

2016 Annual Report



Yukon Workers' Compensation
Health and Safety Board



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Who We Are

The mandate of the Yukon Workers' Compensation Health and Safety Board is to prevent disability. We support and care for Yukon workers injured on the job and facilitate their early and safe return to work. We also promote safety and help employers prevent workplace injury and illness through education, consultation, inspection and compliance. The Board is funded by employers.

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On the cover

École Whitehorse Elementary School student and future worker Lachlan Wood participated in our new Safety Build program. Read about it on page 11.

Year at a Glance

		2016	2015
1	Workers covered	21,630	21,380
2	Open claims	3,168	3,399
1, 2	Claims	1,226	1,226
1, 2	Accepted claims	977	1,047
1, 2	Lost-time claims	454	444
1	Lost-time rate (<i>per 100 covered workers</i>)	2.1	2.1
	Permanent impairment awards	42	37
	Worker fatalities	3	0
	Decisions rendered by hearing officers	23	21
	Decisions rendered by the Workers' Compensation Appeal Tribunal	5	5
1	Registered employers	3,663	3,532
	Maximum assessable earnings / wage rate	\$84,837	\$84,837
1	Assessable payroll (<i>millions</i>)	\$1,116.9	\$1,077.5
4	Assessment revenue (<i>millions</i>)	\$20.2	\$21.4
	Average estimated premium rate (<i>per \$100 of insurable earnings</i>)	\$1.85	\$1.90
3	Average collected premium rate (<i>per \$100 of insurable earnings</i>)	\$1.84	\$2.02
4	Net investment income (<i>millions</i>)	\$10.8	\$13.7
	Investments market return	5.6%	6.8%
4	Fund balance (<i>millions</i>)	\$209.5	\$218.7
4	Funded position	150%	155%
	Funded position (<i>including target reserves</i>)	120%	125%

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 rateable revenue only for the assessment year and includes adjustments to previous estimates of payroll and assessment revenue.

4 In accordance with the Financial Statements.

Special note re worker fatalities

Prior to 2011, the definition used in annual reports respecting fatalities was "accepted fatalities," which counted only those fatalities that were accepted by the Board pursuant to the *Workers' Compensation Act* and in the year in which they were accepted. Since 2011, the definition is no longer restricted to compensable fatalities, and fatalities are reported during the year in which they occurred.

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Note to the reader

Throughout this report "the Board" refers to the Yukon Workers' Compensation Health and Safety Board.

Board of Directors

The Yukon Workers' Compensation Health and Safety Board is governed by a Board of Directors made up of two representatives of workers, two representatives of employers, a neutral chair and a neutral alternate chair. The President/CEO of the Yukon Workers' Compensation Health and Safety Board sits as a non-voting member.

The Board of Directors expresses appreciation to Joy Waters, who retired in 2016, for her four years of service as President/CEO, and welcomes Kurt Dieckmann, who became President/CEO in July.

Mark Pike

*Chair
Appointed in November 2010*

Mark is a Fellow of the Institute of Chartered Professional Accountants of the Yukon and the managing partner of the Whitehorse office of Crowe Mackay LLP. He has been in public practice for over 30 years, working with municipalities, First Nations, non-profit organizations and private businesses. He has appeared before the Yukon Supreme Court as an expert witness and has made numerous representations to the Canada Revenue Agency on income tax and goods and services tax matters. Mark serves on a number of other boards and is an active member of the community, including being a director of the Whitehorse Oldtimers Hockey League.

Vicki Hancock

*Alternate Chair
Appointed in August 2006*

Vicki held several leadership positions with the Government of Yukon over the course of her career. She retired from government in 2002 as Deputy Minister of Tourism and Culture. She has served as Deputy Chair of the Yukon Municipal Board for 13 years and was a member of the Yukon Human Rights Panel of Adjudicators from 2010 to 2013. Vicki has considerable knowledge and experience in administrative justice and workplace safety. Her community work includes being a volunteer firefighter and president of the Tagish Volunteer Fire Department Society.

Christie Harper

*Representative of Workers
Appointed in October 2015*

Christie is a Labour Relations Advisor with the Yukon Employees' Union (YEU), where she advises and represents public and private sector workers throughout the Yukon. Prior to joining the YEU, Christie worked in Ontario as a worker advocate in the field of workers' compensation. As an advocate, she has made numerous presentations on workers' compensation issues and best practices in representation. She also taught employment law in the School of Legal and Public Administration at Seneca College. Christie holds a Master's Degree in Work and Society with a thesis focused on the limits of criminal law to creating safer workplaces. Christie enjoys outdoor sports and volunteering in the community.



