

# Management Discussion and Analysis and Consolidated Financial Statements and Notes





# MANAGEMENT DISCUSSION AND ANALYSIS OF 2021 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS

The Management Discussion and Analysis (MD&A) provides management's perspective on key issues that affect the current and future performance of the Workplace Health, Safety and Compensation Commission (operating as WorkSafeNB). The MD&A, prepared as at May 26, 2022, should be read in conjunction with the audited consolidated financial statements and supporting notes for the year ended December 31, 2021.

## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements about certain matters that are, by their nature, subject to many risks and uncertainties that may cause actual results to differ materially from these statements. Forward-looking statements include, but are not limited to, WorkSafeNB's objectives, strategies, targeted and expected financial results, and the outlook for its business and for the New Brunswick and global economies. Risks and uncertainties include, but are not limited to, changing market, industry and general economic factors or conditions; changes in legislation affecting WorkSafeNB policies and practices; changes in accounting standards; the ability to retain and recruit qualified staff; and other risks, known or unknown. The reader is cautioned not to place undue reliance on these forward-looking statements.

The *Annual Report, Strategic Plan, and Assessment Rates* are available at [worksafenb.ca](http://worksafenb.ca).

## FINANCIAL HIGHLIGHTS

WorkSafeNB recorded a surplus of \$310.5 million in 2021 compared to a surplus of \$251.7 million in 2020. The primary drivers of the 2021 results are higher investment returns, lower benefit payments, and a decrease in benefits liabilities, partially offset by lower assessment revenue when compared to 2020. The investment return in 2021 was 13.1%, compared to 5.4% in 2020. Benefit

payments decreased by 7.1% from \$140.4 million in 2020 to \$130.5 million in 2021. The benefits liabilities also decreased by \$57.1 million in 2021, following a \$125.9 million decrease in 2020 as a result of continuing decreases in provisions for noise-induced hearing loss and long-term claims. Assessment revenue decreased by 5.0% from \$244.9 million in 2020 to \$232.6 million in 2021. The decrease is due to a 9.6% reduction in the provisional average assessment rate from \$2.40 in 2020 to \$2.17 in 2021. This resulted in a funded position of \$639.9 million, or 147.5%.

## CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of WorkSafeNB and WorkSafeNB Investments Limited (WSNBIL). WSNBIL is a subsidiary over which WorkSafeNB exercises control, and is defined as having the power to direct the relevant activities of an entity, having exposure or rights to variable returns of the entity, and having the ability to affect the returns through the power it holds. WSNBIL holds infrastructure and real estate assets in trust for WorkSafeNB, the Workers Compensation Board of Prince Edward Island (WCB of PEI) and the *Firefighters' Compensation (FC) Act* Disability Fund, pursuant to agreements for the combined administration of their respective investments. Although WorkSafeNB does not have legal rights to the proportionate shares that the WCB of PEI and the *FC Act* Disability Fund hold in WSNBIL, International Financial Reporting Standard 10 (IFRS 10) requires WorkSafeNB to present consolidated financial statements as they have control over WSNBIL as defined in IFRS 10. As a result, WSNBIL has been fully consolidated in these financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS OF 2021 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

The proportionate ownership of the net assets of WSNBIL as at December 31, 2021 was: WorkSafeNB – 87.0%, WCB of PEI – 11.5%, FC Act Disability Fund - 1.5%. All transactions and balances between WorkSafeNB and WSNBIL are eliminated on consolidation.

Non-controlling interests, presented as part of equity, represent the portion of WSNBIL's net assets that are held by the WCB of PEI and the FC Act Disability Fund.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The key components of WorkSafeNB's consolidated statement of financial position are its investments, benefits liabilities and funded position.

<b>FINANCIAL HIGHLIGHTS</b>		
<b>Consolidated Statement of Financial Position</b>		
(\$millions)	2021	2020
Portfolio investments	1,925.4	1,642.1
Benefits liabilities	1,322.2	1,379.2
WorkSafeNB funded position	639.9	329.4
WorkSafeNB funded ratio	147.5%	123.6%

### Investments

WorkSafeNB's investment portfolio must be customized to reflect its purpose, time horizon, liquidity requirements, legal constraints and its stakeholders' risk tolerance. The primary investment risk is that the investment fund's assets, together with the future income thereon, will be insufficient to pay the liabilities. WorkSafeNB relies on periodic asset liability studies performed by independent actuarial consultants to ensure that the investment strategy is suitable, in light of the related liabilities.

Most of the investment portfolio is held to meet payment obligations that extend for many years into the future. As a consequence, WorkSafeNB takes a long-term approach to finding an acceptable risk/return trade-off via the investment strategy. WorkSafeNB's investment policies and practices are designed to maximize the probability of meeting its performance objectives over the long-term at an acceptable risk level; from year-to-year, short-term fluctuations in financial markets could cause the investment portfolio to significantly over- or under-perform its long-term performance objectives.

WorkSafeNB believes that the most important factor in determining investment risk and return is the asset mix. Periodically, WorkSafeNB engages an actuarial firm to conduct an asset liability study that is designed to help determine an appropriate asset mix given WorkSafeNB's risk tolerance, the nature of the liabilities and financial position. The latest asset liability study was completed in 2019, resulting in a targeted asset mix of: 16% Canadian bonds, 15% Canadian equities, 14% U.S. equities, 14% international (EAFE) equities, 4% emerging markets equities, 15% real estate, 10% infrastructure, 10% in a global opportunistic strategy and 2% cash.

## MANAGEMENT DISCUSSION AND ANALYSIS OF 2021 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

This asset mix is designed to reduce the volatility in WorkSafeNB's annually reported operating income, funded ratio and assessment rates.

The table below shows the fair value of WorkSafeNB investments by investment type as of December 31.

<b>INVESTMENTS</b> (\$millions)	2021	2020
Forward foreign exchange contracts	(10.5)	19.1
Fixed income	303.2	244.2
Equities	939.8	794.7
Real return bonds	15.4	15.0
Real estate	301.3	267.1
Infrastructure	171.6	148.1
Global opportunistic	204.6	153.9
<b>Total investments</b>	<b>1,925.4</b>	<b>1,642.1</b>

WorkSafeNB's investment strategy is documented in the Statement of Investment Philosophy and Beliefs Policy and the Investment Goals and Objectives Policy. The Statement of Investment Philosophy and Beliefs Policy documents the governance structure for investments, WorkSafeNB's commitment to a disciplined approach to investing, WorkSafeNB's view on diversification as a method to reduce risk, the importance of the asset allocation decision, along with WorkSafeNB's view on ethics and investment education.

The Investment Goals and Objectives Policy identifies the policy asset mix and the performance objectives, and defines eligible investments and limits on risk concentrations. All of WorkSafeNB's investments are managed by independent external investment managers. The compliance of these portfolio managers with policy is monitored regularly.

To minimize the volatility of returns, WorkSafeNB's portfolio is diversified among asset classes, industry sectors, geographic locations and individual securities. WorkSafeNB further diversifies by selecting investment managers with varying investment mandates and styles.

### Benefits Liabilities

At the end of each fiscal year, WorkSafeNB determines its benefits liabilities for all accidents that have occurred to that date. These liabilities represent the actuarial present value of all future benefits and related administration costs. The benefits liability decreased 4.1% from \$1.4 billion in 2020 to \$1.3 billion in 2021.

The continued positive impact of legislative amendments and successful implementation of related policies and processes resulted in reductions to liabilities related to hearing loss claims and future long-term disability claims.

The reduction in the hearing loss liability is primarily related to fewer claims than expected in 2021 and a reduction to the expected cost of current and future claims. In 2021, WorkSafeNB engaged its consulting actuary, LifeWorks, to conduct a study of its long latency occupational disease claim experience. Through this study, a decrease was made to the assumed cost per hearing loss claim, reflecting recent cost trends and pricing agreements in place in New Brunswick and other jurisdictions. The total reduction in liability for hearing loss claims in 2021 was \$31.6 million.

Improvement in return to work and the lower number of expected long-term claims reduced the liability for future long-term disability claims by \$37.6 million.

Also contributing to the overall reduction in benefits liabilities are gains related to benefit payments. Hospital, medical, and short-term wage loss benefit payments totalled \$20.4 million lower than expected in 2021. As was the case in 2020, much of the lower-than-expected payments are a result of the impact of COVID-19 on the economy and health care services.

## MANAGEMENT DISCUSSION AND ANALYSIS OF 2021 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

As part of the valuation process, historical payment patterns are analyzed to help inform expectations of future payments. The lower 2020 and 2021 payment levels are not expected to persist for many years into the future, with payment levels expected to partially return to a pre-COVID-19 level in a few years. The net reduction to the benefit liability after adjusting for the impact of COVID-19 is an additional \$20.4 million.

As at December 31, 2021 claim benefit liabilities were broken down as follows:

<b>BENEFITS LIABILITIES</b> (\$millions)	2021	2020
Short-term disability and rehabilitation	152.7	159.9
Long-term disability	600.2	618.0
Survivor benefits	70.8	69.8
Health care	498.5	531.5
<b>Total benefits liability</b>	<b>1,322.2</b>	<b>1,379.2</b>

### Fund Balance

WorkSafeNB is dedicated to building a strong, stable, and sustainable workers' compensation system that serves New Brunswick's workers and employers today and in the years to come. A key component of sustainability is WorkSafeNB's funding policy. The funding policy specifies a funding target ranging from 115% to 125%, with an amortization period for surcharges and surpluses of no more than 10 years. 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.

In accordance with the funding policy, the assessment revenue raised in any year from assessed employers may include or be reduced by an amount designed to allow WorkSafeNB to attain its funding goal. When the funding level falls below 115% a surcharge is levied upon employers to return to the 115% funding level. The surcharge is the difference between the cumulative financial results and the 115% funding level, amortized over a period of not greater than 10 years. In periods where the funding level exceeds 125%, a credit will be issued to employers. The credit is the difference between the cumulative financial results and the 125% funding level, amortized over a period not greater than 10 years.

WorkSafeNB's funded ratio at December 31, 2021 is 147.5% (2020 – 123.6%). Under the *Workers' Compensation Act*, a minimum funding level of 100% is required, with any shortfall to be recovered within a reasonable and prudent period not greater than 15 years.

## CONSOLIDATED INCOME STATEMENT

<b>FINANCIAL HIGHLIGHTS</b>		
<b>Consolidated Income Statement</b>		
(\$millions)	2021	2020
Assessed revenue	221.2	234.6
Administration fee revenue	11.4	10.3
Investment income	215.4	83.3
Claims costs incurred	73.4	14.5
Administration costs	57.1	53.9
Net income attributable to WorkSafeNB	310.5	251.7
Market rate of return of portfolio	13.1%	5.4%

## REVENUES

WorkSafeNB's revenue is derived from two sources: assessment revenue and investment income. In 2021 revenues totalled \$448.0 million, a 37% increase from 2020 revenues of \$328.2 million.

### Assessment Revenue

Assessment revenue consists of premiums from assessed employers and administration fee revenue from self-insured employers. Assessed employers pay premiums based on their assessment rate and assessable payroll. The assessment rate is applied to each \$100 of assessable payroll to arrive at the total premium. Administration fee revenue from self-insured employers reflects an appropriate share of administration costs to administer the claims.

