



Yukon Workers'
Compensation
Health and
Safety Board



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2021 Annual Report

Year at a Glance

Note		2021	2020
1	Workers covered	26,310	23,990
2	Open claims	2,543	2,381
1, 2	Claims	961	998
1, 2	Accepted claims	793	798
1, 2	Lost-time claims	377	394
	Lost-time injury rate (<i>per 100 workers covered</i>)	1.4	1.6
1	Permanent impairment awards	13	28
5	Worker fatalities	4	2
	Decisions rendered by hearing officer	16	12
	Decisions rendered by the Workers' Compensation Appeal Tribunal	3	3
1	Registered employers	3,924	3,786
	Maximum assessable earnings/wage rate	\$91,930	\$90,750
1	Assessable payroll (<i>millions</i>)	\$1,526	\$1,360
4	Assessment revenue (<i>millions</i>)	\$32.1	\$27.0
	Average estimated premium rate (<i>per \$100 of insurable earnings</i>)	\$2.07	\$2.07
1, 3	Average collected premium rate (<i>per \$100 of insurable earnings</i>)	\$2.10	\$1.99
4	Net investment income (<i>millions</i>)	\$27.0	\$17.1
	Investments market return	12.7%	8.4%
4	Funds held by investment custodians (<i>millions</i>) (<i>formerly Investments</i>)	\$245.4	\$230.4
	Funded position	143%	132%
	Funded position (<i>including target reserves</i>)	115%	108%
	Number of <i>Access to Information and Protection of Privacy Act</i> (ATIPP) requests	16	13
	Number of <i>Public Interest Disclosure of Wrongdoing Act</i> (PIDWA) disclosures	0	0

Notes:

Data may include revisions to prior releases.

- 1 Revised based on most recent data.
- 2 Figures may include counts of duplicate occurrences.
- 3 Based on assessment revenue as reported in the Financial Statements section.
- 4 In accordance with the Financial Statements section.
- 5 Fatalities are reported during the year in which the fatality occurred.

Message from the Board of Directors

A new era

This year's message comes from a place of pride, gratitude and great hope for the future. Amidst a global pandemic and the ongoing struggle to cope with COVID-19 with which we have *all* been dealing, this message is a much-needed pause.

It's a pause to celebrate something monumental: the passing of the *Workers' Safety and Compensation Act* and, with it, the creation of our new name—the Workers' Safety and Compensation Board.

The Yukon now has legislation that will lead to healthier, safer and more supportive workplaces for all. We're proud and humbled to reflect both on how we got here and on everyone who came together to make it happen.

What makes the Yukon so unique is the tight-knit and incredibly diverse community of people who live here. People who work in mines near Keno City, serve cocktails in downtown Whitehorse, teach kids to read and write in Carcross, or grow food in Dawson City. People who care deeply about the well-being of their family, co-workers, friends and neighbours. People who are willing to work hard to ensure we all come home safely at the end of the work day.

The *Workers' Safety and Compensation Act*, at the very core, is founded on this collaboration and diversity. It's founded on workers, employers, stakeholder organizations, the Government of Yukon, the Board of Directors and our staff coming together to ensure progressive, fair and accessible legislation for everyone.

Bill 8 was tabled in the 2021 fall sitting of the Legislative Assembly by the Government of Yukon. We are pleased that the *Workers' Safety and Compensation Act* has been passed, with an implementation date of July 1, 2022. The new legislation ensures that worker safety and caring for injured workers are always kept at the forefront, in step with changing workplace conditions.

Our new Act is one of the most progressive pieces of safety legislation in Canada. From our small population in the most northern reaches of this country, that is truly something to reflect on and celebrate.

Yet when we pause to take in the view from the top of the mountain, it can be easy to forget just how much hard work it took to reach the summit.

It has been a long journey to arrive where we are today. It began over five years ago with the development of our latest strategic plan. We administer the *Workers' Compensation Act* and the *Occupational Health and Safety Act*. In drafting our current strategic plan, we knew that changing workplaces, socio-economic factors and technology meant we needed modernized and harmonized legislation.

After all, the *Workers' Compensation Act* was last updated in 2008 and the *Occupational Health and Safety Act* has remained largely untouched since it was first drafted in 1984. It became clear that, for the benefit of all Yukoners, these laws needed to be brought in line with 21st century workplaces.



Mark Pike—Chair
Appointed November 5, 2010
Current term ends March 29, 2023



Vicki Hancock—Alternate Chair
Appointed August 15, 2006
Current term ends January 11, 2025



Heather McIntyre
Representative of Employers
Appointed February 26, 2015
Current term ends February 25, 2024



Lisa Martin
Representative of Employers
Appointed April 19, 2017
Current term ends April 18, 2023

During the fall of 2019 and early 2020, we conducted a public engagement on behalf of the Government of Yukon. Throughout the engagement, we looked to our community and asked the simple question: *what do you need?* From the public open houses, written submissions, online surveys, one-on-one meetings and external advisory group meetings, what we heard was loud and clear.

Our stakeholders wanted change. They wanted legislation to be clear, simple and accessible. They wanted mental health to be treated with just as much weight as physical health. They wanted legislation to reflect and accommodate the diversity of Yukon workplaces and workers.

We are proud of how Yukoners came together with such openness, honesty and integrity to advance our territory's safety and compensation systems.

So, what is the Workers' Safety and Compensation Act?

The heart of the new Act is legislation that will, for years to come, ensure that Yukoners' well-being is put first. The Act enhances health and safety in Yukon workplaces in line with modern workplace practices across Canada, all the while building upon the core principles of safety, prevention and compensation, improving benefits and reducing red tape.

Having the compensation and occupational health and safety programs we administer under one harmonious Act means consistency and ease in sharing of information. It means more efficiency and effectiveness when it comes to administration and enforcement. At the same time, having one Act will make it simpler for workers and employers to understand their rights and obligations.

The *Workers' Safety and Compensation Act* is the result of what happens when you listen, truly listen, to what is wanted and what is needed. This Act would not exist if it weren't for the collaboration and hard work of so many. Workers, employers, stakeholder organizations, the Government of Yukon, the Board of Directors and our staff worked tirelessly—all the while living through a global pandemic—to bring this dream to reality.

The world is changing, and so are we.

Our new name, the Workers' Safety and Compensation Board, represents so much more than simply a name. It represents change, modernization and progress. It represents a renewed foundation: a foundation that's built from more than a century of experience in the Yukon's safety and compensation systems. It represents how we came together as a territory to draw on our collective wisdom to make sure our health and well-being are always put first.

From the bottom of our hearts—thank you.



Keith Ellert
Representative of Workers
Appointed August 28, 2019 to
August 27, 2022



Christie Harper
Representative of Workers
Appointed October 22, 2015
Current term ended December 21, 2021



Kurt Dieckmann—President/CEO
Appointed July 8, 2016

Who are we?

The Yukon Workers' Compensation Health and Safety Board (the board) administers the *Workers' Compensation Act* and the *Occupational Health and Safety Act*, provides compensation, service and support to Yukon workers injured on the job, and promotes workplace safety through education, training, inspections and investigations.

Our mandate is to prevent disability. We do so in a number of ways. We provide a range of services to Yukon employers. We work towards changing societal attitudes about safety and risk management by communicating strategically, engaging in social marketing and educating Yukon youth to embrace the belief that all injuries can be prevented. We strive to reduce the incidence of injuries in Yukon workplaces through prevention support, and compliance and enforcement strategies. When injuries do occur, we provide proactive, innovative and compassionate return-to-work programs, medical management and, if required, vocational rehabilitation.

The board is made up of three core branches that work collaboratively to prevent disability. All of the branches are guided by the board's corporate values of partnership, accountability and compassion.

Claimant Services

The Claimant Services Branch supports injured workers as they navigate a challenging time in their lives. The workers' compensation system provides a range of benefits and services to injured workers appropriate to their circumstances. The board accepted 793 claims in 2021, compared with 798 in 2020. Most of the claims in 2021 were for injuries caused by contact with objects and equipment (284), bodily reaction and exertion (244) and falls (164). A key principle of the system is to help workers return to their pre-injury state as quickly and safely as possible. Branch staff collaborate with workers, employers and health care providers to support a healthy transition back to work. In 2021, 81 per cent of claimants were able to return to work within 90 days of injury.

Assessments

The Assessments Branch works to continuously improve processes with the goal of delivering effective and efficient service to the board's clients. The branch includes two units: Employer Services and the Centralized Services Team. Employer Services works with employers to ensure they are registered, classified appropriately and in compliance with reporting and payment obligations. The Centralized Services Team provides a variety of services from helping clients file a claim for compensation, answering telephone and email inquiries, and assisting clients in person with their questions. The branch administers the CHOICES incentive program. Employers who provide training to their workers to improve workplace health and safety and return-to-work practices may be eligible for a rebate on their assessment premiums. In 2021, the CHOICES program returned over \$600,000 to employers.

Occupational Health and Safety

The Occupational Health and Safety (OHS) Branch promotes and enforces health and safety in the workplace. Alongside collaborating with Yukon communities and national organizations, safety officers visit workplaces throughout the Yukon to help employers and workers comply with the *Occupational Health and Safety Act* and Regulations. In 2021, OHS conducted 310 inspections and safety officers issued 822 orders and 24 penalties. Safety officers also conducted 108 inspections that included COVID-19 requirements and wrote 59 orders related to COVID where there were shortcomings.

The board is also supported through the following services:

Executive Branch

The Executive Branch supports the Board of Directors along with all branches, as well as maintaining strong relationships with stakeholders, the Government of Yukon, and workers' compensation and health and safety organizations across the country. The Executive Branch also includes our Legal and Investigations units.

Human Resources

The Human Resources Branch fosters organizational change. They build partnerships and alliances, and attract, develop, reward and retain employees for the benefit of both the employee and the organization.

Corporate Services

The Corporate Services Branch connects the Yukon public with the board's mandate of preventing disability. Corporate Services includes our Social Marketing and Communications, Outreach and Education, and Policy and Hearing Officer units.

Operations

The Operations Branch includes the following units: Finance, Information Management, Information Systems and Facilities Management. Services range from financial reporting, overseeing investments, providing systems infrastructure, and managing *Access to Information and Protection of Privacy Act* (ATIPP) requests from the public.



Workers' Safety and Compensation Act

We are pleased to introduce the *Workers' Safety and Compensation Act*, passed by the Yukon Legislative Assembly in December 2021. The new Act provides a modern framework with a focus on safety and prevention. It comes into force July 1, 2022. It replaces and amalgamates the former *Occupational Health and Safety Act* and the *Workers' Compensation Act*.

The *Workers' Safety and Compensation Act* uses gender-neutral language so that all Yukoners can see themselves reflected. It also builds upon the core principles of workers' compensation, improves compensation benefits and reduces red tape.

We believe there is something for all Yukoners in this new and updated legislation.

Benefits for workers

- Expand the post-traumatic stress disorder (PTSD) presumption to cover all workers, recognizing that all Yukoners have the potential to suffer from PTSD as a result of being exposed to traumatic events due to their employment;
- Add nine cancers to the list of cancers eligible under the firefighter presumption, including three cancers that primarily affect women;
- Improve fairness and loss of earnings benefits for low-income workers;
- Increase the maximum duration of loss of earnings benefits for older workers;
- No longer reduce loss of earnings benefits as a result of Canada Pension Plan disability benefits;
- Provide payment of retirement and permanent impairment benefits as a lump sum, allowing individuals to control their finances;
- Provide an additional benefit to spouses or the estate of a deceased worker in the amount of \$15,000 to reflect the costs associated with funerals and cultural traditions of First Nations; and
- Simplify appeals by providing the same internal review and external appeal process for decisions relating to claims for compensation, assessments, and health and safety.

Benefits for employers

- Reduce red tape associated with workers who perform work outside of the Yukon for temporary periods of time;
- Strengthen and update the general health and safety duties of workplace parties;
- Clarify employers' responsibilities in larger workplaces;
- Define health and safety management systems by establishing minimum requirements;
- Clarify responsibilities related to health and safety committees;
- Streamline the process that triggers the right to refuse unsafe work, allowing opportunities to remedy the situation internally;
- Update, clarify and strengthen provisions that prohibit reprisals against a worker, and provide an administrative process to resolve complaints; and
- Simplify appeals by providing the same internal review and external appeal process for decisions relating to claims for compensation, assessments, and health and safety.

Moving forward

We would like to thank the Legislative Assembly for passing this Bill with unanimous consent. We appreciate the hard work from all three parties coming together to support workplace safety for all Yukoners.

We would also like to thank those stakeholders and the many Yukoners who participated in the public engagement in 2019, and contributed their ideas and time to help develop this legislation that meets the needs of Yukon workers and employers, now and into the future.

As we move forward with implementation of the *Workers' Safety and Compensation Act* we will continue to work with our stakeholders throughout the coming year.

For more information about the *Workers' Safety and Compensation Act* check out our website: wcb.yk.ca.

Psychological injury

The COVID-19 pandemic has placed additional strain on our mental health. Public health restrictions, isolation and uncertainty are all stressors that can affect our mental well-being. Over the past two years, many of us have faced challenges and increased stress in our daily lives. Throughout the pandemic we continue to see workers suffering from psychological injuries.

What is a work-related psychological injury?

A psychological injury is any psychological disorder or condition that meets diagnostic criteria and has arisen, or is presumed to have arisen, out of and in the course of employment.

These types of claims—which could be for injuries like an anxiety disorder, acute stress reactions, post-traumatic stress disorder, adjustment disorder and depression—are assessed after a diagnosis by a registered psychologist or psychiatrist.

The Association of Workers' Compensation Boards of Canada has identified industries and sectors that generally experience the highest rates of psychological injury across Canada: first responders, health care and educational workers. In the Yukon, we have seen psychological injuries occur across all sectors, and no worker is immune to them.

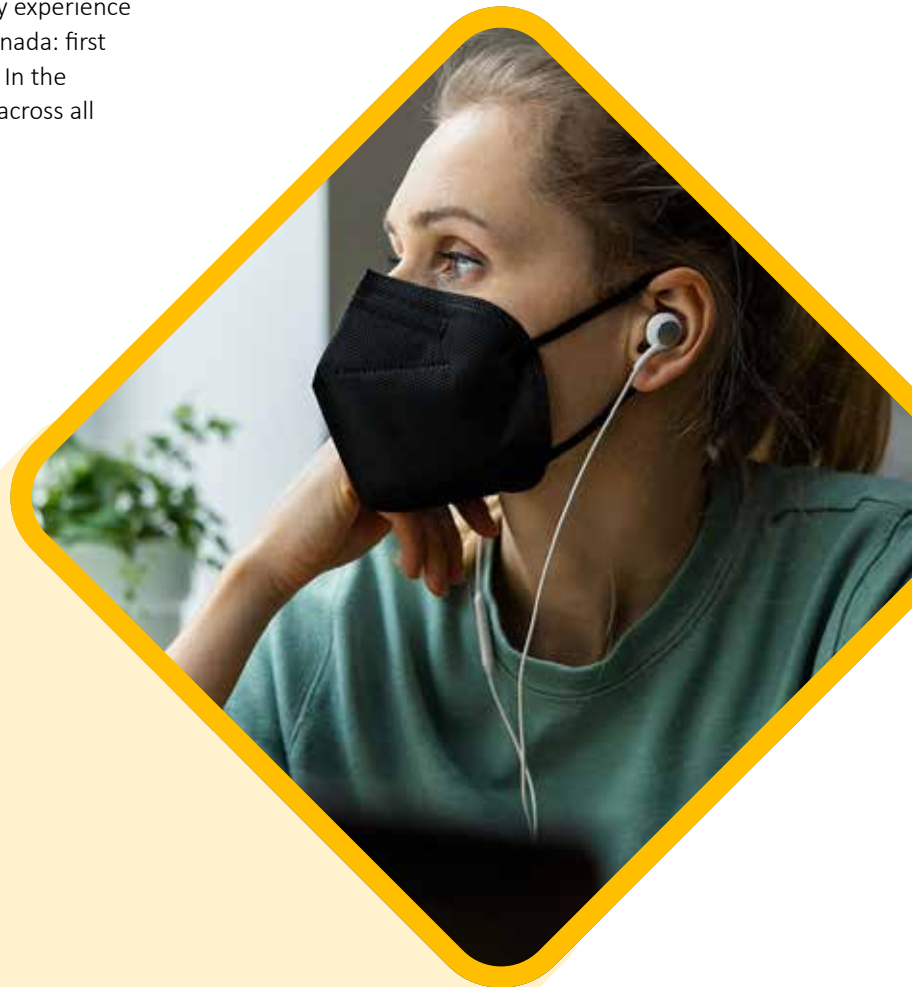
Caring for injured workers

We work with the injured worker to provide proper assessment by a health care professional. Then we work closely with the claimant to ensure an early and safe return to work.