Heather McIntyre

*Representative of Employers
Appointed in February 2015*

Heather worked in the hotel industry for more than 20 years. She managed the Westmark Inn in Beaver Creek in the early 1990s and later took on the same role at the Westmark Klondike Inn in Whitehorse. In 2003, she became General Manager of the Westmark Whitehorse Hotel, a position from which she retired in 2016. Heather holds a Bachelor's Degree in Sociology from Acadia University and a Certificate in Hotel Administration from the Alberta Hotel and Lodging Association. She is active in the community and has served on the boards of the Tourism Industry Association of the Yukon and the Yukon Convention Bureau, of which she was president.

Carl Schulze

*Representative of Employers
Appointed in February 2011*

Carl is a professional geologist and the Proprietor and Chief Consultant of All-Terrane Mineral Exploration Services. He has a Bachelor's Degree in Geology from Lakehead University. Carl has served as a director and president of the Yukon Chamber of Mines. He became a director of the Yukon Prospectors Association in 2016 and is a member of the Yukon First Nation Chamber of Commerce. Carl is a volunteer at the Thomson Centre, where he visits with the residents and performs monthly piano concerts.

Luigi Zanasi

*Representative of Workers
Appointed in April 2013*

Luigi is a consulting economist with a Master's Degree in Economics from McGill University in Montreal. Over a lengthy career he has managed numerous projects for a broad range of government, First Nation and private sector clients all over Canada, and has authored dozens of studies on topics as diverse as housing, land-use policy, energy use, community facilities, labour market, mining and cultural industries. Luigi is an active member of the local labour community.

Kurt Dieckmann

*President/CEO
Appointed in July 2016*

Kurt holds a Certificate in Occupational Health and Safety from Ryerson University and an MBA from Royal Roads University. He came to work for the Yukon Workers' Compensation Health and Safety Board in 1999 after a successful career in the mining industry. Working with the Yukon Contractors Association, Kurt established the Yukon Construction Safety Association—later the Northern Safety Network Yukon—and brought the national safety standard Certificate of Recognition (COR) system to Yukon. Kurt became the Director of Occupational Health and Safety in 2005 and the Director of Corporate Services in 2014. He became President/CEO in July 2016. Kurt has volunteered over the years for numerous sporting and community events.



Message from the Board of Directors

It takes a community

Take a look around. You'll see your family, your friends, the people you work with, even strangers you pass on the street. There's your home. There are the stores you shop in and the places you go to relax, play and learn. Then there's the place you really spend a lot of time: your workplace.

This is your community. It's our community, too, and we're in it with you.

We help keep you and many other Yukoners healthy by inspiring and enforcing safe workplace practices. When people suffer illness or injury at work, we care for and support them. Those efforts require community engagement with Yukon's employers, workers, health care providers and a committed group of stakeholder partners.

As a result, workplaces are getting safer. Prevention measures such as personal protective equipment and training are becoming the norm. We are all taking responsibility for our own well-being and that of our co-workers.

Unfortunately, people are still getting injured, some even suffering permanent disability or death at work. Why? The answer too often lies in the past.

Workplaces that once may have seemed safe are now known to have contained unrecognized hazards such as asbestos, noise and radiation. Many of the injuries we face today did not occur at one specific moment. Rather, they accrued over time like bad debt that came due suddenly years later. It's called "occupational disease." In 2016, we mourned two deaths caused by it.

Those losses harshly demonstrate the terrible truth that the practices of workplaces past will continue to relentlessly manifest as one of the key challenges we face moving forward. Of course, years or decades of separation from unsafe work environments do not exempt us from supporting the workers who toiled in those dangerous places. Instead, they harden our resolve to draw attention to risks that workers face today and that we are sometimes challenged to recognize.

That's how, in 2016, our understanding of, and experience with, workplace injuries expanded into new realms. Where prevention and treatment once focused solely on physical health and well-being, the realm of the mind is now also recognized to be at risk.

We received the highest number of mental health claims ever in 2016. Those claims were the most difficult and time-consuming for our staff to assess and provide care for, and they were not limited to any one industry. They occurred across the spectrum of workplaces. Some were related to post-traumatic stress disorder. Others revealed the many forms that damage to the mind can take.