## MANAGEMENT DISCUSSION AND ANALYSIS OF 2021 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

Assessment revenue from assessed employers decreased 5.7% from \$234.6 million in 2020 to \$221.2 million in 2021. The decrease is the result of the 9.6% reduction in the provisional average assessment rate from \$2.40 in 2020 to \$2.17 in 2021, and a 6.4% increase in assessable payroll. While COVID-19 negatively impacted employer payrolls in 2020, most sectors rebounded in 2021. Only the accommodation, food services, entertainment and recreation sectors have not returned to pre-pandemic levels. On the other hand, construction, manufacturing, and finance sectors have shown above average growth. The maximum insurable earnings increased by 1.4% from \$66,200 in 2020 to \$67,100 in 2021.

<b>ASSESSMENT REVENUE</b> (\$millions)	2021	2020
Assessed employers	221.2	234.6
Administration fee revenue – self-insured employers	11.4	10.3
Total assessment revenue	232.6	244.9
Assessable payroll	\$10.45 billion	\$9.83 billion

### Investment Income

Investment income increased from \$83.3 million in 2020 to \$215.4 million in 2021. The increase is attributable to both realized and unrealized gains on investments.

Investment income is an important revenue stream for WorkSafeNB. It is relied on to supplement assessments to cover total expenses for the year. Built into the valuation of the benefits liabilities and into the assessment rate-setting model is the long-term assumption that WorkSafeNB's investments will generate an annual real rate of return of 3.75%. In 2021, the real rate of return on the portfolio was 8.3%. For the 25-year period ended December 31, 2021, the annualized real rate of return on the portfolio was 5.8%.

<b>INVESTMENT INCOME</b> (\$millions)	2021	2020
Interest and dividends	41.0	31.8
Net realized gains on investments	115.9	(2.1)
Change in net unrealized gains on investments	66.1	59.4
Portfolio management expenses	(7.6)	(5.8)
<b>Total investment income</b>	<b>215.4</b>	<b>83.3</b>

### EXPENSES

WorkSafeNB's expenses consist of claims costs, administration costs, and legislative obligations. In 2021, expenses increased by 84% from \$73.4 million to \$135 million.

<b>EXPENSES</b> (\$millions)	2021	2020
Claims costs		
Benefit payments	130.5	140.4
Changes in actuarial valuation of benefits liabilities	(57.1)	(125.9)
Administration costs	57.1	53.9
Legislative obligations	4.7	5.0
<b>Total expenses</b>	<b>135.2</b>	<b>73.4</b>

### Claims Costs

Claims costs represent costs incurred in the current year for current and prior year injuries. These costs include benefit payments made and changes in the actuarial valuation of the benefits liability. Claims costs increased from \$14.5 million in 2020 to \$73.4 million in 2021. Total benefit payments in 2021 decreased by \$9.9 million, primarily due to a reduction in new accident claims and the impact of the COVID-19 pandemic that continued to affect hospital, medical and return-to-work services. Following a \$125.9 million gain in 2020, 2021 saw an additional \$57.1 million in gains from benefit liabilities, primarily due to a reduction in the expected cost for hearing loss claims, and stabilizing claim frequency and duration resulting in the release of the additional provision first introduced in 2016 for expected long-term disability claims.

## MANAGEMENT DISCUSSION AND ANALYSIS OF 2021 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

Fundamental to the actuarial valuation are the discount rates used to value the liabilities. The assumed discount rate for 2021 remained unchanged at 6.08%.

<b>CLAIMS COSTS</b> (\$millions)	2021	2020
Short-term disability and rehabilitation	27.0	33.9
Long-term disability	31.7	(1.4)
Survivor benefits	8.1	3.8
Health care	6.6	(21.8)
<b>Total claims costs</b>	<b>73.4</b>	<b>14.5</b>

### Administration Costs

WorkSafeNB's administration costs increased by \$3.2 million (5.9%) from \$53.9 million in 2020 to \$57.1 million in 2021.

### Legislative Obligations

WorkSafeNB is required by legislation to reimburse the provincial government for operating costs of the workers' and employers' advocates, which were \$1.8 million in 2021 (2020 – \$1.9 million), and \$2.2 million in 2021 (2020 – \$2.4 million) for the Workers' Compensation Appeals Tribunal (WCAT).

In 2021, WorkSafeNB provided \$740 thousand (2020 – \$715 thousand) of financial assistance to three safety associations as per the *Workers' Compensation (WC) Act* – the New Brunswick Construction Safety Association, the New Brunswick Continuing Care Safety Association, and the New Brunswick Forest Safety Association. The money paid is levied against all employers in the industries represented by the safety associations and is included as part of assessment revenue.

## KEY FINANCIAL DRIVERS

### Employment, Accident Frequency and Claim Duration

Work-related injuries arise from employment. Changes in New Brunswick's employment base and trends in injury frequency and claim duration are the primary drivers of WorkSafeNB's operations and key determinants of the assessment rates that assessed employers pay, as well as the claims costs paid directly by self-insured employers.

Injury frequency can be positively impacted through:

- Good safety practices by both workers and employers.
- A workplace culture of safety leadership.
- WorkSafeNB's focus on providing the right services to the right employer/industry at the right time.

Claim duration can be positively influenced by:

- A focus on early intervention, stay at work, and safe return to work.
- Promptly filing claims reports.
- Early assessment of functional abilities with a comprehensive rehabilitation plan.
- Graduated/modified employer-sponsored return to work plan in place.

Claim duration/severity is particularly important, as a relatively small number of claims account for a sizable portion of benefit costs.

### Inflation Rate

The inflation rate, or Canadian consumer price index (CPI), is a key driver because WorkSafeNB's future short-term disability, long-term disability, survivor and other benefits and allowances are indexed annually based on the CPI.

Over the past 10 years, the rate used for the indexation of lost-time benefits has ranged from a low of 1% to a high of 3.1%, with the average rate being 1.8%.



## MANAGEMENT DISCUSSION AND ANALYSIS OF 2021 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS **CONTINUED**

### Investment Returns

WorkSafeNB collects assessments to cover the entire present and future expected costs of injuries incurred in a given year. The assessments collected are invested to produce an expected long-term average real return of 3.75%. This real return is the expected return in excess of inflation, as measured by the increase in the CPI. This return expectation is based on achieving investment returns similar to the historical long-term average returns for the asset classes in which the portfolio is invested, with the exception of fixed income investments, which are expected to deliver lower returns than their recent historical average.

WorkSafeNB's investment portfolio earned a return of 13.12% in 2021, continuing to benefit from the significant rebound of most global capital markets from the lows of 2020. The real rate of return, or the return after inflation, was 8.32%, exceeding the benchmark of 3.75% by 4.57% for 2021. WorkSafeNB's investment portfolio has exceeded the real rate of return target for the 25-year period ending December 31, 2021, producing an annualized after-inflation return of 5.80%.

Equity and alternative investments led the returns of the investment portfolio, returning 20.27% and 9.46%, respectively for 2021. The portfolio's passively managed fixed income and cash portfolio returned (2.66%) and 0.15%.

While the expected average real return is 3.75% over long periods, the actual real rate of return can vary significantly over shorter periods due to short-term volatility in the financial markets where WorkSafeNB's portfolio is invested. The long-term fiscal strategy and investment policies document WorkSafeNB's strategy for maintaining investment and funding discipline in volatile markets.

### RISKS

Trends and events within New Brunswick and across Canada are intricately linked to achieving our vision, with environmental, economic and societal factors posing risks as well as opportunities for WorkSafeNB. To maximize opportunities and manage risks, the board of directors regularly reviews its strategic direction and the risks facing the organization and decides whether to reaffirm or adjust treatment of its risk portfolio and its strategies. In 2021, WorkSafeNB identified 11 risks that, with varying degrees, could impede our ability to achieve our strategic direction. These risks were either actively managed and/or monitored to ensure management could act promptly if and when the nature, potential impact, or likelihood of the risk goes outside acceptable levels.

WorkSafeNB plays an important role in New Brunswick's economy. Our 2019-2021 strategic plan is based on core pillars that together form the foundation of our work moving forward to ensure the sustainability of the workers' compensation system for years to come. The plan demonstrates how we will provide public value by driving a safety-first culture, achieving effective recovery, protecting system sustainability, and building a workplace that is committed to superior service. With 2021 representing the final year in this strategic plan, WorkSafeNB seized opportunities for growth and innovation, developing its 2022-2024 Strategic Plan with a new emphasis on People, Prevention, Integrity and an aggressive modernization agenda.

# MANAGEMENT DISCUSSION AND ANALYSIS OF 2021 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

## LOOKING AHEAD

Looking ahead to 2022, we are committed to working together with our employees and our stakeholders to create an even more supportive, connected, and client-centric organization – one that's integral to making New Brunswick the safest place to work.

Key initiatives for 2022 include:

### A NEW THREE-YEAR STRATEGIC PLAN

People are at the heart of everything we do. We value and care for our employees and we value and care for New Brunswick workers and employers. We are intrinsically linked, and everyone contributes. In 2022, we will launch a new strategic plan focused on how our links work together to realize our new vision, *Making New Brunswick the Safest Place to Work*, established in 2022.

Our new plan has three focus areas: People, Prevention, Integrity. These are interconnected in all we do. The plan also outlines our strategies, objectives, measures, and targets for 2022-2024.

### MODERNIZATION ROADMAP

WorkSafeNB envisions New Brunswick as the safest province in Canada – where every worker goes home to their family at the end of the day. We also believe WorkSafeNB can be a top employer – an incredible place to work, where employees would happily recommend employment to friends and family.

Today, our clients find interacting with us to be slow, complex, paper-based and difficult to navigate. Our employees lack the technology and tools they need and spend more time on non-value-added work rather than building connections and relationships that contribute to positive outcomes. We owe it to every New Brunswick worker and employer – and to our employees – to change this.

As such, we are modernizing WorkSafeNB. This starts with a roadmap that focuses on people first and better link us through modern processes like early intervention and technology. This roadmap will include developing new systems for health and safety, claims management, human resources and finance.

We'll also modernize our data governance, framework and access. This is a multi-year initiative.

### BENEFIT IMPROVEMENT FOR INJURED WORKERS

Every five years, WorkSafeNB completes a comprehensive review of the legislation under its jurisdiction. In 2021, our organization completed the review of workers' compensation legislation. The review identified two key issues to consider for legislative change in the areas of benefits improvements for injured workers:

- Increasing the maximum annual earnings threshold.
- Increasing the percentage paid for loss of earnings benefits from 85% to 90%.

As a stakeholder-driven organization, in 2022 we are committed to fully exploring these topics together to understand their impacts on injured workers, employers and the system's long-term fiscal sustainability. Following the consultation, legislative amendments may be recommended to the government for consideration.

### OCCUPATIONAL HEALTH AND SAFETY (OHS) ACT REVIEW

In 2022, we'll review the *OHS Act* and its regulations.

In this review, we'll compare jurisdictional approaches, consider required updates, and, if warranted, consult with our stakeholders. We anticipate that one key area for exploration will be the requirement to submit joint health and safety committee (JHSC) minutes to WorkSafeNB. The Act's review will be formalized in a report with recommendations to the Department of Post-Secondary Education, Training and Labour.

