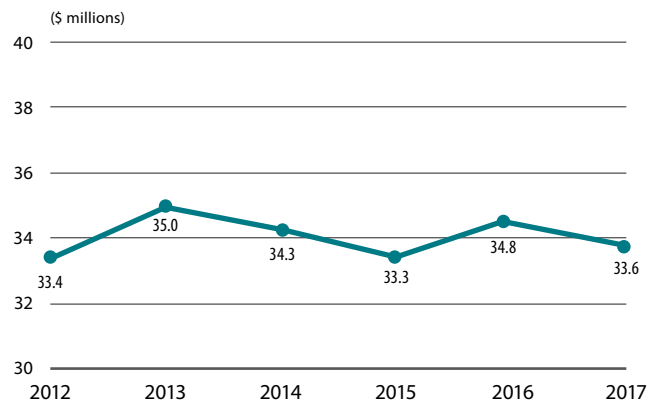
REVENUES

The Workers Compensation Board's revenue includes two main sources: assessment revenue and investment income.

ASSESSMENT REVENUE

Revenue from employers arises from two primary groups, assessed employers and self-insured employers. The total assessment revenue is a function of the assessment rate applied against the assessable payroll of each employer in the province. Revenue from self-insured employers includes the recovery of actual claim costs paid plus administration costs related to those claims.

Assessment Revenue (Graphic 16)



Although in 2017 there was an increase in both the total assessable payroll and the number of assessed employers (see Table 1), the reduced average assessment rate was a contributing factor in the assessment revenue decrease for 2017.

Assessable Employers, Average Assessment Rates and Assessable Payroll (by year) (Table 1)

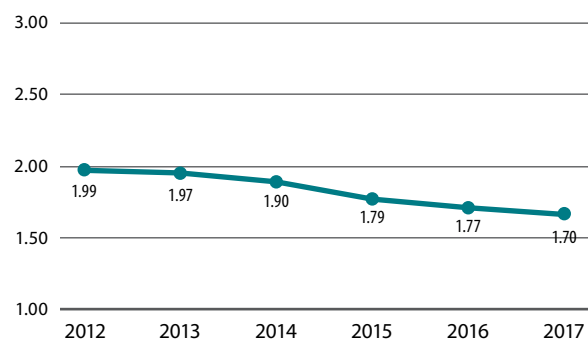
	2015	2016	2017
Assessable Employers (Number)	5,056	5,276	5,592
Average Assessment Rate (\$ per \$100 assessable payroll)	1.79	1.77	1.70
Assessable Payroll (\$ millions)	1,833.9	1,898.8	2,002.1

As observed in the following (Graphic 17), the WCB has lowered the average assessment rate, which is the average amount paid by employers per \$100 of assessable payroll. As a result of the WCB's strong financial position and positive market returns, the Board was able to apply a reduction for the 2017 rate. Every year the funded position is taken into consideration in determining the average employer assessment rates.

Required average assessment rate	\$1.79
Funding policy adjustment	- \$.09
2017 final average assessment rate	\$1.70

Average Assessment Rate, 2012-2017

(\$ per \$100 of assessable payroll) (Graphic 17)



INVESTMENT INCOME

In 2017, the Workers Compensation Board of PEI had an investment income of \$23.7 million. The Accident Fund is invested in pooled funds with WorkSafeNB.

Investments are important to the Workers Compensation Board because the capital invested plus investment income must cover future claim obligations. Since compensation liabilities have an inflationary component, over time investment income must cover at a minimum that inflationary component.

In 2017, the WCB's fair market rate of investment return was 10.29%, a continuation of the healthy investment income returns.

Note: Under the smoothed method, gains or losses realized on disposal of fixed term income are deferred and amortized on a straight line basis over a nine-year period. Realized and unrealized gains and losses on equity investments are deferred and amortized on a straight line basis over a four-year period.

As per IFRS Accounting Standards, investments have been recorded in the financial statements using the fair market value method (recognizing the gains and losses in the year they occur), although investment revenue for funding policy purposes continues to be recorded using the smoothed method. Continued use of the smoothed method for funding policy purposes reduces the impact of volatile investment returns on assessment rates as per the goals of the funding policy.

EXPENSES

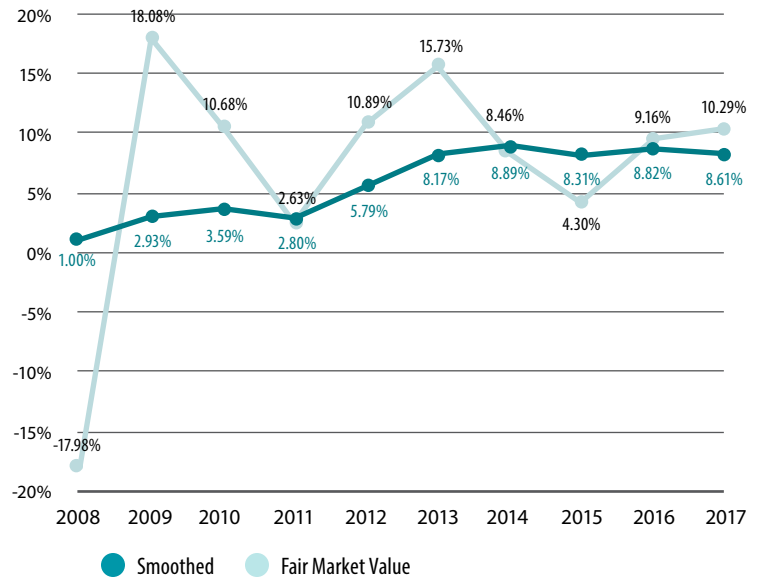
The WCB's expenses primarily consist of claim costs and operating costs. Operating costs are those associated with the administration of the Workers Compensation Board, Worker and Employer Advisor programs, Workers Compensation Appeals Tribunal, bad debt expenses and investment costs.

Claim Expenditures for Assessed Employers, 2016 and 2017 (\$ thousands) (Table 2)

	Claim Cost	
	2016	2017
Temporary Wage Loss	6,923	6,717
Pension and Extended Wage Loss	7,328	7,597
Health Care	5,915	5,826
Rehabilitation	661	554
Claim Administration	1,354	1,346
Total	22,181	22,040

Claim costs represent current and future costs associated with workplace injuries occurring in the reporting year. The estimation of outstanding benefit liabilities involves a variety of actuarial techniques that analyze experience, trends and other relevant factors, based largely on the assumption that past experiences are an appropriate predictor of the future. This process involves an actuarial projection of future claim costs and administration costs incurred to the end of the reporting year (2017). During this process,

Investment Return (%), Smoothed and Fair Market Values, 2008-2017 (Graphic 18)



variances in the previous liabilities estimated (i.e., lower or higher actuarial liabilities than previously anticipated) can result in an increase (gain) or decrease (loss) to total income.

Annual gains and losses in liabilities are a normal occurrence and overall for 2017 there is a \$11.6 million gain. The primary factors contributing to this net result in 2017 were the following:

- 2017 Temporary Wage Loss payments were slightly lower than expected (gain)
- Pension liability was reduced as payments decreased for this closed group of claims (gain)
- The cost of new Extended Wage Loss claims granted in 2017 was lower than expected (gain)
- 2017 health care payments were lower than expected (gain)

OPERATING COSTS

The Workers Compensation Board operating costs in 2017 increased as compared to 2016 operating cost.

Operating Costs, 2016 and 2017 (Table 3)

	2016	2017
Administration	7,246,835	7,684,178
Appeals Tribunal and Advisors		
Worker Advisor	173,308	325,856
Employer Advisor	130,316	102,076
Workers Compensation Appeals Tribunal	109,940	235,712
Investment Management Expenses	987,959	1,188,959
Bad Debt Expenses	153,717	153,596
Total	8,802,075	9,960,377



Photo Credit: PEI Government Photo, Brian L. Simpson

The majority of the increase was attributed to the Workers Compensation Appeals Tribunal and Worker Advisor programs expenses due to the effort to reduce the backlog of appeals. Although the Workers Compensation Board funds the administration expenses of the Office of the Worker Advisor, the Office of the Employer Advisor programs, and the Workers Compensation Appeal Tribunal these programs operate independently from the Workers Compensation Board.

Investment Management Fees consist of two components: external management fees and management fees paid to WorkSafeNB for the management of the pooled fund. Management fees paid to WorkSafeNB are calculated on a cost recovery basis. External Investment management fees increased slightly in 2017 due to the increase activity and increased growth within the investment pool.

Bad Debt expense remains consistent in 2017 as compared to 2016.

SURPLUS DISTRIBUTION

Strong investment returns continued to result in a strong surplus. WCB is mandated to be funded at 100-110% as per the funding policy.

Rates have declined over the past number of years as part of the funding policy requirements. The investment portfolio continued to perform well and the surplus increased. A surplus distribution provides a quicker approach to help bring the funded position back into our target range, without creating significant volatility in the rate.

As per the WCB's funding policy, the Workers Compensation Board of Directors approved in 2017 a \$21.4 million surplus distribution. The distribution was established through a fair and equitable process and was based on 2016 assessments. The surplus was distributed to eligible employers in November 2017. The Workers Compensation Board of PEI continues to monitor its current funding policy.