Yukon workplaces struggle with this issue. Many employers are not aware of the conditions and actions that lead to mental injuries, nor do they understand how to establish preventive measures. Our existing laws and regulations did not anticipate mental injuries. As a result, preventing harm is an evolving effort, and caring for workers who suffer mental injuries often challenges us in unexpected ways.

It's challenges like that and many others that drive our commitment to help protect and support Yukon workplaces. Every day, our men and women spread out into the community and work directly with employers and workers.

Our Occupational Health and Safety officers spearhead our consultation and enforcement efforts. They help employers recognize risks and take steps to keep workplaces safe.

Our Employer Services team supports the business needs and interests of employers. Staff regularly travel throughout Yukon to visit workplaces to deliver hands-on assistance.

The people in our Claimant Services branch provide direct support to workers recovering from injuries. They visit their workplaces to help them plan to return to work and sometimes lend support in their homes.

Safety management consultants go into public schools and attend community events to foster the development of a safety culture in the community at large.

There's something else in the community we'd like to draw your attention to. It's a new monument on the Whitehorse waterfront called the Workers' Memorial. It was erected in 2016 through the collaborative efforts of

the Yukon Federation of Labour, a number of employers and the Yukon Workers' Compensation Health and Safety Board.

The memorial stands as a silent tribute to those whose work took them forever from their loved ones and friends. It etches the value of safety into our community's consciousness. It is also a permanent, public reminder of the power of partnership and community.

The Yukon Workers' Compensation Health and Safety Board cannot, and does not, work alone. We stand shoulder to shoulder with our stakeholder partners, employers and workers. As a team, we will absorb the historical aftershocks of occupational disease and care for those trapped in its grip. Together we will foster a compassionate awareness of workplace mental health, learn to prevent it, and support those who suffer injury.

It takes a community to build a safety culture, and we are proud to be a key part of that broad effort to support Yukon workers and employers of the past, present and future.



Young and New Workers

The Yukon Workers' Compensation Health and Safety Board has made the orientation, training and supervision of young and new workers a priority because they are at greater risk of injury than more experienced workers.

A young worker is an employee under 25 years of age. A new worker might be new to a workplace, returning to a workplace where hazards have changed, or relocating to a new workplace where the hazards are different from those in their previous work environment.



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Young worker learns to put safety first

The Board delivers a variety of programs, materials and courses to foster healthy and safe behaviours in young and new workers. Two safety management consultants carry out this important work in Yukon schools, in evening classes, and at conferences and other gatherings. In 2016, they visited 23 Yukon elementary and secondary schools, interacting with more than 1,600 students. They also worked with students in the trades programs at Yukon College, the Women in Trades program, the Yukon Tourism Education Council's Ready to Work program, and Challenge.

This year, the Safety Build program was introduced in elementary schools. Participating students use LEGO® bricks, personal experiences and their imaginations to build models and tell stories about what they do to keep safe at school, at home and in communities. This engaging, adaptable and hands-on activity allows students to interact with their peers, use a variety of skills, and show what they do on a daily basis to build safety into their lives. Students describe how making safe choices prevents injury, may have long-term consequences, and is the responsible thing to do.

In 2016 a new Safety Online course was also launched. Targeted at students in grades 5 to 10 and their parents, the course looks at decision making and vulnerabilities related to cyber-bullying and other online risks. Students are taught how to recognize and avoid online hazards. Safety Online was created by the Board and has been delivered to date to students and parents in Whitehorse, Haines Junction, Carcross, Dawson City, Faro and Old Crow.

Curriculum and lesson plans are available free to teachers in classes from Kindergarten to Grade 5. A curriculum guide for grades 6 and 7 that explores the influences and dilemmas related to health and safety decision-making was completed in 2016. It will officially launch in 2017.



Working at Whitehorse's Raven Recycling facility is Michael Ritchie's first real job. It has led to opportunities and learning experiences—especially lessons in safety.

The 20-year-old Yukoner started as a bottle counter in the recycling depot in June 2015. After only six months he was promoted to supervisor. Now Michael primarily operates a forklift in the warehouse. He is also a member of Raven's safety committee.

"We go over incident reports and talk about everything that happened and could have happened," he says of the committee. "It helps me think about what is unsafe here and opens my eyes to what is going on."

At first, being aware of workplace safety was new to Michael. These days, it's his job to make sure employees are following safety protocols.

"It can be challenging, especially when telling older workers to get things done and put on their high-visibility gear," he says.

Michael doesn't think many of his friends have the same awareness about safety in their workplaces, but he believes that knowledge is power, and understanding how to be safe is better than having something happen.

