

# 2019 FINANCIAL REPORTS

*It is recommended the following pages be read in combination with the Overview and Analysis of 2019 Financial Results section in the Annual Report, which is available at [wcb.pe.ca/2019AnnualReport](http://wcb.pe.ca/2019AnnualReport).*

## Management Responsibility of Financial Reporting

The financial statements are the responsibility of management and have been prepared in conformity with International Financial Reporting Standards. The preparation of financial information is an integral part of management's broader responsibility for the ongoing operations of the WCB. Based on management's knowledge, having exercised reasonable diligence, the financial statements fairly represent, in all material respect the financial conditions, results or operations, and cash flow as at December 31, 2019.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable information is produced and those assets are properly safeguarded. The effectiveness of controls over financial reporting was assessed and found to provide reasonable assurance that internal controls at December 31, 2019 operate effectively with no material weakness in the design or operations of the controls.

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

The Board of Directors is assisted in its responsibilities by its Audit and Finance Committee. The Committee reviews and recommends approval of the financial statements and meets periodically with management, internal and external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

Eckler, Workers Compensation Board of PEI's independent consulting actuary, has completed an actuarial valuation of the benefit liabilities included in Workers Compensation Board of PEI's financial statements and reported thereon in accordance with accepted actuarial principles.

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



Cheryl Paynter, CPA, CA  
Chief Executive Officer



Norman MacDonald, CPA, CA, CF  
Chief Financial Officer

## ACTUARIAL CERTIFICATE

---

We have completed an actuarial valuation of the benefit liabilities for insured employers under the Workers Compensation Act of Prince Edward Island (the "Act") as at December 31, 2019, for the purpose of providing input to the Financial Statements of the Workers Compensation Board of Prince Edward Island (the "Board"). The valuation is in respect of assessed firms only, and does not include any provision for future payments in respect of self-insured firms

Our estimate of the benefits liabilities of \$163,062,000 represents the actuarial present value at December 31, 2019, of all expected benefit payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2019. The liabilities include a provision for future administrative expenses based on a study conducted by Board staff. The liabilities also include a provision for potential outstanding latent occupational disease awards. No allowance has been made in these liabilities for any future deviations from the present policies and practices of the Board or for the extension of new coverage types.

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

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

All liabilities have been calculated using underlying assumptions of 3.25% per annum for the real rate of return on invested assets and 2.25% per annum for the rate of increase in the Consumer Price Index.

The CPI assumption equates to inflation rates for indexing benefits of 1.80% per annum in respect of pensions, extended wage loss and survivor benefits, because indexing for these benefits is specified under the Act as 80% of the rate of increase in the Consumer Price Index. No indexing is applied to Section 43 awards in-pay in accordance with Board policy.

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

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

The liabilities in respect of temporary wage loss, health care, rehabilitation and permanent impairment lump sum awards have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 2.25% per annum has been used to project future cash flows for temporary wage loss, wage-related rehabilitation, and permanent impairment lump sums. For health care and non-wage related rehabilitation, we used an inflation rate of 4.25% per annum reflecting the greater expected inflation and utilization rate for these benefit categories.

We consider the COVID-19 pandemic and its consequences to be a subsequent event with regard to our work on the December 31, 2019 benefit liability valuation. The emerging impact of COVID-19 on the Board's liabilities is not known at this time, however, any impact will be reflected in future valuations. We are not aware of any other events subsequent to the valuation date that would have a material impact on our liability calculations.

It is our opinion that:

- the data on which the valuation is based are sufficient and reliable for the purpose of the valuation;
- the assumptions are appropriate for the purpose of the valuation;
- the methods employed in the valuation are appropriate for the purpose of the valuation; and
- the amount of the benefits liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.

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

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



Jeff Turnbull, FSA, FCIA



Scott Mossman, FSA, FCIA

Financial Statements

Workers Compensation Board of Prince Edward Island

December 31, 2019



# Contents

	<b>Page</b>
Independent Auditor's Report	1 - 2
Statements of Comprehensive Income (Loss)	3
Statements of Changes in Fund Balance	4
Statements of Financial Position	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 31
Schedule of Administration Expenses	32

# Independent Auditor's Report

---

Grant Thornton LLP  
Suite 410  
98 Fitzroy Street, PO Box 187  
Charlottetown, PE  
C1A 7K4  
T +1 902 892 6547  
F +1 902 566 5358

To the members of the Board of the

Workers Compensation Board of Prince Edward Island

## Opinion

We have audited the financial statements of the Workers Compensation Board of Prince Edward Island ("the Board"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive (loss) income, changes in fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Workers Compensation Board of Prince Edward Island as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for Opinion

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

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

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

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

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

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

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

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

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

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

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Charlottetown, Prince Edward Island