The return-to-work process is often more complex for those who've suffered a psychological injury. Without the right support in place, it can be difficult for a claimant to return to the place where they experienced trauma.

Our staff, employers and health care providers are all part of the case management team supporting the injured worker in their recovery and safe return to work. We have continually adjusted to support claimants during the pandemic.

A healthy mind is something everyone deserves. For the health of the territory as a whole, we believe prevention is key.



A Yukon free from violence and harassment



What is workplace violence and harassment?

Workplace or work-related violence is threatened, attempted or actual physical force, conduct or threatening statements that causes or is likely to cause harm or leads a worker to believe that they are likely to be harmed.

Workplace harassment is any objectionable conduct or comments that a person knows, or should know, are likely to be unwelcome. This includes bullying, inappropriate comments or objectionable conduct relating to a worker's sex, sexual orientation, gender identity or gender expression. Harassment does not include reasonable conduct relating to the management of workers or a workplace by their employer or supervisor.

Violence and harassment are serious hazards in the workplace, and both can result in physical and psychological injuries.

It's up to all of us—workers, employers and the community at large—to move towards becoming a territory where *every* workplace is free from violence and harassment. The board is here to support workplaces in getting there.

In September 2021, the Violence and Harassment Prevention Regulation came into force. With direction from the Regulation, Yukon employers and workers can improve workplace cultures to enhance safety and be more positive, motivating and productive.

The Regulation requires employers to have the necessary written plans in place and to provide training to their workers about their prevention policy and procedures. This means every employer, supervisor and worker can be clear about acceptable and unacceptable behaviours at work, and it means that a worker who is experiencing, or who sees others experiencing, violence or harassment will know what to do to make a complaint.

We're here to help

Throughout 2021, we offered a variety of outreach methods to support employers and workers. In our educational sessions, participants learned about the Regulation, including what workplace violence and harassment means, as well as the workplace roles and responsibilities for preventing violence and harassment. We hosted 16 educational sessions in 2021, with just under 200 Yukon workers and employers participating in total.

Our Workplace Violence and Harassment Prevention Guide explains how to use the new Regulation to improve workplace safety culture and, at the same time, prevent violence and harassment. The guide, available in English and French, includes ready-to-adapt templates and training resources to help Yukon workplaces meet the requirements of the Regulation.

Our Annual Workplace Solutions event, held online for the first time in September, was also centered around helping Yukoners understand the new Regulation and the importance of psychologically healthy workplaces.

“Preventing workplace violence and harassment: It’s up to us”, included a keynote presentation from health and safety expert Nancy Butcher on the work that is already being done, and the work that needs to continue, to make our workplaces safer. The event also included a presentation by the Yukon Human Rights Commission, and from the University of Fredericton about the online courses that are available to every Yukoner at a significantly reduced rate.

The university programming, offered in partnership with the board, ranges from a two-hour course focused on enhancing workplace resiliency to a 50- hour advanced course designed for organizational leaders implementing workplace health and safety management systems.

All of our violence and harassment prevention resources are available on our website at wcb.yk.ca/wvhp.

Safety

Talks

Our goal is to provide employers and supervisors with the tools necessary to ensure their workplaces are safe and free from hazards. The new *Workers’ Safety and Compensation Act* sets out requirements for health and safety management systems to ensure the safety of all Yukon workers.

We have developed a series of Safety Talks that address workplace hazards and provide scripts to lead safety meetings. Each Safety Talk addresses a specific workplace hazard and how to prevent injuries from it. Topics include:

- Respiratory protection
- Safe lifting
- Stress management
- Slips, trips and falls
- Working at heights
- Eye safety
- Violence in the workplace
- Harassment in the workplace
- Domestic violence in the workplace
- Respectful workplace
- Factors influencing workplace violence and harassment

We add new topics regularly, resources can be found on our website at wcb.yk.ca/safety_talks.

Ironwomen running club

The board is committed to inspiring Yukon youth to embrace a culture of safety and prevention in all aspects of their lives. The Ironwomen running club is one example of our hands-on approach to this commitment.

The after-school program created by the board's Outreach and Education Unit is led in partnership with Athletics Yukon. It supports mental health through movement, community, mentorship and fun.

Bolstering mental health

The teenage years are a unique and challenging time in a young woman's life. We believe it's critical this group is provided with support to bolster their mental health and build resilience.

Natalie Thivierge is a safety communications consultant on the board's Outreach and Education team, and the program's main lead.

"We wanted to take this opportunity to get young women moving, to give them confidence, push them and provide a safe space to talk about ways to incorporate daily practices that support their mental health," she explained.



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Running for the brain

The running club is built on science that shows the maintenance of physical health is key to strong psychological health. Aerobic exercise has shown psychological benefits similar to improvements experienced through psychotherapy. Exercise reduces anxiety, stress and depression; decreases inflammation; and improves psychological, physiological and immunological functions.

The sport has also been shown to increase brain-derived neurotrophic factor in humans in a way that mimics a regular anti-depressive drug, as well it increases brain plasticity, and improves learning and memory functions.

In the larger context, the running club helps build injury-prevention practices in Yukon workplaces and society as a whole.

Goals of the Ironwomen running club

- Build psychological resilience and injury-prevention practices within a vulnerable population to help them maintain mental health.
- Prevent disability by encouraging youth and their families to include movement in their daily lives.
- Help teenage girls develop the skills necessary to prevent psychological injuries in the workplace and in life.
- Highlight risks associated with psychological hazards in Yukon workplaces and teach effective mitigation techniques.

Adapting school programs

We believe learning about safety at home, at school and at play gives children a foundation for preventing injuries throughout their lives.

As public health restrictions changed with the severity of each wave of COVID-19, we've had to be adaptable, patient and, most importantly, safe. At the same time, we remain committed to educating and empowering our territory's youth to embrace a culture of safety and prevention, one of our organization's core objectives.

Now, more than ever, we know it's important to support students' learning while protecting their health and safety. As a result of our desire to adapt, the annual Safety Build contest received a makeover. We gauged interest in giving LEGO kits to classrooms to permanently keep—50 classes signed up within the first week, and we knew we were on to something.

Return of Safety Build

Yukon classrooms can now receive a free Safety Build kit, complete with lesson ideas, story templates and a set of LEGO bricks for each student.

These lessons follow a simple structure to guide students to identify dangers, figure out what they can do to keep safe, and share why it's important to take those steps.

Teachers will have the opportunity to share their students' Safety Build stories by posting pictures on our website for a chance to win a prize every month.



Privacy and security

Privacy and security

Privacy and security are an integral part of the board's culture. In order to fulfill our responsibilities under our legislation, we collect a broad range of information from employers, injured workers, health care providers, and other individuals and organizations. This information is often personal and confidential. We are committed to protecting that personal information and ensuring it is used, disclosed and stored in compliance with the *Access to Information and Protection of Privacy Act*.

Our chief information governance officer and our privacy officer work closely with all branches in the organization to assure that proper processes and procedures are in place to provide individuals access to their personal information and to safeguard it from unauthorized use and access. The chief information governance officer is also responsible for managing ATIPP requests.

In 2021, a new internal intranet link was established for our staff to access privacy and security resources. We established a process for assessing security and privacy risks for mobile apps as we continue to digitize operations and services. Privacy risk needs to be considered before new activities and services are implemented. Our established privacy risk assessment process was reviewed and refined.



Policy, and reviews and appeals

Policy

We are continually reviewing and amending our policies to ensure they are current and consistent with our legislation. We do this for the benefit of employers, workers, claimants and Yukoners at large. Policies are developed and amended in engagement with internal and external stakeholder groups. Amendments or new policies are then approved by our Board of Directors.

With the passing of our new *Workers' Safety and Compensation Act*, we are updating our policies to help with the implementation of the new legislation. In 2021, we prepared for the launch of a comprehensive five-month review of all of our policies to align with the new legislation coming into force July 1, 2022.

All policies will then be put on a five-year policy review schedule consistent with our current policy framework.

There were no new or amended policies in 2021.

Reviews and appeals

Injured workers or employers who disagree with any claims decisions can request a review of those decisions within two years. The Workers' Advocate Office, independent of the board, often plays a role in helping injured workers resolve disputes at that stage. If a matter cannot be resolved informally, the next step is an internal review by a hearing officer who can confirm, vary or reverse the original decision.

If the injured worker or employer does not agree with a hearing officer's decision, they can appeal to the Workers' Compensation Appeal Tribunal (WCAT). WCAT is an independent body whose members are appointed by the Government of Yukon. WCAT decisions are final and binding.

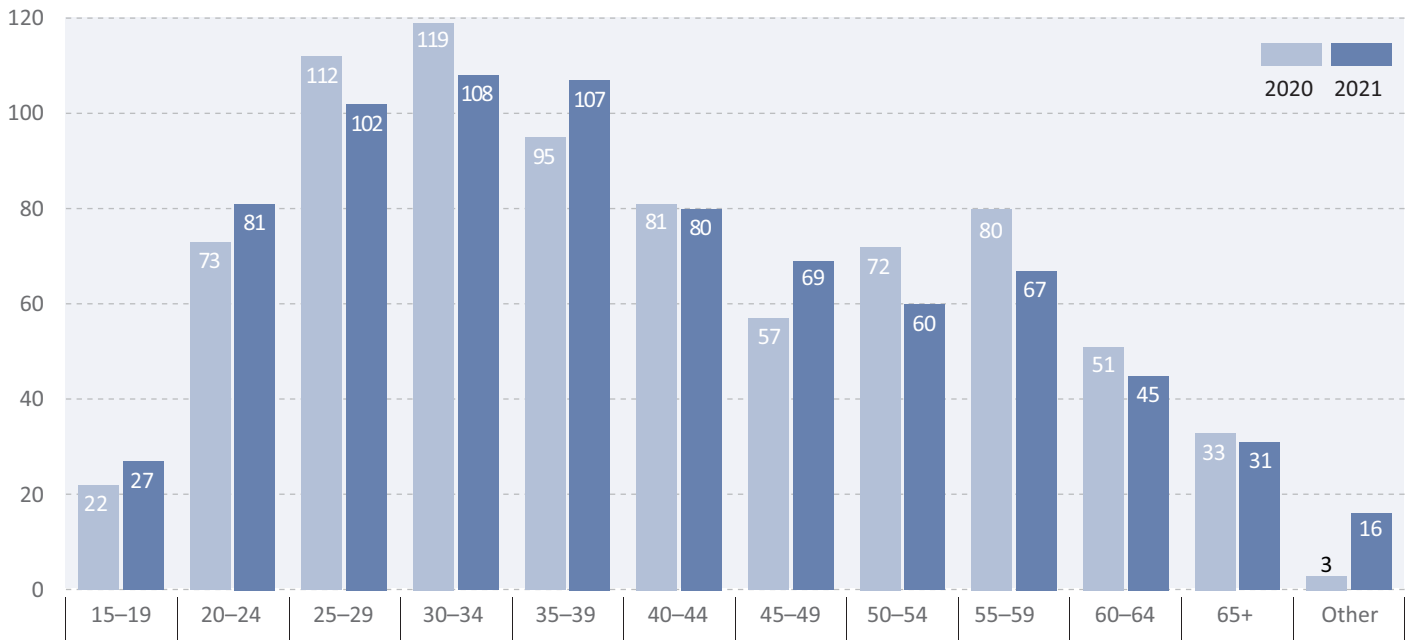
Board hearing officers reviewed 16 decisions, of those 12 were confirmed and four were reversed.

WCAT reviewed three of the 16 decisions, of those two were confirmed and one was reversed.

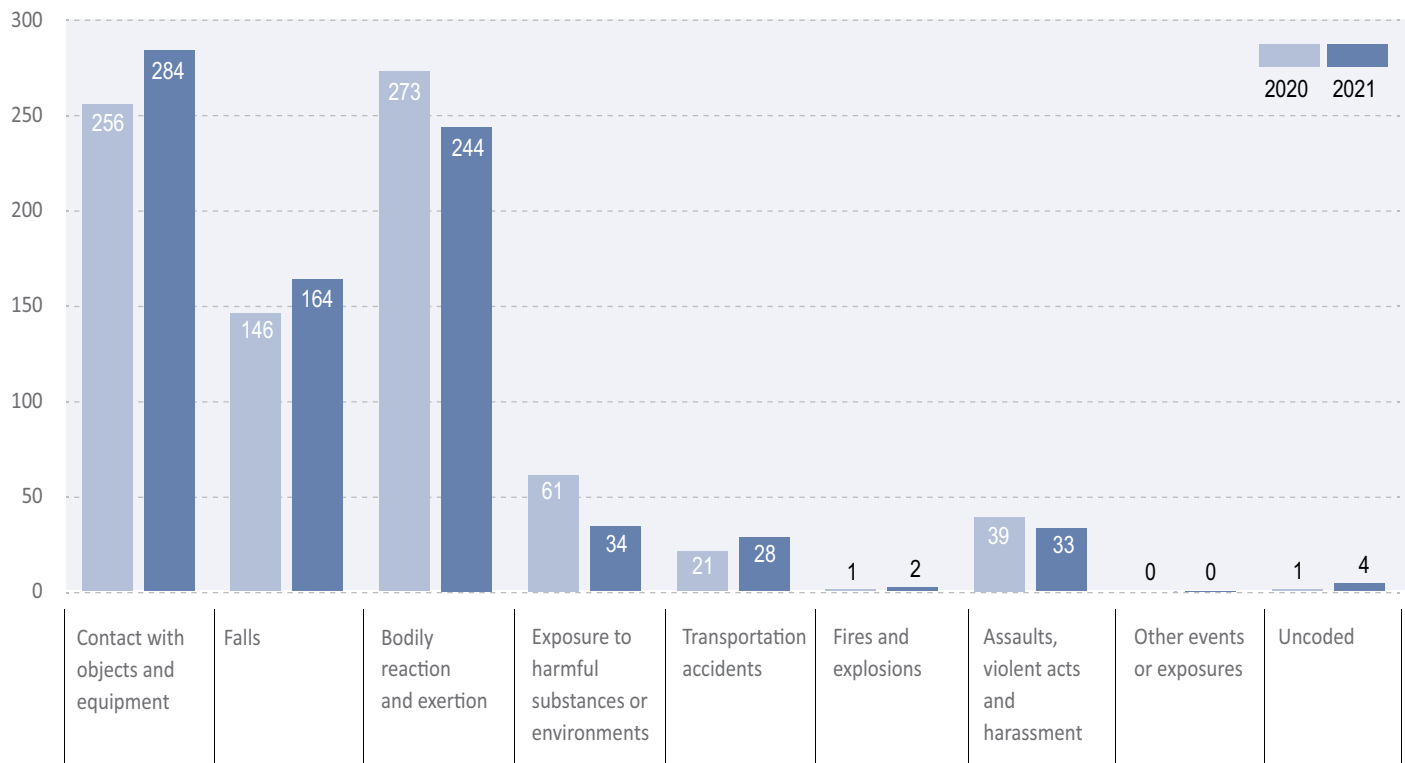
Appeals to the Board of Directors

An appeal panel of the Board of Directors is authorized to hear appeals on matters pertaining to assessments, occupational health and safety, and right-of-action determinations. No appeal decisions were issued in 2021.