"If a guy takes a forklift and runs it into the wall with no seatbelt on and hits his head, he's probably going to be hurt and out of work. It's something you want to avoid," Ritchie explains. "I don't feel comfortable risking people's lives just to get the job done; at the end of the day, that's not acceptable."



The Board continues to deliver the popular “Work Shouldn’t Hurt” course to Planning 10 classes in Yukon secondary schools and at Yukon College. The course explains why young people are at a greater risk of injury at work and trains students to recognize common workplace hazards. In 2016 Work Shouldn’t Hurt was delivered in Old Crow for the first time. It was requested by and taught to Champagne and Aishihik First Nations staff, and four sessions were delivered to students in the Yukon Tourism Education Council’s Ready to Work program, with foreign workers making up most of the participants.

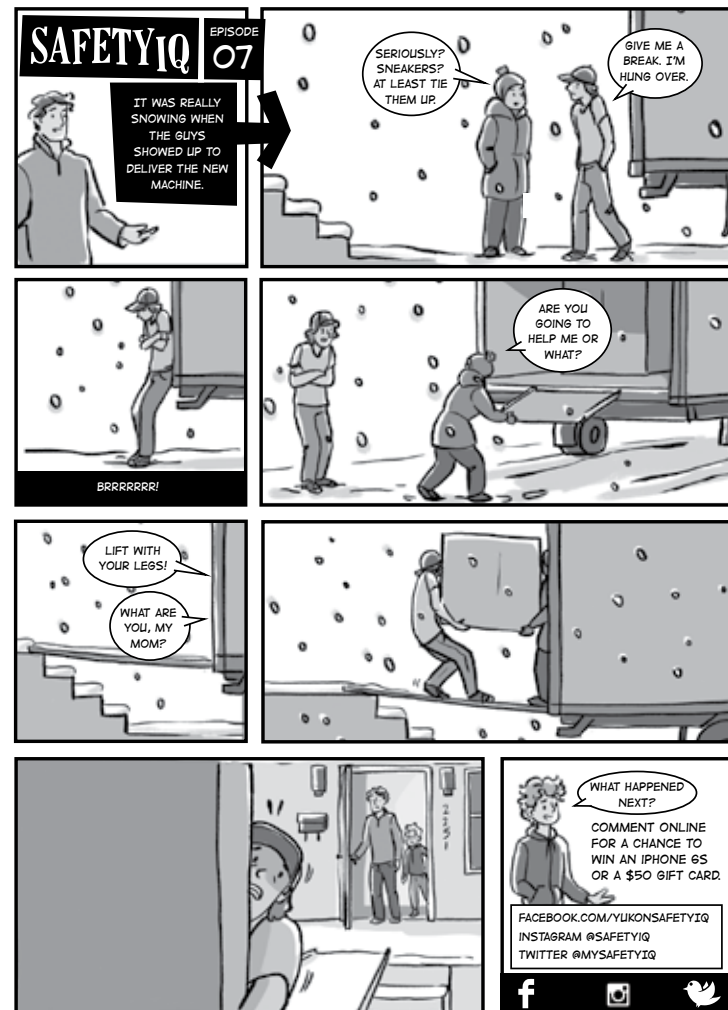
This year the Board also participated in many public events. At the 2016 Yukon Geoscience Forum & Trade Show, an interactive display allowed participants to explore hearing protection and demonstrated how

common household and workplace items can lead to hearing loss. The Board also took part in the Career and Volunteer Expo in Whitehorse, the Yukon Teachers’ Association annual conference, and the Health & Safety Fair in Haines Junction.

In partnership with Skills Yukon, the Board sponsored a video contest for Yukon high school students again this year. Entrants incorporated the phrase, “What happened then?” into short videos about health and safety. Sixteen entries were received. Winners received cash prizes for themselves and their schools. Ona Toews and Amanda Thomson, students at the Wood Street Centre, took first prize with their video, Flying or Falling, and went on to represent Team Yukon at the Skills Canada National Competition in Moncton, New Brunswick, in June 2016.

New job, new way of working

Storytelling was core to 2016's major social marketing campaign, Safety IQ. This innovative initiative fostered a conversation to bridge the gap between young and new workers and their counterparts in the workplace who are older or more experienced. Safety IQ featured full-page comics depicting real-life stories of workplace incidents. They were published through social media such as Twitter, Facebook and Instagram and in traditional media such as newspapers. A simple game inspired readers to collect clues from across the platforms and engage in an online dialogue that explored the safety issues presented in the comics. The campaign reached over 18,000 people.