May 7, 2020

Chartered Professional Accountants



# Workers Compensation Board of Prince Edward Island

## Statements of Comprehensive Income (Loss)

Year ended December 31	Notes	2019	2018
<b>Revenues</b>			
Current assessments		\$ 36,420,916	\$ 34,057,355
Investments	4	28,273,638	(4,436,874)
Interest on receivables		98,634	97,764
Administration fees to self-insured employers	12	<u>258,601</u>	<u>268,799</u>
		<u>65,051,789</u>	<u>29,987,044</u>
<b>Expenses</b>			
Claims cost expenses			
Expected increase	11	8,339,000	8,926,000
Experience gains	11	(7,410,000)	(4,814,000)
Claims and administrative costs incurred	11	26,045,000	23,030,000
Latent occupational disease costs incurred	11	4,545,000	57,000
Changes in actuarial assumption	11	(645,000)	(340,000)
Changes in legislation	11	<u>-</u>	<u>1,012,000</u>
		<u>30,874,000</u>	<u>27,871,000</u>
Administration expenses			
Administration (Page 32)		7,974,353	7,782,209
Workers' Advisor Program	14	104,261	280,203
Employers' Advisor Program	14	113,052	105,839
Appeals Tribunal	14	<u>129,710</u>	<u>298,065</u>
		<u>8,321,376</u>	<u>8,466,316</u>
Other expenses			
Investment management	4	1,137,172	1,203,297
Bad debt		52,632	24,077
Grant program		<u>273,666</u>	<u>500,000</u>
		<u>1,463,470</u>	<u>1,727,374</u>
Total expenses		<u>40,658,846</u>	<u>38,064,690</u>
Operating income (loss)		24,392,943	(8,077,646)
Distribution to employers (Note 15)		<u>(19,815,482)</u>	<u>(21,878,514)</u>
Net income (loss)		\$ 4,577,461	\$ (29,956,160)
Other comprehensive income			
Items that will not be classified in the statement of operations			
Change in actuarial gains and losses		<u>\$ (106,400)</u>	<u>\$ (73,000)</u>
Total comprehensive income (loss)		<u>\$ 4,471,061</u>	<u>\$ (30,029,160)</u>

See accompanying notes and schedule to the financial statements.

# Workers Compensation Board of Prince Edward Island

## Statements of Changes in Fund Balance

Year ended December 31

	<u>Fund balance</u>	<u>Total accumulated comprehensive loss</u>	<u>Total fund balance</u>
Balance, January 1, 2019	\$ 75,345,533	\$ (272,405)	\$ 75,073,128
Net income	4,577,461	-	4,577,461
Other comprehensive income	-	<u>(106,400)</u>	<u>(106,400)</u>
Balance, December 31, 2019	<u>\$ 79,922,994</u>	<u>\$ (378,805)</u>	<u>\$ 79,544,189</u>

	<u>Fund balance</u>	<u>Total accumulated comprehensive loss</u>	<u>Total fund balance</u>
Balance, January 1, 2018	\$ 105,301,693	\$ (199,405)	\$ 105,102,288
Net loss	(29,956,160)	-	(29,956,160)
Other comprehensive loss	-	<u>(73,000)</u>	<u>(73,000)</u>
Balance, December 31, 2018	<u>\$ 75,345,533</u>	<u>\$ (272,405)</u>	<u>\$ 75,073,128</u>

See accompanying notes and schedule to the financial statements.

# Workers Compensation Board of Prince Edward Island

## Statements of Financial Position

December 31

Notes

2019

2018

### Assets

Cash and cash equivalents		\$ 8,215,717	\$ 4,369,707
Receivables	3	1,793,939	1,685,284
Investments	4	231,329,111	227,316,399
Property and equipment	6	2,609,953	2,572,058
Intangible assets	7	2,013,216	1,392,480
		<u>\$ 245,961,936</u>	<u>\$ 237,335,928</u>

### Liabilities and fund balance

Payables and accruals	9	\$ 1,711,347	\$ 2,018,300
Employee future benefits	10	1,644,400	1,613,500
Benefits liabilities	11	163,062,000	158,631,000
		<u>166,417,747</u>	<u>162,262,800</u>
Fund balance	13	79,544,189	75,073,128
		<u>\$ 245,961,936</u>	<u>\$ 237,335,928</u>

Subsequent events (Note 17)

On behalf of the Board

 Chair

 Chief Executive Officer

See accompanying notes and schedule to the financial statements.

# Workers Compensation Board of Prince Edward Island

## Statements of Cash Flows

Year ended December 31

2019

2018

### Cash flow from operating activities

Cash received from:		
Assessed employers	\$ 36,119,986	\$ 33,497,839
Self-insured employers for assessments	<u>780,945</u>	<u>898,705</u>
	<u>36,900,931</u>	<u>34,396,544</u>
Cash paid:		
To claimants or third parties on their behalf	(24,829,000)	(24,019,295)
Self-insured claims	(780,945)	(898,705)
Distribution to employers (Note 15)	(19,815,482)	(21,878,514)
For administration requirements and other goods	(2,755,794)	(2,899,490)
For salaries to employees	<u>(6,920,275)</u>	<u>(6,778,091)</u>
	<u>(55,101,496)</u>	<u>(56,474,095)</u>
Net cash provided (used) by operating activities	<u>(18,200,565)</u>	<u>(22,077,551)</u>

### Cash flow from investing activities

Cash received from:		
Investment income, net of fees	4,522,919	4,968,317
Sale of investments	<u>54,611,583</u>	<u>53,403,387</u>
	<u>59,134,502</u>	<u>58,371,704</u>
Cash paid for:		
Purchase of investments	(35,996,694)	(37,310,773)
Purchase of intangible assets	(813,014)	(998,496)
Purchase of property and equipment	<u>(278,219)</u>	<u>(321,025)</u>
	<u>(37,087,927)</u>	<u>(38,630,294)</u>
Net cash provided by investing activities	<u>22,046,575</u>	<u>19,741,410</u>
<b>Net increase in cash and cash equivalents</b>	<b>3,846,010</b>	<b>(2,336,141)</b>

Cash and cash equivalents		
Beginning of year	<u>4,369,707</u>	<u>6,705,848</u>
End of year	<u>\$ 8,215,717</u>	<u>\$ 4,369,707</u>

See accompanying notes and schedule to the financial statements.

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 1. Nature of operations

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

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

The Board does not receive government funding.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on May 7, 2020.