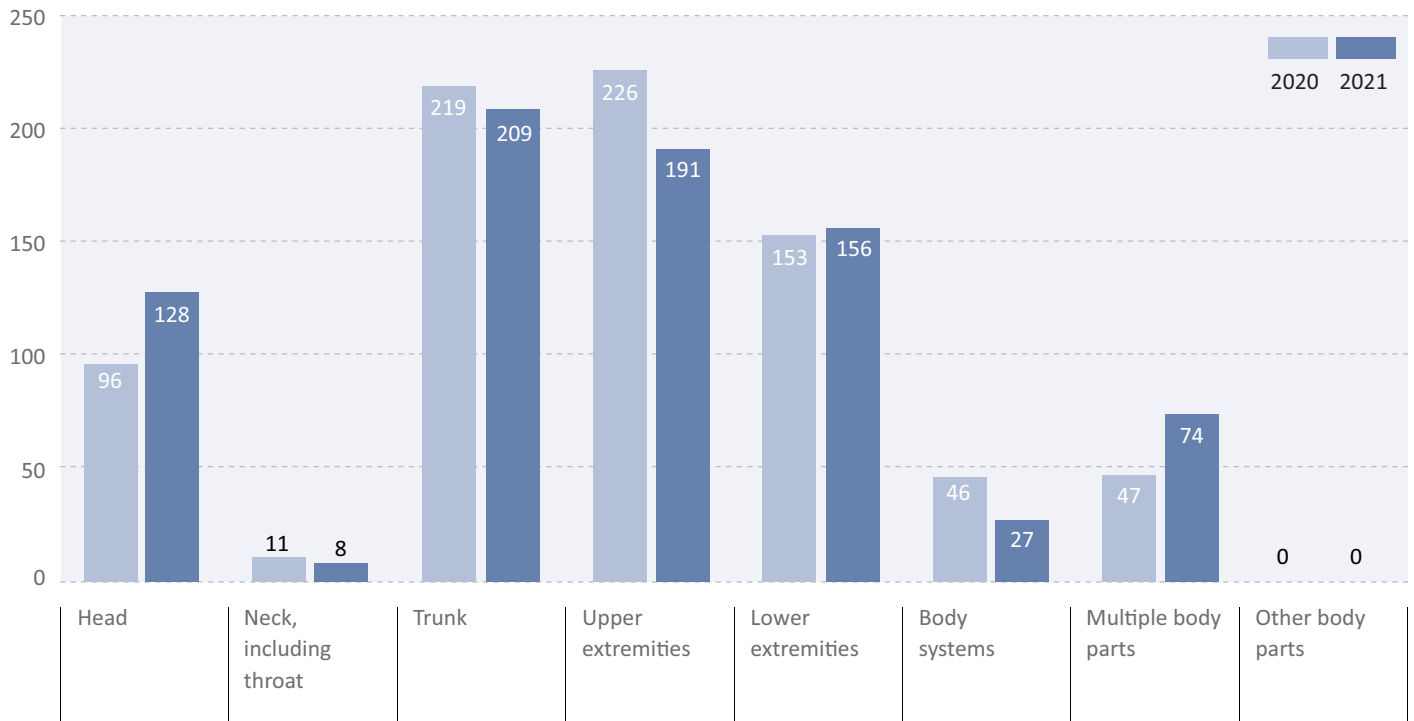
Accepted claims by age group



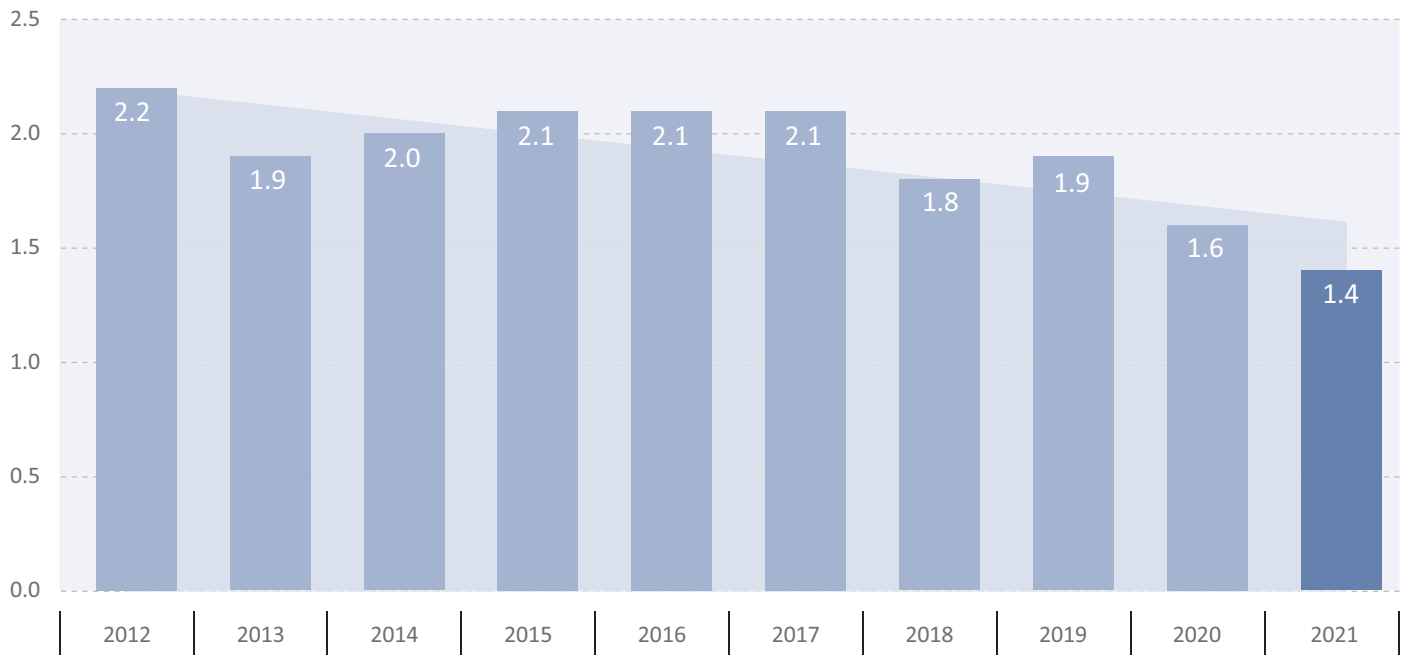
Accepted claims by event or exposure



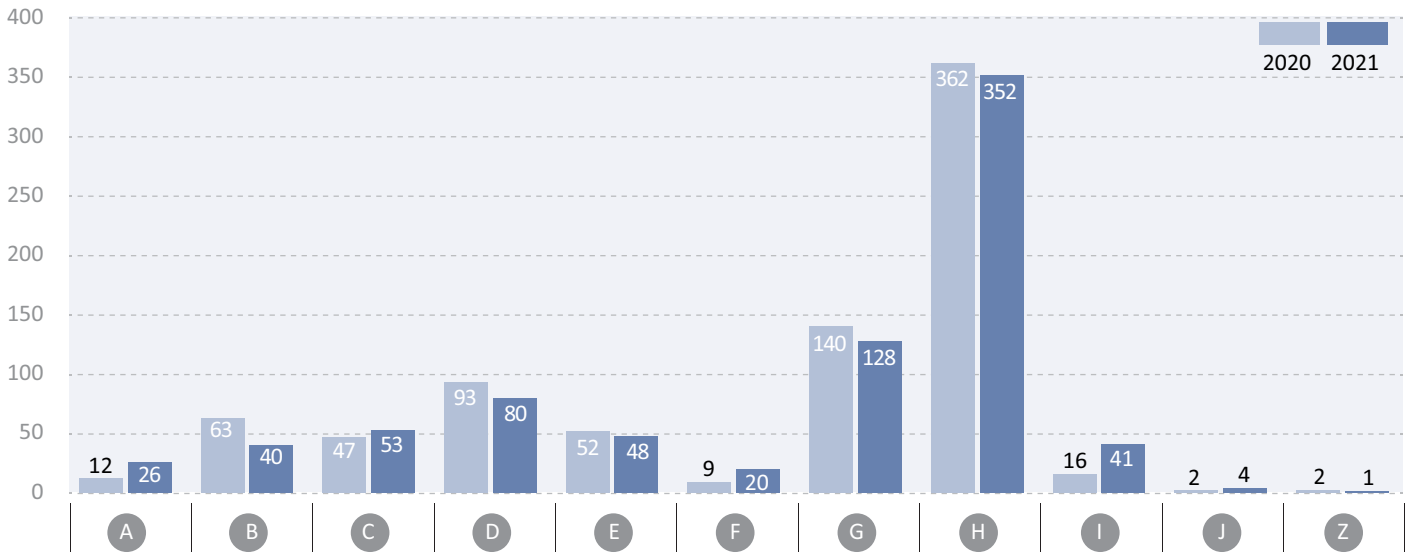
Accepted claims by part of body affected



Lost-time injury rate per 100 covered workers



Accepted claims by occupation



- A** Management Occupations
- B** Business, Finance and Administration Occupations
- C** Natural and Applied Sciences and Related Occupations
- D** Health Occupations
- E** Occupations in Social Science, Education, Government Service and Religion
- F** Occupations in Art, Culture, Recreation and Sport
- G** Sales and Service Occupations
- H** Trades, Transport and Equipment Operators and Related Occupations
- I** Occupations Unique to Primary Industry
- J** Occupations Unique to Processing, Manufacturing and Utilities
- Z** Unknown or Uncoded

Management's Discussion and Analysis

The Management's Discussion and Analysis provides further insight into the financial performance of the Compensation Fund (the Fund), as managed by the Yukon Workers' Compensation Health and Safety Board (the board), for the year ended December 31, 2021. The audited financial statements and supporting notes are integral to this analysis and should be read in conjunction with it. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been derived from the Fund's annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Forward-looking statements

Any forward-looking statements in this document represent the views of management. Forward-looking information is subject to many risks and uncertainties, and may contain significant assumptions about the future. These statements are presented to help stakeholders understand the Fund's financial position, priorities and anticipated financial performance.

Risk and uncertainties about future assumptions include, but are not limited to, the changing financial markets, the industry mix of the Yukon workforce, the general economy, legislation, accounting standards, appeals and court decisions, and other known or unknown risks. Readers are cautioned not to place undue reliance on forward-looking information as actual results may differ materially from those expressed or implied.

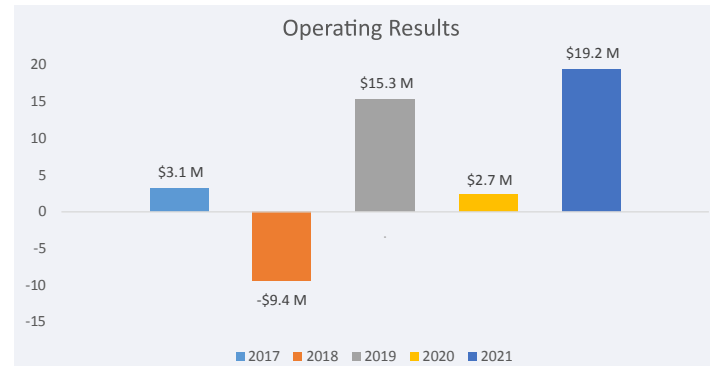
Risk management

In order to identify and manage the many risks that the organization faces, an enterprise risk management system has been implemented over the last few years. Its purpose is to identify risks that could impede the organization's ability to carry out its mandate of preventing injuries and helping injured workers and their families. Risks are identified and ranked by probability and impact. Risk owners are assigned, and mitigation measures are identified, implemented and monitored throughout the year. These measures are reviewed through the internal audit process to assure the organization that measures are functioning as anticipated. Annually, the organization formally reviews the risks and corresponding mitigation strategies with the Board of Directors.

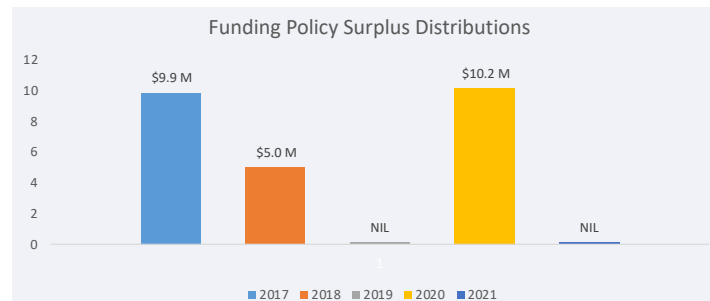
The top risks for 2021 were identified as outdated legislation, the disruption of operations by cyber-attacks and the inability to respond to changing stakeholder needs in a rapidly changing environment. Ongoing mitigation of these risks includes the Act Modernization Project, information technology security enhancements and continuing the board's commitment to business process improvements.

Operating results

In 2021, the Fund incurred an operating surplus of \$19.2 million versus \$2.7 million in 2020, resulting mainly from higher net investment income and assessment revenue compared to 2020.



Total comprehensive income (loss), which includes funding policy surplus distributions or recoveries and the actuarial gain or loss on post-employment benefits, was \$19.2 million (income) in 2021 versus \$7.7 million (loss) in 2020.

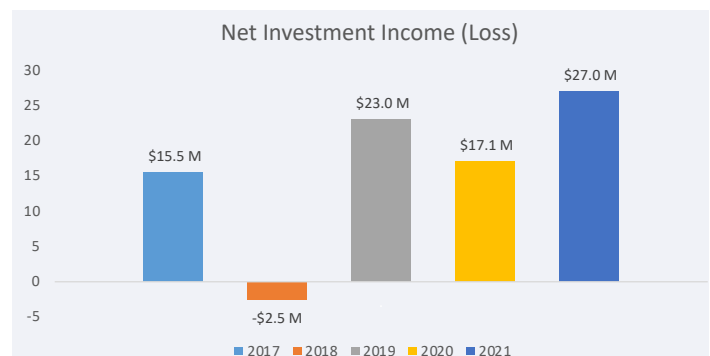


The main difference in total comprehensive income (loss) is due to the \$10.2 million surplus distribution approved by the Board of Directors in 2020 and paid out early in 2021.

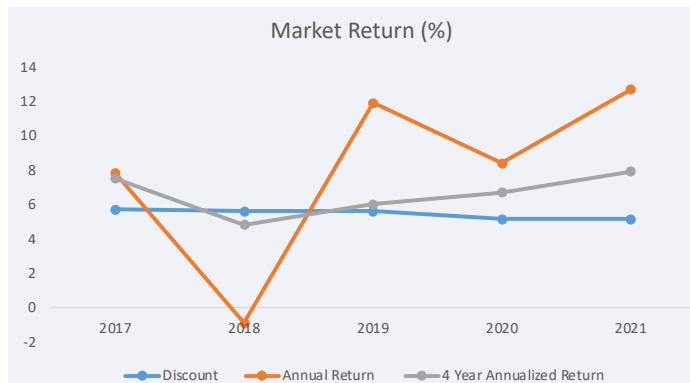
Revenues

The Fund's revenue and income totalled \$60.1 million in 2021 versus \$45.2 million in 2020. The change in overall revenue was mainly due to increased net investment income and higher than anticipated assessment revenue.

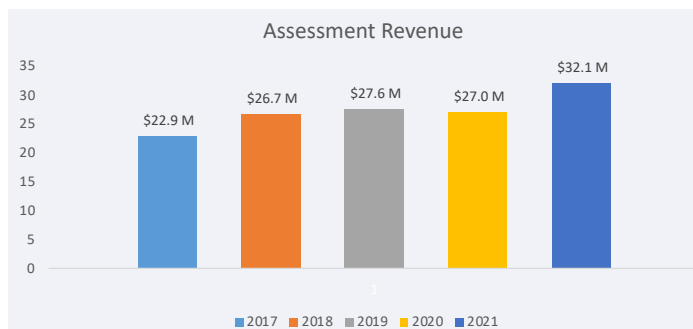
Net investment income in 2021 was \$27.0 million versus \$17.1 million in 2020, an increase of \$9.9 million.