Since moving to Whitehorse in December 2016, there's been an adjustment period for 31-year-old Ronjay Agapito. He's originally from the Philippines, so the northern climate has taken some getting used to, but he's also noticed a different culture of safety in the workplace.

Shortly after arriving, Ronjay began preparing drinks and working as a cashier at Tim Hortons. He was surprised to learn about the safety committee that ensures things run smoothly and works to prevent injuries. Ronjay says he's happy to have people looking after health and safety issues in the workplace, and he appreciates that he can also share his thoughts on safety with the committee.

Ronjay worked at a restaurant in the Philippines, so he knows the food service industry well. However, he says job training methods and procedures are more organized and specific in Yukon. He completed extensive orientation training and continues to receive guidance on the job. Ronjay says he believes the owners and managers at Tim Hortons are focused on ensuring that safety is at the forefront.

Compared to his previous job situations, Ronjay says he feels less pressure at Tim Hortons to complete tasks he's uncomfortable with. If he isn't confident performing certain duties, his managers have told him to let them know. Ronjay appreciates the cooperation and patience he's received from his employers, managers and co-workers. And while he's still adjusting to life in Yukon, their help is making it easier.

Fostering workplace health and safety



Northern Safety Network Yukon (NSNY) has been offering job-specific training and occupational health and safety accreditation programs since 2003. The courses and programs available through NSNY enable employers to better understand their responsibilities under the *Occupational Health and Safety Act* and its regulations. Courses are offered in its Whitehorse training centre and in Yukon communities.

NSNY is partly funded by the Board, with the goal of promoting a commitment to occupational health and safety among Yukon workers and employers.

NSNY offers the Certificate of Recognition (COR), Small Employer Certificate of Recognition (SECOR), and Owner Operator Certificate of Proficiency (OCOP) programs. These programs are designed to help employers develop and maintain company-wide safety programs, implement standardized training, and monitor safety through annual audits.

Over 2,000 individuals participated in NSNY courses in 2016. NSNY Executive Director Sheila Sergy says the organization has seen substantial growth over the past five years, with an increasing number of workers taking courses and employers achieving nationally recognized certification.

“It’s a compliment to all of the employers,” Sheila says. “Each year they are sending more of their employees for training and investing in their workforce.”

The successful partnership between NSNY and the Board is a cornerstone of injury prevention in Yukon and fosters workplace safety culture throughout the territory.

Occupational Health and Safety

The Occupational Health and Safety (OHS) branch works with employers to ensure they are aware of and follow the *Occupational Health and Safety Act* and its regulations. The regulations establish workplace health and safety standards, including the requirement for health and safety programs, equipment maintenance, worker training and supervision.

OHS safety officers regularly inspect workplaces throughout the territory and consult with employers to raise awareness about health and safety in all Yukon worksites. Safety officers collaborate with employers to obtain voluntary compliance with the regulations. When voluntary compliance is not obtained, an enforcement regime is invoked, ranging from consultation and formal orders to penalties and, in rare cases, prosecution.

In 2016 the Board launched a new, mobile-friendly website to provide better access to the regulations from smart phones and other mobile devices. Users can select a particular regulation from the homepage and search for specific terms and information. The website can be found at yukonregs.ca.

The OHS branch presents an annual talk through the Workplace Solutions Speaker Series. In 2016 this well-attended event took place at the Yukon Beringia Interpretive Centre in March. It examined the history and uses of asbestos, health effects from exposure, materials in the home and workplace that may contain asbestos, and hazard assessment and control.

In the first two months of 2016, safety officers focused their inspections on restaurants, hotels, retailers, manufacturers, wholesale distributors, and bulk oil distributors. Through the issuance of 885 orders, the

Board influenced these employers to develop healthier and safer workplaces by addressing such issues as policies and procedures relating to safety programs, joint health and safety committees, first aid, ladder safety, and workplace design.

Throughout the year, safety officers conducted 311 inspections and issued 2,374 orders. Some health and safety infractions resulted in penalties totalling \$25,200; 35 penalties were levied against employers, 3 against supervisors, and 2 against workers. Penalties are posted on the Board's website (wcb.yk.ca) to foster safety awareness and compliance.



OHS officers Chelsea LaRose and Jules Farkas discuss safety regulations with a small-business manager in Whitehorse.