# MANAGEMENT DISCUSSION AND ANALYSIS OF 2021 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS **CONTINUED**

## EXCEPTIONAL ORGANIZATIONAL CULTURE

Excellence in client service starts with an exceptional organizational culture. In 2022, we'll focus on the foundations that build and support psychological health and safety, including culture and engagement. This means ensuring an:

- organization-wide understanding of the values and behaviours that define us;
- developing a consistent employee experience – from onboarding to retirement;
- incorporating a strong recognition program;
- strengthening our learning and development initiatives; and
- building a wellness program that supports individuals and teams. These efforts can help our employees feel valued, engaged and supported – near and far.

## BETTER SUPPORT FOR OUR CLIENTS: A NEW SERVICE DELIVERY MODEL

WorkSafeNB continuously looks for ways to improve our services by delivering more value and better results for our injured workers and employers.

In 2022, we will launch a new service delivery model to do just that. This model focuses on support for stay-at-work or modified return-to-work (MRTW) clients, early identification of clients at high-risk of disability or of not returning to work, and early intervention with these high-risk clients.

The model, which addresses several Auditor General recommendations, will be mutually beneficial to New Brunswick workers and employers.

## WORKPLACE REIMAGINED

Like many organizations, WorkSafeNB continues to adapt its workplace environment to best serve our employees and clients. And while COVID-19 certainly presented some challenges, there were also silver linings. At the end of 2021, 90% of our workforce were successfully working remotely. We're proud of our ability to pivot during this time and we'll continue to support remote work arrangements. In 2022, we'll ensure our health and safety measures continue to properly support a remote workforce and that our employee and leadership training caters to this environment.

We'll also continue to provide opportunities to link both our employees and stakeholders. This will require expanding technology tools and evaluating our office spaces to ensure they continue to meet the needs of our workforce. We'll maximize our physical space by adding hoteling stations (employees can book a workstation temporarily at any of our facilities), open discussion areas and multi-use spaces for hybrid meetings (in-person and virtual participation) with colleagues, clients and stakeholders.

## Financial Management

Capital markets remain uncertain and it is critical that WorkSafeNB maintains a disciplined planning and decision-making process to protect the Accident Fund's integrity and stability. WorkSafeNB is a long-term investor with a strong financial position. This allows for patience and the ability to stay committed to proven investment principles and beliefs.

## Summary

To accomplish WorkSafeNB's ambitious modernization and make substantial progress on our new strategic plan, we know we must work closer than ever with our stakeholders and actively seek out new opportunities for collaboration.

We encourage you to participate in our consultations and stay connected throughout this journey as we build a healthier and safer province and a stronger, sustainable and accessible workers' compensation system.

As an organization focused on people-first, WorkSafeNB will remain a steadfast champion for our workers and our employers, working alongside our partners to continue to look for ways to prevent and minimize the impact of workplace illness and injury, while contributing to our province's prosperity.

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

WorkSafeNB's consolidated financial statements were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments, estimates and actuarial assumptions. This responsibility includes selecting and applying appropriate accounting principles and actuarial assumptions consistent with International Financial Reporting Standards.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced, and that assets are properly safeguarded. The Internal Audit Department conducts reviews to ensure that WorkSafeNB's internal controls and procedures are adequate, consistent, and applied uniformly.

The board of directors is responsible for evaluating management in the performance of financial reporting responsibilities, and has approved the consolidated financial statements included in this annual report. The board of directors is assisted by the Audit Committee, which reviews and recommends approval of the consolidated financial statements and meets periodically with management, the independent actuaries, the independent auditors and the internal auditor, concerning internal controls and all other matters relating to financial reporting.

LifeWorks, WorkSafeNB's independent consulting actuary, has completed an actuarial valuation of the benefits liabilities included in WorkSafeNB's consolidated financial statements and reported thereon in accordance with accepted actuarial principles.

Grant Thornton, WorkSafeNB's independent auditors, has performed an audit of WorkSafeNB's consolidated 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 consolidated financial statements.



Tim Petersen, CPA, CA  
Acting President and Chief Executive Officer  
WorkSafeNB



Perry Cheeks, CPA, CMA  
Chief Financial Officer  
WorkSafeNB

# ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefit liabilities of WorkSafe New Brunswick ("WorkSafeNB") as at December 31, 2021 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part.

1. The data on which the valuation is based were provided by WorkSafeNB. We applied such checks of reasonableness of the data as we considered appropriate. The data on which the valuation is based are sufficient and reliable for the purpose of the valuation.
2. The economic assumptions are consistent with WorkSafeNB's long term fiscal strategy and investment policies. The discount rates used are disclosed in note 3 to the financial statements. The actuarial assumptions adopted in computing the liabilities are adequate and appropriate for the purpose of the valuation.
3. The methods used are appropriate for the purpose of the valuation and are in accordance with accepted actuarial practice for workers' compensation organizations in Canada.
4. The estimate of the actuarial liabilities as at the valuation date is \$1,305,658,000 for assessed employers. This includes provisions for benefits and future administrative expenses expected to be paid after the valuation date for claims that occurred on or before the valuation date. It also includes a provision for potential long latency occupational disease claims associated with exposure that occurred on or before the valuation date.
5. In addition to the liabilities for assessed employers, WorkSafeNB holds an amount of \$16,512,000 invested in the Accident Fund for accrued annuities of injured workers of self-insured employers.
6. The liability as at the valuation date for pension contributions and accumulated interest already set aside by WorkSafeNB up to the valuation date for purposes of providing pension benefits at age 65 to injured workers and dependent spouses of deceased workers is included in the above figures and was obtained from WorkSafeNB's Chief Financial Office staff.
7. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations, and the financial statements fairly present the results of the valuation.
8. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
9. The valuation is based on the provisions of the *Workers' Compensation Act of New Brunswick* and on WorkSafeNB's policies and practices in effect on the valuation date. Only benefits covered by the *Workers' Compensation Act* are included in this valuation.



Thane MacKay, F.C.I.A.

*This report has been peer reviewed by Mark Simpson, F.C.I.A.*

# INDEPENDENT AUDITOR'S REPORT

To the members of the board of directors

## WORKSAFENB

### Opinion

We have audited the consolidated financial statements of Workplace Health, Safety and Compensation Commission of New Brunswick (operating as WorkSafeNB), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated income statement, consolidated statement of changes in funded position and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of WorkSafeNB as at December 31, 2021, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

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

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

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

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

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

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

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

# INDEPENDENT AUDITOR'S REPORT CONTINUED

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

*Grant Thornton LLP*

Grant Thornton LLP  
Chartered Professional Accountants

Saint John, Canada  
May 26, 2022

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	2021 (000s)	2020 (000s)
<b>ASSETS</b>		
Cash and cash equivalents (Note 5)	\$ 70,191	\$ 90,072
Receivables and other (Note 6)	21,083	20,739
Investments (Notes 7 and 8)	1,925,352	1,642,133
Capital assets (Note 9)	7,564	8,899
	<u>\$ 2,024,190</u>	<u>\$ 1,761,843</u>
<b>LIABILITIES AND FUNDED POSITION</b>		
Payables and accruals (Note 10)	\$ 25,726	\$ 17,682
Benefits liabilities (Notes 3, 4 and 11)	1,322,170	1,379,232
Total liabilities	<u>1,347,896</u>	<u>1,396,914</u>
WorkSafeNB funded position	639,859	329,355
Non-controlling interests (Note 2)	36,435	35,574
	<u>676,294</u>	<u>364,929</u>
	<u>\$ 2,024,190</u>	<u>\$ 1,761,843</u>

On behalf of the board of directors:



James E. A. Stanley  
Audit Committee, Board of Directors



Tina Soucy  
Audit Committee, Board of Directors



Mel Norton  
Chairperson, Board of Directors

The accompanying notes form an integral part of the consolidated financial statements.



# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 (000s)	2020 (000s)
<b>REVENUE</b>		
Assessment revenue (Note 12)	\$ 232,577	\$ 244,876
Investment income (Note 7)	215,415	83,281
	<u>447,992</u>	<u>328,157</u>
<b>EXPENSES</b>		
Claims costs incurred (Note 11)		
Benefit payments	130,465	140,372
Changes in actuarial valuation of benefit liabilities	(57,062)	(125,908)
Total claims costs incurred	<u>73,403</u>	<u>14,464</u>
Administration (Note 14)	57,085	53,928
Legislative obligations (Note 15)	4,690	4,979
	<u>61,775</u>	<u>58,907</u>
Total expenses	<u>135,178</u>	<u>73,371</u>
<b>Net income for the year</b>	<u>\$ 312,814</u>	<u>\$ 254,786</u>
<b>Net income for the year attributable to:</b>		
WorkSafeNB	310,504	251,698
Non-controlling interests (Note 2)	2,310	3,088
	<u>\$ 312,814</u>	<u>\$ 254,786</u>

The accompanying notes form an integral part of the consolidated financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF CHANGES IN FUNDED POSITION

FOR THE YEAR ENDED DECEMBER 31, 2021

	WorkSafeNB (000s)	Non-controlling interests (000s)	2021 Total (000s)	2020 Total (000s)
Funded position, beginning of year	\$ 329,355	\$ 35,574	\$ 364,929	\$ 105,129
Capital contributions by non-controlling interests	–	3,169	3,169	6,509
Distributions to non-controlling interests	–	(4,618)	(4,618)	(1,495)
Net income for the year	<u>310,504</u>	<u>2,310</u>	<u>312,814</u>	<u>254,786</u>
Funded position, end of year	<u>\$ 639,859</u>	<u>\$ 36,435</u>	<u>\$ 676,294</u>	<u>\$ 364,929</u>

The accompanying notes form an integral part of the consolidated financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 (000s)	2020 (000s)
<b>Cash flow from operating activities</b>		
Cash received from:		
Assessed employers	\$ 233,390	\$ 244,234
Interest and dividends	41,848	32,736
	<u>275,238</u>	<u>276,970</u>
Cash paid to:		
Injured workers or third parties on their behalf (Note 11)	130,465	140,372
Suppliers and employees, for administration and other services	60,062	63,727
	<u>190,527</u>	<u>204,099</u>
Net cash provided by operating activities	<u>84,711</u>	<u>72,871</u>
<b>Cash flow from investing activities</b>		
Cash received from:		
Sale of investments	350,706	247,113
Contributions by non-controlling interests	5,094	6,831
	<u>355,800</u>	<u>253,944</u>
Cash paid for:		
Purchase of investments	454,187	311,016
Purchase of capital assets	1,063	1,289
Distributions to non-controlling interests	4,626	1,788
	<u>459,876</u>	<u>314,093</u>
Net cash used in investing activities	<u>(104,076)</u>	<u>(60,149)</u>
<b>Cash flow from financing activities</b>		
Repayment of lease liabilities	515	884
Net cash used in financing activities	<u>(515)</u>	<u>(884)</u>
(Decrease) increase in cash during the year	(19,881)	11,838
Cash and cash equivalents, beginning of year	<u>90,072</u>	<u>78,234</u>
Cash and cash equivalents, end of year	<u>\$ 70,191</u>	<u>\$ 90,072</u>

The accompanying notes form an integral part of the consolidated financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 1. AUTHORITY AND NATURE OF OPERATIONS

The Workplace Health, Safety and Compensation Commission (operating as WorkSafeNB) was established by the New Brunswick Legislature effective January 1, 1995, under the *Workplace Health, Safety and Compensation Commission Act (WHSCC Act)*. WorkSafeNB, having its head office at 1 Portland Street, Saint John, New Brunswick, is responsible for administering the *Workplace Health, Safety and Compensation Commission* and *Workers' Compensation Appeals Tribunal Act (WHSCC & WCAT Act)*, the *Workers' Compensation Act (WC Act)*, and the *Occupational Health and Safety Act (OHS Act)*; and, in accordance with the provisions of these acts, for promoting accident prevention; administering benefits payments to injured workers and surviving spouses; and, levying and collecting employer assessments sufficient to fund the current and future costs of existing claims.