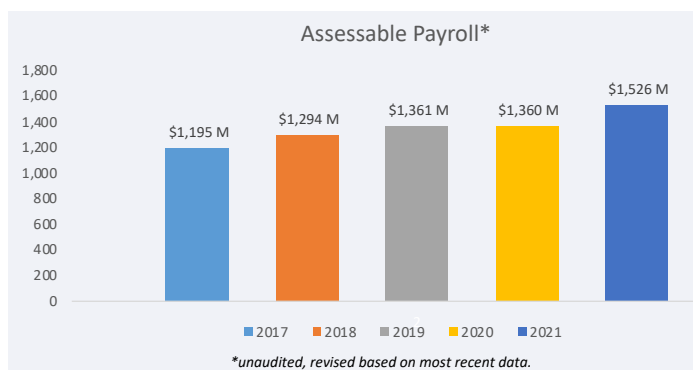
In 2021, the Fund continued to grow due to strong equity markets despite negative fixed income returns, ending the year with an overall return of 12.7% and a four-year annualized return of 7.9%. Both returns exceeded the targeted discount rate of 5.15%. At December 31, 2021, the investment portfolio's asset mix was 41% fixed income and 59% equities. This asset mix reflects the board's conservative approach to managing its investment portfolio.



Assessment revenue in 2021 was \$32.1 million versus \$27.0 million in 2020, a 19% increase, due to an overall increase in assessable payroll.

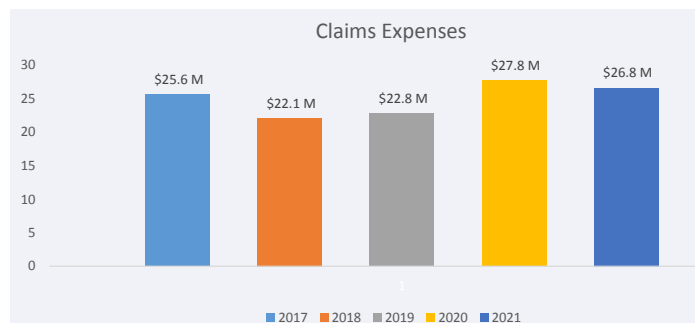


The increase in assessable payroll was related to an overall increase in economic activity in the Yukon in 2021. Although some sectors continued to struggle due to the global pandemic, others saw strong growth—mining, construction, transportation and government. Also, there was an increase in registered employers from 3,786 in 2020 to 3,924 in 2021.

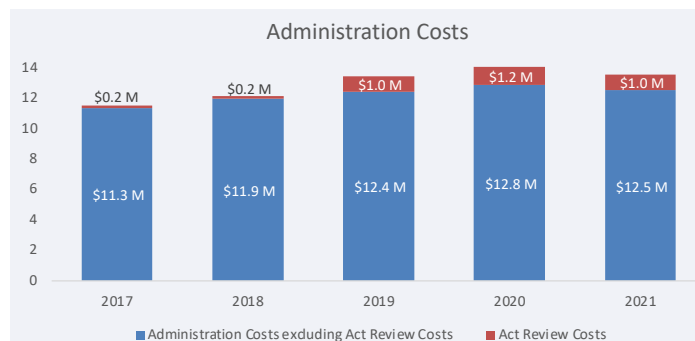


Expenses

Total claims expenses decreased to \$26.8 million in 2021 from \$27.8 million in 2020. Claims expenses were lower in 2021. A \$6.5 million increase in the current year claims costs and the occupational disease provision was offset by an \$7.5 million decrease in claims costs related to prior year claims. The occupational disease provision increase includes the additional costs resulting from the change to section 17.1 of the *Workers' Compensation Act* (current Act) that expands the number of cancers that are covered for firefighters.



Administration costs decreased to \$13.5 million in 2021 from \$14.0 million in 2020. This decrease was due mainly to lower costs in 2021 related to the Act Modernization Project and a write down in redundant software in 2020.



Balance sheet

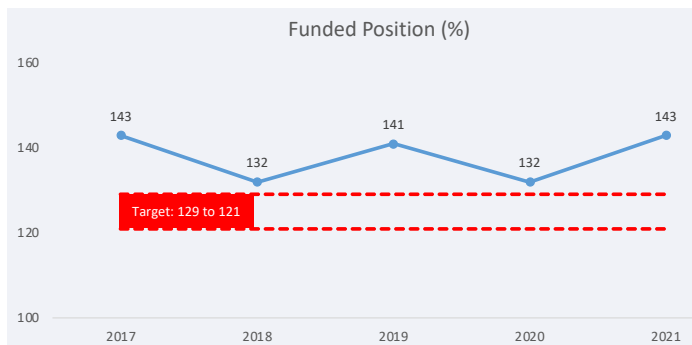
At the end of each fiscal year, the board's actuary calculates the benefits liability for all injuries that have occurred to date. This liability represents the actuarial present value of all future benefits and related administration costs. As at December 31, 2021, this liability was \$179.3 million, an increase of approximately 5.1% over the previous year. The benefits liability increased less than expected due to favourable claims experience, which offset the increase in the occupational disease provision related to the expansion of the listed diseases (cancers) for firefighters.

The total assets of the Fund increased by \$17.6 million, or 7%, in 2021. This increase was mainly attributable to the increased investments balance, which was driven by the strong returns earned in 2021.

Funded position

The funding ratio is calculated by dividing the total assets by the total liabilities. Like a pension plan, the Fund must have adequate assets to ensure that benefits can be provided to injured workers both now and well into the future. Reserves are necessary to ensure that the board can minimize rate volatility, protect the Fund from unforeseen catastrophic events and preserve capital during large downturns in financial markets.

As at December 31, 2021, the funding ratio was 143%, up from 132% in 2020, due to the strong investment returns in 2021.



Significant changes in accounting standards

IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts as of January 1, 2023, will have a significant impact on the board's financial statements, particularly the valuation of the benefits liability. Work on these changes began in 2021 and will continue throughout the next two years.

A new Act in a year of uncertainty

In terms of COVID-19, 2021 started with much hope and optimism as vaccines were rolled out and restrictions were eased. As the year progressed, this optimism was dampened as the new Delta variant appeared. In the fall, boosters arrived followed by the appearance of the Omicron variant.

Throughout this period of uncertainty, some staff continued to work from home, others worked in the office, and the organization continued to provide services to our clients. Zoom calls were the norm, and our staff functioned well in the second year of the pandemic.

As well as providing our core services to our clients, the organization had a dedicated working group that pushed forward in providing support to the government for the new Act. The Bill was tabled twice and finally the hard work and perseverance paid off—the *Workers' Safety and Compensation Act* (the new Act) received assent on December 2, 2021. This was the culmination of many years of work by staff, the Board of Directors and many stakeholders who provided their views on the proposed Act changes.

The new Act amalgamates the *Workers' Compensation Act* and the *Occupational Health and Safety Act*. The new Act comes into force on July 1, 2022; however, section 224 amended the current Act and was effective immediately upon assent.

Section 224 expanded the listed diseases (cancers) in subsection 17.1(1), Presumption for firefighters of the current Act. It also amended section 24, Canada and Quebec pension plan benefits of the current Act, removing the reduction of earnings loss benefits for workers who also receive Canada Pension Plan disability benefits because of a work-related injury. The financial impact of these changes was an increase of \$3.1 million to the benefits liability.

Financial strength offers protection

As we progress into 2022, the world faces challenges that have not been seen for a generation. Inflation is at its highest rates in decades, interest rates are about to increase, supply chains are struggling, the COVID-19 pandemic continues and Russia has invaded Ukraine.

During such times, it is important for organizations to have the resiliency and resources to weather the storm. Fortunately, the Fund is in a very strong financial position. This should allow the board to provide stable rates for employers; provide additional resources to deal with more complex claims; ensure future obligations to injured workers will be met; and continue to allow the organization to help monitor the safety of all Yukon workplaces. The last two years have been very challenging for the organization, our clients and our stakeholders. While it appears these challenges will continue into 2022, the board is financially well positioned to provide our services in these turbulent times.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Yukon Workers' Compensation Health and Safety Board (the "Board") is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced on a timely basis; Compensation Fund assets are safeguarded and controlled; transactions of the Compensation Fund are in accordance with relevant legislation, regulations and Board policies; the Board's resources are managed efficiently and economically and the operations of the Board are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Compensation Fund, including any amounts that must of necessity be based on management's best estimates, experience and judgement. Management is responsible for preparing the accompanying financial statements in accordance with International Financial Reporting Standards. Other financial information included in the Annual Report is consistent with these financial statements.

Members of the Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises its responsibilities through the Finance, Investment, and Audit Committee (the "Committee"). The Committee meets with management and the external auditors on a regular basis. The Committee has reviewed the financial statements and has submitted its report to the Board of Directors, which has approved these financial statements.

The Auditor General of Canada conducts an independent audit for the purpose of expressing her opinion on the financial statements. She also considers whether the transactions that come to her notice in the course of the audit are, in all significant respects, in accordance with specified legislation.

LifeWorks, an independent consulting actuarial firm, has completed an actuarial valuation of the benefits liability of the Compensation Fund included in the financial statements and reported thereon in accordance with accepted actuarial practice.



Kurt Dieckmann, MBA, CRSP
President and Chief Executive Officer



Jim Stephens, CPA, CMA, CGA
Vice President, Operations and Chief Financial Officer

June 17, 2022

Actuarial Statement of Opinion

I have completed the actuarial valuation of the benefits liability of the Yukon Workers' Compensation Health and Safety Board (the "Board") 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. In my opinion:

1. The data on which the valuation is based were supplied by the board in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the benefits liability.
2. The actuarial assumptions adopted in computing the benefits liability are adequate and appropriate for the purpose of the valuation. The economic assumptions are consistent with the funding and investment policies of the board.
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 \$179,275,000. This includes provisions for benefits expected to be paid after the valuation date for claims that occurred on or before the valuation date. A provision for future claims arising from long latency occupational diseases is included in this valuation. This liability includes future administrative expenses for all benefits, with the exception of the Annuity benefit. It does not include any accrued liability for claims arising from self-insured accounts.
5. The liability as at the valuation date for Annuity contributions and interest already set aside by the board up to the valuation date for purposes of providing pension benefits to injured workers was obtained from the board's finance division and is included in item 4 above.
6. 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.
7. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
8. The valuation is based on the provisions of the Workers' Compensation Act of the Yukon Territory, the provisions of Bill 8 which received Royal Assent in December 2021, and on the board's policies and practices in effect on the valuation date.



Thane MacKay, F.C.I.A.

This report has been peer reviewed by Mark Simpson, FCIA.



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Compensation Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Compensation Fund, which comprise the statement of financial position as at 31 December 2021, and the statement of operations and comprehensive income, statement of changes in funded position (equity) and statement of 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 Compensation Fund as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Compensation Fund 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Yukon Workers' Compensation Health and Safety Board's annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 Compensation Fund'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 Compensation Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Compensation Fund'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 Compensation Fund'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 Compensation Fund'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 Compensation Fund 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.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Compensation Fund coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Workers' Compensation Act* and regulations, the *Occupational Health and Safety Act* and regulations, and the *Financial Administration Act* of Yukon and regulations.

In our opinion, the transactions of the Compensation Fund that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Workers' Compensation Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied, after giving retrospective effect to the change in the method of accounting for cash held by investment custodians as explained in Note 5(a) to the financial statements, on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by the Compensation Fund and the financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Compensation Fund's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Compensation Fund to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



David Irving, CPA, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
17 June 2022

Compensation Fund
Statement of Financial Position
As at December 31

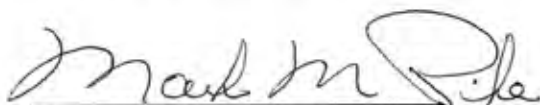
(In Canadian Dollars)

	Note	2021 (\$000s)	2020 (\$000s)
ASSETS			
Cash		\$ 7,008	\$ 4,997
Accounts receivable	7	3,187	2,683
Prepaid expenses		310	369
Investments	8	244,798	229,950
Property and equipment	9	9,992	9,510
Intangible assets	10	3,067	3,290
Total assets		\$ 268,362	\$ 250,799
LIABILITIES			
Accounts payable and accrued liabilities	11	\$ 4,981	\$ 5,079
Surplus distributions payable	15	22	10,220
Deferred portion of government grant	12	-	36
Benefits liability	13	179,275	170,596
Employee benefits	14	3,927	3,956
Total liabilities		188,205	189,887
FUNDED POSITION (EQUITY)			
Reserves	15	80,157	60,912
Total equity		80,157	60,912
Total liabilities and equity		\$ 268,362	\$ 250,799

Commitments and Contingencies (notes 17 and 19)

The accompanying notes are an integral part of these financial statements.

Approved by the Yukon Workers' Compensation Health and Safety Board



Mark Pike
Chair

Compensation Fund

Statement of Operations and Comprehensive Income

For the year ended December 31

(In Canadian Dollars)

	Note	2021 (\$000s)	2020 (\$000s) Restated - note 5(b)
Revenue and Income			
Assessment revenue		\$ 32,085	\$ 27,021
Net investment income	8	26,960	17,084
Recoveries and other receipts		1,048	1,050
		<u>60,093</u>	<u>45,155</u>
Expenses			
Claims expenses	13	26,804	27,834
Administration	18		
General and Administration		9,712	10,067
Occupational Health and Safety		2,188	2,059
Act and Regulation Amendments		965	1,238
Workers' Advocate		330	348
Employer Advisor		146	129
Appeal Tribunal		117	115
Prevention		677	692
		<u>40,939</u>	<u>42,482</u>
Operating surplus		<u>19,154</u>	<u>2,673</u>
Funding policy surplus distributions	15	<u>-</u>	<u>(10,220)</u>
Net surplus (deficit)		\$ 19,154	\$ (7,547)
Other comprehensive income			
All items presented in other comprehensive income will not be reclassified to operating surplus in subsequent periods:			
Actuarial gain (loss) on post-employment benefits	14	<u>91</u>	<u>(117)</u>
Total comprehensive income (loss)		<u>\$ 19,245</u>	<u>\$ (7,664)</u>

The accompanying notes are an integral part of these financial statements.

Compensation Fund

Statement of Changes in Funded Position (Equity)

For the year ended December 31

(In Canadian Dollars)

	Stabilization Reserve (\$000s)	Adverse Events Reserve (\$000s)	Total (\$000s)
	Restated - note 5(b)	Restated - note 5(b)	Restated - note 5(b)
Balance at January 1, 2020	\$ 43,596	\$ 24,980	\$ 68,576
Net deficit for 2020	(7,547)	-	(7,547)
Other comprehensive loss	(117)	-	(117)
Total comprehensive loss for 2020	(7,664)	-	(7,664)
Transfer to Adverse Events Reserve	(1,154)	1,154	-
Balance at December 31, 2020	\$ 34,778	\$ 26,134	\$ 60,912
Net surplus for 2021	19,154	-	19,154
Other comprehensive gain	91	-	91
Total comprehensive income for 2021	19,245	-	19,245
Transfer to Adverse Events Reserve	(986)	986	-
Balance at December 31, 2021	\$ 53,037	\$ 27,120	\$ 80,157

Capital Management and Reserves (note 15)

The accompanying notes are an integral part of these financial statements.

Compensation Fund
Statement of Cash Flows
For the year ended December 31

(In Canadian Dollars)

	2021 (\$000s)	2020 (\$000s)
Operating activities		Restated - note 5 (a)
Cash received from:		
Employers, for assessments	\$ 31,033	\$ 26,596
Investment revenue - interest	2,470	2,581
Investment revenue - dividends	2,665	2,689
Recoveries and other receipts	1,024	1,528
	<u>37,192</u>	<u>33,394</u>
Cash paid:		
To employers, for surplus distributions	(10,166)	-
For claims and claims administration	(18,114)	(17,856)
To employees and suppliers, for administration and prevention	(12,909)	(13,447)
	<u>(41,189)</u>	<u>(31,303)</u>
Total cash (used by) provided by operating activities	<u>(3,997)</u>	<u>2,091</u>
Investing activities		
Net sale of investments	7,700	2,856
Purchases of property and equipment	(1,056)	(480)
Purchases of intangible assets	(636)	(971)
Total cash provided by investing activities	<u>6,008</u>	<u>1,405</u>
Increase in cash	2,011	3,496
Cash, beginning of year	4,997	1,501
Cash, end of year	<u>\$ 7,008</u>	<u>\$ 4,997</u>

The accompanying notes are an integral part of these financial statements.