---

### 2. Summary of significant accounting policies

#### Basis of presentation and adoption of IFRS

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

The financial statements of the Workers Compensation Board of Prince Edward Island comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at December 31, 2019.

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

#### Basis of measurement

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

#### Cash and cash equivalents

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

#### Foreign currency translation

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

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

---

December 31, 2019

---

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

#### Accounting estimates and measurement uncertainty

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

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

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

#### Revenue recognition

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

Self-insured employers are individually responsible for cost attributable to claims arising from their employees. These claim costs are subject to a transactional based administration fee which is recognized in revenue as they occur.

#### Specific accounting policies

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

<b>Note</b>	<b>Topic</b>	<b>Page</b>
3	Receivables	10
4	Investments	10
6	Property and equipment	18
7	Intangible assets	20
9	Payables and accruals	21
10	Employee benefits	21
11	Benefits liabilities	23
12	Self-insured employers	29

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

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

#### **Future accounting standards and reporting changes adopted during the year**

The Board adopted the following new standards and amendments, effective January 1, 2019, in accordance with their applicable transition provisions.

#### **IFRS 16 Leases (“IFRS 16”)**

IFRS 16 superseded IAS 17 Leases (“IAS 17”). IFRS 16 includes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (the lessee and the lessor). The lessee is required to recognize and depreciate the assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Board determined that leases outstanding are of low value. Adoption of IFRS 16 did not have a significant impact on the Board’s financial statements.

#### **Future accounting standards and reporting changes not yet adopted**

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

IFRS 17 Insurance Contracts (“IFRS 17”) supersedes IFRS 4 Insurance Contracts (“IFRS 4”). IFRS 17 fundamentally changes how entities account for insurance contracts, introducing a default "building block approach", which disaggregates the cash flows in an insurance contract and provides a different measurement basis for each component, and a simplified "premium allocation approach" for certain short-term contracts. Assumptions used in measuring insurance assets and liabilities such as cash flows, discount rates and risk adjustment will be updated at each reporting period. The discount rate will reflect the characteristics of the insurance liabilities and the estimated future cash flows to settle claims incurred will be discounted unless the period of time between claim occurrence and settlement is less than one year. Presentation changes include 'insurance revenue' replacing the current reporting of 'premiums' and insurance contract assets and liabilities will not be netted. Under this standard, premiums receivable, unearned premiums and claims payable may no longer be presented separately from other insurance assets and liabilities. The effective date for IFRS 17 is January 1, 2023 with mandatory restatement of comparative periods. The Board is currently assessing the impact of IFRS 17.

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

---

December 31, 2019

---

### 3. Receivables

#### Accounting policy

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

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

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

	<u>2019</u>	<u>2018</u>
<b>Receivables</b>		
Assessments	\$ 1,123,102	\$ 1,041,366
Less allowance for doubtful accounts	(89,396)	(94,916)
Accrued assessments	564,270	345,075
Self-insured employers	(98,401)	(69,728)
Other receivables	<u>294,364</u>	<u>463,487</u>
	<u>\$ 1,793,939</u>	<u>\$ 1,685,284</u>

---

### 4. Investments

#### Accounting policy

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



---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 4. Investments (cont'd)

Fair values of specific investments are determined as follows:

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

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

### 4. Investments (cont'd)

	<u>2019</u>	<u>2018</u>
<b>Investments</b>		
Cash and short-term investments	\$ 7,356,831	\$ 8,383,990
Forward foreign exchange contracts	494,264	(2,688,845)
Real estate	34,336,087	36,866,005
Fixed term investments	43,659,665	42,407,424
Infrastructure	14,312,453	16,028,022
Equities	108,336,871	101,903,886
Global opportunistic	<u>22,832,940</u>	<u>24,415,917</u>
	<u>\$ 231,329,111</u>	<u>\$ 227,316,399</u>

	<u>2019</u>	<u>2018</u>
<b>Investment income</b>		
Earned during the year	\$ 5,972,858	\$ 6,073,849
Realized investment gains	4,987,847	6,619,156
Change in unrealized investment gain (loss)	<u>17,312,933</u>	<u>(17,129,879)</u>
	<u>\$ 28,273,638</u>	<u>\$ (4,436,874)</u>

<b>Investment expenses</b>		
External management fees	\$ 1,026,705	\$ 1,122,082
Management fees paid to Worksafe NB	<u>110,467</u>	<u>81,215</u>
	<u>\$ 1,137,172</u>	<u>\$ 1,203,297</u>

### Pooled funds

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

	<u>2019</u>	<u>2018</u>
Conventional bonds	\$ 36,610,695	\$ 35,009,071
Real return bonds	7,048,967	7,398,353
Non North American equities	8,868,766	9,080,598
Real estate	34,336,087	36,866,005
Absolute return	22,832,940	24,415,917
Infrastructure	<u>14,312,453</u>	<u>16,028,022</u>
	<u>\$ 124,009,908</u>	<u>\$ 128,797,966</u>

### Investment agreement

The Board has entered into an Investment Agreement (January 1995) for the management of its investment assets with those of WorksafeNB. These financial statements report the Board's proportionate share of the investment assets held in the pooled fund which was 12.8% at December 31, 2019 (2018 – 14.6%). The Board pays a fee to WorksafeNB for the administration of the combined investments.

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 4. Investments (cont'd)

#### Commitments

The Board, through its investment in pooled infrastructure and real estate funds, has committed to contribute investments in these funds, which may be drawn down over the next several years. Unfunded commitments as of December 31, 2019 are \$15.7 million.