FUNDED BALANCE

A fully funded compensation system is essential to secure the financial obligations associated with the payment of current and future injured worker benefits, as well the administration costs to operate the workers compensation system.

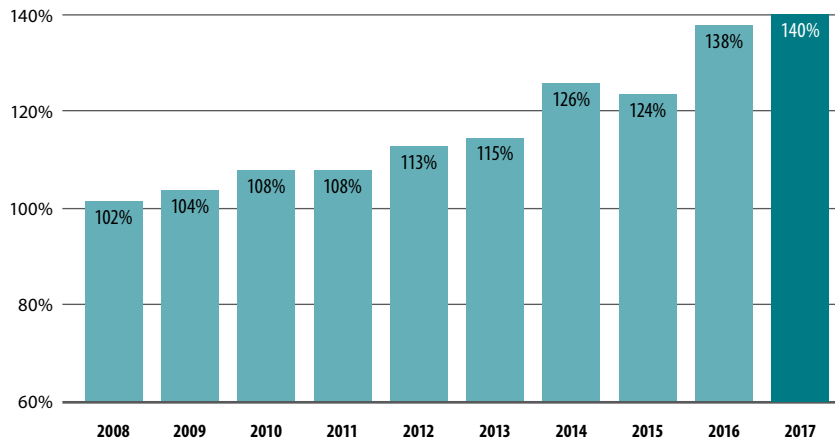
By legislation, the Workers Compensation Board of PEI is required to be in a fully-funded status. When it is not, it is required to have a plan by which it will be fully funded within a definitive number of years. Being in a fully-funded position means that if the Board was to close its doors today it would be in a position to pay all future benefits to which injured workers are entitled, as well as the costs associated with administering those benefits.

In keeping with our strategic objective to ensure long-term financial sustainability, we attained a funded balance (accumulated surplus) of \$105.1 million at the end of 2017. The fund balance is one factor which can lead to changes in assessment rates.

FUNDED POSITION

In 2017, the WCB's funded position was 139.6% as compared to 138% in 2016. This strong financial position enables the WCB to focus on proactive efforts to prevent injury, assist injured workers in returning to work.

Funded Position (%) 2008-2017 (Graphic 19)



APM employees, Duane Lamont, Shawnalee Dozovado-Turner and Pam Mullaly

The WCB has a funding policy in place to maintain a stable funded position in the range of 100–110%. If the funded position falls outside of this range, the WCB will take measures to bring it back inside the range. The policy states that when the WCB’s funded position exceeds 110%, excess revenues will be considered in the rate setting process. The policy uses smoothed investment returns, as opposed to fair market rates, because this helps to ensure that annual assessment rates are based on a long-term rate of return rather than volatile annual investment returns, thereby providing employers with less volatility in their rates.

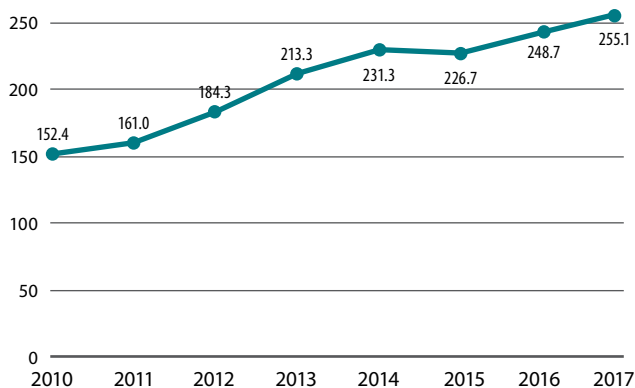
In March 2017, The Workers Compensation Board of Directors approved an amendment to the funding policy to reflect the circumstances under which the Workers Compensation Board may consider a surplus redistribution. The Board will continue to monitor the funding policy.

BALANCE SHEET

INVESTMENTS

As of December 31, 2017 the value of the investment portfolio was \$255.1 million. On December 31, 2016 the value of the portfolio was \$248.7 million. The increase reflects the effects of the investment income (increase to the portfolio).

Investment Fund (\$millions), 2010-2017 (Graphic 20)



BENEFIT LIABILITIES

The other major component of WCB’s balance sheet is its benefit liabilities. In 2017, total benefit liabilities decreased by 3.1%.

The calculated liabilities represent the actuarial present value of all future benefits expected to be paid as a result of injuries that occurred on or before December 31, 2017. The liabilities include a provision for future administrative expenses. Note 11 of the financial statement provides a detailed overview of the benefit liabilities.

The most significant assumptions underlying the valuation are a real rate of return of 3.5% per annum and a long-term inflation rate of 2.5% per annum. Assumptions used to prepare the valuation are consistent with those used to prepare the December 2016 valuation.

The 2017 benefit liabilities include a provision for occupational disease claims expected to be diagnosed after December 31, 2017 as a result of exposures assumed to have occurred in the workplace prior to December 31, 2017. This represents 4.5% of the benefit liabilities.

Benefit Liabilities (\$ thousands), 2016 and 2017 (Table 4)

	2016	2017
Temporary Wage Loss	9,912	8,878
Pension and Extended Wage Loss	102,803	100,177
Health Care	30,422	30,014
Rehabilitation	2,793	2,268
Administration	9,485	9,187
Occupational Diseases	6,994	6,774
Total	162,409	157,298

We expect the Board to maintain a strong financial position despite the potential for fluctuations in the investment market. We will continue to be prudent as we recognize investment gains and losses over a reasonable time period, set rates, and evaluate the funding strategy.

FINANCIAL REPORTS



MANAGEMENT RESPONSIBILITY OF FINANCIAL REPORTING

The financial statements are the responsibility of management and have been prepared in conformity with International Financial Reporting Standards. The preparation of financial information is an integral part of management's broader responsibility for the ongoing operations of the WCB. Based on management's knowledge, having exercised reasonable diligence, the financial statements fairly represent, in all material respect the financial conditions, results or operations, and cash flow as at December 31, 2017.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable information is produced and those assets are properly safeguarded. The effectiveness of controls over financial reporting was assessed and found to provide reasonable assurance that internal controls at December 31, 2017 operate effectively with no material weakness in the design or operations of the controls.

The Board of Directors is responsible for overseeing management in the performance of financial reporting responsibilities and has approved the financial statements included in this Annual Report.

The Board of Directors is assisted in its responsibilities by its Audit and Finance Committee. The Committee reviews and recommends approval of the financial statements and meets periodically with management, internal and external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting. Eckler, Workers Compensation Board of PEI's independent consulting actuary, has completed an actuarial valuation of the benefit liabilities included in Workers Compensation Board of PEI's financial statements and reported thereon in accordance with accepted actuarial principles.

Grant Thornton, Workers Compensation Board of PEI's independent auditors, has performed an audit of Workers Compensation Board of PEI's financial statements in accordance with International Financial Reporting Standards. The Independent Auditors' Report outlines the scope of this independent audit and includes the opinion expressed on the financial statements.



Luanne Gallant
Chief Executive Officer



Tammy Turner
Director, Finance

ACTUARIAL CERTIFICATE

We have completed an actuarial valuation of the benefit liabilities for insured employers under the Workers Compensation Act of Prince Edward Island (the "Act") as at December 31, 2017, for the purpose of providing input to the Financial Statements of the Workers Compensation Board of Prince Edward Island (the "Board"). The valuation is in respect of assessed firms only, and does not include any provision for future payments in respect of self-insured firms

Our estimate of the benefits liabilities of \$157,298,000 represents the actuarial present value at December 31, 2017, of all expected benefit payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2017. The liabilities include a provision for future administrative expenses based on a study conducted by Board staff. The liabilities also include a provision for potential outstanding latent occupational disease awards. No allowance has been made in these liabilities for any future deviations from the present policies and practices of the Board or for the extension of new coverage types.

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

The liabilities have been allocated into five categories, namely: temporary wage loss; pensions and extended wage loss; health care; rehabilitation and administration.

All liabilities have been calculated using underlying assumptions of 3.50% per annum for the real rate of return on invested assets and 2.50% per annum for the rate of increase in the Consumer Price Index.

The CPI assumption equates to inflation rates for indexing benefits of 2.00% per annum in respect of pensions, extended wage loss and survivor benefits, because indexing for these benefits is specified under the Act as 80% of the rate of increase in the Consumer Price Index. No indexing is applied to Section 43 awards in-pay in accordance with Board policy.

Liabilities in respect of permanent extended wage loss, pensions, and Section 43 awards in-pay have been determined by projecting cash flows on an individual claimant basis using mortality as the only decrement.

Liabilities in respect of future extended wage loss and Section 43 awards have been determined based on factors developed from historical patterns of awards, and using mortality, interest, and inflation assumptions identical to those used in determining the existing extended wage loss and Section 43 liabilities.

The liabilities in respect of temporary wage loss, health care, rehabilitation and permanent impairment lump sum awards have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 2.50% per annum has been used to project future cash flows for temporary wage loss, wage-related rehabilitation, and permanent impairment lump sums. For health care and non-wage related rehabilitation, we used an inflation rate of 4.25% per annum reflecting the greater expected inflation and utilization rate for these benefit categories.