WorkSafeNB is also responsible for administering the *Firefighters' Compensation Act (FC Act)* and, in accordance with the provisions of the Act, for administering the payment of benefits to firefighters or former firefighters and dependants, and levying and collecting assessments from municipalities, rural communities and local service districts. The results of operations under the *FC Act* are not included in WorkSafeNB's consolidated financial statements, as WorkSafeNB does not control the *FC Act* Disability Fund. A separate set of financial statements is prepared for the *FC Act*.

WorkSafeNB's consolidated financial statements will be authorized for issue subject to a resolution of the board of directors on May 26, 2022.

The accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended December 31, 2021 and the comparative information for the year ended December 31, 2020.

Accounting policies are selected and applied to ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

#### (a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) in effect at December 31, 2021 and are presented in thousands (000s) of Canadian dollars, unless otherwise stated.

WorkSafeNB's consolidated financial statements have been prepared on a historical cost basis except for investments that are measured at fair value and benefits liabilities, which are discounted to present value based on the assumptions detailed in Note 3.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

#### (b) Basis of consolidation

The consolidated financial statements include the accounts of WorkSafeNB and WorkSafeNB Investments Limited (WSNBIL). WSNBIL is a subsidiary over which WorkSafeNB exercises control, which is defined as having the power to direct the relevant activities of an entity, having exposure or rights to variable returns of the entity, and having the ability to affect the returns through the power it holds. WSNBIL holds infrastructure and real estate assets in trust for WorkSafeNB, the Workers Compensation Board of Prince Edward Island (WCB of PEI) and the *FC Act* Disability Fund. The proportionate ownership of the net assets as at December 31, 2021 was: WorkSafeNB – 87.0%, WCB of PEI – 11.5%, *FC Act* Disability Fund – 1.5%. All transactions and balances between WorkSafeNB and WSNBIL are eliminated on consolidation.

Non-controlling interests, presented as part of equity, represent the portion of WSNBIL's net assets that are held by the WCB of PEI and the *FC Act* Disability Fund.

#### (c) Current and Future Accounting Policy Adjustments

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. WorkSafeNB continually monitors the IASB work plans and publications to assess any potential impact on the organization. Notable accounting standard developments that may impact WorkSafeNB in the future are as follows:

**IAS 1 – Presentation of Financial Statements (Amendment)** – The amendments to IAS 1 replace the requirement to disclose significant accounting policies with a requirement to disclose material accounting policies. The IASB has issued guidance to assist in the application of the concept of materiality when making judgments about accounting policy disclosures. WorkSafeNB will conduct an assessment of the impact of the amendments. The amended standard is effective for reporting periods on or after January 1, 2023.

**IFRS 9 – Financial Instruments** – The standard introduces new requirements to classify and measure financial assets, as well as a new expected credit loss model to recognize and measure impairment on all financial instruments. WorkSafeNB has invoked the temporary exemption option for the implementation of IFRS 9 and will implement the standard in conjunction with IFRS 17 – Insurance Contracts, effective January 1, 2023. WorkSafeNB qualifies for the temporary exemption due to operations that consist primarily of insurance activities and the insurance liabilities are in excess of 90% of WorkSafeNB's total liabilities. WorkSafeNB is currently evaluating the impact that this standard will have on its consolidated financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

**IFRS 17 – Insurance Contracts** – This standard will replace IFRS 4 and is effective for reporting periods on or after January 1, 2023. This standard will have a material impact on WorkSafeNB's financial reporting through the introduction of new measurement and recognition approaches for insurance revenue and liabilities. The most material change will be the requirement to move to market based interest rates for purposes of discounting the future cash flows of the benefits liabilities. It is expected that this requirement will lead to an increased benefits liability and more volatility in WorkSafeNB's financial results.

IFRS 17 will change the presentation of the financial statements by separating insurance and financing activities, and expanding disclosures for significant judgements and assumptions. WorkSafeNB has partnered with a third-party professional services firm to assist in the implementation of IFRS 17. WorkSafeNB is finalizing its accounting and actuarial position papers and will continue to work collaboratively with the third-party professional services firm and external actuary as it progresses through the implementation plan. Management is continuing to evaluate the impact of IFRS 17 and is unable to make a complete determination of its full impact at this time.

#### **(d) Use of accounting estimates and measurement uncertainty**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying WorkSafeNB's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, have been disclosed in Notes 2 and 3. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could be higher or lower than these estimates.

#### **(e) Critical accounting judgments**

Management incorporates critical judgments in developing and applying accounting policies for recognition and measurement. These judgments have a direct effect on the initial and subsequent recognition and measurement of transactions and balances in the consolidated financial statements. Management has based its judgements and assumptions on information available at the time of preparing the consolidated financial statements.

#### **(f) Cash and cash equivalents**

Cash and cash equivalents are recorded at fair value and consist of cash and fixed income instruments with maturities of less than one year.

#### **(g) Assessment revenue**

Assessment revenue is calculated on actual or estimated payrolls as reported by the employer, or on arbitrary assessments as determined by WorkSafeNB. Separate assessment rates are established for each industry classification. An allowance for doubtful accounts is provided for assessments receivable based on management's best estimate.

A portion of assessment revenue for the year is not billed or received until after year-end. The receivable is determined based on amounts billed and received subsequent to year-end. Any difference between unbilled assessments and the actual assessments received is credited or charged to revenue in the following year.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

#### (h) Investments

All portfolio investments, except forward foreign exchange contracts, are designated by WorkSafeNB as financial assets at fair value through profit or loss on initial recognition, and are recorded at fair value. Forward foreign exchange contracts are classified as held-for-trading and are recorded at fair value. Interest and dividend income and realized gains and losses on all portfolio investments are included in investment income. Interest and dividend income is recognized in the period earned and realized gains and losses are recognized in the period in which they arise. Unrealized gains and losses are included in investment income and recognized in the period in which they arise. All purchases and sales of securities classified as portfolio investments are recognized using trade-date accounting.

All portfolio investments, except forward foreign exchange contracts, are designated by WorkSafeNB as financial assets at fair value through profit or loss on initial recognition because the portfolio is managed and its performance is evaluated on a fair value basis, in accordance with the policies and directives that document WorkSafeNB's investment strategy and risk controls. The portfolio investments are held to provide for the benefits liabilities. The most relevant measure to assess whether the investments are sufficient to pay for the liabilities is fair value. As the portfolio investments are a key part of WorkSafeNB's ongoing insurance operations, the interest and dividend income and the realized and unrealized gains and losses on the portfolio investments are recognized in income from operations.

Fair values of investments are determined as follows:

- Publicly traded equity securities are valued at their year-end quoted market prices as reported on recognized public securities exchanges.
- Fixed-term investments are valued at their 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.
- 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 at cost plus accrued interest, which approximates fair value.
- Pooled fund units 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 WorkSafeNB'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 classified as level 1 in the fair value hierarchy, these values represent WorkSafeNB's proportionate share of the underlying net assets at fair values determined using independent appraisals, net of any liabilities against the fund assets. For infrastructure pooled funds and real estate pooled funds classified as level 3 in the fair value hierarchy, these values represent WorkSafeNB'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. In the first year of ownership, cost is considered to be an appropriate estimate of fair value.
- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the statement of financial position date.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

#### (i) Fair value of other financial assets and liabilities

The carrying value of receivables and payables approximates their fair value because of the short-term nature of these instruments.

#### (j) Foreign currencies

Assets denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the statement of financial position date. Income from these assets is translated at the rate in effect at the time the income is received.

Realized exchange gains or losses are included in investment income and recognized in the period earned. Unrealized exchange gains or losses resulting from the translation of foreign currency denominated asset balances are recorded in investment income in the period in which they arise.

#### (k) Benefits liabilities

Benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for claims that 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 of existing claims. Benefits liabilities also include the estimated liability for latent occupational disease and a provision for future administration costs of existing claims. Due to the nature of the estimated liability for latent occupational disease and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefits liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision. The benefit liability calculations are completed by WorkSafeNB's internal actuarial staff, in accordance with accepted actuarial practice established by the Canadian Institute of Actuaries.

It is WorkSafeNB's practice to have an independent consulting actuary complete a valuation of WorkSafeNB's benefits liabilities every year. Actual future costs could be higher or lower than those amounts presented in the consolidated financial statements.

A variety of estimation techniques are used to perform the valuation. They are generally based on statistical analyses of historical experience that assume that the development pattern of the current claims will be consistent with past experience.

To the extent possible, and when deemed more appropriate, valuation on an individual claim basis is used. More general techniques are used to estimate outstanding awards. Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or that might cause the cost of claims to increase or reduce when compared with the cost of previously settled claims including, but not limited to:

- Changes in WorkSafeNB processes that might accelerate or slow down the development and/or recording of claims.
- Changes in WorkSafeNB policies that might affect benefits.
- Changes in the legal environment.
- Medical and technological developments.



# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

Multiple techniques are adopted to estimate the required level of provisions. This helps to better align the trends inherent in the data being projected to the benefit type being valued. The most appropriate estimation technique is selected taking into account the characteristics of the benefit type and the extent of the development of each accident year. Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed in Note 3.

#### (l) Leases

For any new contracts entered into, WorkSafeNB determines whether a contract is, or contains, a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration." Upon determination that a contract is, or contains a lease, WorkSafeNB recognizes a right-of-use asset and a lease liability. Upon beginning the lease, the right-of-use asset is measured at cost and the lease liability is measured at the present value of the future lease payments. The right-of-use asset is depreciated on a straight-line basis to the earlier of the term of the lease or the useful life of the right-to-use asset. The lease liability is reduced over the lease term by payments made and increased for interest. Short-term leases (terms of 12-months or less) and low dollar value leases do not qualify for this accounting treatment.

#### (m) Capital assets

Capital assets are reported at cost and are depreciated on a straight-line basis over their estimated useful lives. The rates used are as follows:

Buildings	25 years
Right-of-use assets	Remaining term of relevant lease
Furniture and equipment	5 years
Leasehold improvements	Remaining term of relevant lease
Computer software and hardware	3 years
Motor vehicles	3 years, 35% residual value

The assets' residual values are reviewed each statement of financial position date and adjusted, if appropriate. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount, and are included in investment income.

As at December 31, 2021, items of property, plant and equipment were assessed for specific indicators of potential impairment. Such indicators include technological obsolescence and physical deterioration or loss. Management determined that there was no material impairment of individual operating assets.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

#### (n) Post-employment benefits

Payables and accruals include an amount for post-employment benefits based on a January 1, 2022 actuarial valuation conducted by WorkSafeNB's independent consulting actuary. Post-employment benefits include retirement allowances and early retirement programs.