The Board's Dawson City office continues to support employers and workers looking for information about occupational health and safety issues in the Klondike region. It also provides ongoing inspections in Dawson City, especially from April through October.

OHS continues to work with employers to educate them about their occupational health and safety responsibilities and the importance of timely reporting.

Kwanlin Dün now COR certified



Kwanlin Dün First Nation (KDFN) has made safety a priority. The self-governing First Nation reached a landmark achievement in August 2016 when it received its Certification of Recognition (COR) for safety excellence from Northern Safety Network Yukon. This accomplishment made KDFN the first Yukon First Nation in the territory to receive COR certification.

"Kwanlin Dün is a leader in protecting its workers from injury in the workplace. The safety of our employees, including our many citizens who are part of our staff, is paramount socially and economically to our government operations and our Nation," says Chief Doris Bill.

Over the past five years, KDFN has been developing a rigorous safety program that includes an extensive occupational health and safety manual containing policies, procedures and practices to ensure the protection and safety of its workers. KDFN has also put training in place to provide workers, and especially those who work in hazardous environments, with the proper knowledge and equipment to do their work safely.

"We strive to ensure that our employees have a safe work environment so that they may return to their families at the end of their work day," says Chief Bill.

Chief Bill says Kwanlin Dün is proud of this accomplishment in workplace safety and has been sharing its knowledge with other Yukon First Nation governments to help them establish their own safety programs.

Tr'ondëk Hwëch'in CHOICES pay off



Chris Healey

For the Tr'ondëk Hwëch'in First Nation, getting their CHOICES rebate was the perfect fit with their way of doing business and their desire to continue to foster health and safety in the workplace.

"Health and safety are most certainly First Nation values, so this sort of initiative was very appropriate for our government," says Diane Baumgartner, payroll and benefit administrator for Tr'ondëk Hwëch'in and former secretary of the health and safety committee.

"We needed to put a framework in place so people realized how natural and important health and safety is by training individual employees to be safe out on the land and to foster leaders in safety," she adds.

In 2012 Diane recognized that Tr'ondëk Hwëch'in could benefit from the CHOICES rebate program. Since then, the First Nation has saved five percent on its annual assessment payment.

Dexter MacRae, director of human resources, education and training for Tr'ondëk Hwëch'in, says the rebate is icing on the cake, but ultimately it's about building a safe environment for all employees.

"We want to make sure that we are taking advantage of any training opportunities out there to ensure staff members are safe and healthy in their workplace. That alone is enough to want to be a part of the CHOICES program," he says. "Productivity levels will be there if your staff feel comfortable and knowledgeable in the environment they are working in."

Employer Services

The workers' compensation system is supported by premiums charged to employers. Employer Services is responsible for assessing and collecting those premiums. The branch also works with employers to ensure that they are adequately covered in the best interests of workers.

Optional coverage

While most Yukon workers receive workers' compensation coverage through their employers, some do not, which means they are personally responsible for the impact of lost income and health care expenses arising from a workplace injury or illness. Sole proprietors, business partners, and business owners need to purchase optional coverage.

In 2016 more than 800 sole proprietors, business partners, owners of non-incorporated companies, and others registered for optional coverage.

CHOICES

The CHOICES rebate program rewards employers for improving workplace safety and return-to-work practices in their businesses through training. Rebates range from 4 to 10 percent of an employer's annual assessment, up to a maximum of \$25,000 per year. Businesses with Certificate of Recognition (COR) or Small Employer Certificate of Recognition (SECOR) certification automatically qualify for a 10-percent rebate. To be eligible for a CHOICES rebate, training must be provided by a third party such as Northern Safety Network Yukon and result in a certificate, transcript or other proof of completion.

Participating employers saved a total of \$524,000 in 2016, up from \$471,000 in 2015.

Chamber helps employers

Penalties

This year, employers were issued \$310,000 in penalties for failing to meet deadlines for registering with the Board, not filing or incorrectly filing their annual payroll return, or not paying their assessment premiums. This amount compares to \$233,000 in 2015.

The Board saw this increase in penalties specifically during the payroll return season. Employers are given a 25-percent cushion to estimate their company payroll. If the estimate differs by more than 25 percent, they are issued an underestimating penalty and are charged interest. The increase in penalties from 2015 to 2016 reflects that many employers did not revise their payroll estimates when given the opportunity to do so.

2016 rates and surplus distribution

All industry groups benefited from lower assessment rates in 2016. The estimated average rate dropped to \$1.85 in 2016, from \$1.90 in 2015.