It is our opinion that:

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

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

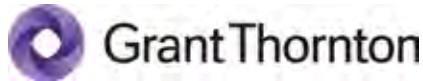
Further information on the data, assumptions, methods, and valuation results can be found in our actuarial valuation report.



Jeff Turnbull, FSA, FCIA



Scott Mossman, FSA, FCIA



Independent auditor's report

To the members of the Board of the

Workers Compensation Board of Prince Edward Island

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We have audited the accompanying financial statements of the Workers Compensation Board of Prince Edward Island, which comprise the statements of financial position as at December 31, 2017, and the statements of comprehensive income, changes in fund balance and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Workers Compensation Board of Prince Edward Island as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Charlottetown, Prince Edward Island

April 27, 2018

Chartered Professional Accountants

Workers Compensation Board of Prince Edward Island

Statements of comprehensive income

Year ended December 31	Notes	2017	2016
Revenues			
Current assessments		\$ 33,583,140	\$ 34,845,458
Self-insured employers	12	766,736	856,757
Investments	4	23,706,062	23,124,275
Interest on receivables		31,939	338,677
Recoverable administration fees and interest charges to self-insured employers	12	<u>233,392</u>	<u>280,635</u>
		<u>58,321,269</u>	<u>59,445,802</u>
Expenses			
Claims cost expenses			
Expected increase	11	9,251,000	9,422,000
Experience gains	11	(11,632,000)	(9,875,000)
Claims and administrative costs incurred	11	22,040,000	22,181,000
Latent occupational disease costs incurred	11	(220,000)	(126,000)
Claims costs incurred for self-insured employers	12	<u>766,736</u>	<u>856,757</u>
		<u>20,205,736</u>	<u>22,458,757</u>
Administration expenses			
Administration (Page 76)		7,684,178	7,246,835
Workers' Advisor Program	14	325,856	173,308
Employers' Advisor Program	14	102,076	130,316
Appeals Tribunal	14	<u>235,712</u>	<u>109,940</u>
		<u>8,347,822</u>	<u>7,660,399</u>
Other expenses			
Investment management expenses	4	1,188,959	987,959
Bad debt expense		<u>153,596</u>	<u>153,717</u>
		<u>1,342,555</u>	<u>1,141,676</u>
Total expenses		<u>29,896,113</u>	<u>31,260,832</u>
Operating income		28,425,156	28,184,970
Distribution to employers (Note 15)		<u>(21,301,088)</u>	-
Net income		\$ 7,124,068	\$ 28,184,970
Other comprehensive income			
Items that will not be classified in the statement of operations			
Change in actuarial gains and losses		<u>\$ (32,300)</u>	<u>\$ -</u>
Total comprehensive income		<u>\$ 7,091,768</u>	<u>\$ 28,184,970</u>

See accompanying notes and schedule to the financial statements.

Workers Compensation Board of Prince Edward Island Statements of changes in fund balance

Year ended December 31

	<u>Fund balance</u>	<u>Total accumulated comprehensive loss</u>	<u>Total fund balance</u>
Balance, January 1, 2017	\$ 98,177,625	\$ (167,105)	\$ 98,010,520
Net income	7,124,068	-	7,124,068
Other comprehensive loss	-	(32,300)	(32,300)
Balance, December 31, 2017	<u>\$ 105,301,693</u>	<u>\$ (199,405)</u>	<u>\$ 105,102,288</u>

	<u>Fund balance</u>	<u>Total accumulated comprehensive loss</u>	<u>Total fund balance</u>
Balance, January 1, 2016	\$ 69,992,655	\$ (167,105)	\$ 69,825,550
Net income	28,184,970	-	28,184,970
Balance, December 31, 2016	<u>\$ 98,177,625</u>	<u>\$ (167,105)</u>	<u>\$ 98,010,520</u>

Photo Credit: PEI Government Photo, Brian L. Simpson



Workers Compensation Board of Prince Edward Island

Statements of financial position

December 31	Notes	2017	2016
Assets			
Cash and cash equivalents		\$ 6,705,848	\$ 9,113,669
Receivables	3	865,222	2,123,340
Investments	4	255,132,805	248,738,221
Property and equipment	6	2,503,763	2,315,778
Intangible assets	7	623,174	693,792
		<u>\$ 265,830,812</u>	<u>\$ 262,984,800</u>
Liabilities and fund balance			
Payables and accruals	9	\$ 1,733,224	\$ 956,780
Employee future benefits	10	1,697,300	1,608,500
Benefits liabilities	11	157,298,000	162,409,000
		<u>160,728,524</u>	<u>164,974,280</u>
Fund balance	13	<u>105,102,288</u>	<u>98,010,520</u>
		<u>\$ 265,830,812</u>	<u>\$ 262,984,800</u>

On behalf of the Board

Stuart Affleck

Chair

Luanne Gallant

Chief Executive Officer

See accompanying notes and schedule to the financial statements.

Workers Compensation Board of Prince Edward Island

Statements of cash flows

Year ended December 31

2017

2016

Cash flow from operating activities

Cash received from:

Assessed employers

\$ 35,144,976

\$ 33,771,339

Self-insured employers for assessments

772,197

848,761

35,917,173

34,620,100

Cash paid:

To claimants or third parties on their behalf

(23,818,736)

(23,895,757)

Distribution to employers (Note 15)

(21,301,088)

(500,000)

For administration requirements and other goods

(2,551,885)

(2,729,006)

For salaries to employees

(6,253,456)

(6,106,101)

(53,925,165)

(33,230,864)

Net cash provided (used) by operating activities

(18,007,992)

1,389,236

Cash flow from investing activities

Cash received from:

Investment income, net of fees

4,293,422

4,990,422

Sale of investments

76,922,822

54,296,779

81,216,244

59,287,201

Cash paid for:

Purchase of investments

(65,045,877)

(58,766,929)

Purchase of intangible assets

(183,483)

(122,073)

Purchase of property and equipment

(386,713)

(294,454)

(65,616,073)

(59,183,456)

Net cash provided by investing activities

15,600,171

103,745

Net increase in cash and cash equivalents

(2,407,821)

1,492,981

Cash and cash equivalents

Beginning of year

9,113,669

7,620,688

End of year

\$ 6,705,848

\$ 9,113,669

See accompanying notes and schedule to the financial statements.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

1. Nature of operations

The Workers Compensation Board of Prince Edward Island (“the Board”) was established by the Prince Edward Island Legislature in 1949 under the *Workers Compensation Act*. The Board has a mandate for the administration of a workers’ compensation system as defined by the *Workers Compensation Act* and for the administration of health and safety programs as defined by the *Occupational Health and Safety Act*. The Board’s head office is located in Charlottetown, Prince Edward Island, Canada.

The nature of operations includes administering payments of benefits to or on behalf of workers, levying and collecting assessment revenues from employers, investing Board funds, inspecting Prince Edward Island workplaces, enforcing health and safety standards defined by legislation and delivering health and safety education and prevention programs. The current *Workers Compensation Act* became effective on January 1, 1995. The current *Occupational Health & Safety Act* became effective on May 20, 2006.

The Board does not receive government funding.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on April 27, 2018.

2. Summary of significant accounting policies

Basis of presentation and adoption of IFRS

The financial statements of the Board have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements of the Workers Compensation Board of Prince Edward Island comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at December 31, 2017.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied, except where departure from IFRS is explicitly permitted under the transitional provisions for first time application of IFRS or another IFRS.

Basis of measurement

The financial statements of the Board have been prepared on a historical cost basis except for investments in the statement of financial position that are reported at fair value. The Board’s functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Board operates, which is also the presentation currency of the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Cash and short-term investments held by custodians for investment purposes are not available for general use and, accordingly, are included in investments.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the closing rate, which is the spot exchange rate in effect at the date of the statement of financial position. Exchange differences arising from settlement of monetary items and the subsequent translation of monetary items are included in the statement of operations in the period in which they arise.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

2. Summary of significant accounting policies (cont'd)

Accounting estimates and measurement uncertainty

The preparation of financial statements in conformity with IFRS requires the use of judgements, assumptions and estimates as at the date of the financial statements that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses during the reporting periods presented.

Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimate, based on assumptions as at the financial statement date, that reflect the most probable set of economic conditions and planned courses of action.

Benefit liabilities, employee future benefits, accrued assessments, allowance for doubtful accounts and depreciation are the most significant items that are based on accounting estimates. Actual results could differ from the estimates made by management in these financial statements and these differences, which may be material, could require adjustment in subsequent reporting periods. See Note 11 for additional details on benefit liabilities.

Revenue recognition

The Board recognizes revenue when services have been provided, it is probable that the associated economic benefits will flow to the Board and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. The Board's primary source of revenue is assessed premiums.

Self-insured employers are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers. As such, assessment revenues from self-insured employers are recognized as these costs are incurred.