---

### 5. Financial risk management

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

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

#### Market risk

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

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

	<u>2019</u>	<u>2018</u>
Canada	\$ 35,386,770	\$ 32,378,961
United States	42,661,020	44,705,916
International equities	37,544,207	33,863,958
Real estate	34,336,087	36,866,005
Emerging markets	<u>15,577,814</u>	<u>15,370,968</u>
	<u>\$ 165,505,898</u>	<u>\$ 163,185,808</u>

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

### 5. Financial risk management (cont'd)

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

Equities	2019			
	15%	5%	-5%	-15%
Change in market value				
Impact on fund balance				
Canadian	\$ 5,308,000	\$ 1,769,000	\$ (1,685,000)	\$ (4,616,000)
United States	6,399,000	2,133,000	(2,031,000)	(5,564,000)
International equities	5,632,000	1,877,000	(1,788,000)	(4,897,000)
Real estate	5,150,000	1,717,000	(1,635,000)	(4,479,000)
Emerging markets	2,337,000	779,000	(742,000)	(2,032,000)
	2018			
Equities				
Change in market value	15%	5%	-5%	-15%
Impact on fund balance				
Canadian	\$ 4,857,000	\$ 1,619,000	\$ (1,542,000)	\$ (4,223,000)
United States	6,706,000	2,235,000	(2,129,000)	(5,831,000)
International equities	5,080,000	1,693,000	(1,613,000)	(4,417,000)
Real estate	5,530,000	1,843,000	(1,756,000)	(4,809,000)
Emerging markets	2,306,000	769,000	(732,000)	(2,005,000)

### Foreign currency risk

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

The Board has significant current exposure in the US dollar, the Euro, the Japanese Yen and the British Pound. Exposure to changes in these four currencies represents 91.9% of the Board's total exposure to developed market foreign currencies and 75.2% of the total foreign currency exposure including emerging markets. The Board has holdings of \$52,075,000 (2018 - \$50,882,000) in US dollar or 22.5% of the portfolio, \$20,339,000 (2018 - \$19,439,000) or 8.8% in the Euro, \$10,156,000 (2018 - \$9,251,000) or 4.4% in the Japanese Yen and \$7,443,000 (2018 - \$8,452,000) or 3.2% in the British Pound.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

### 5. Financial risk management (cont'd)

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

	<u>2019</u>	<u>2018</u>
CAD/USD	\$ (6,792,000)	\$ (6,637,000)
CAD/EURO	\$ (2,653,000)	\$ (2,536,000)
CAD/YEN	\$ (1,325,000)	\$ (1,207,000)
CAD/POUND	\$ (971,000)	\$ (1,102,000)

At December 31, 2019, the notional value of outstanding forward foreign exchange contracts was \$71,611,560 (2018 - \$64,092,451). The fair value of these contracts was a gain of \$494,264 (2018 - loss of \$2,688,845). Unrealized gain on forward foreign exchange contracts of \$3,183,109 (2018 - loss of \$3,796,720) were included in investment income.

#### Inflation risk

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

#### Interest risk management

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

	<u>Remaining term to maturity</u>			<u>Total</u> <u>2019</u>	<u>Total</u> <u>2018</u>
	<u>Within 1 year</u>	<u>From 1 year</u> <u>to 5 years</u>	<u>Over 5 years</u>		
Fixed term investments (market value)	<u>\$ (296,798)</u>	<u>\$ 11,050,343</u>	<u>\$ 32,906,120</u>	<u>\$ 43,659,665</u>	<u>\$ 42,407,424</u>

The average effective yield of these fixed term investments is 2.3% (2018 - 2.7%) per annum based on market value.

As of December 31, 2019, had the prevailing interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the fixed term investments would have increased or decreased by \$4,298,000 (2018 - \$4,020,000) or approximately 9.8% (2018 - 9.5%) of their value.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

### 5. Financial risk management (cont'd)

#### Credit risk management

Credit risk on fixed term or money market investments or forward foreign exchange contracts arises from the possibility that the counterparty to an instrument fails to meet its obligation to the Board. Policy guidelines have been established to ensure the Board holds corporate fixed term investments with a credit rating of A or higher, and Canadian federal or provincial government fixed term investments with a credit rating of BBB or higher.

The Board may only invest in money market instruments that are provincially or federally guaranteed by one of the five largest Canadian chartered banks. Counterparties to forward foreign exchange contracts must have a credit rating of at least AA. As at December 31, 2019, the aggregate amount of fixed income securities with counterparty ratings of BBB was \$5,500 (2018 - \$nil).

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

#### Fair value hierarchy

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

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

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

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

	<b>2019</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,356,831	\$ -	\$ -	\$ 7,356,831
Investments				
Forward foreign exchange contracts	-	494,264	-	494,264
Real estate	24,262,785	-	10,073,302	34,336,087
Fixed term	43,659,665	-	-	43,659,665
Infrastructure	-	-	14,312,453	14,312,453
Equities	<u>131,169,811</u>	<u>-</u>	<u>-</u>	<u>131,169,811</u>
	<u>\$ 206,449,092</u>	<u>\$ 494,264</u>	<u>\$ 24,385,755</u>	<u>\$ 231,329,111</u>

During 2019 and 2018, there were no significant transfers of investments between level 1 and level 2.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

### 5. Financial risk management (cont'd)

	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 8,383,990	\$ -	\$ -	\$ 8,383,990
Investments				
Forward foreign exchange contracts	-	(2,688,845)	-	(2,688,845)
Real estate	25,428,332	-	11,437,673	36,866,005
Fixed term	42,407,424	-	-	42,407,424
Infrastructure	-	-	16,028,022	16,028,022
Equities	126,319,803	-	-	126,319,803
	<u>\$ 202,539,549</u>	<u>\$ (2,688,845)</u>	<u>\$ 27,465,695</u>	<u>\$ 227,316,399</u>