#### (o) WorkSafeNB's Rehabilitation Centre

Included in health care payments is \$5.6 million (2020 – \$6.8 million) for services provided by WorkSafeNB's Rehabilitation Centre.

#### (p) Impairment review

##### **Entity Level**

IAS 36 (Impairment of Assets) requires an entity to test assets for impairment if indicators of impairment exist. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level, which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

Based on an analysis of cash flows, WorkSafeNB has established that the appropriate cash-generating unit for impairment review is the entity. As WorkSafeNB has statutory power under the *WC Act* to increase assessments and/or impose levies to ensure full funding into the foreseeable future, impairment at the entity level is remote. WorkSafeNB conducts an annual review to ensure that no events or change in circumstances have occurred that would provide evidence of impairment.

As at December 31, 2021, management concluded that there were no known significant changes in the legislative, economic or business environment that would have a material impact on WorkSafeNB's ability to generate future economic benefits from its operating assets.

#### (q) Funding policy

WorkSafeNB's funding policy specifies a funding goal (ratio of assets to liabilities) of between 115% and 125%. 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. In accordance with the funding policy, the assessment revenue raised in any year from assessed employers may include or be reduced by an amount designed to allow WorkSafeNB to attain its funding goal. When the funding level falls below 115%, a surcharge is levied upon employers to return to the 115% funding level. The surcharge is the difference between the cumulative financial results and the 115% funding level, amortized over a period of not greater than 10 years. In periods where the funding level exceeds 125%, a credit will be issued to employers. The credit is the difference between the cumulative financial results and the 125% funding level, amortized over a period not greater than 10 years. WorkSafeNB's funded ratio at December 31, 2021 is 147.5% (2020 – 123.6%).

Under the *WC Act*, a minimum funding level of 100% is required, with any shortfall to be recovered within a reasonable and prudent period not greater than 15 years.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 3. ACTUARIAL ASSUMPTIONS AND METHODS

Significant estimates and judgments are made on outstanding benefits liabilities disclosed in the consolidated financial statements and the discount rates used to calculate the present value of future benefit payments. These estimates and judgments are continually evaluated and are based on historical experience, as well as enhancements to actuarial modeling techniques. The following explicit assumptions have been made in determining the outstanding benefits liabilities:

	2021			2020		
	CPI-indexed awards	Medical payments (duration 16 and over)	Other payments (duration 16 and over)	CPI-indexed awards	Medical payments (duration 16 and over)	Other payments (duration 16 and over)
Gross rate of return	6.08%	6.08%	6.08%	6.08%	6.08%	6.08%
Inflation						
– Year 1	3.06%	5.25%	3.25%	1.44%	5.25%	3.25%
– subsequent years	2.25%	5.25%	3.25%	2.25%	5.25%	3.25%
Net rate of return						
– Year 1	2.93%	0.79%	2.75%	4.58%	0.79%	2.75%
– subsequent years	3.75%	0.79%	2.75%	3.75%	0.79%	2.75%
Future administration	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Occupational disease	8.00%	8.00%	8.00%	6.00%	6.00%	6.00%

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 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 goals and objectives. An estimate of a real rate of return, based on the analysis of multiple possible scenarios, is then compounded with the long-term average future inflation estimate to obtain the gross rate of return.

#### CPI-indexed awards inflation rate

The indexation rate in year one for short-term disability, long-term disability, pensions and survivor awards is known when the valuation is made. This calculation of the indexation rate is specified under the *WC Act* and the calculation for the following calendar year is made before year-end. For the first 15 years of the projection for short-term disability and seven years of the projection for long-term disability awards, the inflation rate is assumed to be the same as is implied in the development factors derived from past payment history. For subsequent durations, the inflation rate was determined from an analysis of past experience over periods of 20 and 30 years. This analysis is done annually to ensure the inflation assumption remains current. The latest analysis produced an annual inflation rate of 2.25%.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 3. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

#### Medical payments inflation rate

For the first 15 years of the projection, the inflation rate is assumed to be the same as is implied in the development factors derived from past payment history. For duration 16 and over, the inflation rate was determined from a study of past payment experience. The study is periodically updated to ensure the inflation assumption remains current. An analysis, conducted in 2015, resulted in an annual inflation rate that was 3.0% above the long-term inflation assumption used for CPI.

#### Other payments inflation rate

For the first 15 years of the projection, the inflation rate is assumed to be the same as is implied in the development factors derived from past payment history. For duration 16 and over, the inflation rate was determined from a study of past payment experience. The study is periodically updated to ensure the inflation assumption remains current. An analysis, conducted in 2015, resulted in an annual inflation rate that was 1.0% above the long-term inflation assumption used for CPI.

#### CPI-indexed awards net rate of return

A net rate of return is not calculated for the first 15 years following injury for short-term disability and the first seven years following injury for long-term disability awards, as there is no explicit inflation assumption. The net rate of return for other CPI-indexed benefit types and other durations is the net result from removing the inflation component of the gross rate of return from the gross rate of return on a compounded basis.

#### Medical payments net rate of return

A net rate of return is not calculated for the first 15 years following injury, as there is no explicit inflation assumption. The net rate of return is the net result from removing the inflation component of the gross rate of return from the gross rate of return on a compounded basis.

#### Other payments net rate of return

A net rate of return is not calculated for the first 15 years following injury, as there is no explicit inflation assumption. The net rate of return is the net result from removing the inflation component of the gross rate of return from the gross rate of return on a compounded basis.

#### 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. The latest review, conducted in 2020, concluded that a 7.5% allocation was reasonable. Therefore, a liability for future administration expenses of 7.5% of the total benefits liability is included in the liability estimate.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 3. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

#### Occupational disease

Occupational diseases differ from occupational injuries in that there can be a considerable time lag between the exposure, the manifestation of the disease and the identification of the ensuing disability as a workers' compensation claim. Furthermore, while the circumstances of an injury usually make it clear whether it is work-related or not, the link between an occupational disease and the workplace may be difficult to establish.

A detailed review of long-latency occupational disease incidence and costs is conducted periodically. The review provides a range of potential incidence and cost, based on past experience. The study includes allowance for changes in industry make-up since the experience has developed and improvements have been made in the prevention of diseases known to be work-related. The latest review, conducted in 2021, concluded that an 8.0% allocation was reasonable. This provision is deemed to include an allowance for administration expenses on these claims. Therefore, a liability for occupational disease of 8.0% of the total benefits liability is included in the liability estimate.

#### Sensitivity analysis

##### *i) Summary*

Sensitivity analyses are conducted to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact WorkSafeNB's financial performance and funding ratio.

Impact of movement in variable:

##### *Gross rate of return*

The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on claims costs.

##### *Long-term general inflation rate*

The CPI-indexed awards inflation rate, medical payments inflation rate, and other payments inflation rate are all directly affected by movements in the long-term general inflation rate. Consequently, the benefits indexed to these rates are also affected. An increase or decrease in the long-term general inflation rate would have a corresponding impact on claims costs.

##### *Medical inflation rate*

Medical expenses more than 15 years after the injury account for a major part of expected benefit payments at long durations. An increase or decrease in medical payment inflation relative to the assumption underlying the liability estimates would have a corresponding impact on claims costs.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 3. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

The table below presents the sensitivity of the benefits liabilities to an immediate 1% increase or decrease in the assumed rates.

#### ii) Impact of changes in key variables:

	2021		2020	
	(000s)		(000s)	
+/-% change in assumed rates	+1.00%	-1.00%	+1.00%	-1.00%
Gross rate of return	\$ (93,001)	\$ 113,190	\$ (96,740)	\$ 117,135
Long-term general inflation rate	97,329	(78,763)	99,841	(81,351)
Medical inflation rate	61,287	(46,845)	61,385	(47,326)

### 4. CLAIMS – RISK MANAGEMENT POLICIES AND PROCEDURES

WorkSafeNB's financial condition and operation is affected by a number of key risks, including claims, operational and financial risks. WorkSafeNB has established policies and procedures to manage these risks as set out below.

#### (a) Claims risk

WorkSafeNB has an objective to manage claims risk, thus reducing the volatility of assessment premiums and performance from operations. In addition to the inherent uncertainty of claims risk, which can lead to significant variability in the loss experience, performance from operations are significantly affected by market factors external to WorkSafeNB.

WorkSafeNB has developed, implemented and maintained a sound and prudent claims risk management strategy that encompasses all aspects of WorkSafeNB's operations.

The strategy sets out WorkSafeNB's policies and procedures, processes and controls, in relation to the management of likely financial and non-financial claims risks.

Key aspects of the processes in place to mitigate claims risks include:

- Established processes for managing claims in accordance with the *WHSCC & WCAT Act* and the *WC Act*.
- A disciplined strategic planning and risk assessment process.
- A tracking system that requires the costing of any benefit changes from changes in policy, legislation and appeals decisions.
- Targeted programs for high-risk industries.
- The use of sophisticated management information systems that provide reliable and up-to-date data on the claims risks to which the business is exposed at any time.
- The use of detailed internal monitoring tools that link actuarial valuation projections with the management information systems to monitor claims patterns.
- Annual review of the benefits liability by an independent external actuary.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 4. CLAIMS – RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

#### (b) Terms and conditions of the workers' compensation system

The terms and conditions of the workers' compensation system administered by WorkSafeNB are established under the *WHSCC & WCAT Act*. Coverage is for periods ending December 31 each year. The system's terms and conditions are similar for all assessed employers.

#### (c) Operational risk

Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to claims or financial risks. These risks are managed through a framework that includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

#### (d) Financial risk

WorkSafeNB is exposed to the following financial risks:

- Funding risk
- Market risk
- Foreign currency risk
- Credit risk
- Inflation risk
- Interest rate risk
- Liquidity risk

WorkSafeNB's exposure to these risks arises primarily in relation to its investment portfolio. Note 8 presents information about WorkSafeNB's exposure to each of the above risks, including objectives, policies and processes for measuring and managing the risk.

### 5. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is \$25.6 million (2020 – \$25.3 million) restricted for business transformation initiatives.

### 6. RECEIVABLES

	2021 (000s)	2020 (000s)
Assessments billed	\$ 2,272	\$ 2,587
Unbilled assessments	10,809	11,025
Self-insured employers – receivable	5,786	5,083
Other	2,216	2,044
	<u>\$ 21,083</u>	<u>\$ 20,739</u>

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 7. INVESTMENTS

The table below presents the fair value of WorkSafeNB's investments.