Specific accounting policies

To facilitate a better understanding of the Board's financial statements, significant accounting policies are disclosed in the notes, where applicable, of the related accounting topics. A listing of these notes is as follows:

Note	Topic	Page
3	Receivables	53
4	Investments	54
6	Property and equipment	62
7	Intangible assets	64
9	Payables and accruals	65
10	Employee benefits	65
11	Benefits liabilities	67
12	Self-insured employers	73

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

2. Summary of significant accounting policies (cont'd)

Future accounting standards and reporting changes

The International Accounting Standards Board (the IASB) is continually working toward improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to come into effect over the next several years. The Workers Compensation Board of Prince Edward Island continually monitors the IASB work plans and publications to assess any potential impact on the organization.

The IASB has issued revisions to IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers). IFRS 9 and IFRS 15 are effective for accounting periods beginning on or after January 1, 2018.

IFRS 17 Insurance Contracts supersedes IFRS 4 Insurance Contracts. IFRS 17 fundamentally changes how entities account for insurance contracts, introducing a default "building block approach", which disaggregates the cash flows in an insurance contract and provides a different measurement basis for each component, and a simplified "premium allocation approach" for certain short-term contracts. Assumptions used in measuring insurance assets and liabilities such as cash flows, discount rates and risk adjustment will be updated at each reporting period. The discount rate will reflect the characteristics of the insurance liabilities and the estimated future cash flows to settle claims incurred will be discounted unless the period of time between claim occurrence and settlement is less than one year. Presentation changes include 'insurance revenue' replacing the current reporting of 'premiums' and insurance contract assets and liabilities will not be netted. Under this standard, premiums receivable, unearned premiums and claims payable may no longer be presented separately from other insurance assets and liabilities. The effective date for IFRS 17 is January 1, 2021 with mandatory restatement of comparative periods. The Board is currently assessing the impact of IFRS 17.

3. Receivables

Accounting policy

Trade receivables are amounts due from employers for assessed premiums, or estimated premiums, when a final return for insurance coverage for the period has not been filed. Assessed premiums receivable are initially recognized at the invoiced amount and, subsequently, measured at recoverable value that is net of a provision for uncollectible amounts. Trade and other receivables are classified as financial assets and are recorded at amortized cost.

At the beginning of each year, an assessment is levied on non-monthly employers by applying industry assessment rates to their estimated payrolls. During the year, employers' actual payrolls may vary from their estimate; therefore, at year end, accrued assessments receivable are adjusted based on payroll adjustments from the prior year. The accrued assessments are determined excluding those employers whose assessments are levied on a monthly basis.

Other receivables include amounts due from employees for computer purchases and other payroll related items.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

3. Receivables (cont'd)

	<u>2017</u>	<u>2016</u>
Receivables		
Assessments	\$ 1,239,108	\$ 2,370,304
Less allowance for doubtful accounts	(240,126)	(390,004)
Accrued assessments	(412,183)	18,456
Self-insured employers	(34,720)	(29,260)
Other receivables	313,143	153,844
	<u>\$ 865,222</u>	<u>\$ 2,123,340</u>

4. Investments

Accounting policy

All the Board's portfolio investments, except real-return bonds, are mandatorily classified as fair value through profit or loss investments. Real return bonds have been designated by the Board as fair value through profit or loss as permitted under IFRS 9. As such, all portfolio investments are recorded at their fair value. The Board recognizes interest revenue as earned, dividends when declared and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts received through the sale of the investments and their respective cost base. Unrealized gains and losses on fair value through profit or loss investments are recognized as investment income at year end based on the fair value of the investments at that time. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the statement of operations. Investment income also includes interest income and income distributions from pooled funds. The Board utilizes trade date accounting for all purchases and sales of financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date) and not on the date the transaction is finalized (the settlement date). Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Revenues and expenses are translated at the exchange rates in effect on the transactions date. The foreign currency exchange gains or losses for these investments are recorded in the same manner as other investment gains or losses.

Fair values of specific investments are determined as follows:

- Equities are valued at their year end quoted market prices as reported on recognized public securities exchange.
- Fixed-term investments are valued at their year end closing or bid price based on available public quotations from recognized dealers in such securities.
- Commercial paper, short-term notes and treasury bills and term deposits maturing within a year are valued at either their year end closing or bid price based on available quotations from recognized dealers in such securities, or cost plus accrued interest, which approximates fair value.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

4. Investments (cont'd)

- Pooled fund units other than infrastructure are valued at their year-end net asset value, as determined by the fund manager or administrator. For pooled funds holding equity and fixed-income assets, these values represent the Board's proportionate share of underlying net assets at fair values determined using either quoted market prices or year-end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities. For pooled funds holding derivatives, cleared derivatives are valued at the closing price quoted by the relevant clearing house, and over-the-counter derivatives are valued using an industry standard model. Exchange-traded options are valued at the last sale price or the closing bid price for long positions and the closing ask price for short positions. For real estate pooled funds, these values represent the Board's proportionate share of the underlying net assets at fair values determined using independent appraisals, net of any liabilities against the fund assets.
- Infrastructure pooled funds are held through a separate corporate entity controlled by Worksafe NB and in which the Board does not have significant influence. Therefore, these infrastructure pooled funds are considered financial instruments and are valued at their most recent net asset value prior to year-end, adjusted for any capital contributions or withdrawals between the net asset value date and year-end, as determined by the fund manager or administrator. The net asset value represents the Board's proportionate share of the underlying net assets at fair values estimated using one or more methodologies, including discounted cash flows, multiples of earnings measures, and recent comparable transactions.
- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the balance sheet date. The Board has not designated the forward exchange contracts as a hedging instrument. Any changes in the fair market value of the instruments are recognized directly into earnings.



Photo Credit: PEI Government Photo, Brian L. Simpson

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

4. Investments (cont'd)

	<u>2017</u>	<u>2016</u>
Investments		
Cash and short-term investments	\$ 11,919,463	\$ 6,512,545
Forward foreign exchange contracts	1,107,875	745,884
Real estate	38,805,672	36,839,136
Fixed term investments	47,398,651	53,201,947
Infrastructure	14,191,883	14,610,395
Equities	116,905,938	124,640,924
Global opportunistic	<u>24,803,323</u>	<u>12,187,390</u>
	<u>\$ 255,132,805</u>	<u>\$ 248,738,221</u>
Investment income		
Earned during the year	\$ 5,507,614	\$ 5,639,705
Realized investment gains	13,647,729	8,128,927
Change in unrealized investment gain	<u>4,550,719</u>	<u>9,355,643</u>
	<u>\$ 23,706,062</u>	<u>\$ 23,124,275</u>
Investment expenses		
External management fees	\$ 1,115,342	\$ 906,539
Management fees paid to Worksafe NB	<u>73,617</u>	<u>81,420</u>
	<u>\$ 1,188,959</u>	<u>\$ 987,959</u>

Pooled funds

Certain of the Board's portfolio investments are held through pooled funds. The fair value of the investments held through pooled funds is as follows:

	<u>2017</u>	<u>2016</u>
Conventional bonds	\$ 37,467,346	\$ 42,097,509
Real return bonds	9,931,305	11,104,439
Non North American equities	10,796,334	9,841,563
Real estate	38,805,672	36,839,136
Absolute return	24,803,323	12,187,390
Infrastructure	<u>14,191,883</u>	<u>14,610,395</u>
	<u>\$ 135,995,863</u>	<u>\$ 126,680,432</u>

Investment agreement

The Board has entered into an Investment Agreement (January 1995) for the management of its investment assets with those of WorksafeNB. These financial statements report the Board's proportionate share of the investment assets held in the pooled fund which was 15.3% at December 31, 2017 (2016 – 16.6%). The Board pays a fee to WorksafeNB for the administration of the combined investments.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

4. Investments (cont'd)

Commitments

The Board, through its investment in pooled infrastructure and real estate funds, has committed to contribute investments in these funds, which may be drawn down over the next several years. Unfunded commitments as of December 31, 2017 are \$15.5 million.

5. Financial risk management

The Board has established policies for management of its investments. All of the Board's pooled investments are managed by independent, external investment managers. The compliance of these managers with the established policies is monitored on a regular basis. The pooled investments are managed to reduce investment risk by diversifying its portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, in conjunction with WorkSafeNB, independent consultants are retained to advise on the appropriateness and effectiveness of its investment policies and practices.

The following sections describe the Board's financial risk exposure and related mitigation strategies.

Market risk

The Board invests in publicly traded equities listed on domestic and foreign exchanges, and bonds traded over the counter through broker dealers. These securities are affected by fluctuations in market prices. Such market changes are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks to issuers, which may affect the market value of individual securities. Policy guidelines have been established to ensure that the Board's investments are diversified by issuer, industry and geographic location.