1. Reporting Entity

The Compensation Fund (the "Fund") was established by the *Workers' Compensation Act* of Yukon (the "Act") and is administered by the Yukon Workers' Compensation Health and Safety Board (the "Board") pursuant to the Act. In 2008, the Act was amended and received assent in the Legislative Assembly. The effective date of the amended Act was July 1, 2008.

The Fund, as administered by the Board, provides compensation for injury or death by accidents arising out of and in the course of employment. Annual assessments are levied upon employers by applying their industry assessment rate to their actual or estimated payrolls for the year. The assessment and investment revenue pays for all claims, administration and prevention expenses.

Since 1992, the Board has also been responsible for the administration of the *Occupational Health and Safety Act* and Regulations to advance strategies for preventing workplace injuries in the territory.

On December 2, 2021, the *Workers' Safety and Compensation Act* (the "new Act") received assent in the Legislative Assembly. The new Act amalgamates the *Workers' Compensation Act* and the *Occupational Health and Safety Act* of Yukon. The new Act comes into force on July 1, 2022; however, section 224 amended the current *Workers' Compensation Act* and was effective immediately upon assent. Section 224 expanded the listed diseases (cancers) that apply under subsection 17.1(1), Presumption for firefighters, and amended section 24, Canada and Quebec pension plan benefits, which ended the reduction of earnings loss benefits for workers who also receive Canada pension plan disability benefits because of a work-related injury.

The Board, a territorial entity, is domiciled in Canada and has its office at 401 Strickland Street, Whitehorse, Yukon, Canada. The Board is exempt from income tax and the goods and services tax.

2. Statement of Compliance and Basis of Preparation

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS").

The Board of Directors approved and authorized for issue the 2021 financial statements on June 17, 2022.

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for the following: investments classified as held-for-trading that are measured at fair value, and the benefits liability and employee benefits which are both actuarially determined. The Fund's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Fund operates, and is also the presentation currency of the financial statements.

All financial information is presented in Canadian dollars and tabular financial information has been rounded to the nearest thousand dollars, unless otherwise stated.

Critical Accounting Estimates and Judgements

The Board makes estimates and judgements in respect of certain key assets and liabilities of the Fund. Estimates and judgements 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are the following:

- Note 8 Investments – Valuation of financial instruments
- Note 13 Benefits liability – Determination of discount rates and other assumptions
- Note 13 Benefits liability – Determination of latent occupational disease provision

The major areas of judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are the following:

- Note 8 Investments – Classification of financial instruments
- Note 9 Property and equipment – The degree of componentization
- Note 10 Intangible assets – The determination of development costs eligible for capitalization

3. Application of New and Revised IFRS

New and revised IFRS issued but not yet effective

The Board reviewed new or revised standards that were issued but yet not effective for 2021 and concluded that there would be no significant impact on the Fund's financial statements in the future as a result of these new or revised standards, except as follows:

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* ("IFRS 17") was issued in May 2017 to replace IFRS 4 *Insurance Contracts* ("IFRS 4"). In 2020, the effective date was deferred to annual reporting periods beginning on or after January 1, 2023, along with an extension of the temporary exemption from applying IFRS 9 *Financial Instruments* ("IFRS 9"). See discussion on IFRS 9 below.

IFRS 17 is expected to change the way insurance contract liabilities are recognized and measured. It will also change the presentation and disclosures of the Fund's financial statements. The Board is assessing the impact of this standard and anticipates that it may potentially have a significant effect on the Fund's financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking expected credit loss impairment model. The standard was effective for annual periods beginning on or after January 1, 2018; however, amendments were issued to IFRS 4 that provided optional relief to eligible insurers in respect of IFRS 9. The Board evaluated its liabilities and concluded they were predominately connected with insurance. As the Board has not previously applied IFRS 9, the Board is an eligible insurer and, effective January 1, 2018, elected to apply the optional transitional relief under IFRS 4 permitting deferral of the adoption of IFRS 9.

In 2020, the temporary exemption from applying IFRS 9 was extended until annual reporting periods beginning on or after January 1, 2023, to coincide with the deferral of the effective date of IFRS 17. The Board will continue to apply IAS 39 *Financial Instruments: Recognition and Measurement* until the implementation of IFRS 17. The impact of applying IFRS 9 is not expected to have a material impact on the Fund's financial statements.

4. Significant Accounting Policies

The following is a summary of the Fund's significant accounting policies:

(a) Cash

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash includes cash on hand, bank balances, net of any bank overdrafts and cash held by investment custodians for investment purposes.

Foreign currency transactions incurred within operating activities are translated based on the exchange rate at the time of the transaction. Any cash balances remaining in foreign currency bank accounts at year end are translated at the exchange rate in effect as of December 31 of that year. Any gains or losses incurred as a result of translations are recorded in the Statement of Operations and Comprehensive Income.

(b) Assessments, recoveries and other receipts

Assessment revenue is calculated monthly on actual or estimated payrolls as reported by the employer, or on provisional assessments as determined by the Board. Separate rates of assessment are established for each industry classification. At year end, assessments receivable and payable are adjusted based on the difference between estimated and actual payrolls.

The Government of Yukon pays certain claims costs to the Compensation Fund for claims prior to 1993 and reimburses the cost of supplementary benefits pursuant to the Yukon Workers' Compensation Supplementary Benefits Ordinance. Under the Ordinance, supplementary compensation benefits are granted to all persons receiving compensation on or after October 1, 1973 for accidents prior to that date. Compensation is increased to the amount that would have been granted had the accident occurred after the Act came into force. The cost of these benefits is recovered from the Yukon Consolidated Revenue Fund.

Effective January 1, 1993, all Government employees were covered by the Fund. The Government also reimburses the Compensation Fund for all claims costs associated with those injured workers, who are designated as workers employed by the Government under section 6 of the Act. These amounts are recorded in recoveries and other receipts in the year in which the related expenses are incurred (note 16(a)).

(c) Recoveries from third parties

Since July 1, 2008, under section 51 of the *Workers' Compensation Act* (Yukon), the Board is deemed to be an assignee of a cause of action in respect of a worker's injury that arose out of a work-related injury. If settled, or as a result of a Court decision, the legal costs and costs associated with the claim create the settlement. Out of the settlement are paid the legal costs, and legal disbursements, and all past, present and future costs. Any funds remaining are paid to the worker. The amount recovered for past, present and future costs is used to pay for future claims benefits, which were previously expensed in accordance with actuarial calculations, and which were previously incorporated in the benefits liability.

Recoveries from third parties are recognized when their receipt is virtually certain and the amount can be reliably measured. They are recorded as a recovery in the year they are recognized. No provision is made in the benefits liability for possible future third party recoveries because of their contingent nature.

(d) Financial instruments

Investments

Investments are classified as held-for-trading because they are acquired for the purpose of selling or repurchasing in the near term and are measured at fair value through profit or loss. The fair value of publicly traded investments is the quoted market price which approximates the bid price at the end of the reporting period. Pooled fund units are valued at their year end net asset value, as determined by the fund manager. Purchases and sales of investments are recognized on the trade date.

Net investment income is comprised of realized gains and losses earned in the period arising on the sale of investments; unrealized gains and losses arising from fluctuations in fair value in the period; and dividends and interest earned in the period; net of investment management fees and transaction costs.

Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Income from investments is translated at the rate in effect at the time it is earned. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are recognized in net investment income in the period in which they arise.

The Board does not enter into any financial derivative instruments as part of managing the Fund's investment portfolio.

Other financial assets and liabilities

Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, and surplus distributions payable are classified as other financial liabilities. All are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of accounts receivable, accounts payable and accrued liabilities, and surplus distributions payable, their carrying values approximate their fair values, which are classified as Level 2 in the fair value hierarchy.

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of its financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques that use inputs which have a significant effect on the recorded fair value which are not based on observable market data.

Changes in valuation methods may result in transfers into or out of an instrument's assigned level. The Board's policy is to recognize transfers as of the date of the event or change in circumstances that cause the transfer. There were no such transfers between levels in 2021 (2020 – No transfers).

Impairment of financial assets

The carrying amount of accounts receivable is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. The Board assesses at each reporting date whether a financial asset or group of financial assets is impaired. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in operating surplus or deficit.

Derecognition of financial assets and liabilities

A financial asset is derecognized when the contractual right to the cash flows from the asset expires or if the Board transfers the financial asset and substantially all risk and rewards of ownership to another entity.

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled, or expire.

(e) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment. Depreciation is calculated based on the straight-line method using rates based on the estimated useful lives of the assets as follows:

Buildings and fixtures	10 – 75 years
Furniture and equipment	5 – 15 years
Computer equipment	5 – 7 years

Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for separately.

The estimated useful life, residual value and depreciation method are reviewed at each year end and any change in estimate is made on a prospective basis.

(f) Intangible assets

Intangible assets are comprised of purchased software and internally developed software systems.

Research costs are expensed as incurred. Development costs of internally developed software systems are capitalized when the system is technically feasible, resources are available, costs can be measured reliably, management intends to use the asset, and future economic benefits are probable. The asset is derecognized when it no longer meets these criteria. Salaries, wages and benefits directly related to internally developed software systems are included in the asset's cost. When the asset is substantially complete and is available for use, development costs are transferred to the related asset category and amortized.

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment. Amortization is calculated based on the straight-line method using rates based on the estimated useful lives of the assets as follows:

Systems and software	5 – 25 years
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The estimated useful life and amortization period is reviewed at each year end and any change in estimate is made on a prospective basis.

(g) Impairment of non-financial assets

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, the Board has established that the appropriate cash generating unit for impairment review is the entity. The Board has statutory power under the Act to increase premiums and/or charge a premium surcharge to ensure full funding into the foreseeable future and, therefore, the likelihood of impairment at the entity level is remote.

Individual assets that may have experienced impairment due to loss, damage, obsolescence or curtailed service potential are reviewed and the estimated useful life, depreciation method and residual value adjusted.

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's recoverable amount. As at December 31, 2021, management conducted an impairment review at the entity level, which confirmed that there were no indicators of impairment—changes in the legislative, economic or business environment—that would have a material impact on the Board's ability to generate future economic benefits from its operating (non-financial) assets.

(h) Government grants

There are two types of government grants which include government grants related to expenses and government grants related to assets. Government grants related to expenses are recognized as income when there is reasonable assurance that the conditions attached to the grant will be complied with and the grant will be received. When the grant relates to an asset, it is recognized as deferred income and is released into income in equal amounts over the expected useful life of the related asset.

In 2005, the Government of Yukon approved the reinstatement of ongoing funding for the Mine Safety Program (the "Program") through an annual grant to the Fund. The Program, which was transferred to the Board in 1993, provides mine rescue training and support services as well as mine safety inspection services. The funding is to be reviewed by the Government, at a minimum, every five years. The grant is accounted for as income in the period in which the related expenses are incurred (note 12).

In 2011, the Board signed an agreement with the Government of Yukon which provides the Fund with funding for the purpose of upgrading mine safety equipment. The grant has been accounted for as deferred income and released into income over the expected useful life of the equipment. As at December 31, 2021, the deferred income related to the 2011 funding was fully released into income, with a remaining balance of \$nil (note 12).

(i) Benefits liability

The benefits liability is determined annually and represents the actuarial present value of all future benefit payments expected to be made for claims which have occurred in the current fiscal year or in any prior year. The benefits liability includes a provision for future payments on claims that have not been finalized to date. It also includes a provision for all benefits provided by current legislation, policies and administrative practices in respect of existing claims as well as future claims management costs. A provision has been made for claims related to known latent occupational diseases which may have occurred in the current or previous years, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefits liabilities (note 13).

The benefits liability is comprised of four liabilities—medical aid, compensation, pension and annuity:

- Medical aid includes benefits for medical aid, emergency transportation, traditional Aboriginal healing, death and funeral expenses, lump sum payments for permanent impairment, and rehabilitation assistance.
- Compensation includes income amounts that are paid to all eligible workers who suffer a work-related injury, incapacity or occupational disease that has resulted in a loss of earnings.
- Pension includes monthly pension benefits indexed annually that are paid to spouses, dependent children and guardians of dependent children of those who die from a work-related injury.
- Annuity includes annuity benefits for workers who have received compensation for the same disability for at least 24 months. An amount equal to 10 per cent of the total compensation payments, plus interest, is set aside to provide a retirement annuity when a worker becomes entitled to apply for Old Age Security benefits.

Many assumptions are required to calculate the benefits liability, including estimates of future inflation, interest rates and mortality rates. The benefits liability is determined annually by an independent actuarial valuation. The Actuarial Statement of Opinion on the adequacy and appropriateness of the benefits liability is attached to these financial statements.

A portion of administration and general expenses is allocated as claims management costs to the current year's claims and the prior years' claims. The amount allocated to claims is reviewed by the independent actuary for reasonableness as part of the annual actuarial valuation of the benefits liability.

(j) Employee benefits

Short-term employee benefits

Employee benefits that are expected to be settled within twelve months of the reporting date are measured on an undiscounted basis. These benefits include annual vacation leave earned but not yet used.

Other long-term employee benefits

Benefits that are expected to be settled beyond twelve months are determined based on an actuarial valuation as the best estimate of future cash flows discounted to present value with actuarial gains and losses recognized in operating surplus or deficit as incurred. These benefits include long service vacation leave, sick leave and special leave benefits earned but not used.

Post-employment benefits

(i) Retirement and severance benefits

Retirement or severance benefits are available to employees who have completed five years of service with the Board. Payments are made upon retirement or termination, with benefits increasing with additional length of service. The benefit obligation is determined based on an actuarial valuation using estimates of future inflation and interest rates. Actuarial gains and losses are recognized in other comprehensive income as incurred. The obligation is calculated using the projected unit credit method prorated on service.

(ii) Public Service Pension Plan

Substantially all of the employees of the Board are covered by the Public Service Pension Plan (the "Plan"), a multi-employer contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both employees and the Fund to cover current service cost. Pursuant to legislation currently in place, the Fund has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Fund.

(k) Funding policy surplus distributions

The Board may issue surplus distributions in accordance with its Funding Policy. These are recorded as an expense in the period in which they are approved by the Board of Directors. Surplus distributions that are approved but not issued are recorded as payable when an obligation exists, when the amount of such distributions can be reliably estimated, and when it is probable a payment will be issued in the future to settle the obligation.

5. Accounting Changes

(a) Classification of Cash Held by Investment Custodians

The Fund re-assessed its accounting policy for cash held by investment custodians for investment purposes. The Fund previously classified its cash held by investment custodians for investment purposes as investments. The Fund elected to change the method of accounting for cash held by investment custodians for investment purposes and classify them as cash. The Fund has applied the above policy retrospectively. The effect of the changes are described below.

Statement of Financial Position / As at December 31

	2020 (\$000)		
	<u>As Previously Reported</u>	<u>Restatement</u>	<u>Restated</u>
Cash	4,581	416	4,997
Investments	230,366	(416)	229,950

Statement of Cash Flows / For the year ended December 31

	2020 (\$000)		
	<u>As Previously Reported</u>	<u>Restatement</u>	<u>Restated</u>
Investing Activities			
Net sale of investments	2,440	416	2,856
Total cash provided by investing activities	989	416	1,405
Increase in cash	3,080	416	3,496
Cash, end of year	4,581	416	4,997

In addition to the main statement impacts as shown above, where comparative information in note disclosures has also been restated in relation to this accounting change, it has been identified as such within the applicable note.

(b) Restatement of Benefits Liability

In the prior year, the Fund included a claim in the benefits liability that related to a designated worker employed by the Government under section 6 of the Act. The Fund has restated the benefits liability to remove this claim because claims under section 6 of the Act are recovered from the Government (note 4(b)). As a result of the change to the benefits liability, claims expenses, operating surplus, net deficit, total comprehensive loss, and reserves have also been restated. The effect of the changes are described below.