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

	<u>2019</u>	<u>2018</u>
Balance beginning of the year	\$ 27,465,695	\$23,525,057
Purchase of level 3 investments	1,703,104	464,902
Investment income	632,590	1,494,197
Return of capital	(5,333,443)	(16,273)
Unrealized gains recognized	<u>(82,191)</u>	<u>1,997,812</u>
Balance at end of the year	<u>\$ 24,385,755</u>	<u>\$27,465,695</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 \$7.1M. This is a closed-end fund with no active market for its units and no published net asset value as at December 31, 2019 and, therefore, classified as level 3 investments in the fair market hierarchy. This fund has a 12-year life that commenced on October 30, 2013. The general partner has the option to extend the fund's life by 2 years; (2) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$7.1M. 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 \$8.4M. This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2019 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 9-year life that commenced on August 22, 2014; and (4) A limited partnership interest in a fund investing in European real estate with a market value of \$1.7M. This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2019 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 10-year life that commenced on March 29, 2018. (5) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$0. This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2019, and therefore classified as a level 3 investment in the fair value hierarchy. The fund has a 12-year life commenced on May 10, 2019. The general partner has the option to extend the fund's life by two years.

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 5. Financial risk management (cont'd)

#### Liquidity risk

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

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

---

### 6. Property and equipment

#### Accounting policy

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

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

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

IAS 36, Impairment of Assets, requires an entity to test assets for impairment if indications of impairment exist. Based on an analysis of cash flows, the Board has established that the appropriate cash generating unit for impairment review is the entire entity. As the Board has the statutory power under the Act to increase premiums and/or impose levies to ensure full funding unto the foreseeable future, impairment at the entity level is remote. As at December 31, 2019, management conducted an impairment review at the entity level, which confirmed that there were no significant indicators of impairment which would have a material impact on the Board's ability to generate future economic benefits from its operating non-financial assets.



# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

### 6. Property and equipment (cont'd)

<b>Gross carrying amount</b>	<u>Land</u>	<u>Buildings</u>	<u>Furniture &amp; fixtures</u>	<u>Computer equipment</u>	2019 <u>Total</u>
Balance January 1, 2019	\$ 368,460	\$ 3,123,589	\$ 704,410	\$ 803,248	\$ 4,999,707
Additions	-	185,086	20,509	72,624	278,219
Disposals	-	-	-	(19,094)	(19,094)
Balance December 31, 2019	<u>368,460</u>	<u>3,308,675</u>	<u>724,919</u>	<u>856,778</u>	<u>5,258,832</u>
<b>Depreciation and impairment</b>					
Balance January 1, 2019	-	(1,356,535)	(494,751)	(576,363)	(2,427,649)
Disposals	-	-	-	19,094	19,094
Depreciation	-	(119,312)	(35,135)	(85,877)	(240,324)
Balance December 31, 2019	-	<u>(1,475,847)</u>	<u>(529,886)</u>	<u>(643,146)</u>	<u>(2,648,879)</u>
<b>Carrying amount Dec 31, 2019</b>	<b><u>\$ 368,460</u></b>	<b><u>\$1,832,828</u></b>	<b><u>\$ 195,033</u></b>	<b><u>\$ 213,632</u></b>	<b><u>\$2,609,953</u></b>
<b>Gross carrying amount</b>	<u>Land</u>	<u>Buildings</u>	<u>Furniture &amp; Fixtures</u>	<u>Computer Equipment</u>	2018 <u>Total</u>
Balance January 1, 2018	\$ 368,460	\$ 2,916,984	\$ 692,484	\$ 740,967	\$ 4,718,895
Additions	-	206,605	11,926	72,020	290,551
Disposals	-	-	-	(9,739)	(9,739)
Balance December 31, 2018	<u>368,460</u>	<u>3,123,589</u>	<u>704,410</u>	<u>803,248</u>	<u>4,999,707</u>
<b>Depreciation and impairment</b>					
Balance January 1, 2018	-	(1,248,272)	(460,810)	(506,050)	(2,215,132)
Disposals	-	-	-	9,739	9,739
Depreciation	-	(108,263)	(33,941)	(80,052)	(222,256)
Balance December 31, 2018	-	<u>(1,356,535)</u>	<u>(494,751)</u>	<u>(576,363)</u>	<u>(2,427,649)</u>
<b>Carrying amount Dec 31, 2018</b>	<b><u>\$ 368,460</u></b>	<b><u>\$1,767,054</u></b>	<b><u>\$ 209,659</u></b>	<b><u>\$ 226,885</u></b>	<b><u>\$2,572,058</u></b>

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 7. Intangible assets

#### Accounting policy

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

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

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

<b>Computer software</b>	<u>2019</u>	<u>2018</u>
<b>Gross carrying amount</b>		
Balance at January 1	\$ 5,708,640	\$ 4,710,144
Addition, separately acquired	<u>877,715</u>	<u>998,496</u>
Balance at December 31	<u>6,586,355</u>	<u>5,708,640</u>
<b>Amortization and impairment</b>		
Balance at January 1	(4,316,160)	(4,086,970)
Amortization	<u>(256,979)</u>	<u>(229,190)</u>
Balance at December 31	<u>(4,573,139)</u>	<u>(4,316,160)</u>
Carrying amount December 31	<u>\$ 2,013,216</u>	<u>\$ 1,392,480</u>

---

### 8. Bank indebtedness

The Board has a \$1,000,000 unsecured operating line of credit of which \$nil was used at December 31, 2019.