The table below indicates the total exposure in each of the equity mandates within the Board's portfolio:

	<u>2017</u>	<u>2016</u>
Canada	\$ 38,394,546	\$ 42,343,523
United States	47,949,291	44,654,383
International equities	38,283,132	37,903,482
Real estate	38,805,672	36,839,136
Emerging markets	<u>17,082,292</u>	<u>11,926,926</u>
	<u>\$ 180,514,933</u>	<u>\$ 173,667,450</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

5. Financial risk management (cont'd)

The table below presents the effect of a change in value of equities held based on management estimates for each of the equity mandates in the Boards' portfolio:

Equities	2017			
	15%	5%	-5%	-15%
Change in market value				
Impact on fund balance				
Canadian	\$ 5,759,000	\$ 1,920,000	\$ (1,828,000)	\$ (5,008,000)
United States	7,192,000	2,397,000	(2,283,000)	(6,254,000)
International equities	5,742,000	1,914,000	(1,823,000)	(4,993,000)
Real estate	5,821,000	1,940,000	(1,848,000)	(5,062,000)
Emerging markets	2,562,000	854,000	(813,000)	(2,228,000)
	2016			
Equities				
Change in market value				
Impact on fund balance				
Canadian	\$ 6,352,000	\$ 2,117,000	\$ (2,016,000)	\$ (5,523,000)
United States	6,698,000	2,233,000	(2,126,000)	(5,824,000)
International equities	5,686,000	1,895,000	(1,805,000)	(4,944,000)
Real estate	5,526,000	1,842,000	(1,754,000)	(4,805,000)
Emerging markets	1,789,000	596,000	(568,000)	(1,556,000)

Foreign currency risk

The Board has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. For its U.S. and non-North American equities, the Board has adopted a policy to hedge 50% of its developed market foreign currency exposure using forward exchange contracts. Forward foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract's inception. The fair value of these financial instruments would change in response to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts.

The Board has significant current exposure in the US dollar, the Euro, the Japanese Yen and the British Pound. Exposure to changes in these four currencies represents 91.3% of the Board's total exposure to developed market foreign currencies and 75.4% of the total foreign currency exposure including emerging markets. The Board has holdings of \$55,388,000 (2016 - \$54,129,000) in US dollar or 21.8% of the portfolio, \$17,732,000 (2016 - \$13,010,000) or 7.0% in the Euro, \$11,643,000 (2016 - \$11,772,000) or 4.6% in the Japanese Yen and \$8,970,000 (2016 - \$7,268,000) or 3.5% in the British Pound.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

5. Financial risk management (cont'd)

The table below presents the effects of a 15% appreciation in the Canadian dollar as compared to the US dollar, Euro, Japanese Yen and British Pound on the fund balance:

	<u>2017</u>	<u>2016</u>
CAD/USD	\$ (7,258,000)	\$ (7,060,000)
CAD/EURO	\$ (2,389,000)	\$ (1,697,000)
CAD/YEN	\$ (1,519,000)	\$ (1,535,000)
CAD/POUND	\$ (1,168,000)	\$ (948,000)

At December 31, 2017, the notional value of outstanding forward foreign exchange contracts was \$59,078,205 (2016 - \$45,560,992). The fair value of these contracts was a gain of \$1,107,875 (2016 - gain of \$745,884). Unrealized gain on forward foreign exchange contracts of \$361,991 (2016 - gain of \$2,888,537) were included in investment income.

Inflation risk

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power for current monetary assets. To mitigate the effect of inflation on the Board's future liabilities, the portfolio holds inflation sensitive investments, such as real return bonds and real estate. Canadian real return bonds are indexed to the annual change in the Canadian Consumer Price Index.

Interest risk management

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Board's investment portfolio is exposed to interest rate risk from its holdings of fixed income securities. Fluctuations in interest rates are managed by varying the duration of the fixed income portfolio. The following table presents the remaining term to maturity of the Board's outstanding fixed term investments.

	<u>Remaining term to maturity</u>			<u>Total 2017</u>	<u>Total 2016</u>
	<u>Within 1 year</u>	<u>From 1 year to 5 years</u>	<u>Over 5 years</u>		
Fixed term investments (market value)	\$ (160,456)	\$ 12,606,168	\$ 34,952,939	\$ 47,398,651	\$ 53,201,947

The average effective yield of these fixed term investments is 2.5% (2016 - 2.3%) per annum based on market value.

As of December 31, 2017, had the prevailing interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the fixed term investments would have increased or decreased by \$4,630,000 (2016 - \$5,433,000) or approximately 9.8% (2016 - 10.2%) of their value.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

5. Financial risk management (cont'd)

Credit risk management

Credit risk on fixed term or money market investments or forward foreign exchange contracts arises from the possibility that the counterparty to an instrument fails to meet its obligation to the Board. Policy guidelines have been established to ensure the Board holds corporate fixed term investments with a credit rating of A or higher, and Canadian federal or provincial government fixed term investments with a credit rating of BBB or higher. The Board may only invest in money market instruments that are provincially or federally guaranteed by one of the five largest Canadian chartered banks. Counterparties to forward foreign exchange contracts must have a credit rating of at least AA. As at December 31, 2017, the aggregate amount of fixed income securities with counterparty ratings of BBB was \$nil (2016 - \$nil).

The Board is also exposed to credit risk through its trade receivables. The Board mitigates this risk through a regular monitoring process. Credit risk is mitigated due to the large number of customers and their dispersion across geographic areas and various industries. Allowance for doubtful accounts is reviewed at each balance sheet date. The Board updates its estimates of allowances for doubtful accounts based on customer history.

Fair value hierarchy

In compliance with IFRS 7, Financial Instruments – Disclosures, the Board has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Board's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

	2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 11,919,463	\$ -	\$ -	\$ 11,919,463
Investments				
Forward foreign exchange contracts	-	1,107,875	-	1,107,875
Real estate	29,472,498	-	9,333,174	38,805,672
Fixed term	47,398,651	-	-	47,398,651
Infrastructure	-	-	14,191,883	14,191,883
Equities	141,709,261	-	-	141,709,261
	<u>\$ 230,499,873</u>	<u>\$ 1,107,875</u>	<u>\$ 23,525,057</u>	<u>\$ 255,132,805</u>

During 2017 and 2016, there were no significant transfers of investments between level 1 and level 2.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

5. Financial risk management (cont'd)

	<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,512,545	\$ -	\$ -	\$ 6,512,545
Investments				
Forward foreign exchange contracts	-	745,884	-	745,884
Real estate	33,295,390	-	3,543,746	36,839,136
Fixed term	53,201,947	-	-	53,201,947
Infrastructure	-	-	14,610,395	14,610,395
Equities	<u>136,828,314</u>	<u>-</u>	<u>-</u>	<u>136,828,314</u>
	<u>\$ 229,838,196</u>	<u>\$ 745,884</u>	<u>\$ 18,154,141</u>	<u>\$ 248,738,221</u>

The following summarizes the changes in the level 3 investments for the year:

	<u>2017</u>	<u>2016</u>
Balance beginning of the year	\$ 18,154,141	\$12,688,776
Purchase of level 3 investments	5,953,526	4,180,384
Investment income	453,464	259,291
Return of capital	(2,303,731)	(2,128,412)
Unrealized gains (losses) recognized	<u>1,267,657</u>	<u>3,154,102</u>
Balance at end of the year	<u>\$ 23,525,057</u>	<u>\$18,154,141</u>

There are 3 investments classified as level 3: (1) A limited partnership interest in a fund investing in global infrastructure assets and real estate assets. These are closed-end fund with no active market for its units as at December 31, 2017 and, therefore, classified as level 3 investments in the fair market hierarchy. This fund has a 12-year life that commenced on October 30, 2013. The general partner has the option to extend the fund's life by 2 years; (2) A limited partnership interest in a fund investing in global infrastructure assets. This is an open-ended fund that allows quarterly redemptions at net asset value with some restrictions. It is classified as a level 3 investment in the fair value hierarchy; (3) A limited partnership interest in a fund investing in European real estate. This is a close-end fund with no active market for its units and no published net asset value as of December 31, 2017 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 9-year life that commenced on August 22, 2014.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

5. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet all cash outflow obligations as they come due. The Board mitigates this risk by monitoring cash activities and expected outflows. The Board's current liabilities arise as claims are made. The Board does not have material liabilities that can be called unexpectedly at the demand of a lender or claimant. The Board has no material commitments for capital expenditure and there is no need for such expenditures in the normal course of operations. Claim payments are funded by current operating cash flow including investment income.

There have been no significant changes from the previous year in the exposure to risk or policies, procedure and methods used to measure the risk.