	2021 (000s) <u>Fair Value</u>	2020 (000s) <u>Fair Value</u>
<i>i) Portfolio investments</i>		
Forward foreign exchange contracts	\$ (10,540)	\$ 19,105
Fixed income		
Conventional bonds	303,231	244,247
Equities		
Canadian	330,985	267,555
U.S.	292,682	232,935
Non-North American	316,092	294,210
Total equities	<u>939,759</u>	<u>794,700</u>
Inflation-sensitive		
Real return bonds	15,427	14,948
Real estate	301,273	267,156
Infrastructure	171,569	148,130
Total inflation-sensitive	<u>488,269</u>	<u>430,234</u>
Absolute return		
Global opportunistic <sup>1</sup>	<u>204,633</u>	<u>153,847</u>
	<u>\$ 1,925,352</u>	<u>\$ 1,642,133</u>

<sup>1</sup> The Global Opportunistic allocation is invested in a pooled fund that has the ability to invest in a wide variety of asset classes and strategies depending on the manager's assessment of the attractiveness of the opportunity. As of December 31, 2021, the fund had the following allocations: North American equities 0% (2020 – 0%); Non-North American equities 18% (2020 – 29%); Fixed income 7% (2020 – 10%); Absolute return strategies 63% (2020 – 40%); Cash 0% (2020 – 0%); Equities long/short 12% (2020 – 21%)



# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 7. INVESTMENTS (CONTINUED)

#### *ii) Fair value hierarchy*

WorkSafeNB's investments have been classified into a three-level fair value hierarchy in accordance with IFRS 7 (Financial Instruments: Disclosures). The levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 1 inputs are the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1 quoted prices. Level 2 inputs consist of: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (markets which have few transactions and prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (interest rates, yield curves, volatilities, credit risks, and default rates); and (iv) inputs derived from, or corroborated by, observable market data.
- Level 3 inputs are unobservable inputs. These inputs reflect assumptions about market pricing using the best internal and external information available. The valuation approaches applied are the most suitable and appropriate for the type of investments.

In certain situations, inputs used to measure the fair value of asset positions fall into different levels of the fair value hierarchy. In these situations, the level in which the fair value falls is based upon the lowest level input that is significant to the determination of the fair value. As of December 31, 2021, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 7. INVESTMENTS (CONTINUED)

Portfolio investments	2021 (000s)			Fair Value
	Level 1	Level 2	Level 3	
Forward foreign exchange contracts	\$ –	\$ (10,540)	\$ –	\$ (10,540)
Fixed income				
Conventional bonds	–	303,231	–	303,231
Equities				
Canadian	330,985	–	–	330,985
U.S.	292,682	–	–	292,682
Non-North American	261,810	54,282	–	316,092
Total equities	885,477	54,282	–	939,759
Inflation-sensitive				
Real return bonds	–	15,427	–	15,427
Real estate	–	193,646	107,627	301,273
Infrastructure	–	–	171,569	171,569
Total inflation-sensitive	–	209,073	279,196	488,269
Absolute return				
Global opportunistic	–	204,633	–	204,633
	\$ 885,477	\$ 760,679	\$ 279,196	\$ 1,925,352

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 7. INVESTMENTS (CONTINUED)

Portfolio investments	2020 (000s)			Fair Value
	Level 1	Level 2	Level 3	
Forward foreign exchange contracts	\$ –	\$ 19,105	\$ –	\$ 19,105
Fixed income				
Conventional bonds	–	244,247	–	244,247
Equities				
Canadian	267,555	–	–	267,555
U.S.	232,935	–	–	232,935
Non-North American	226,480	67,730	–	294,210
Total equities	726,970	67,730	–	794,700
Inflation-sensitive				
Real return bonds	–	14,948	–	14,948
Real estate	–	164,834	102,322	267,156
Infrastructure	–	–	148,130	148,130
Total inflation-sensitive	–	179,782	250,452	430,234
Absolute return				
Global opportunistic	–	153,847	–	153,847
	\$ 726,970	\$ 664,711	\$ 250,452	\$ 1,642,133

Certain funds that were previously presented as Level 1 investments have been presented as Level 2 investments for both 2020 and 2021, based on the nature of the underlying funds. There have been no changes to the determination of fair values of these funds.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 7. INVESTMENTS (CONTINUED)

#### iii) Summary of changes in level 3 fair value measurements:

	2021 (000s)	2020 (000s)
Balance, beginning of year	\$ 250,452	\$ 189,947
Purchases of level 3 investments	36,950	49,006
Sale of level 3 investments	(32,096)	(12,568)
Partnership distributions of operating income	7,401	1,581
Expenses	(250)	-
Realized gains	8,115	1,001
Change in unrealized gains recognized in investment income	8,624	21,485
Balance, end of year	<u>\$ 279,196</u>	<u>\$ 250,452</u>

There are five investments classified as level 3:

(1) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$49.0 million (2020 - \$59.1 million). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 12-year life that began on October 30, 2013. The general partner has the option to extend the fund's life by two years.

(2) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$100.7 million (2020 - \$73.5 million). This is an open-ended fund that allows quarterly redemptions at net asset value, but 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 with a market value of \$66.8 million (2020 - \$77.0 million). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a nine-year life that began on August 22, 2014.

(4) A limited partnership interest in a fund investing in European real estate with a market value of \$40.8 million (2020 - \$25.4 million). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 10-year life that began on March 29, 2018.

(5) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$21.9 million (2020 - \$15.6). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 12-year life that began on May 10, 2019. The general partner has the option to extend the fund's life by two years.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 7. INVESTMENTS (CONTINUED)

#### iv) Investment income

	2021 (000s)	2020 (000s)
Interest and dividends	\$ 40,977	\$ 31,800
Realized investment gains (losses) on forward foreign exchange contracts	45,375	(14,508)
Realized investment gains on other portfolio investments	70,533	12,432
Change in unrealized investment gains on forward foreign exchange contracts	(29,855)	22,609
Change in unrealized investment gains on other portfolio investments	95,947	36,738
	<u>222,977</u>	<u>89,071</u>
Less: portfolio management expenses	(7,562)	(5,790)
	<u>\$ 215,415</u>	<u>\$ 83,281</u>

The market rate of return on the investment portfolio for the year ended December 31, 2021 was 13.12% (5.40% in 2020).

#### v) Pooled funds

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

	2021 (000s)	2020 (000s)
Conventional bonds	\$ 303,231	\$ 244,247
Real return bonds	15,427	14,948
Non-North American equities	54,282	67,730
Real estate	301,273	267,156
Infrastructure	171,569	148,130
Global opportunistic	204,633	153,847

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 7. INVESTMENTS (CONTINUED)

#### *vi) Investment agreement*

WorkSafeNB has entered into an investment agreement for the combined administration and pooling of its investments and those of the Workers Compensation Board of Prince Edward Island and the FC Act Disability Fund. These consolidated financial statements report WorkSafeNB's proportional share of the investments held in the fund, except for the investment in WorkSafeNB Investments Limited, which is consolidated (see Note 2). WorkSafeNB's proportional share of the pooled fund was 87.0% at December 31, 2021 (2020 – 85.8%). In 2021, WorkSafeNB received a fee of \$60.7 thousand (2020 – \$54.0 thousand) for the administration of the Workers Compensation Board of Prince Edward Island's share of the fund, and a fee of \$29.6 thousand (2020 – \$23.9 thousand) for the administration of the FC Act Disability Fund's share of the fund.

#### *vii) Commitments*

Through its investment in WorkSafeNB Investments Limited, WorkSafeNB has entered into limited partnership agreements with externally managed infrastructure and real estate pooled funds that commit to contribute investments in these funds, which may be drawn down over the next year. Unfunded commitments as of December 31, 2021 are \$127.9 million (2020 – \$82.6 million).

### 8. FINANCIAL RISK MANAGEMENT

WorkSafeNB has established policies to manage its investments. All of WorkSafeNB's investments are managed by independent external investment managers. The compliance of these managers with the investment policies is monitored regularly.

WorkSafeNB manages 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, WorkSafeNB retains independent consultants to advise on the appropriateness and effectiveness of its investment policies and practices. This includes periodic asset liability studies to ensure that the investment strategy is suitable in light of the related liabilities and WorkSafeNB's risk tolerance. The last such study was completed in 2019.

The following sections describe WorkSafeNB's financial risk exposures and related mitigation strategies.

#### *i) Funding risk*

WorkSafeNB's funding policy specifies a funding goal (ratio of assets to liabilities) of between 110% and 125%. 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.

#### *ii) Market risk*

WorkSafeNB invests in publicly traded equities listed on domestic and foreign exchanges, bonds traded over the counter through broker-dealers, Canadian and foreign commercial real estate and global infrastructure assets held via pooled funds. These securities are affected by fluctuations in market prices. Such fluctuations are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks specific to issuers, which may affect the market value of individual securities. Policy guidelines have been established to ensure that WorkSafeNB's investments are diversified by issuer, industry and geographic location.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 8. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below presents the estimated effect of a reasonably possible<sup>1</sup> adverse change in the key risk variable – the market benchmark – for each of the equity mandates in WorkSafeNB's investment portfolio.

	2021 (000s)		2020 (000s)	
	1 std dev	2 std dev	1 std dev	2 std dev
<b>Canadian Equities</b>				
% change in market benchmark <sup>2</sup>	(11.3%)	(22.7%)	(11.7%)	(23.4%)
Canadian portfolio – impact on surplus/deficit	\$ (48,215)	\$ (96,598)	\$ (38,970)	\$ (77,982)
<b>U.S. Equities</b>				
% change in market benchmark <sup>3</sup>	(10.8%)	(21.5%)	(10.7%)	(21.5%)
U.S. portfolio – impact on surplus/deficit	\$ (44,563)	\$ (89,183)	\$ (29,958)	\$ (59,933)
<b>International (EAFE) Equities</b>				
% change in market benchmark <sup>4</sup>	(11.1%)	(22.3%)	(11.6%)	(23.2%)
International portfolio – impact on surplus/deficit	\$ (30,671)	\$ (61,333)	\$ (29,256)	\$ (58,507)
<b>Emerging Markets Equities</b>				
% change in market benchmark <sup>5</sup>	(12.6%)	(25.2%)	(13.4%)	(26.7%)
Emerging markets portfolio – impact on surplus/deficit	\$ (12,186)	\$ (24,374)	\$ (14,586)	\$ (29,172)

<sup>1</sup> Reasonably possible changes are estimated using the historical (10-year) variability of each of the market benchmarks about their respective means. The standard deviation measures the normal variance in a probability distribution. One standard deviation covers 68% of all probable outcomes and two standard deviations covers 95%.

<sup>2</sup> S&P TSX (Standard & Poor's Toronto Stock Exchange) Capped Composite Index

<sup>3</sup> S&P (Standard & Poor's) 500 Index

<sup>4</sup> MSCI (Morgan Stanley Capital International) EAFE (Europe, Australasia and Far East) Total Return Index

<sup>5</sup> MSCI EM (Emerging Markets) Total Return Index

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 8. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### iii) Foreign currency risk

WorkSafeNB 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. WorkSafeNB's most significant currency exposure is to the U.S. dollar, the euro, the Japanese yen and the British pound. At December 31, 2021, WorkSafeNB had U.S. dollar exposure of \$601.8 million (2020 – \$444.2 million), euro exposure of \$181.3 million (2020 – \$168.0 million), Japanese yen exposure of \$79.7 million (2020 – \$79.8 million) and British pound exposure of \$60.0 million (2020 – \$47.9 million).

For its U.S. and non-North American assets, WorkSafeNB has adopted a policy to dynamically hedge a portion of its developed market foreign currency exposure using forward foreign exchange contracts. The amount hedged varies, depending on the relative attractiveness of the foreign currency. 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 will 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. Outstanding contracts from 2021 mature in the first 35 days of 2022.

At December 31, 2021, the notional value of outstanding forward foreign exchange contracts was \$650.0 million (2020 – \$587.5 million). The fair value of these contracts was \$-10.5 million (2020 – \$19.1 million). Unrealized gains on forward foreign exchange contracts were included in investment income.