---

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 9. Payables and accruals

	<u>2019</u>	<u>2018</u>
Trade and other payables	\$ 1,130,757	\$ 1,533,957
Accrued staff salaries	324,642	264,040
Accrued vacation pay	<u>255,948</u>	<u>220,303</u>
	<u>\$ 1,711,347</u>	<u>\$ 2,018,300</u>

---

### 10. Employee benefits

#### Accounting policy

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

#### Short-term benefits

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

#### Pension plan

The Board and its employees participate in a multi-employer contributory defined benefit pension plan, administered by the Province of Prince Edward Island under the Civil Service Superannuation Act. The Civil Service Superannuation Fund provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies. Changes were made to the Civil Service Superannuation Act effective January 1, 2016. For service after 2013, the average salary used to determine pension benefits will be calculated using an average of all earnings indexed to the year of retirement. Also, for service after 2018, the age at which an unreduced pension is available will move from 60 to 62 and the years of service will move from 30 to 32. Retirement benefits will be indexed at 1.5% up until 2017. In 2017, pension benefits indexing will depend on the financial health of the fund. The plans are similar to state plans as defined in IAS 19 whereby they are established by legislation to provide retirement benefits for eligible provincial employees. State plans share similar characteristics as multi-employer plans and are treated as defined contribution plans under IAS 19. For these plans, the Board has no further payment obligations once the contributions have been paid. Since sufficient information is not readily available to account for the Board's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. The current year expense for this pension plan is \$446,440 (2018 - \$432,021). As the Board maintains no obligation to cover funding deficiencies within the plan, should any exist, there are no provisions to be recorded for future funding obligations.

At March 31, 2019, the Civil Service Superannuation Fund reported that the pension plan was fully funded.

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 10. Employee benefits (cont'd)

#### Retirement pay benefits

The Board provides a retirement pay benefit equal to one weeks pay for each year of service, subject to a maximum benefit equal to 26 weeks pay. The retirement pay benefit is payable upon retirement. Unionized employees qualify at retirement if they have accrued 10 years of service and attained age 55. Non-unionized employees qualify at retirement if they have accrued 5 years of service and attained age 55, accrued 30 years of service (moving to 33 years of service as of December 2019), or accrued 5 years of service and die or become disabled. The significant actuarial assumptions adopted in measuring the Board's accrued retirement pay benefits obligations are a discount rate of 3.00% (2018 - 3.70%) and a rate of compensation increase of 3.5%. The retirement pay benefits liability has been estimated to equal \$1,644,400 (2018 - \$1,613,500) based on the last actuarial calculation as of December 31, 2019.

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

	<u>2019</u>	<u>2018</u>
Opening retirement pay benefits	\$ 1,613,500	\$ 1,697,300
Changes in retirement pay benefits	(75,500)	(156,800)
Change in assumptions	<u>106,400</u>	<u>73,000</u>
Ending retirement pay benefits	<u>\$ 1,644,400</u>	<u>\$ 1,613,500</u>

#### Employee benefits risks

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

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

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

---

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 11. Benefits liabilities

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

The Board believes that the amount provided for benefit liabilities as at December 31, 2019, is adequate, recognizing that actuarial assumptions as disclosed below may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

Benefits liabilities as at December 31, 2019, have been independently valued by the Board's external actuary. Benefits liabilities include a provision for all benefits provided by current legislation, Board policies, and administrative practices. These liabilities also include a provision for future expenses of administering those benefits. Benefits liabilities do not include a provision for benefits costs of self-insured employers.

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

#### Key actuarial assumptions

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

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

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

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

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

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

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

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 11. Benefits liabilities (cont'd)

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

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

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

	<u>2019</u>	<u>2018</u>
Gross rate of return	<b>5.50%</b>	5.50%
Real rate of return	<b>3.25%</b>	3.25%
Increase in inflation	<b>2.25%</b>	2.25%
Future administration	<b>6.50%</b>	6.50%
Latent occupational diseases	<b>7.50%</b>	4.50%

#### **Process used to determine assumptions**

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

##### *General Statement*

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

#### **Gross rate of return**

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

#### **Future awards liabilities**

For the purposes of projecting future cash flows for the future award liabilities, other than those for future extended wage loss awards, the calculation uses a weighted average of payments made over the 2017 to 2019 period. The weightings are 17% of 2017, 33% of 2018, and 50% of 2019, all adjusted to constant 2019 dollars. In the case of medical aid and hospital expenses, certain large individual cases that are expected to require long-term care have been removed from historical data. For these cases, the ongoing payments have been estimated based on an analysis of the individual file.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