6. Property and equipment

Accounting policy

Property and equipment are reported at cost less subsequent depreciation and impairment losses. The cost of property and equipment includes expenditures that are directly attributable to their acquisition or construction and any other cost directly attributable to the installation and decommissioning of the asset. Property and equipment are depreciated over their estimated lives on the straight line basis. Assets are depreciated at 50% of the applicable rate in the year of acquisition. When parts of an item of property and equipment have materially different useful lives or patterns of benefit consumption, they are accounted for separately (i.e., as major components). The rates used are as follows:

Buildings and components	10 to 40 years, straight line
Furniture and fixtures	10 years, straight line
Computer equipment	5 years, straight line

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

IAS 36, Impairment of Assets, requires an entity to test assets for impairment if indications of impairment exist. Based on an analysis of cash flows, the Board has established that the appropriate cash generating unit for impairment review is the entire entity. As the Board has the statutory power under the Act to increase premiums and/or impose levies to ensure full funding unto the foreseeable future, impairment at the entity level is remote. As at December 31, 2017, management conducted an impairment review at the entity level, which confirmed that there were no significant indicators of impairment which would have a material impact on the Board's ability to generate future economic benefits from its operating non-financial assets.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

6. Property and equipment (cont'd)

Gross carrying amount	<u>Land</u>	<u>Buildings</u>	<u>Furniture & fixtures</u>	<u>Computer equipment</u>	<u>2017 Total</u>
Balance January 1, 2017	\$ 368,460	\$ 2,672,584	\$ 642,167	\$ 682,991	\$ 4,366,202
Additions	-	244,400	50,317	91,996	386,713
Disposals	-	-	-	(34,020)	(34,020)
Balance December 31, 2017	<u>368,460</u>	<u>2,916,984</u>	<u>692,484</u>	<u>740,967</u>	<u>4,718,895</u>
Depreciation and impairment					
Balance January 1, 2017	-	(1,151,795)	(431,847)	(466,782)	(2,050,424)
Disposals	-	-	-	31,756	31,756
Depreciation	-	(96,477)	(28,963)	(71,024)	(196,464)
Balance December 31, 2017	-	<u>(1,248,272)</u>	<u>(460,810)</u>	<u>(506,050)</u>	<u>(2,215,132)</u>
Carrying amount Dec 31, 2017	<u>\$ 368,460</u>	<u>\$ 1,668,712</u>	<u>\$ 231,674</u>	<u>\$ 234,917</u>	<u>\$ 2,503,763</u>
Gross carrying amount	<u>Land</u>	<u>Buildings</u>	<u>Furniture & Fixtures</u>	<u>Computer Equipment</u>	<u>2016 Total</u>
Balance January 1, 2016	\$ 368,460	\$ 2,541,946	\$ 638,161	\$ 588,159	\$ 4,136,726
Additions	-	130,638	4,006	161,300	295,944
Disposals	-	-	-	(66,468)	(66,468)
Balance December 31, 2016	<u>368,460</u>	<u>2,672,584</u>	<u>642,167</u>	<u>682,991</u>	<u>4,366,202</u>
Depreciation and impairment					
Balance January 1, 2016	-	(1,062,672)	(402,713)	(473,572)	(1,938,957)
Disposals	-	-	-	65,089	65,089
Depreciation	-	(89,123)	(29,134)	(58,299)	(176,556)
Balance December 31, 2016	-	<u>(1,151,795)</u>	<u>(431,847)</u>	<u>(466,782)</u>	<u>(2,050,424)</u>
Carrying amount Dec 31, 2016	<u>\$ 368,460</u>	<u>\$ 1,520,789</u>	<u>\$ 210,320</u>	<u>\$ 216,209</u>	<u>\$ 2,315,788</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

7. Intangible assets

Accounting policy

Computer software development expenditure is capitalized only if the directly related costs (both internal and external) can be measured reliably, the product or process is technically feasible, future economic benefits are probable and the Board has the intention and sufficient resources to complete development and to use the asset. Computer software assets are derecognized when these factors no longer exist. The capitalized expenditure includes the direct cost of materials and labour, but not administrative costs, including training. Other development expenditures are expensed as incurred if they do not meet the prescribed capitalization criteria. Similarly, costs associated with maintaining computer software programs in a functional condition, as originally intended, are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The Board's intangible assets are comprised of computer software developed internally or acquired through third party vendors and customized as necessary. These costs are accounted for using the cost model whereby capitalized costs are amortized on a straight line or declining balance basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

Internally developed software is amortized on a straight line basis over 10 years for certain software and 3 years for other smaller software programs.

Computer software

	<u>2017</u>	<u>2016</u>
Gross carrying amount		
Balance at January 1	\$ 4,526,661	\$ 4,404,588
Addition, separately acquired	<u>183,483</u>	<u>122,073</u>
Balance at December 31	<u>4,710,144</u>	<u>4,526,661</u>
Amortization and impairment		
Balance at January 1	(3,832,869)	(3,576,782)
Amortization	<u>(254,101)</u>	<u>(256,087)</u>
Balance at December 31	<u>(4,086,970)</u>	<u>(3,832,869)</u>
Carrying amount December 31	<u>\$ 623,174</u>	<u>\$ 693,792</u>

8. Bank indebtedness

The Board has a \$500,000 unsecured operating line of credit of which nil was used at December 31, 2017.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

9. Payables and accruals

	<u>2017</u>	<u>2016</u>
Trade and other payables	\$ 1,028,396	\$ 701,276
Accrued staff salaries	484,525	45,580
Accrued vacation pay	<u>220,303</u>	<u>209,924</u>
	<u>\$ 1,733,224</u>	<u>\$ 956,780</u>

10. Employee benefits

Accounting policy

Permanent employees of the Board participate in a defined benefit pension plan sponsored by the Province of Prince Edward Island. As these multi-employer plans meet the accounting requirements for treatment as defined contribution plans, the current year employer contributions are accounted for as current pension expense. The cost of retirement pay benefits earned by employees is actuarially determined using the projected unit credit method prorated on service. Benefits are projected with management's best estimate of salary escalations to retirement and then pro-rated based on service. Remeasurement changes in benefit liabilities, composed of actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive income.

Short-term benefits

The Board's short-term benefits for qualified active employees include base salary, compensated absences, group life insurance, dental and medical coverage.

Pension plan

The Board and its employees participate in a multi-employer contributory defined benefit pension plan, administered by the Province of Prince Edward Island under the Civil Service Superannuation Act. The Civil Service Superannuation Fund provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies. Changes were made to the Civil Service Superannuation Act effective January 1, 2016. For service after 2013, the average salary used to determine pension benefits will be calculated using an average of all earnings indexed to the year of retirement. Also, for service after 2018, the age at which an unreduced pension is available will move from 60 to 62 and the years of service will move from 30 to 32. Retirement benefits will be indexed at 1.5% up until 2017. In 2017, pension benefits indexing will depend on the financial health of the fund. The plans are similar to state plans as defined in IAS 19 whereby they are established by legislation to provide retirement benefits for eligible provincial employees. State plans share similar characteristics as multi-employer plans and are treated as defined contribution plans under IAS 19. For these plans, the Board has no further payment obligations once the contributions have been paid. Since sufficient information is not readily available to account for the Board's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. The current year expense for this pension plan is \$419,606 (2016 - \$396,093). As the Board maintains no obligation to cover funding deficiencies within the plan, should any exist, there are no provisions to be recorded for future funding obligations.

At March 31, 2017, the Civil Service Superannuation Fund reported that the pension plan was 100% funded.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

10. Employee benefits (cont'd)

Retirement pay benefits

The Board provides a retirement pay benefit equal to one weeks pay for each year of service, subject to a maximum benefit equal to 26 weeks pay. The retirement pay benefit is payable upon retirement. Unionized employees qualify at retirement if they have accrued 10 years of service and attained age 55. Non-unionized employees qualify at retirement if they have accrued 5 years of service and attained age 55, accrued 30 years of service (moving to 32 years of service as of December 2018), or accrued 5 years of service and die or become disabled. The significant actuarial assumptions adopted in measuring the Board's accrued retirement pay benefits obligations are a discount rate of 3.20% (2016 - 3.50%) and a rate of compensation increase of 3.5%. The retirement pay benefits liability has been estimated to equal \$1,697,300 (2016 - \$1,608,500) based on the last actuarial calculation as of December 31, 2017.

Other information about the Board's retirement pay benefits is as follows:

	<u>2017</u>	<u>2016</u>
Opening retirement pay benefits	\$ 1,608,500	\$ 1,601,800
Changes in retirement pay benefits	56,500	6,700
Change in assumptions	<u>32,300</u>	<u>-</u>
Ending retirement pay benefits	<u>\$ 1,697,300</u>	<u>\$ 1,608,500</u>

Employee benefits risks

The Board's defined benefit plan is indirectly exposed to economic risks with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to uncertainty of the timing of the payments.

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates.

The Board is also exposed to funding risk in the multi-employer plans arising from legislative changes affecting eligibility for and amount of pension and related benefits and performance of plan assets affected by investment policies set by the government. Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind up or amendments, and funding requirements.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

11. Benefits liabilities

The benefits liabilities represent the actuarial present value of all future benefit payments expected to be made for claims which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation policies and administrative practices in respect of existing claims.

The Board believes that the amount provided for benefit liabilities as at December 31, 2017, is adequate, recognizing that actuarial assumptions as disclosed below may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

Benefits liabilities as at December 31, 2017, have been independently valued by the Board's external actuary. Benefits liabilities include a provision for all benefits provided by current legislation, Board policies, and administrative practices. These liabilities also include a provision for future expenses of administering those benefits. Benefits liabilities do not include a provision for benefits costs of self-insured employers.

Since the benefits liabilities of the Board are of a long-term nature, the actuarial assumptions and methods used to calculate the reported benefits liabilities are based on considerations of future expenses over the long-term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, but which are based on best information as at the valuation date, a significant degree of professional judgement must be exercised in developing these assumptions. Accordingly, changes in future conditions within one year of the financial statement date could require a material change in the recognized amounts.