Statement of Financial Position / As at December 31

	2020 (\$000)		
	As Previously Reported	Restatement	Restated
Benefits liability	171,226	(630)	170,596
Total liabilities	190,517	(630)	189,887
Reserves	60,282	630	60,912
Total equity	60,282	630	60,912

Statement of Operations and Comprehensive Income / For the year ended December 31

	2020 (\$000)		
	As Previously Reported	Restatement	Restated
Claims expenses	28,464	(630)	27,834
Total expenses	43,112	(630)	42,482
Operating surplus	2,043	630	2,673
Net deficit	(8,177)	630	(7,547)
Total comprehensive loss	(8,294)	630	(7,664)

Statement of Changes in Funded Position (Equity) / For the year ended December 31

	2020 (\$000)		
	As Previously Reported	Restatement	Restated
Net deficit for 2020	(8,177)	630	(7,547)
Total comprehensive loss for 2020	(8,294)	630	(7,664)
Stabilization Reserve	34,084	694	34,778
Adverse Events Reserve	26,198	(64)	26,134
Balance at December 31, 2020	60,282	630	60,912

In addition to the main statement impacts as shown above, where comparative information in note disclosures has also been restated in relation to this accounting change, it has been identified as such within the applicable note.

6. Risk Management

The Fund has exposure to the following financial risks: credit risk, liquidity risk and market risk (which also includes inflation risk, interest rate risk and currency risk). The Fund's exposure to these risks arises primarily in relation to its investment portfolio, but also in relation to its other financial assets and financial liabilities.

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The Board's management is responsible for monitoring performance and recommending changes to the Investment Policy. The Board of Directors is ultimately responsible for governance and strategic direction of the investment portfolio through its review and approval of the Investment Policy and selection of investment managers. The investment managers' compliance with this Investment Policy is monitored on a regular basis. Quarterly, independent consultants benchmark the performance of the Fund's investment managers and advise on the appropriateness and effectiveness of the Fund's Investment Policy and practices.

The following sections present information about the Fund's exposure to each of the above risks and the Board's objectives, policies and processes for measuring and managing each risk. There were no changes to these risks or the Board's objectives, policies and process for managing them during the year ended December 31, 2021.

Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a fixed-term instrument fails to meet its obligations. Excess cash not held for investing purposes is held on deposit with the Government of Yukon's banker. Short-term deposits with this bank are rated as R-1 (high). To manage this risk, the Board, as prescribed in the Investment Policy, has determined that short-term investments must have a credit rating of at least R1L, and long-term investments require a rating of BBB or higher by the Dominion Bond Rating Service or the equivalent rating by Moody's, in order to be eligible for consideration as an investment. Diversification of credit risk is managed by limiting the exposure in a single private institution to 15% of the portfolio. The Board has stayed within these guidelines during the year.

Fixed Income Portfolio Credit Ratings

Ratings					31-Dec-21	31-Dec-20
	AAA	AA	A	BBB	(\$000s)	(\$000s)
Fixed Income Securities	\$ 28,516	\$ 22,005	\$ 35,794	\$ 7,201	\$ 93,516	\$ 93,002

The Fund's exposure to credit risk associated with its accounts receivable is the risk that an employer or a cost recovery customer (the "customer") will be unable to pay amounts due to the Fund. The Fund's maximum exposure to credit risk associated with its accounts receivable is \$3,187,000 (2020 – \$2,683,000).

An estimated allowance for doubtful accounts has been recorded for accounts receivable that may not be collectible as at the reporting date. The amounts disclosed on the Statement of Financial Position are net of these allowances for doubtful accounts. At December 31, 2021, there were no accounts receivable that were past due but not impaired. The Board takes into consideration payment and collections history, and the current economic environment in which the Board operates to assess impairment. The Board recognizes a bad debt provision when management considers that the expected recovery is less than the carrying amount receivable.

The Board believes that the credit risk of accounts receivable is mitigated by the following:

- i. The employer base is dispersed across various industries, with government comprising a significant concentration. The non-government-based employers may be affected by any downturns due to prevailing economic conditions.
- ii. As at December 31, 2021, approximately 91% (2020 – 93%) of accounts receivable were outstanding for less than 90 days. The Board does not require collateral or other security from employers or customers for accounts receivable.
- iii. The Board has the power and remedies to enforce payment owing to the Fund.

Liquidity risk

Liquidity risk is the risk that the Fund is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Fund's operations are financed through a combination of the cash flows from operations and investments. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

The Fund has access to the Government of Yukon's overall line of credit facility with the Government's banker. This access provides the Fund with overdraft coverage of \$7,000,000 if needed. As of December 31, 2021, the Fund had used \$nil of the overdraft coverage (2020 – \$nil).

The Fund's accounts payable and accrued liabilities had a carrying value of \$4,981,000 as at December 31, 2021 (2020 – \$5,079,000) and were all payable within a year.

The Fund's surplus distributions payable had a carrying value of \$22,000 as at December 31, 2021 (2020 – \$10,220,000) and relates to amounts as yet unclaimed from the surplus distribution approved in 2020 (note 15).

Liquidity risk related to the benefits liability is included in note 13(f).

Market risk

The Fund is exposed to market risk which is the risk that the fair value or future cash flows of its investments will fluctuate in the future because of economic conditions. Market risk is managed through diversification between different asset classes and geographic locations, and by limiting the concentration in any single entity to 15 per cent or less of the fair value of the investment fund (note 8).

The table below presents the Fund's investment targets and actual asset mix at fair value:

	Target		Actual	
	Minimum	Maximum	31-Dec-21	31-Dec-20
Equities				Restated - note 5(a)
Canadian	0%	25%	18.7%	18.3%
United States	0%	25%	22.0%	19.4%
International	0%	25%	18.6%	20.3%
Fixed Income				
Short-term investments	0%	10%	2.5%	1.6%
Bonds	35%	85%	38.2%	40.4%
			<u>100.0%</u>	<u>100.0%</u>

The table below presents the effect on operating results and equity of a material adverse change in the fair value of each of the categories of equities in the Fund's investments portfolio:

	31-Dec-21		31-Dec-20	
	(\$000s)		(\$000s)	
Percentage decrease in fair value	-10%	-20%	-10%	-20%
Equities				
Canadian	\$ (4,579)	\$ (9,159)	\$ (4,216)	\$ (8,432)
United States	(5,386)	(10,771)	(4,466)	(8,933)
International	(4,561)	(9,121)	(4,662)	(9,323)
Total impact on operating results and equity	<u>\$ (14,526)</u>	<u>\$ (29,051)</u>	<u>\$ (13,344)</u>	<u>\$ (26,688)</u>

Inflation risk

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power of current monetary assets. The Board manages inflation risk through its investment allocation between equities and fixed income investments.

Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Fund's investment portfolio is exposed to interest rate risk through its holdings of short- and long-term fixed income investments. Interest rate risk is minimized by actively managing the duration of the fixed income investments.

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The table below presents the effects on operating results and equity of a 50 and 100 basis point ("bp")¹ adverse change in the nominal interest rate on the fair value of the bond portfolio.

	31-Dec-21 (\$000s)		31-Dec-20 (\$000s)	
	+50bp	+100bp	+50bp	+100bp
Positive bp change in nominal interest rate				
Bonds	\$ (3,376)	\$ (6,752)	\$ (3,355)	\$ (6,711)
Total impact on operating results and equity	\$ (3,376)	\$ (6,752)	\$ (3,355)	\$ (6,711)

(1) One basis point (bp) equals 1/100 of 1%; 50 bps = 50/100 of 1%, or 0.5%.

In the event the nominal interest rates decrease by 50 and 100 basis points, the impact will be equal and opposite to the above stated values.

The table below presents the remaining terms to maturity at fair value, along with the average effective yields for each maturity, for fixed income investments exposed to inflation and interest rate risk.

	Remaining term to maturity ⁽¹⁾				31-Dec-21 (\$000s)	31-Dec-20 (\$000s)
	< 1 year	1 - 5 years	5 - 10 years	> 10 years	Total	Total
Bonds	\$ 1,671	\$ 41,629	\$ 21,320	\$ 28,896	\$ 93,516	\$ 93,002
Average effective yield	0.52%	1.43%	1.97%	2.39%	1.83%	1.22%

(1) Maturity is defined as the earliest a bond can be redeemed without penalty by the bond issuer.

The Fund is also exposed to the risk that interest rate movements may materially impact the value of its benefits liability (note 13(e)).

Currency risk

Currency risk is the risk that the value of financial assets and financial liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates relative to the Canadian dollar.

The Fund is exposed to exchange rate volatility that is managed by the contracted fund managers. The Board does not undertake long-term hedging strategies for the currency risk of foreign investments. The Fund's most significant exposure is to the US dollar, Euro, British pound, Japanese yen and Swiss franc.

The Fund held foreign currency denominated holdings, at fair value, as follows:

Currency	31-Dec-21 (\$000s)	31-Dec-20 (\$000s)
US dollar	\$ 58,241	\$ 48,257
Euro	\$ 15,956	\$ 13,740
British pound	\$ 6,891	\$ 6,696
Japanese yen	\$ 6,382	\$ 6,434
Swiss franc	\$ 5,267	\$ 7,502

The sensitivity analysis below presents the effect on operating results and equity of a 10 per cent appreciation in the Canadian dollar as compared to the US dollar, Euro, British pound, Japanese yen and Swiss franc.

Currency	31-Dec-21 (\$000s)	31-Dec-20 (\$000s)
US dollar	\$ (5,295)	\$ (4,387)
Euro	\$ (1,451)	\$ (1,249)
British pound	\$ (626)	\$ (609)
Japanese yen	\$ (580)	\$ (585)
Swiss franc	\$ (479)	\$ (682)

In the event there is a 10 per cent depreciation in the Canadian dollar, the impact will be equal and opposite to the above stated values.

7. Accounts Receivable

	31-Dec-21 (\$000s)	31-Dec-20 (\$000s)
Assessments		
Assessed and due from employers	\$ 3,127	\$ 2,703
Allowance for doubtful accounts	(156)	(135)
	<u>\$ 2,971</u>	<u>\$ 2,568</u>
Other		
Other receivables and recoveries	\$ 243	\$ 139
Allowance for doubtful accounts	(27)	(24)
	<u>216</u>	<u>115</u>
	<u>\$ 3,187</u>	<u>\$ 2,683</u>

Included in other receivables and recoveries are amounts due from related parties, which are disclosed in note 16.

Reconciliation of allowance for doubtful accounts

The allowance for doubtful accounts is a provision for potential credit losses and amounts are subsequently written off once reasonable collection efforts have been made. The allowance details are as follows:

	31-Dec-21 (\$000s)	31-Dec-20 (\$000s)
Balance, beginning of year	\$ 159	\$ 113
Accounts written off	(21)	(23)
Recoveries and other adjustments	(4)	(5)
Current year provision	49	74
Balance, end of year	<u>\$ 183</u>	<u>\$ 159</u>

8. Investments

The Board of Directors has established an Investment Policy for the management of the investment process, utilizing external investment managers. The investment managers' compliance with this Investment Policy is monitored on a regular basis.

	31-Dec-21 (\$000s)	31-Dec-20 (\$000s)
	Fair Value	Fair Value
Fixed-term securities		Restated - note 5(a)
Federal bonds	\$ 34,300	\$ 23,809
Provincial bonds	22,806	25,259
Corporate bonds	36,410	43,934
	<u>93,516</u>	<u>93,002</u>
Equities		
Canadian	45,793	42,158
United States	53,856	44,664
International	45,606	46,616
	<u>145,255</u>	<u>133,438</u>
Other investments		
Short-term investments	5,701	3,089
Accrued interest receivable	493	512
	<u>6,194</u>	<u>3,601</u>
Investments, sub-total	244,965	230,041
Management fee accrual	(167)	(91)
Total investments	<u>\$ 244,798</u>	<u>\$ 229,950</u>

The total funds held by investment custodians is \$245,403 (2020 - \$230,366) which includes the investments above and cash on account of \$605 (2020 - \$416).

Net investment income for the year ended December 31 consisted of the following:

	2021 (\$000s)	2020 (\$000s)
Interest	\$ 2,463	\$ 2,587
Dividends	2,665	2,689
Realized gains in the year	14,876	5,475
Unrealized gain in fair value in the year	7,755	7,091
Investment management fees	(799)	(758)
	<u>\$ 26,960</u>	<u>\$ 17,084</u>

Fair value hierarchy

The Fund's investments are categorized into the fair value hierarchy based on type, frequency and visibility of pricing, source of pricing and liquidity. There are three levels of classification:

Level 1 classification reflects public daily market or quote pricing in active markets.

Level 2 classification is used when pricing is:

- a) model or matrix based (using observable inputs and/or market information);
- b) based on closely-related securities;
- c) derived pricing (when no public quote exists); or
- d) from a broker quote on less active markets.

Level 3 classification is used when a security has no public pricing and poor to non-existent liquidity.

As at December 31, 2021, the Fund held the following financial instruments measured at fair value:

	Level 1 (\$000s)	Level 2 (\$000s)	Level 3 (\$000s)	Total (\$000s)
Other	\$ 326	\$ -	\$ -	\$ 326
Short-term investments	5,701	-	-	5,701
Bonds	19,264	74,252	-	93,516
Equities	65,754	-	-	65,754
Pooled funds	-	79,501	-	79,501
Total investments	<u>\$ 91,045</u>	<u>\$ 153,753</u>	<u>\$ -</u>	<u>\$ 244,798</u>

As at December 31, 2020, the Fund held the following financial instruments measured at fair value (Restated – note 5(a)):

	Level 1 (\$000s)	Level 2 (\$000s)	Level 3 (\$000s)	Total (\$000s)
Other	\$ 421	\$ -	\$ -	\$ 421
Short-term investments	3,089	-	-	3,089
Bonds	9,770	83,232	-	93,002
Equities	58,900	-	-	58,900
Pooled funds	-	74,538	-	74,538
Total investments	<u>\$ 72,180</u>	<u>\$ 157,770</u>	<u>\$ -</u>	<u>\$ 229,950</u>

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9. Property and Equipment

	Land (\$000s)	Buildings & Fixtures (\$000s)	Furniture & Equipment (\$000s)	Computer & Equipment (\$000s)	Assets under construction (\$000s)	Total (\$000s)
Cost						
At January 1, 2020	\$ 1,045	\$ 10,487	\$ 1,557	\$ 972	\$ 162	\$ 14,223
Additions	-	-	2	197	264	463
Disposals	-	-	(4)	(105)	-	(109)
Transfers	-	171	-	96	(267)	-
At December 31, 2020	\$ 1,045	\$ 10,658	\$ 1,555	\$ 1,160	\$ 159	\$ 14,577
Depreciation						
At January 1, 2020	\$ -	\$ 2,897	\$ 1,061	\$ 723	\$ -	\$ 4,681
Depreciation	-	240	123	132	-	495
Disposals	-	-	(4)	(105)	-	(109)
At December 31, 2020	\$ -	\$ 3,137	\$ 1,180	\$ 750	\$ -	\$ 5,067
Net book value						
At December 31, 2020	\$ 1,045	\$ 7,521	\$ 375	\$ 410	\$ 159	\$ 9,510
Cost						
At January 1, 2021	\$ 1,045	\$ 10,658	\$ 1,555	\$ 1,160	\$ 159	\$ 14,577
Additions	759	50	48	144	6	1,007
Disposals	-	-	(97)	(67)	-	(164)
Transfers	-	123	-	-	(123)	-
At December 31, 2021	\$ 1,804	\$ 10,831	\$ 1,506	\$ 1,237	\$ 42	\$ 15,420
Depreciation						
At January 1, 2021	\$ -	\$ 3,137	\$ 1,180	\$ 750	\$ -	\$ 5,067
Depreciation	-	265	106	139	-	510
Disposals	-	-	(82)	(67)	-	(149)
At December 31, 2021	\$ -	\$ 3,402	\$ 1,204	\$ 822	\$ -	\$ 5,428
Net book value						
At December 31, 2021	\$ 1,804	\$ 7,429	\$ 302	\$ 415	\$ 42	\$ 9,992

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10. Intangible Assets

	Internal Software Development Costs ⁽¹⁾ (\$000s)	Software Systems Under Development (\$000s)	Software Costs (\$000s)	Total (\$000s)
Cost				
At January 1, 2020	\$ 9,548	\$ 617	\$ 1,108	\$ 11,273
Additions	585	660	-	1,245
Disposals	(1,417)	(17)	-	(1,434)
Transfers	1,153	(1,203)	50	-
At December 31, 2020	<u>\$ 9,869</u>	<u>\$ 57</u>	<u>\$ 1,158</u>	<u>\$ 11,084</u>
Amortization				
At January 1, 2020	\$ 7,297	\$ -	\$ 854	\$ 8,151
Amortization	699	-	80	779
Disposals	(1,136)	-	-	(1,136)
At December 31, 2020	<u>\$ 6,860</u>	<u>\$ -</u>	<u>\$ 934</u>	<u>\$ 7,794</u>
Net book value				
At December 31, 2020	<u>\$ 3,009</u>	<u>\$ 57</u>	<u>\$ 224</u>	<u>\$ 3,290</u>
Cost				
At January 1, 2021	\$ 9,869	\$ 57	\$ 1,158	\$ 11,084
Additions	247	254	112	613
Disposals	-	-	-	-
Transfers	-	(57)	57	-
At December 31, 2021	<u>\$ 10,116</u>	<u>\$ 254</u>	<u>\$ 1,327</u>	<u>\$ 11,697</u>
Amortization				
At January 1, 2021	\$ 6,860	\$ -	\$ 934	\$ 7,794
Amortization	725	-	111	836
Disposals	-	-	-	-
At December 31, 2021	<u>\$ 7,585</u>	<u>\$ -</u>	<u>\$ 1,045</u>	<u>\$ 8,630</u>
Net book value				
At December 31, 2021	<u>\$ 2,531</u>	<u>\$ 254</u>	<u>\$ 282</u>	<u>\$ 3,067</u>

⁽¹⁾ Included in internal software development costs is the claims management system which has a net book value of \$1,194,000 (2020 – \$1,458,000) and a remaining amortization period of 5 years.