### 11. Benefits liabilities (cont'd)

#### Pension in pay

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

#### Future extended wage loss awards

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

#### Future administration

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

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

						<u>2019</u>	<u>2018</u>
	Temporary wage loss	Pension and extended wage loss	Health care	Rehabilitation	Administration	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 9,798,000	\$ 98,456,000	\$ 32,089,000	\$ 2,192,000	\$ 9,265,000	<b>\$ 151,800,000</b>	\$ 150,524,000
Expected increase	531,000	5,426,000	1,751,000	122,000	509,000	<b>8,339,000</b>	8,926,000
Legislative changes	-	-	-	-	-	-	1,012,000
Assumption changes	-	(606,000)	-	-	(39,000)	<b>(645,000)</b>	(340,000)
Experience (gains) losses	<u>977,000</u>	<u>(8,241,000)</u>	<u>1,030,000</u>	<u>(723,000)</u>	<u>(453,000)</u>	<b><u>(7,410,000)</u></b>	<u>(4,814,000)</u>
	11,306,000	95,035,000	34,870,000	1,591,000	9,282,000	<b>152,084,000</b>	155,308,000
Costs incurred	<u>7,392,000</u>	<u>9,320,000</u>	<u>7,258,000</u>	<u>485,000</u>	<u>1,590,000</u>	<b><u>26,045,000</u></b>	<u>23,030,000</u>
	18,698,000	104,355,000	42,128,000	2,076,000	10,872,000	<b>178,129,000</b>	178,338,000
Less: Payments made	<u>(7,686,000)</u>	<u>(8,928,000)</u>	<u>(7,775,000)</u>	<u>(440,000)</u>	<u>(1,614,000)</u>	<b><u>(26,443,000)</u></b>	<u>(26,538,000)</u>
						<b>151,686,000</b>	151,800,000
Latent occupational diseases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>11,376,000</u></b>	<u>6,831,000</u>
Balance, end of year	<b><u>\$11,012,000</u></b>	<b><u>\$ 95,427,000</u></b>	<b><u>\$ 34,353,000</u></b>	<b><u>\$ 1,636,000</u></b>	<b><u>\$ 9,258,000</u></b>	<b><u>\$ 163,062,000</u></b>	<b><u>\$ 158,631,000</u></b>

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

### 11. Benefits liabilities (cont'd)

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

#### Current year injuries

	<b>2019</b>		
	<b>Current year cost</b>	<b>Present value of future costs</b>	<b>Total incurred claims</b>
Health care	\$ 2,546,000	\$ 4,712,000	\$ 7,258,000
Temporary wage loss	3,179,000	4,213,000	7,392,000
Rehabilitation	7,000	478,000	485,000
Lump sums	104,000	337,000	441,000
Future permanent awards	-	8,839,000	8,839,000
New permanent awards	5,000	35,000	40,000
Administration	380,000	1,210,000	1,590,000
Total	<u>\$ 6,221,000</u>	<u>\$ 19,824,000</u>	<u>\$26,045,000</u>

	<b>2018</b>		
	<b>Current year cost</b>	<b>Present value of future costs</b>	<b>Total incurred claims</b>
Health care	\$ 2,045,000	\$ 4,456,000	\$ 6,501,000
Temporary wage loss	3,094,000	4,120,000	7,214,000
Rehabilitation	3,000	549,000	552,000
Lump sums	191,000	472,000	663,000
Future permanent awards	-	6,694,000	6,694,000
Administration	347,000	1,059,000	1,406,000
Total	<u>\$ 5,680,000</u>	<u>\$ 17,350,000</u>	<u>\$23,030,000</u>



# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

### 11. Benefits liabilities (cont'd)

#### Reconciliation of movement in benefits liabilities

	<u>2019</u>	<u>2018</u>
Balance, beginning of the year	\$ 158,631,000	\$ 157,298,000
Interest on liability	8,339,000	8,926,000
Payments and other transitions	<u>(26,443,000)</u>	<u>(26,538,000)</u>
Balance, end of year for prior accident years	<u>140,527,000</u>	<u>139,686,000</u>
Impact of experience (gains) losses on change in liability for prior accident years due to:		
Mortality and termination	(2,300,000)	(200,000)
Award inflation less than expected	(500,000)	(700,000)
New awards	(3,600,000)	(3,100,000)
Change in expected claim run-off	900,000	(100,000)
Difference between actual and expected payments	(1,200,000)	(400,000)
Other	<u>(710,000)</u>	<u>(314,000)</u>
Total change in liability	<u>(7,410,000)</u>	<u>(4,814,000)</u>
Assumption changes	(645,000)	(340,000)
Legislative changes	-	1,012,000
Change in latent occupational diseases liability	4,545,000	57,000
Liability for new accidents	<u>26,045,000</u>	<u>23,030,000</u>
	<u>29,945,000</u>	<u>23,759,000</u>
Balance, end of year	<u>\$ 163,062,000</u>	<u>\$ 158,631,000</u>

#### Claims development

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

The table that follows presents the development of claims payments and the estimated ultimate cost of claims for the claim years 2010 to 2019. The upper half of the table shows the cumulative amounts paid or estimate to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

### 11. Benefits liabilities (cont'd)

	(\$'000)											
	Accident year											
Year of estimate	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total	
Estimated total cash flow (including past and future cash flows)	\$ 26,044	\$ 24,901	\$ 29,273									
	2011	2012	2013	2014	2015	2016	2017	2018	2019			
	23,286	28,208	\$ 31,901									
	22,033	26,348	29,649	\$ 32,752								
	20,465	25,585	27,025	28,539	\$ 33,271							
	19,438	25,638	28,580	28,182	30,346	\$ 32,825						
	18,664	24,243	27,064	25,792	28,515	28,898	\$ 32,894					
	18,113	23,430	25,878	24,325	25,723	26,011	30,869	\$ 32,645				
	17,471	22,704	27,439	22,944	23,831	22,432	27,577	29,526	\$ 31,569			
	16,474	22,192	26,741	22,309	21,727	20,618	25,388	30,306	31,161	\$ 35,908		
Current (2019) estimate of total cash flow	16,474	22,192	26,741	22,309	21,727	20,618	25,388	30,306	31,161	35,908	\$ 252,824	
Total cash flows paid December 31, 2019	(11,696)	(15,495)	(16,263)	(13,800)	(13,017)	(11,832)	(11,745)	(11,395)	(9,492)	(5,841)	(120,576)	
Estimated future cash flows	4,778	6,697	10,478	8,509	8,710	8,786	13,643	18,911	21,669	30,067	132,248	
Impact of discounting	(1,924)	(2,570)	(4,107)	(3,201)	(3,391)	(3,689)	(5,156)	(7,200)	(8,356)	(11,119)	(50,713)	
Liability for accident years 2010 - 2019	2,854	4,127	6,371	5,308	5,319	5,097	8,487	11,711	13,313	18,948	81,535	
Liability for accident years 2009 and prior											60,893	
Claims administration											9,258	
Latent occupational diseases liability											11,376	
Balance sheet liability at December 31, 2019											\$ 163,062	