The table below presents how the surplus/deficit would be affected by a reasonably possible annual change in the Canadian/US dollar, Canadian/euro, Canadian/Japanese yen and Canadian/British pound exchange rates. The impact on the surplus/deficit is shown net of the currency hedges in place at year-end:

	2021 (000s)	2020 (000s)
	<u>Impact on surplus/deficit</u>	<u>Impact on surplus/deficit</u>
15% appreciation in the Canadian dollar		
CAD/USD	\$ (16,299)	\$ (1,571)
CAD/EURO	(7,429)	(5,086)
CAD/YEN	(10,399)	(9,539)
CAD/POUND	(6,243)	(5,151)



# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 8. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### iv) Credit risk

Credit risk on fixed-term or money market investments or forward foreign exchange contracts arises from the possibility that the counter party to an instrument fails to meet its obligation to WorkSafeNB. The maximum exposure to credit risk is determined by the fair value of these financial instruments. Policy guidelines have been established to ensure WorkSafeNB holds fixed-term investments with a credit rating of BBB or higher. WorkSafeNB may only invest in money market instruments that are provincially or federally guaranteed or are guaranteed by one of the five largest Canadian chartered banks. Counter parties to forward foreign exchange contracts must have a credit rating of at least AA-.

The table below summarizes the fixed term investments by credit rating.

Credit Rating*	2021		2020	
	Fair Value (000s)	% of Total Fixed-Term Investments	Fair Value (000s)	% of Total Fixed-Term Investments
AAA	\$ 254,265	79.79	\$ 99,828	38.51
AA	48,479	15.21	97,548	37.64
A	15,914	5.00	61,583	23.76
BBB	0	0.00	236	0.09
Total	\$ 318,658	100.00	\$ 259,195	100.00

\* Credit ratings are obtained from Standard & Poor's, Moody's or DBRS ratings

#### v) 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 WorkSafeNB's future liabilities, the portfolio holds inflation-sensitive investments, such as real-return bonds, real estate and infrastructure. Canadian real-return bonds are indexed to the annual change in the Canadian consumer price index. The table included in the interest rate section below presents the remaining terms to maturity of the conventional and real-return bond portfolios.

#### vi) Interest rate risk

Future changes in the prevailing level of interest rates will affect the fair value of the fixed-term investments.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 8. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below presents the remaining term to maturity of WorkSafeNB's portion of the outstanding fixed-term investments, all of which are held in pooled funds.

	Remaining Term to Maturity (000s)				Total 2021	Total 2020
	Within 1 Year	Over 1 Year to 5 Years	Over 5 Years			
Canadian real return bonds (fair value)	\$ (55)	\$ 2,008	\$ 13,474	\$ 15,427	\$ 14,948	
Canadian conventional bonds (fair value)	209	79,942	223,080	303,231	244,247	
	\$ 154	\$ 81,950	\$ 236,554	\$ 318,658	\$ 259,195	

The average effective real yield of the real return bonds is -0.27% (2020 – 0.42%) per annum, based on market value. The average effective yield of the conventional bonds is 1.94% (2020 – 1.24%) per annum, based on market value.

As of December 31, 2021, 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 Canadian conventional bonds would have increased or decreased by \$28.3 million (2020 – \$22.7 million), approximately 9.35% (2020 – 9.31%) of their fair value.

As of December 31, 2021, had the prevailing real interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the Canadian real return bonds would have increased or decreased by \$2.4 million (2020 – \$2.4 million), approximately 15.58% (2020 – 16.20%) of their fair value.

The sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolios.

#### **vii) Liquidity risk**

Liquidity risk is the risk that WorkSafeNB will have difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash.

Through a proactive cash management process that entails continuous forecasting of expected cash flows, WorkSafeNB mitigates liquidity risk by minimizing the need for forced liquidations of portfolio assets. WorkSafeNB investment policy maintains a 2% allocation to cash to help ensure adequate liquidity. To cover unanticipated cash requirements when market conditions are unfavourable, WorkSafeNB has negotiated a standby line of credit of up to \$10 million, which has not been drawn down as at December 31, 2021.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 9. CAPITAL ASSETS

	Land and buildings (000s)	Computer software and hardware (000s)	Furniture and equipment including leasehold improvements (000s)	Motor vehicles (000s)	<b>2021 Total (000s)</b>	2020 Total (000s)
<b>Cost</b>						
Balance at January 1	\$ 11,554	\$ 20,143	\$ 7,733	\$ 537	\$ <b>39,967</b>	\$ 38,841
Additions	–	1,045	18	–	<b>1,063</b>	1,309
Disposals	–	(1,672)	–	–	<b>(1,672)</b>	(183)
Balance at December 31	\$ 11,554	\$ 19,516	\$ 7,751	\$ 537	\$ <b>39,358</b>	\$ 39,967
<b>Accumulated Depreciation</b>						
Balance at January 1	\$ (5,205)	\$ (18,410)	\$ (7,124)	\$ (329)	\$ <b>(31,068)</b>	\$ (28,173)
Depreciation	(864)	(1,233)	(287)	(14)	<b>(2,398)</b>	(3,066)
Disposals	–	1,672	–	–	<b>1,672</b>	171
Balance at December 31	\$ (6,069)	\$ (17,971)	\$ (7,411)	\$ (343)	\$ <b>(31,794)</b>	\$ (31,068)
<b>Carrying amounts</b>						
At January 1	\$ 6,349	\$ 1,733	\$ 609	\$ 208	\$ <b>8,899</b>	\$ 10,667
At December 31	\$ 5,485	\$ 1,545	\$ 340	\$ 194	\$ <b>7,564</b>	\$ 8,899

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 9. CAPITAL ASSETS (CONTINUED)

Land and Buildings include the following amounts where WorkSafeNB is a lessee:

#### *Finance leased assets*

	2021 (000s)	2020 (000s)
Cost – capitalized finance leases	\$ 2,416	\$ 2,416
Accumulated Depreciation	(2,216)	(1,726)
Net book value	\$ 200	\$ 690

### 10. PAYABLES AND ACCRUALS

	2021 (000s)	2020 (000s)
Accounts payable and accruals	\$ 22,803	\$ 14,541
Post-employment benefits	2,939	3,141
	\$ 25,742	\$ 17,682

Accounts payable and accruals include lease liabilities relating to the lease of office space:

#### *Lease Liabilities*

	2021 (000s)	2020 (000s)
Current	\$ 88	\$ 501
Non-current	124	212
	\$ 212	\$ 713

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 11. BENEFITS LIABILITIES

#### i) Continuity schedule

	2021 (000s)					2020 (000s)
	Short-term disability & rehabilitation	Long-term benefits	Survivor benefits	Health care	Total	Total
Balance, beginning of year	\$ 159,860	\$ 617,989	\$ 69,861	\$ 531,522	\$ 1,379,232	\$ 1,505,140
Add claims costs incurred:						
Current year injuries	40,706	33,878	2,733	32,711	110,028	123,479
Prior years' injuries	(13,674)	(2,191)	5,367	(26,127)	(36,625)	(109,015)
	27,032	31,687	8,100	6,584	73,403	14,464
Less claims payments made:						
Current year injuries	9,380	250	197	7,113	16,940	17,431
Prior years' injuries	24,776	49,220	6,979	32,550	113,525	122,941
	34,156	49,470	7,176	39,663	130,465	140,372
Balance, end of year	\$ 152,736	\$ 600,206	\$ 70,785	\$ 498,443	\$ 1,322,170	\$ 1,379,232

#### ii) Current year injuries

	2021 (000s)			2020 (000s)		
	Claims payments	Present value of expected future costs	Claims costs incurred	Claims payments	Present value of expected future costs	Claims costs incurred
Short-term disability & rehabilitation	\$ 9,380	\$ 31,326	\$ 40,706	\$ 9,383	\$ 34,828	\$ 44,211
Long-term disability	250	33,628	33,878	161	39,011	39,172
Survivor benefits	197	2,536	2,733	209	541	750
Health care	7,113	25,598	32,711	7,678	31,668	39,346
	\$ 16,940	\$ 93,088	\$ 110,028	\$ 17,431	\$ 106,048	\$ 123,479

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 11. BENEFITS LIABILITIES (CONTINUED)

#### iii) Reconciliation of movement in benefits liabilities

	2021 (000s)	2020 (000s)
Balance, beginning of year	\$ 1,379,232	\$ 1,505,140
<b>Add (deduct) changes in liabilities</b>		
Interest on liability	86,646	86,129
Payments and other transactions	(116,535)	(125,026)
	(29,889)	(38,897)
<b>Balance, before adjustments</b>	<b>1,349,343</b>	1,466,243
<b>Claims experience (gains) losses</b>		
Actual costs more (less) than expected	(46,042)	(130,686)
Actual payments more (less) than expected	(33,236)	(35,824)
Difference between actual and expected inflation	1,405	(1,499)
Other experience (gains) losses	(176)	(845)
	(78,049)	(168,854)
<b>Unusual items</b>		
Change in valuation assumptions	(23,881)	32,211
Change in valuation methods	(27,111)	(12,391)
Change in policy benefits	-	(17,426)
Change in occupational disease provision	8,780	(26,599)
	(42,212)	(24,205)
Provision for future costs of new injuries	93,088	106,048
Balance, end of year	<b>\$ 1,322,170</b>	\$ 1,379,232

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 11. BENEFITS LIABILITIES (CONTINUED)

#### iv) *Prior years' injuries*

Significant changes in prior years' claims costs arising from the estimate of the benefits liabilities included the following:

	Increase (decrease) in benefits liabilities and claims costs incurred	
	2021	2020
	(000s)	(000s)
(Favourable) Unfavourable experience on inflation	\$ 1,405	\$ (1,499)
(Favourable) Unfavourable experience on health care costs	(28,190)	(50,373)
(Favourable) Unfavourable experience on survivor costs	(337)	863
(Favourable) Unfavourable experience on short-term disability costs	(18,035)	(20,023)
(Favourable) Unfavourable experience on long-term disability costs	(16,737)	(57,131)
(Favourable) Unfavourable experience on other costs	(16,155)	(40,692)
Changes due to unusual items	(42,212)	(24,205)

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 11. BENEFITS LIABILITIES (CONTINUED)

#### v) Claims development table

The following table presents the development of outstanding claims relative to the ultimate expected claims for the 10 most recent accident years. The table illustrates how the estimate of ultimate claims costs for each accident year has changed with more experience over succeeding year-ends, and compares the current estimate of cumulative claims cost to the actual cumulative payments over the development period. Due to the long duration of many benefit types, significant amounts will be paid beyond the valuation date. The lower section of the table reconciles the total outstanding claims amounts to the discounted amount reported in the statement of financial position.