System research and analysis costs expensed in 2021 were \$5,000 (2020 – \$18,000).

11. Accounts Payable and Accrued Liabilities

	<u>31-Dec-21</u> (\$000s)	<u>31-Dec-20</u> (\$000s)
Payable		
Assessments refundable	\$ 2,147	\$ 2,776
Other payables and accrued liabilities	2,834	2,303
	<u>\$ 4,981</u>	<u>\$ 5,079</u>

Included in other payables and accrued liabilities are amounts due to related parties, which are disclosed in note 16.

12. Government Grants

In 2021, the Fund received \$330,000 for the Mine Safety Program Grant (2020 – \$330,000). This was accounted for as income in the period.

The deferred portion of the government grant as at December 31, 2021 was \$nil (2020 – \$36,000) and \$36,000 (2020 – \$36,000) was expensed and released into income during the year.

There are no unfulfilled conditions or contingencies attached to these grants.

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13. Benefits Liability

	2021 (\$000s)					
	Medical Aid	Compensation	Pension	Annuity	Occupational Disease Provision	Total
Balance, beginning of year	\$ 27,401	\$ 80,022	\$ 35,862	\$ 9,651	\$ 17,660	\$ 170,596
Add claims costs incurred:						
Current year injuries	6,103	10,881	1,927	-	-	18,911
Prior years' injuries	(827)	2,986	2,071	-	-	4,230
Latent occupational disease provision	-	-	-	-	3,663	3,663
	5,276	13,867	3,998	-	3,663	26,804
Less claims payments made:						
Current year injuries	2,731	1,549	-	-	-	4,280
Claims management	410	232	-	-	-	642
Prior years' injuries	2,484	6,664	2,345	79	-	11,572
Claims management	373	906	352	-	-	1,631
	5,998	9,351	2,697	79	-	18,125
Balance, end of year	\$ 26,679	\$ 84,538	\$ 37,163	\$ 9,572	\$ 21,323	\$ 179,275

	2020 (\$000s)					
	Medical Aid	Compensation	Pension	Annuity	Occupational Disease Provision	Total
Balance, beginning of year	\$ 27,260	\$ 73,372	\$ 34,310	\$ 9,147	\$ 16,570	\$ 160,659
Add claims costs incurred:						
Current year injuries	5,540	9,158	250	-	-	14,948
Prior years' injuries	779	6,908	4,110	(1)	-	11,796
Latent occupational disease provision	-	-	-	-	1,090	1,090
	6,319	16,066	4,360	(1)	1,090	27,834
Less claims payments made:						
Current year injuries	2,247	1,238	20	-	-	3,505
Claims management	337	186	3	-	-	526
Prior years' injuries	3,125	7,029	2,422	(505)	-	12,071
Claims management	469	963	363	-	-	1,795
	6,178	9,416	2,808	(505)	-	17,897
Balance, end of year	\$ 27,401	\$ 80,022	\$ 35,862	\$ 9,651	\$ 17,660	\$ 170,596

The following is an actuarial reconciliation of the changes in the benefits liability during the years ended December 31:

	2021 (\$ 000s)	2020 (\$ 000s) Restated - note 5(b)
Balance, beginning of year	<u>\$ 170,596</u>	<u>\$ 160,659</u>
Add:		
Provision for current year's claims	13,989	10,918
Presumptive firefighter coverage expansion	3,159	-
Interest allocated	8,037	8,132
Experience (gain) loss	<u>(3,303)</u>	<u>4,754</u>
	<u>21,882</u>	<u>23,804</u>
Deduct:		
Payments for prior years' claims	13,203	13,867
Balance, end of year	<u>\$ 179,275</u>	<u>\$ 170,596</u>

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Board has an objective to control insurance risk, thus reducing the volatility of operating results. In addition, due to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, operating results from the Fund's workers' compensation business are affected by market factors, particularly movements in asset values. Short-term variability is, to some extent, a feature of the workers' compensation business.

Key aspects of processes established to mitigate insurance risks include:

- The maintenance and use of management information systems, which provide data on the risks to which the Fund is exposed to at any point in time;
- Actuarial models, using information from the management information system, are used to monitor claims patterns and calculate assessment premiums. Past experience and statistical methods are used as part of the process; and
- The asset mix of the Fund investments is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match maturity dates of assets with the expected pattern of claim payments.

(b) Terms and conditions of the Act

The terms and conditions attaching to the Act affect the level of insurance risk accepted by the Fund. All workers' compensation coverage entered into is subject to substantially the same terms and conditions under the Act.

As indicated in note 1, the new Act, which received assent on December 2, 2021, becomes effective July 1, 2022. Benefits changes in the new Act will apply only to injuries incurred on or after that date; however, section 224 of the new Act amended specific sections of the current Act, including the expansion of cancers under the firefighter presumption clause and removal of the Canada Pension Plan offsets from loss of earnings awards. These changes to the current Act were effective immediately upon assent of the new Act. As such, these two changes have been incorporated into the benefits liability as at December 31, 2021 as noted in part (g).

(c) Concentration of insurance risk

The Fund's exposure to insurance risk is due to workplace injury caused through an event or disaster that occurred during the reporting period, and/or occupational diseases diagnosed during the reporting period. The Fund's benefits liability includes an amount estimated to cover any such occurrences. This figure is reviewed on an annual basis. The Fund's risk is concentrated by industry as some industries have higher claims experience costs than other industries and is mitigated by higher assessments being charged to industries with proven higher experience costs.

(d) Development of claims

There is a possibility that changes may occur in the estimate of the Fund's obligations over time. The tables in part (i) of this note show the estimates of total net and gross claims outstanding for each underwriting year at successive year ends.

(e) Interest rate risk

The Fund is exposed to the risk that interest rate movements may materially impact the value of the benefits liability. The discount rate being applied to future claims payments in determining the valuation of the benefits liability is disclosed in part (g) of this note.

The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is set out in note 6.

(f) Liquidity risk

The Fund's exposure to liquidity risk is set out in note 6.

The following table estimates the expected amounts and timing of future benefit payments for the provision of outstanding claims. The expected timing of payments from the provision for outstanding claims involves considerable uncertainty. The projections presented below do not include a provision for future administration expenses or latent occupational diseases.

Expected timing of future payments for outstanding claims:

	<u>2021</u>	<u>2020</u>
Up to 1 year	5%	5%
Over 1 year and up to 5 years	15%	15%
Over 5 years and up to 10 years	18%	18%
Over 10 years	62%	62%
Total	<u>100%</u>	<u>100%</u>

(g) Actuarial assumptions and methods

The key actuarial assumptions used to value the benefits liability are as follows:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
Discount rate for medical aid benefits - net ^(1,3,4)	0.40%	0.40%
Discount rate for compensation benefits - net ^(2,3,4)	2.90%	2.90%
Discount rate for survivor and other pension benefits - net ^(2,4)	2.90%	2.90%

(1) Net of discount rate attributable to inflation of 4.75% (2020 – 4.75%).

(2) Net of discount rate attributable to inflation of 2.25% (2020 – 2.25%).

(3) The same discount rates are attributable to the applicable components of the occupational disease provision.

(4) The gross discount rate is 5.15% (2020 – 5.15%).

The benefits liability was determined using accepted actuarial practice in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefits reflects management's and the actuary's best estimates of long-term economic and actuarial assumptions.

The overall valuation approach is designed to reflect emerging trends without placing too much emphasis on temporary fluctuations. The factors used in the valuation have been developed on a best-estimate basis, without margins for adverse deviations, by taking the Board's historical experience into consideration along with recent trends in that experience. The general philosophy is to avoid reacting too strongly to temporary fluctuations until there is sufficient evidence that a change in assumption is required. By waiting until a clear trend has emerged, this reduces the likelihood of larger liability adjustments than warranted, both positive and negative, and unstable financial results.

The degree to which the valuation reflects trends is partly impacted by formulas intended to place the appropriate amount of weight on observed experience for each recent year and partly affected by professional judgement based on observation of payment and claiming trends, including discussions with the Board's staff about the underlying factors that might be causing an observed trend.

The Medical Aid liability represents the present value of expected future benefit payments for medical services in respect of all claims arising from injuries that occurred on or before December 31, 2021. Medical services include hospital and physician services, prescription drugs, travel expenses, and other eligible medical services under the Act.

The Short Term Compensation liability represents the present value of expected future short-term loss of earnings payments in the first seven years of a claim for injuries that occurred on or before December 31, 2021. The Short Term Compensation liability is included in the Compensation liability category for financial reporting purposes.

The Medical Aid and Short Term Compensation liabilities are calculated using the loss development method also known as the "claims run-off" approach. In this method, historical paid claims data are summarized by injury year and payment year in order to observe the relationships between payments at different durations for each injury year. Historical factors, at each duration, are developed from prior injury years and are applied to injury years that are not yet fully mature in order to estimate the future timing and amount of remaining benefit payments. A provision with respect to the 10 per cent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Short Term Compensation liability.

The Long Term Compensation liability represents the present value of expected future long-term loss of earnings payments for injury years 2015 and prior, including future inflationary adjustments, for individuals still in receipt of a long-term loss of earnings award at December 31, 2021. The Long Term Compensation liability is calculated on a seriatim, or individual basis, using the discounted cash flow method. Loss of earnings benefits are indexed annually in the month following the anniversary of the date of when the injured worker's loss of earnings began. Mortality rates are used to determine the future life expectancy of individuals in receipt of a long-term loss of earnings award. A provision with respect to the 10 per cent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Long Term Compensation liability. The Long Term Compensation is included in the Compensation liability for financial reporting purposes.

Effective December 2, 2021, one of the changes to the current Act, on assent of the new Act, was the removal of the deduction of 50% of the gross disability benefit received under the Canada Pension Plan when determining a worker's average pre-injury earnings level. This change impacted only a few claimants receiving Short Term or Long Term Compensation, and those who incurred this offset previously have had it removed and their loss of earnings award increased.

The Pension liability represents the present value of expected future pension payments, including future inflationary adjustments, to individuals who have been approved for a pension or survivor award at December 31, 2021. The Pension liability is calculated on a seriatim basis using the discounted cash flow method. Pension benefits are indexed annually on January 1st of each year. Mortality rates are used to determine the future life expectancy of individuals in receipt of a pension award.

The Future Long Term Compensation liability represents the present value of future long-term loss of earnings awards that have not yet reached long-term status as of December 31, 2021. These future awards are in respect of all claims arising from injuries which occurred on or before December 31, 2021. The estimated number and timing of these future awards has been developed based on the historical emergence of claims. In addition, the expected cost of each claim has been developed based on actual long-term awards approved prior to December 31, 2021. A provision with respect to the 10 per cent annuity contribution required on future loss of earnings benefits paid beyond 24 months following injury is included in the Future Long Term Compensation liability. The Future Long Term Compensation liability is included in the Compensation liability category for financial reporting purposes.

The Occupational Disease provision represents a portion of the present value of the expected future cost of claims that have not yet been filed but are expected to manifest themselves in the future as a result of cumulative exposure to a causative agent in the workplace (i.e. long latency cases). Only a portion of the total provision is held based on the accumulated exposure up to the valuation date relative to total exposure before an occupational disease manifests itself. 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. This provision also covers the firefighter presumptive clause which includes nine additional cancers as of December 2, 2021, the assent of the new Act and corresponding changes to the current Act.

The discount rate is used to calculate the present value of expected future payments.

The administration rate represents the present value of the expected future costs required to provide administrative services for the continuation of claims management and maintenance of existing claims. The administration rate applied at December 31, 2021 is 15% (December 31, 2020 – 15%) and is applied to all liability components with the exception of the Annuity liability.

As these assumptions may change over time to reflect underlying economic or legislated conditions, it is possible that such changes could cause a material change to the actuarial present value of future benefit payments.

The significant changes in the benefits liability for experience gains or losses as at December 31 were:

	Increase (decrease) in benefits liability	
	2021 (\$000s)	2020 (\$000s)
		Restated - note 5(b)
Change in runoff factors	\$ (585)	\$ (616)
Update of inflation	1,035	(607)
Other changes in actuarial assumptions	290	4,854
	\$ 740	\$ 3,631
Favourable claims experience during year	(3,391)	
	\$ (2,651)	\$ 3,631
Actual versus expected claims paid on prior years' injuries	(652)	1,123
	\$ (3,303)	\$ 4,754

(h) Liability sensitivity

The most significant assumption in the determination of the benefits liability is the net discount rate. The net discount rate is the assumed rate of return in excess of the assumed inflation rate. A reduction in the net discount rate would increase the actuarial present value of the benefits liability resulting in an increase in claims expense and benefits liability. An increase in the discount rate would decrease the actuarial present value, resulting in a decrease in claims expense and benefits liability.