In December the Board distributed \$9.6 million of its surplus reserves to employers in the form of a rebate. This helped reduce the Compensation Fund's surplus position to 150 percent at the end of 2016, down from 155 percent a year before.

See Management's Discussion and Analysis in the financial pages for details on these efforts.



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Navigating the workers' compensation system and occupational health and safety requirements and regulations is not an easy task for all employers. Through a partnership with the Board, the Yukon Chamber of Commerce (YCC) established the Employer Advisor Service in 2013 to make the task easier. The service is free, confidential and independent from the Board. It works towards keeping workers' compensation costs as low as possible and ultimately reducing injury rates in the territory.

"There are an awful lot of myths and legends out there about how the entire workers' compensation system works," says Mal Malloch, YCC's Employer Advisor. "By having a service like this, affiliated with the Chamber, employers are willing to seek advice from us that they might not be comfortable seeking from the Board directly."

Mal provides information about assessments, workplace safety, letters of clearance, the CHOICES rebate program, return-to-work opportunities and obligations, and other topics pertinent to an employer's interests. He tries to visit every Yukon community once a year to reach out to employers. He also delivers a free, half-day workshop called Workers' Compensation 101.

The Yukon Chamber of Commerce also offers input from the employers' point of view on the Board's Stakeholder Advisory Committee, Policy Working Group, and Prevention and Safety Advisory Group.

Advocating for workers



The Workers' Advocate Office (WAO) offers free, independent services to injured workers and the families of deceased workers to assist them with their claims. WAO acts as a conduit for communication between the Board and claimants and helps claimants better understand the *Workers' Compensation Act* and Board policies and procedures.

WAO services are administered through the Government of Yukon's Department of Justice, funded by the Yukon Workers' Compensation Health and Safety Board.

Since changes were made to the legislation in 2008, efforts have been made to seek informal resolution of claims with Board staff as an alternative to the formal appeal process.

Claimant Services

The compensation system provides loss of earnings benefits to eligible injured workers who lose work time, provides medical benefits and manages health care for injured or ill workers, and facilitates early and safe return to work. Claimant Services staff are governed by legislation and policies, and are guided by the Board's corporate values of partnership, accountability and compassion.

Claims decisions are made by weighing the evidence received through injury / illness reports from workers, employers and medical professionals.

The Board accepted 454 time-loss claims during the year, compared with 444 in 2015. Seventeen of the claims accepted in 2016 related to mental health, more than double that of the previous year. Mental health claim cases are complex and often take more time for decision makers to process than claims for physical injuries.

Early and safe return to work prevents the negative consequences of long-term absences from the workplace, keeps pre-injury skills sharp, and bolsters dignity and self-esteem. Successful return-to-work outcomes prevent long-term disability and reduce the possibility of psychological problems for workers and their families. They are also good for an employer's bottom line. Early and safe return to work is a collaborative process involving the worker, the adjudicator or case manager, the employer, and health-care professionals involved in the worker's recovery.

Tribunal hears appeals

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(left to right) Gary Boyd, Margaret McCullough, Michael Riseborough, Ed Sumner, Laura Hureau, Megan Anderson (staff)

The Workers' Compensation Appeal Tribunal (WCAT) is a quasi-judicial body that hears final appeals from employers and workers on compensation claim matters. WCAT works to ensure that workers and employers are treated with respect, compassion and fairness.

The tribunal was established in 2000 through amendments to the *Workers' Compensation Act*. There are six part-time members: a neutral chair and alternate chair, two members representative of employers and two members representative of workers. Tribunal members are appointed by the Yukon government Cabinet after consultation with employers, workers and their representative organizations. Tribunal costs are paid out of the Compensation Fund.

In 2016 WCAT considered five appeals, of which four were confirmed and one was reversed.

Despite a slight increase in accepted time-loss claims in 2016, costs per claim were lower, suggesting that the collaborative approach to return-to-work efforts is paying off. By the end of 2016, almost 80 percent of claimants had been cleared to return to work within three months, while almost 90 percent had been cleared within a year.

Appeals

Claims decisions may be denied for various reasons. For example, required information is missing, a worker's industry or workplace is not covered under the *Workers' Compensation Act*, or the injury or illness is deemed not to be work related. When a claim is denied, the claimant has two years to appeal the decision.

Appeals are first handled by hearing officers. After reviewing the claim carefully, they confirm the original decision, vary it or reverse it. Claimants who are not satisfied with hearing officer decisions can appeal to the Workers' Compensation Appeal Tribunal (WCAT). WCAT decisions are considered final, unless new evidence is brought forward. Claimants can ultimately request a judicial review through the courts.