Key actuarial assumptions

Important components of the benefits liabilities are long-term in nature, meaning that many claims continue in payment for many years following the accident.

The independent consulting actuary makes significant estimates and judgments in respect of certain liability amounts disclosed in the financial statements and the discount rates used to calculate the present value of future benefit payments. These estimates and judgments are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modeling techniques.

The key areas of significant estimates and judgments and the methodologies used to determine key assumptions are set out below.

A provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date. This provision includes the cost of claims incurred but not reported to the Board.

The estimation of outstanding benefits liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyze experience, trends and other relevant factors. The process commences with the actuarial projection of the future claims payments and administration costs incurred to the reporting date. The various payment codes of the Board are grouped into a number of benefit categories and analyzed separately.

Modeling approaches are used to analyze and project the various benefit types. These approaches fall into three broad categories, which are as follows:

- Payments per claim for active long-term wage loss, pension and survivor claims;
- Projected payments based on past payment patterns for short-term disability, health care and the first seven years for long-term disability awards; and
- Estimated average benefit payments per claim for projected future long-term wage loss and physical impairment awards.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

11. Benefits liabilities (cont'd)

Projected future claims payments and associated administration costs are obtained by examining the results from the above methods. This projection is made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding benefits liabilities that has an approximately equal chance of proving adequate as not.

The projected future claims payments are converted to inflated values, taking into account assumptions about future inflation. The present value of this liability is then calculated, by discounting the inflated cash flows to allow for future returns on the underlying assets using appropriate discount rates. Both implicit and explicit assumptions are made for future inflation. For the first fifteen years of the projection period for short-term disability, health care and the first seven years for long-term disability awards, the future inflation is implied in the development factors. Explicit future inflation assumptions are used for all other liability estimates.

The table below presents key assumptions used to determine the benefits liabilities.

	2017	2016
Gross rate of return	6.0%	6.0%
Real rate of return	3.5%	3.5%
Increase in inflation	2.5%	2.5%
Future administration	6.5%	6.5%
Latent occupational diseases	4.5%	4.5%

Process used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

General Statement

Assumptions are formulated to be consistent with the funding and investment policies adopted by the Board. Benefits liabilities are valued based on the primary assumption that the system will be in operation for the very long-term. Hence, the focus is on long-term trends as opposed to short-term fluctuations around those trends.

Gross rate of return

The gross rate of return reflects the best estimate of the long-term average rate of return that can be expected using the benchmark asset allocation adopted by the Board in its statement of investment policies and beliefs. The process is based on the estimate of a real rate of return that is then compounded with the long-term average future inflation estimate to obtain the gross rate of return.

Future awards liabilities

For the purposes of projecting future cash flows for the future award liabilities, other than those for future extended wage loss awards, the calculation uses a weighted average of payments made over the 2015 to 2017 period. The weightings are 17% of 2015, 33% of 2016, and 50% of 2017, all adjusted to constant 2017 dollars. In the case of medical aid and hospital expenses, certain large individual cases that are expected to require long-term care have been removed from historical data. For these cases, the ongoing payments have been estimated based on an analysis of the individual file.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

11. Benefits liabilities (cont'd)

Pension in pay

The liabilities in respect of pensions and extended wage loss awards, including survivor benefits that are already in payment, are included in this category. Cash flows, in respect of these categories have been projected on an individual claimant basis using mortality as the only decrement. No provision for termination of benefits from other causes such as recoveries has been made. To the extent such terminations occur, there will be a gain.

Future extended wage loss awards

Included in the valuation is a provision for future extended wage loss awards. A claims run off table has been developed based in part on the Board's limited experience with respect to wage loss claims. This table is used to predict the emergence of future extended wage loss claims. The table was developed using a run off table used by another Board with legislation similar to Prince Edward Island's with experience modifications noted in Prince Edward Island as compared to the other jurisdiction.

Future administration

When a claim occurs, it triggers an obligation to provide claims management, maintenance and support in terms of paying the various providers of health care services and compensating workers for lost wages for as long as the claim is open. The future administration expense liability is intended to provide a reasonable allowance for this obligation. A detailed review of future administration expenses is conducted periodically. In this review an estimate is made of the portion of operating expenses that can be attributed to claims maintenance, including a proportionate share of overhead expenses. Based on this review, a liability for future administration expenses of 6.5% of the total benefits liability is included in the liability estimate.

An analysis of the components of and changes in benefits liabilities is as follows:

	Temporary wage loss	Pension and extended wage loss	Health care	Rehabilitation	Administration	<u>2017</u>	<u>2016</u>
						<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 9,912,000	\$ 102,803,000	\$ 30,422,000	\$ 2,793,000	\$ 9,485,000	\$ 155,415,000	\$ 158,224,000
Expected increase	589,000	6,114,000	1,813,000	170,000	565,000	9,251,000	9,422,000
Assumption changes	-	-	-	-	-	-	-
Experience (gains) losses	<u>(1,418,000)</u>	<u>(6,926,000)</u>	<u>(1,812,000)</u>	<u>(765,000)</u>	<u>(711,000)</u>	<u>(11,632,000)</u>	<u>(9,875,000)</u>
	9,083,000	101,991,000	30,423,000	2,198,000	9,339,000	153,034,000	157,771,000
Costs incurred	<u>6,717,000</u>	<u>7,597,000</u>	<u>5,826,000</u>	<u>554,000</u>	<u>1,346,000</u>	<u>22,040,000</u>	<u>22,181,000</u>
	15,800,000	109,588,000	36,249,000	2,752,000	10,685,000	175,074,000	179,952,000
Less: Payments made	<u>(6,922,000)</u>	<u>(9,411,000)</u>	<u>(6,235,000)</u>	<u>(484,000)</u>	<u>(1,498,000)</u>	<u>(24,550,000)</u>	<u>(24,537,000)</u>
						150,524,000	155,415,000
Latent occupational diseases	-	-	-	-	-	6,774,000	6,994,000
Balance, end of year	<u>\$ 8,878,000</u>	<u>\$100,177,000</u>	<u>\$ 30,014,000</u>	<u>\$ 2,268,000</u>	<u>\$ 9,187,000</u>	<u>\$ 157,298,000</u>	<u>\$ 162,409,000</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

11. Benefits liabilities (cont'd)

Benefit liabilities of self-insured employers are not included in the benefits liability. These liabilities will be borne by those employers when paid in the future years. They do not add to the Board's liabilities on its net fund balance.

Current year injuries

	2017		
	Current year cost	Present value of future costs	Total incurred claims
Health care	\$ 1,776,000	\$ 4,050,000	\$ 5,826,000
Temporary wage loss	2,733,000	3,984,000	6,717,000
Rehabilitation	-	554,000	554,000
Lump sums	63,000	564,000	627,000
Future permanent awards	-	6,746,000	6,746,000
New permanent awards	6,000	218,000	224,000
Administration	298,000	1,048,000	1,346,000
Total	\$ 4,876,000	\$ 17,164,000	\$ 22,040,000

	2016		
	Current year cost	Present value of future costs	Total incurred claims
Health care	\$ 1,777,000	\$ 4,138,000	\$ 5,915,000
Temporary wage loss	2,701,000	4,222,000	6,923,000
Rehabilitation	2,000	659,000	661,000
Lump sums	146,000	581,000	727,000
Future permanent awards	-	6,601,000	6,601,000
Administration	301,000	1,053,000	1,354,000
Total	\$ 4,927,000	\$ 17,254,000	\$ 22,181,000

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

11. Benefits liabilities (cont'd)

Reconciliation of movement in benefits liabilities

	<u>2017</u>	<u>2016</u>
Balance, beginning of the year	\$ 162,409,000	\$ 165,344,000
Interest on liability	9,251,000	9,422,000
Payments and other transitions	<u>(24,550,000)</u>	<u>(24,537,000)</u>
Balance, end of year for prior accident years	<u>147,110,000</u>	<u>150,229,000</u>
Impact of experience losses (gains) on change in liability for prior accident years due to:		
Mortality and termination	(1,400,000)	600,000
Award inflation less than expected	(1,300,000)	(1,300,000)
New awards	(3,500,000)	(4,000,000)
Change in expected claim run-off	(2,600,000)	(1,800,000)
Difference between actual and expected payments	(2,000,000)	(2,600,000)
Other	<u>(832,000)</u>	<u>(775,000)</u>
Total change in liability	<u>(11,632,000)</u>	<u>(9,875,000)</u>
Change in latent occupational diseases liability	(220,000)	(126,000)
Liability for new accidents	<u>22,040,000</u>	<u>22,181,000</u>
	<u>21,820,000</u>	<u>22,055,000</u>
Balance, end of year	<u>\$ 157,298,000</u>	<u>\$ 162,409,000</u>



Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

11. Benefits liabilities (cont'd)

Claims development

The estimation of claim development involves assessing the future behaviour of claims, taking into consideration the consistency of the Board's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The table that follows presents the development of claims payments and the estimated ultimate cost of claims for the claim years 2008 to 2017. The upper half of the table shows the cumulative amounts paid or estimate to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