Accident year	2012 (000s)	2013 (000s)	2014 (000s)	2015 (000s)	2016 (000s)	2017 (000s)	2018 (000s)	2019 (000s)	2020 (000s)	2021 (000s)	Total (000s)
Estimate of ultimate claims cost:											
At end of											
accident year	\$ 138,594	\$ 166,755	\$ 188,485	\$ 165,013	\$ 243,511	\$ 260,987	\$ 345,596	\$ 273,933	\$ 227,027	\$ 212,716	
One year later	167,329	178,132	168,355	211,451	274,009	298,527	317,341	238,477	198,839		
Two years later	178,873	155,577	206,714	224,933	286,902	284,185	272,263	212,575			
Three years later	159,033	176,043	210,662	233,431	287,958	254,754	256,688				
Four years later	176,105	177,613	220,289	231,161	262,637	238,108					
Five years later	175,455	182,469	215,913	214,319	243,081						
Six years later	181,468	179,583	206,203	201,000							
Seven years later	176,477	168,218	191,033								
Eight years later	172,977	161,723									
Nine years later	168,733										
Current estimate of cumulative claims cost	168,733	161,723	191,033	201,000	243,081	238,108	256,688	212,575	198,839	212,716	<b>2,084,496</b>
Cumulative payments	(81,360)	(74,016)	(86,467)	(85,698)	(98,655)	(85,940)	(84,565)	(58,123)	(36,598)	(18,482)	<b>(709,904)</b>
Outstanding claims, 2011 and prior years											<b>1,102,194</b>
Total outstanding Claims, undiscounted											<b>2,476,786</b>
Discount											<b>(1,393,508)</b>
Annuity – accrual											<b>109,387</b>
Occupational diseases											<b>84,002</b>
Other contingent liabilities*											<b>45,503</b>
Total outstanding claims											<b>\$ 1,322,170</b>

\*Consists primarily of liabilities for future annuity awards.



# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 12. ASSESSMENTS

	2021 (000s)	2020 (000s)
Assessment revenue	\$ 220,811	\$ 234,928
Interest and penalties	779	631
Uncollectibles	(410)	(943)
	<u>221,180</u>	<u>234,616</u>
Administration fee revenue		
Self-insured employers (Note 13)	<u>11,397</u>	<u>10,260</u>
	<u>\$ 232,577</u>	<u>\$ 244,876</u>

### 13. SELF-INSURED EMPLOYERS

Self-insured employers – predominantly federal and certain provincial government institutions bear the direct cost of their incurred claims. WorkSafeNB administers these claims and charges self-insured employers an appropriate share of administration costs, which is included in revenue on the Consolidated Statement of Operations.

The benefits liabilities related to self-insured employers have not been included in WorkSafeNB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not impact WorkSafeNB's funded position.

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

	2021 (000s)	2020 (000s)
Administration fee revenue	\$ 11,397	\$ 10,260
Claims cost reimbursement		
Short-term disability	22,703	23,665
Long-term disability	11,031	10,801
Survivor benefits	483	756
Health care	13,674	13,992
	<u>\$ 47,891</u>	<u>\$ 49,214</u>

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 14. ADMINISTRATION

	2021 (000s)	2020 (000s)
Salaries and employee benefits	\$ 43,443	\$ 40,340
Depreciation	2,375	3,034
Professional fees	3,675	5,634
Office and communications	1,359	1,723
Building operations	3,627	3,159
Travel and vehicle operations	441	440
Education and training	372	456
Business Transformation	2,735	–
Other	577	672
	<b>58,604</b>	55,458
Allocated to health-care claims costs	<b>(1,519)</b>	(1,530)
	<b>\$ 57,085</b>	\$ 53,928

A portion of WorkSafeNB's administration costs represents charges incurred by WorkSafeNB for its rehabilitation centre. This portion, which relates to claims, has been allocated to health care.

### 15. LEGISLATIVE OBLIGATIONS

Although WorkSafeNB does not have input into the budgeting process for the workers' and employers' advocates, it is required by legislation to reimburse the provincial government for their operating costs.

In addition, WorkSafeNB provided financial assistance to certain New Brunswick safety associations in accordance with the *WC Act*. The money paid was levied against all employers in the industries represented by the safety associations and is included as part of assessment revenue.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 15. LEGISLATIVE OBLIGATIONS (CONTINUED)

	2021 (000s)	2020 (000s)
Workers' advocates	\$ 1,410	\$ 1,499
Employers' advocates	375	377
Workers' Compensation Appeals Tribunal	<u>2,165</u>	<u>2,388</u>
	<b>3,950</b>	4,264
New Brunswick Construction Safety Association	300	300
New Brunswick Forest Safety Association	190	190
Other	<u>250</u>	<u>225</u>
	<b>740</b>	715
	<u><b>\$ 4,690</b></u>	<u>\$ 4,979</u>

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 16. RELATED PARTY TRANSACTIONS

#### Government entities

These consolidated financial statements include the results of normal operating transactions with various provincial government controlled departments, agencies and Crown corporations, with which WorkSafeNB may be considered related. Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

#### Key management compensation

Key management personnel of WorkSafeNB are deemed related parties. They include members of the board of directors and the executive committee. Total compensation for key management is detailed in the following table:

	2021 (000s)	2020 (000s)
<b>Executive Committee</b>		
Salaries and other short-term employee benefits	\$ 1,687	\$ 1,554
Post-employment benefits	187	172
	<u>\$ 1,874</u>	<u>\$ 1,726</u>
	2021 (000s)	2020 (000s)
<b>Board of Directors</b>		
Salary and per diems	\$ 140	\$ 101

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 17. EMPLOYEE PENSION PLAN

WorkSafeNB and its employees participate in a multi-employer shared-risk pension plan, administered by the Province of New Brunswick under the *Public Service Superannuation Act*. The plan provides pensions to employees of the provincial government and certain Crown corporations and agencies based on:

- Service to December 31, 2013 – length of service and highest successive five-year average salary;
- Service from January 1, 2014 – length of service and career average salary.

Since sufficient information is not readily available to account for WorkSafeNB's participation in the plan using defined benefit pension plan accounting, these consolidated financial statements have been prepared using accounting rules for defined contribution pension plans.

The current year expense for this pension plan is \$4.6 million (2020 – \$4.2 million).

### 18. CONTINGENT LIABILITIES

At any given time, WorkSafeNB is party to various claims and lawsuits related to the normal course of business. In the opinion of management, the outcome of such claims and lawsuits and the resulting effects on operations and financial position are not determinable.

### 19. COMPARATIVE FIGURES

Certain of the 2020 figures that are presented for comparative purposes have been reclassified to conform to the presentation adopted in the current year.

# FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	2021 (000s)	2020 (000s)	2019 (000s)	2018 (000s)	2017 (000s)
<b>ASSETS</b>					
Cash and cash equivalents	\$ 70,191	\$ 90,072	\$ 78,234	\$ 65,916	\$ 72,634
Receivables and other	21,083	20,739	19,086	17,978	15,007
Investments	1,925,352	1,642,133	1,521,714	1,294,663	1,356,440
Capital assets	7,564	8,899	10,667	10,076	11,046
	<b>\$ 2,024,190</b>	<b>\$ 1,761,843</b>	<b>\$ 1,629,701</b>	<b>\$ 1,388,633</b>	<b>\$ 1,455,127</b>
<b>LIABILITIES AND FUNDED POSITION</b>					
Payables and accruals	\$ 25,726	\$ 17,682	\$ 19,432	\$ 16,168	\$ 16,372
Benefits liabilities	1,322,170	1,379,232	1,505,140	1,576,330	1,375,843
	<b>1,347,896</b>	<b>1,396,914</b>	<b>1,524,572</b>	<b>1,592,498</b>	<b>1,392,215</b>
WorkSafeNB funded position	639,859	329,355	77,657	(234,070)	37,465
Non-controlling interests	36,435	35,574	27,472	30,205	25,447
	<b>676,294</b>	<b>364,929</b>	<b>105,129</b>	<b>(203,865)</b>	<b>62,912</b>
	<b>\$ 2,024,190</b>	<b>\$ 1,761,843</b>	<b>\$ 1,629,701</b>	<b>\$ 1,388,633</b>	<b>\$ 1,455,127</b>

Certain of the above figures have been reclassified to conform with the presentation adopted in 2021.

# FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED INCOME STATEMENT

AS AT DECEMBER 31, 2021

	2021 (000s)	2020 (000s)	2019 (000s)	2018 (000s)	2017 (000s)
<b>REVENUE</b>					
Assessment revenue	\$ 232,577	\$ 244,876	\$ 272,559	\$ 174,234	\$ 147,567
Investment income	215,415	83,281	184,160	(17,638)	132,368
	<b>447,992</b>	328,157	456,719	156,596	279,935
<b>EXPENSES</b>					
Claims costs incurred					
Benefit payments	130,465	140,372	157,900	167,265	161,110
Changes in actuarial valuation of benefit liabilities	(57,062)	(125,908)	(71,190)	200,487	194,752
Total claims costs	<b>73,403</b>	14,464	86,710	367,752	355,862
Administration	57,085	53,928	53,687	52,450	52,454
Legislative obligations	4,690	4,979	3,453	3,461	3,865
	<b>61,775</b>	58,907	57,140	55,911	56,319
Total expenses	<b>135,178</b>	73,371	143,850	423,663	412,181
<b>Net income (loss) for the year</b>	<b>\$ 312,814</b>	\$ 254,786	\$ 312,869	\$ (267,067)	\$ (132,246)
<b>Net income (loss) for the year attributable to:</b>					
WorkSafeNB	310,504	251,698	311,727	(271,535)	(134,339)
Non-controlling interests	2,310	3,088	1,142	4,468	2,093
	<b>\$ 312,814</b>	\$ 254,786	\$ 312,869	\$ (267,067)	\$ (132,246)

Certain of the above figures have been reclassified to conform with the presentation adopted in 2021.

# FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED STATEMENT OF CHANGES IN FUNDED POSITION

AS AT DECEMBER 31, 2021

	2021 (000s)	2020 (000s)	2019 (000s)	2018 (000s)	2017 (000s)
<b>WorkSafeNB</b>					
WorkSafeNB funded position, beginning of year	\$ 329,355	\$ 77,657	\$ (234,070)	\$ 37,465	\$ 171,804
Net income (loss) for the year	<b>310,504</b>	251,698	311,727	(271,535)	(134,339)
WorkSafeNB funded position, end of year	<b>\$ 639,859</b>	\$ 329,355	\$ 77,657	\$ (234,070)	\$ 37,465
<b>Non-controlling interests</b>					
Non-controlling interests funded position, beginning of year	\$ 35,574	\$ 27,472	\$ 30,205	\$ 25,447	\$ 19,401
Capital contributions by non-controlling interests	<b>3,169</b>	6,509	1,766	515	6,395
Distributions to non-controlling interests	<b>(4,618)</b>	(1,495)	(5,641)	(225)	(2,442)
Net income for the year	<b>2,310</b>	3,088	1,142	4,468	2,093
Non-controlling interests funded position, end of year	<b>\$ 36,435</b>	\$ 35,574	\$ 27,472	\$ 30,205	\$ 25,447
<b>Total funded position</b>					
Total funded position, beginning of year	\$ 364,929	\$ 105,129	\$ (203,865)	\$ 62,912	\$ 191,205
Capital contributions by non-controlling interests	<b>3,169</b>	6,509	1,766	515	6,395
Distributions to non-controlling interests	<b>(4,618)</b>	(1,495)	(5,641)	(225)	(2,442)
Net income (loss) for the year	<b>312,814</b>	254,786	312,869	(267,067)	(132,246)
Total funded position, end of year	<b>\$ 676,294</b>	\$ 364,929	\$ 105,129	\$ (203,865)	\$ 62,912

Certain of the above figures have been reclassified to conform with the presentation adopted in 2021.