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 11. Benefits liabilities (cont'd)

#### Claims risk

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

#### Sensitivity of actuarial assumptions

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

	<u>2019</u>	<u>2018</u>
1% Decrease in real rate of return	<u>\$ 11,570,000</u>	<u>\$11,258,000</u>
1% Increase in healthcare inflation rate	<u>\$ 3,942,000</u>	<u>\$ 3,635,000</u>
1% Decrease in real rate of turn, 1% increase in inflation	<u>\$ 10,504,000</u>	<u>\$10,159,000</u>

---

### 12. Self-insured employers

Self-insured employers, principally the Government of Canada, whose claims are administered by the WCB, directly bear the cost of their own incurred claims plus an administration fee. The total amount of the administration fee is included in the statement of operations and fund balance and for 2019 was \$258,600 (2018 - \$268,799). Assessments are net of the amount received from self-insured employers and accordingly claim costs do not include self-insured claims. Monies paid to the WCB for the reimbursement of these claims are reflected in the Statement of Cash Flow as cash received from self-insured employers for assessments, and monies paid out relating to these claims are recorded as cash paid out to claimants or third parties on their behalf. The total self-insured claims costs incurred for 2019 are as follows.

	<u>2019</u>	<u>2018</u>
Claims costs incurred		
Short-term disability	\$ 171,231	\$ 213,706
Long-term disability	367,582	424,487
Health care	<u>213,459</u>	<u>225,504</u>
	<u>\$ 752,272</u>	<u>\$ 863,697</u>

---

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 13. Funding strategy and capital management

The capital management objectives reflect the mandate that a fully funded compensation system is essential for securing financial obligations associated with the payment of current and future worker benefits and the administration of an effective workers compensation system.

The Workers Compensation Board of Prince Edwards Island funded position is defined by the relationship of totals assets to total liabilities. At December 31, 2019 the funded ratio was 147.8% (2018 – 146.3%).

The process for managing the Workers Compensation Board of Prince Edwards Island Funded Position is determined based on its approved funding policy (POL-136) and will target a funding status in the range of 100% - 125% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range. This permitted excess of assets over liabilities reduces the impact of year to year fluctuations; therefore, providing assessment rate stabilization and enhanced security that awarded benefits will be met.

---

### 14. Legislative obligations and other related party transactions

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

The Board is required by the *Workers Compensation Act* (the Act) to provide an annual grant to the Workers' Advisor Program. The Workers' Advisor Program operates autonomously from the Board and assists workers or dependants of workers in respect of claims for compensation. During the year, the Board paid \$104,261 (2018 - \$280,203) of the Program's expenses.

The Board is required by the Act to provide an annual grant to the Employers' Advisor Program. The Employers' Advisor Program operates autonomously from the Board and assists employers in respect of classifications, assessments and claims for compensation. During the year, the Board paid \$113,052 (2018 - \$105,839) of the Program's expenses.

The Board is required by the Act to pay the operating costs of the Appeals Tribunal. During the year, the Board paid \$129,710 (2018 - \$298,065) to cover the operating costs of the Tribunal.

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

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 635,750	\$ 643,085
Post employment benefits	<u>112,879</u>	<u>109,434</u>
	<u>\$ 748,629</u>	<u>\$ 752,519</u>

---

---

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2019

---

### 15. Distribution to employers

During the year, the Board of Directors of the Board approved a distribution to active employers of \$19,815,482 (2018 - \$21,878,514). The Board was able to distribute these funds due to significantly better investment returns in previous years. These funds were distributed to employers who had assessable payroll as of December 31, 2018 and was based on base premiums which was defined as assessable payroll times the group assessment rate.

---

### 16. Comparative figures

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

---

### 17. Subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Board has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Board for future periods.

Since December 31, 2019, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity markets have experienced significant volatility and weakness. As at March 31, 2020, the fair value of the Board's investments was \$199,170,000. This represents management's estimated valuation on March 31, 2020 and is unaudited. COVID-19 may also have an impact on assessment revenues through a decline in assessable payroll, claims costs, and benefit liabilities. Due to COVID-19's impact on employers, the Board has deferred payments of assessments until June 30, 2020. It is not possible to reliably estimate the impact this will have on the results of the Board's operations for the 2020 fiscal period and beyond.

---

# Workers Compensation Board of Prince Edward Island

## Schedule of Administration Expenses

Year ended December 31

2019

2018

Building operating costs	\$ 186,555	\$ 180,174
Communications, printing and supplies	156,528	201,030
Computer maintenance	242,084	244,694
Depreciation	497,150	451,446
Dues and fees	69,052	99,979
Interest and bank charges	265,627	198,312
Miscellaneous	41,681	41,463
Postage	90,336	78,282
Professional development	98,423	76,222
Professional fees	667,516	1,037,491
Salaries		
Board members	45,420	68,244
Staff members	5,715,828	5,323,273
Benefits	990,484	934,805
Retirement benefits	229,763	132,428
Telephone	99,423	97,078
Travel	192,483	237,288
	<u>9,588,353</u>	<u>9,402,209</u>
Less allocation to benefits liabilities (Note 11)	<u>(1,614,000)</u>	<u>(1,620,000)</u>
	<u>\$ 7,974,353</u>	<u>\$ 7,782,209</u>