Year of estimate	(\$'000)											Total
	Accident year											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
Estimated total cash flow (including past and future cash flows)												
2008	\$ 21,985											
2009	21,431	\$ 23,164										
2010	21,158	24,135	\$ 26,044									
2011	20,276	24,699	24,901	\$ 29,273								
2012	19,947	24,987	23,286	28,208	\$ 31,901							
2013	20,002	23,991	22,033	26,348	29,648	\$ 32,752						
2014	20,330	23,827	20,465	25,585	27,025	28,537	\$ 33,271					
2015	19,671	23,897	19,438	25,638	28,580	28,182	30,346	\$ 32,825				
2016	20,302	23,858	18,664	24,243	27,064	25,792	28,515	28,898	\$ 32,894			
2017	19,855	23,381	18,113	23,430	25,878	24,325	25,723	26,011	30,869	\$ 32,645		
Current (2017) estimate of total cash flow	19,855	23,381	18,113	23,430	25,878	24,325	25,723	26,011	30,869	32,645	\$ 250,230	
Total cash flows paid December 31, 2017	(11,371)	(12,570)	(10,958)	(14,365)	(14,560)	(12,571)	(11,357)	(9,598)	(8,719)	(4,607)	(110,676)	
Estimated future cash flows	8,484	10,811	7,155	9,065	11,318	11,754	14,366	16,413	22,150	28,038	139,554	
Impact of discounting	(3,446)	(4,537)	(2,986)	(3,617)	(4,734)	(4,883)	(6,127)	(7,096)	(9,106)	(11,316)	(57,848)	
Liability for accident years 2008 - 2017	5,038	6,274	4,169	5,448	6,584	6,871	8,239	9,317	13,044	16,722	81,706	
Liability for accident years 2007 and prior											59,631	
Claims administration											9,187	
Latent occupational diseases liability											6,774	
Balance sheet liability at December 31, 2017											\$ 157,298	

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

11. Benefits liabilities (cont'd)

Claims risk

Because there is no statutory limit on the benefit amount payable or the duration of the risk exposure related to work related injuries, the Board bears risk with respect to its future claims costs, which could have material implications for liability estimation. In determining the Board's claim benefit liabilities, a primary risk is that the actual benefits payments may exceed the estimation of the amount of the liabilities. This may occur due to changes in claim reporting patterns, frequency and/or size of claim payments or duration of claims. Compensable injuries and benefits payable may also change due to legislation or policy changes. With potentially long claim run off periods, inflation is also a factor because future costs could escalate at a faster rate than expected.

Sensitivity of actuarial assumptions

The benefits liabilities are determined by using many actuarial assumptions. The two most significant assumptions are the real rate of return and inflation rate. The liability estimates are highly sensitive to small changes in these assumptions. The following table presents the sensitivity of the liabilities to the following change in the real rate of return and inflation rate:

	<u>2017</u>	<u>2016</u>
1% Decrease in real rate of return	<u>\$ 11,206,000</u>	<u>\$11,596,000</u>
1% Increase in inflation	<u>\$ (939,000)</u>	<u>\$ (984,000)</u>
0.25% Decrease in real rate of return	<u>\$ 2,666,000</u>	<u>\$ 2,755,000</u>
0.50% Decrease in real rate of return	<u>\$ 5,419,000</u>	<u>\$ 5,604,000</u>

12. Self-insured employers

These financial statements include the effects of significant transactions carried out for self-insured employers, principally the Government of Canada, who directly bear the costs of their own incurred claims and an appropriate share of administration expenses. Administrative fees and interest charges are included within the schedule of administrative expenses (page 76). Total amounts of assessment revenue and offsetting expenses included in the statements of operations and operating surplus are as follows:

	<u>2017</u>	<u>2016</u>
Current assessment revenue	<u>\$ 766,736</u>	<u>\$ 856,757</u>
Administration fees and interest charges recoverable	<u>233,392</u>	<u>280,635</u>
	<u>\$ 1,000,128</u>	<u>\$ 1,137,392</u>
Claims costs incurred		
Short-term disability	<u>\$ 129,353</u>	<u>\$ 168,900</u>
Long-term disability	<u>475,695</u>	<u>486,454</u>
Health care	<u>161,688</u>	<u>201,403</u>
Rehabilitation	<u>-</u>	<u>-</u>
	<u>766,736</u>	<u>856,757</u>
Administration fees and interest charges	<u>233,392</u>	<u>280,635</u>
	<u>\$ 1,000,128</u>	<u>\$ 1,137,392</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

13. Funding strategy and capital management

In 2002, the Board implemented a funding strategy to address retirement of the unfunded liability as at December 31, 2001. In recognition of the significant improvement in the Board's financial position under this strategy (2002 – 2006), the Board replaced this funding strategy with a funding policy (POL 136) which recognizes current funding levels and is aimed at maintaining a financial position of fully funded.

Fully funded means the total assets of the Board are equal to or greater than the total liabilities.

The funding policy will target a funding status in the range of 100% - 110% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range. This permitted excess of assets over liabilities reduces the impact of year to year fluctuations, therefore, providing assessment rate stabilization and enhanced security that awarded benefits will be met.

Although, per IFRS 9 – Financial Instruments: Classification and Measurement, investments have been recorded in the financial statements using the fair value method, investment revenue for funding policy purposes continues to be recorded using the smoothing method. Under the smoothing method, gains or losses realized on disposal of fixed term investments are deferred and amortized on a straight line basis over a nine year period. Realized and unrealized gains and losses on equity investments are deferred and amortized on a straight line basis over a four year period. The use of the smoothing method for funding policy purposes continues to be in effect to reduce the volatility of investment returns on assessment rates as per the goals of the funding policy.

Investment reconciliation to the smoothing method

January 1, 2017 balance	\$ 35,331,327
2017 adjustment to record revenue using the smoothing method	<u>6,077,987</u>
	<u>\$ 41,409,314</u>

Fund balance based on investment smoothing

Fund balance as currently reported	\$ 105,102,288
Adjustment to record revenue using the smoothing method	<u>(41,409,314)</u>
	<u>\$ 63,692,974</u>

Asset total based on investment smoothing

Total assets as currently reported	\$ 265,830,812
Adjustment to record revenue using the smoothing method	<u>(41,409,314)</u>
Asset total based on investment smoothing	<u>\$ 224,421,498</u>

Total liabilities as currently reported

\$ 160,728,524

Funding status as per funding policy (percentage based on investment smoothing):

139.6%

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2017

14. Legislative obligations and other related party transactions

Included in these financial statements are transactions with various Prince Edward Island crown corporations, departments, agencies and Boards related to the Board by virtue of common influence by the Government of Prince Edward Island. Routine operating transactions in the ordinary course of business with related parties are settled at prevailing market prices under normal trade terms.

The Board is required by the *Workers Compensation Act* (the Act) to provide an annual grant to the Workers' Advisor Program. The Workers' Advisor Program operates autonomously from the Board and assists workers or dependants of workers in respect of claims for compensation. During the year, the Board paid \$325,856 (2016 - \$173,308) of the Program's expenses.

The Board is required by the Act to provide an annual grant to the Employers' Advisor Program. The Employers' Advisor Program operates autonomously from the Board and assists employers in respect of classifications, assessments and claims for compensation. During the year, the Board paid \$102,076 (2016 - \$130,316) of the Program's expenses.

The Board is required by the Act to pay the operating costs of the Appeals Tribunal. During the year, the Board paid \$235,712 (2016 - \$109,940) to cover the operating costs of the Tribunal.

The table below presents total compensation of the key management group, which includes the Board of Directors and senior executive staff.

	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 633,364	\$ 601,183
Post employment benefits	<u>102,348</u>	<u>101,196</u>
	<u>\$ 735,712</u>	<u>\$ 702,379</u>

15. Distribution to employers

During the year, the Board of Directors of the Board approved a distribution to active employers of \$21,301,088 (2016 - \$nil). The Board was able to distribute these funds due to significantly better investment returns. These funds were distributed to employers who had assessable payroll as of December 31, 2016 and was based on base premiums which was defined as assessable payroll times the group assessment rate.

16. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Workers Compensation Board of Prince Edward Island Schedule of administration expenses

Year ended December 31	2017	2016
Building operating costs	\$ 194,510	\$ 209,318
Communications, printing and supplies	181,623	178,583
Computer maintenance	214,867	270,913
Depreciation	450,564	432,645
Dues and fees	124,607	104,825
Interest and bank charges	187,835	160,135
Miscellaneous	51,781	14,661
Postage	79,987	96,981
Professional development	80,840	67,573
Professional fees	887,840	726,785
Salaries		
Board members	67,542	61,902
Staff members	5,230,242	5,075,708
Benefits	976,939	900,837
Retirement benefits (Note 10)	141,331	124,231
Telephone	103,691	112,904
Travel	207,979	206,834
	<u>9,182,178</u>	<u>8,744,835</u>
Less allocation to benefits liabilities (Note 11)	<u>(1,498,000)</u>	<u>(1,498,000)</u>
	<u>\$ 7,684,178</u>	<u>\$ 7,246,835</u>



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2017 ANNUAL
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