Medical benefits represent approximately 15% (2020 – 16%) of the benefits liability. A change in the assumed excess medical inflation rate (above the assumed inflation rate) and the net discount rate would result in a change in claims expense and the benefits liability as follows:

Percentage change in assumed rates	31-Dec-21 (\$000s)		31-Dec-20 (\$000s)	
	+1%	-1%	+1%	-1%
Increase (decrease) from change in net discount rate	\$ (14,973)	\$ 17,761	\$ (14,289)	\$ 16,927
Increase (decrease) from change in excess medical inflation rate	\$ 4,018	\$ (2,598)	\$ 4,139	\$ (2,617)

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(i) Claims development

The following table shows the development of claims cost estimates for the nine most recent injury years:

Estimate of Ultimate Claim Payments	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
At end of accident year	24,192	24,513	24,789	19,067	18,600	21,347	25,921	21,877	21,239	29,118	
One year later	25,187	20,973	25,327	19,126	25,298	21,507	26,159	23,627	20,864		
Two years later	22,366	20,821	25,644	20,206	25,960	21,398	26,454	24,671			
Three years later	22,418	20,327	25,866	17,997	25,536	21,396	27,147				
Four years later	22,386	20,675	29,726	17,224	25,446	21,578					
Five years later	23,706	18,187	30,928	16,992	26,207						
Six years later	20,158	16,250	32,213	18,297							
Seven years later	19,655	15,850	30,324								
Eight years later	19,315	16,007									
Nine years later	18,282										
Cumulative Payments											
At end of accident year	4,433	3,438	3,757	3,801	3,879	4,129	4,094	3,821	3,319	4,226	
One year later	7,404	5,113	6,590	6,081	6,673	6,654	6,662	6,323	5,256		
Two years later	8,277	5,910	7,890	6,773	7,856	7,717	7,959	7,614			
Three years later	8,999	6,394	9,018	7,225	8,478	8,332	8,644				
Four years later	9,540	6,719	9,870	7,590	9,340	8,843					
Five years later	10,073	6,840	10,623	7,899	9,971						
Six years later	10,359	7,055	11,173	8,205							
Seven years later	10,685	7,246	11,708								
Eight years later	10,962	7,443									
Nine years later	11,207										
Estimate of Future Payments											
Payments	7,075	8,565	18,616	10,092	16,235	12,734	18,503	17,057	14,979	24,892	148,748
2011 and prior claims											107,604
Effect of Discounting											(116,888)
Effect of Admin Expenses											18,488
Occupational Disease											21,323
Balance Sheet Liability											\$ 179,275

During the year ended December 31, 2021, the Investigations Unit continued to monitor ongoing investigations. The outcome of the investigations is not determinable at this time and therefore, the potential future effect of these claims is not reflected in the benefits liability.

14. Employee Benefits

	<u>31-Dec-21</u> (\$000s)	<u>31-Dec-20</u> (\$000s)
Short-term employee benefits	\$ 798	\$ 725
Other long-term employee benefits (a)	1,200	1,221
Post-employment benefits (b)	1,929	2,010
	<u>\$ 3,927</u>	<u>\$ 3,956</u>

Short-term benefits included in the above amounts are expected to be paid within the next 12 months.

(a) Other long-term employee benefits

Long service vacation leave is an additional five days of vacation leave available to employees who have completed five years of continuous service with the Board and on each five year anniversary date thereafter.

Employees receive six days of special leave credits for each year of service up to a maximum of 30 days. Unused special leave is not payable upon termination or retirement.

Unused sick leave credits accumulate and are carried forward to a maximum of 180 days. A retiring employee may convert up to one third as pre-retirement leave.

The balance in the liability accrual for accumulating sick and special leave benefits and long service vacation for the year was:

	<u>31-Dec-21</u> (\$000s)	<u>31-Dec-20</u> (\$000s)
Long service vacation benefits	\$ 50	\$ 62
Accumulating sick and special leave benefits	1,150	1,159
Total	<u>\$ 1,200</u>	<u>\$ 1,221</u>

The movement in the accrual for other long-term benefits for the year was:

	2021 (\$000s)	2020 (\$000s)
Benefits, beginning of the year	\$ 1,221	\$ 1,081
Current service cost	100	85
Payments made during the year	(71)	(72)
Interest cost	23	29
Other changes	(71)	31
Actuarial (gain) loss	(2)	67
Benefits, end of the year	<u>\$ 1,200</u>	<u>\$ 1,221</u>

Actuarial (gain) loss remeasurements:

	2021 (\$000s)	2020 (\$000s)
Effect of changes in financial assumptions	\$ (56)	\$ 67
Effect of changes in demographic assumptions	54	-
Remeasurements (gain) loss in surplus or deficit	<u>\$ (2)</u>	<u>\$ 67</u>

(b) Post-employment Benefits

(i) Retirement and Severance Benefit

Retirement or severance benefits are available to employees who have completed five years of service with the Board. Retirement benefits are one week of pay for each year of service. Severance benefits are half a week of pay for each year of service to a maximum of twenty-eight weeks.

Beginning January 1, 2020, management employees are no longer eligible to receive any further accruals related to severance payable on resignation or retirement. Severance entitlements accrued up to December 31, 2019, are payable upon resignation or retirement.

The movement in the accrual for retirement and severance benefits for the year was:

	2021 (\$000s)	2020 (\$000s)
Benefits, beginning of the year	\$ 2,010	\$ 1,743
Current service cost	108	93
Payments made during the year	(230)	-
Interest cost	38	51
Other changes	94	6
Actuarial (gain) loss	(91)	117
Benefits, end of the year	<u>\$ 1,929</u>	<u>\$ 2,010</u>

Actuarial (gain) loss remeasurements:

	2021 (\$000s)	2020 (\$000s)
Effect of changes in financial assumptions	\$ (91)	\$ 117
Remeasurements (gain) loss in OCI	<u>\$ (91)</u>	<u>\$ 117</u>

The plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. The risk of default is low as the Fund is in a strong financial position.

The key assumptions used to calculate the retirement and severance benefit are the discount rate and the wage inflation rate. The discount rate of 2.60% (2020 – 1.90%) is selected by reference to a spot curve at the valuation date of high-quality corporate and provincial debt instruments with cash flows that match the timing and amount of the expected benefit payments. The annual rate of general escalation in wages is 2.0% for 2022 and beyond (2020 – 1.75% for 2021 and 2.0% for 2022 onwards) based on management's best estimate.

The expected Fund contributions for retirement and severance for the next year are \$461,000 (2020 – \$437,000). The weighted average duration of the retirement and severance benefit is 6.6 years (2020 – 7.0 years).

(ii) Retirement and Severance Benefit Risks and Sensitivity

The retirement and severance benefit is indirectly exposed to measurement risk from assumptions based on economic factors and uncertainty of future economic conditions, such as discount rates affected by volatile bond markets and inflation risk due to payment timing uncertainty. Demographic factors such as workforce average age and earnings levels, attrition and retirement rates affect current and future benefit costs due to the amount and timing of expected payments.

A change in the key assumptions used to calculate these benefits would result in a change in the obligation and benefit expense as follows:

	31-Dec-21 (\$000s)		31-Dec-20 (\$000s)	
	+1%	-1%	+1%	-1%
Percentage change in assumed rates				
Discount rate	\$ (116)	\$ 132	\$ (130)	\$ 147
Wage inflation rate	\$ 132	\$ (118)	\$ 145	\$ (131)

The above sensitivity analysis is based on a change in an assumption while keeping all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. The same method of calculation has been applied to the sensitivity analysis as to the calculation of the retirement and severance benefit obligation, the projected unit credit method, and did not change compared to the prior year.

(iii) Public Service Pension Plan

Substantially all of the employees of the Board are covered by the Public Service Pension Plan (the "Plan"), a multi-employer contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both employees and the Fund. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution.

The employer contribution rates effective for the year were as follows:

	2021		2020	
	Up to Maximum	Above Maximum	Up to Maximum	Above Maximum
For employees eligible before January 1, 2013	1.01	3.59	1.01	3.80
For employees eligible after January 1, 2013	1.00	3.59	1.00	3.80
Maximum salary limit	\$ 181,600	No limit	\$ 173,000	No limit

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two per cent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. For employees joining the plan after January 1, 2013, the normal retirement age has been raised from age 60 to age 65.

Contributions made to the Public Service Pension Plan by the Fund and the employees for the year were as follows:

	2021 (\$000s)	2020 (\$000s)
Employees' contributions	\$ 849	\$ 791
Fund contributions	\$ 853	\$ 800

The expected contributions to the Plan for the next year are \$734,000 (2021 – \$764,000) employee contributions and \$780,000 (2021 – \$785,000) Fund contributions.

(c) Benefit expense

Benefit expense recognized in salaries and benefits within administration expenses in the Statement of Operations and Comprehensive Income for other long-term employee benefits and post-employment benefits was \$1,143,000 in 2021 (2020 – \$1,162,000).

15. Capital Management, Surplus Distributions and Reserves

(a) Capital management

The *Workers' Compensation Act* establishes that one of the purposes of the Act is to maintain a solvent Compensation Fund managed in the interest of workers and employers. To ensure that the Fund is able to meet its financial obligations, premiums charged to employers over time must be sufficient to cover current and future costs of all claims incurred by injured workers. These assessment revenues, combined with investment returns from the Fund's assets, are designed to provide the foundation for the Fund to meet all current and future obligations for injured workers.

The Board of Directors considers that capital is the net difference between assets and liabilities. There have been no changes in the objectives and definition of capital from the previous period. The Fund does not have any external capital requirements. The reserves are established to protect the fully funded position of the Fund and to stabilize the effect of fluctuations in the employer assessment rates and investment returns. At the end of the fiscal year, once the benefits liability is determined, the net difference between the Fund's assets and liabilities is allocated to reserves.

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The Board of Directors uses the Funding Ratio (Assets/Liabilities) to manage capital. At December 31, 2021, the Funding Ratio was 143% (2020 – 132%). Management’s funding target ratio is between 121% and 129%, which ensures that the Fund remains fully funded plus sustains the Adverse Events and Stabilization Reserves’ target funding levels. The Fund is considered fully funded when there are sufficient funds for the payment of all present and future compensation, and other liabilities, including the cost of administration.

(b) Surplus Distributions

In 2021, no surplus distribution was approved. In 2020, in order to bring the funding ratio closer to target, the Board of Directors approved a surplus distribution of \$10,220,000 which was paid in 2021 to eligible employers. Distributions paid are conditional upon employers being compliant with the *Workers’ Compensation Act* and *Occupational Health and Safety Act*. In 2021 and 2020, no recoveries occurred related to previously approved surplus distributions.

Reconciliation of surplus distributions payable:

	31-Dec-21	31-Dec-20
	(\$000s)	(\$000s)
Surplus distributions payable, beginning of year	\$ 10,220	\$ -
Amounts paid for prior year surplus distributions	(10,166)	-
Prior year surplus distribution adjustments	(32)	-
Current year surplus distributions approved	-	10,220
Surplus distributions payable, end of year	<u>\$ 22</u>	<u>\$ 10,220</u>

(c) Reserves

Under the current Funding Policy, two reserves are established as follows:

(i) Stabilization Reserve

The Stabilization Reserve is to protect the fully funded position of the Fund and to stabilize the effect of fluctuations on employer assessment rates. The target level for this reserve is equal to 10 per cent of the benefits liability. In 2021, the benefits liability was \$179,275,000 (2020 – \$170,596,000; restated – note 5(b)). The target was \$17,927,000 as at December 31, 2021 (2020 – \$17,060,000; restated – note 5(b)). The operating range for this reserve is determined as the target-level balance plus or minus three and a half per cent of the benefits liability. At December 31, 2021, the Stabilization Reserve had a balance of \$53,037,000 (2020 – \$34,778,000; restated – note 5(b)).

This reserve is considered to have a surplus when its balance exceeds the top of the operating range and a deficit if the reserve balance is below its target level. The funding policy requires that any deficiency or surplus at the end of a fiscal year be amortized over a period not exceeding 10 years from the year in which the deficiency or surplus arose.

A rebate in 2021 was included in the assessment rates as required by the Funding Policy based on the 2020 funded position.

(ii) Adverse Events Reserve

The Adverse Events Reserve is to provide funding for infrequent, unexpected adverse claims experience and catastrophic events to protect employers from the sudden impact of the costs of these types of events. In addition, latent occupational disease costs may be charged to this reserve. No such charges occurred in 2021 and 2020.

In 2021, the target level for this reserve was \$27,120,000 (2020 – \$26,134,000; restated - note 5(b)), which has been set at 100 times the maximum wage rate plus 10 per cent of the benefits liability and is calculated annually upon completion of the actuarial valuation of the benefits liability. This reserve is limited to its target level, and transfers cannot be made from this reserve to any other temporary fund or reserve if the transfer will reduce this reserve below its target level. Funds in excess of the target level are transferred to the Stabilization Reserve, with \$nil funds transferred in 2021 and 2020.

At December 31, 2021, the Adverse Events Reserve had a balance of \$27,120,000 (2020 – \$26,134,000; restated – note 5(b)).

16. Related Party Transactions

(a) Government of Yukon

The Board is a territorial entity with delegated powers on behalf of the Government of Yukon (the "Government") and is related to its departments, agencies and corporations. The Board enters into transactions with the Government and its related entities in the normal course of business, and the transactions are recorded at fair value.

Included in the Fund's accounts receivable and accounts payable as of December 31, 2021 are amounts owing to and from the Government and its related entities as follows:

	31-Dec-21 (\$000s)	31-Dec-20 (\$000s)
Due to the Government and its related entities	\$ (2,278)	\$ (1,354)
Due from the Government and its related entities	744	674
Net amount due	<u>\$ (1,534)</u>	<u>\$ (680)</u>

During 2021, the Compensation Fund paid the Government and its related entities \$358,000 (2020 – \$225,000) for computer, office supplies, payroll processing, recruitment and training. The Fund also reimbursed the Government for payroll costs of \$10,938,000 (2020 – \$10,584,000).

Revenues and recoveries from the Government and its related entities for the year ended December 31, 2021, totalled \$10,205,000 (2020 – \$8,318,000), including assessment premiums of \$9,270,000 (2020 – \$7,492,000), the Mine Safety Program Grant \$330,000 (2020 – \$330,000) (note 12), and reimbursements for claims costs received from the Government of \$326,000 (2020 – \$348,000) (note 4(b)).

In 2021, the Board accrued \$nil (2020 – \$2,485,000) in surplus distributions to the Government.

The Workers' Advocate Office operates independently from the Board and assists workers or dependants of workers in respect of claims for compensation. The approved budget of the Workers' Advocate shall be paid out of the Compensation Fund. In 2021, the Fund reimbursed the Government \$330,000 (2020 – \$348,000) for the Workers' Advocate Office expenses.

(b) Key management personnel

The remuneration of key management personnel, which includes the members of the Board of Directors and the senior management team, recognized as an expense during the period was:

	2021 (\$000s)	2020 (\$000s)
Short-term employee compensation and benefits	\$ 1,452	\$ 1,262
Other long-term employee benefits	2	29
Post employment benefits	179	199
Total remuneration	<u>\$ 1,633</u>	<u>\$ 1,490</u>

Contributions made to the Public Service Pension Plan by the Fund for key management personnel in 2021 were \$132,000 (2020 – \$139,000) and are included in post-employment benefits.

As at the reporting date, there were no business relationships, outstanding amounts or transactions other than compensation between the Fund and its key management personnel.

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(In Canadian Dollars)

17. Commitments

As of December 31, 2021, the Fund had entered into the following contractual commitments for the next five years:

	Contribution agreements (\$000s)	Computer systems support (\$000s)	Professional services (\$000s)	Building maintenance (\$000s)	Other (\$000s)	Total (\$000s)
2022	\$ 708	\$ 45	\$ 771	\$ 61	\$ 33	\$ 1,618
2023	-	46	386	55	44	531
2024	-	-	57	39	44	140
2025	-	-	-	-	12	12
2026	-	-	-	-	-	-
	<u>\$ 708</u>	<u>\$ 91</u>	<u>\$ 1,214</u>	<u>\$ 155</u>	<u>\$ 133</u>	<u>\$ 2,301</u>

18. Administration Expenses

	2021 (\$000s)	2020 (\$000s)
Salaries and benefits	\$ 10,456	\$ 10,491
Consulting and professional	1,295	1,683
Amortization - intangible assets	836	779
Computer systems support and licences	815	699
Depreciation - property and equipment	510	495
Building maintenance	460	398
Statutory funding obligations	446	463
General administration	329	611
Communications	225	239
Automobile and travel	88	83
Board expenses	81	99
Staffing and recruitment	73	116
Printing and publications	70	40
Supplies and stationery	38	55
System development analysis expense	5	18
Furniture and equipment	4	8
	<u>\$ 15,731</u>	<u>\$ 16,277</u>
Less: claims administration expense transferred to claims expenses (note 13)	(2,273)	(2,321)
	<u>\$ 13,458</u>	<u>\$ 13,956</u>

19. Contingencies

Due to the nature of the Board's operations, various legal matters are pending. In the opinion of management, these matters are not expected to have a material effect on the Fund's financial position or results of operations. These various legal matters include certain confidentiality clauses; to avoid prejudicing these claims, no further information is disclosed.



Yukon Workers'
Compensation
Health and
Safety Board