The Board dealt with 23 appeals in 2016, with 18 being confirmed and 5 being reversed. Five hearing officer decisions were appealed to WCAT.

Policy Amendments

The Yukon Workers' Compensation Health and Safety Board administers and is governed by the *Workers' Compensation Act*. When necessary, policies are developed to interpret and provide for practical application of this law.

Policies are developed through consultation with our internal and external stakeholder groups. They are approved by our Board of Directors. Policy development involves the work of policy analysts and other Board staff, who ensure that the policies reflect the input of our stakeholder partners and honour the spirit and intent of the Act.

Name of policy	Changes	Effective date
GN-01: Information Access and Privacy	This policy was updated to reflect changes to the <i>Access to Information and Protection of Privacy Act</i> (ATIPP) to safeguard our clients' personal and confidential information.	July 1, 2016
GN-08: Contracting	The amended policy addresses new Government of Yukon contracting regulations and assigns appropriate levels of signing authority to the Board's senior executives.	January 1, 2016
EL-01: Loss of Earnings Benefits	The amended policy clarifies time periods, circumstances, and earnings considered when calculating loss of earnings benefits.	January 1, 2016
EL-06: End of Loss of Earnings Benefits	The amended policy clarifies what happens when an injured worker quits their pre-injury job (whether planned or unplanned before the injury) or otherwise voluntarily withdraws from the workforce, and how earnings loss benefits are affected.	January 1, 2016
EL-04: Recovery of Overpaid Compensation	The amended policy clarifies when decision makers may and may not exercise discretion when deciding whether to recover an overpayment of compensation to an injured worker.	January 1, 2016
EN-11: Worker, Attendant and Witness Travel	The amended policy clarifies mileage allowances, liability for damage to hotels, and entitlement to incidental expense allowances.	January 1, 2016
EN-13: Claims Costs Relief and Claims Cost Transfer	<p>This policy was revoked. It had originally been written to reflect an earlier assessment system that is no longer used.</p> <p>Three policies needed minor revisions as a result of the revocation of EN-13:</p> <ul style="list-style-type: none"> • EA-10: Transfer of Employer Experience Account • GN-06: Subrogated Claims • GN-07: Negligence Cost Transfer 	January 1, 2016

Investigations, Privacy and Appeals to the Board of Directors

Investigations and security

The Investigations unit provides security services to the Board, protects claimants and the Compensation Fund by ensuring that the benefits paid to workers are those to which they are entitled, and supports the OHS branch by helping to coordinate the initial stages of investigations into workplace fatalities and major incidents.

In 2016 the Investigations unit worked closely with the Information Technology unit to upgrade and improve internal security systems. Both units worked with a Whitehorse-based business to facilitate training and install a new system with progressive audio-visual capabilities. The Investigations unit also worked on procedural upgrades to the Workers' Compensation Appeal Tribunal (WCAT) security system.

The Investigations unit looked into 15 claim files in 2016 and assisted OHS on 3 investigations.

Privacy

The Yukon Workers' Compensation Health and Safety Board collects personal information in the administration of the *Workers' Compensation Act* and the *Occupational Health and Safety Act*. The Board is subject to the *Access to Information and Protection of Privacy Act* (ATIPP). ATIPP protects personal privacy by preventing the unauthorized collection, use or disclosure of personal information. It gives individuals a right of access to their

personal information. It also gives the public the right to access general records of the Board.

Privacy is an integral part of the culture at the Board due to the sensitive nature of the information we manage on a day-to-day basis. There are several policies and directives in place related to privacy management. Three years ago, the Board was recognized by the Yukon's Information and Privacy Commissioner for being the first public body in the territory to develop a privacy management program. That program includes designating a privacy officer; developing privacy directives, including privacy breach protocols; and providing training to staff.

New directives and procedures are in development annually to ensure the privacy of personal and other confidential information, safeguard the security of our systems, and improve access provisions for our clients. The foundation policy regarding privacy and release of information is GN-01, Information Access and Privacy, which, as noted on the opposite page, was updated in 2016 to improve our privacy and disclosure practices—in particular, adding processes to be followed for access and disclosure of information, challenging compliance or requesting corrections, and other changes to comply with ATIPP legislation.

Appeal Panel of 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 rights of action. In 2016 a panel heard one appeal relating to an occupational health and safety matter and confirmed the previous decision.

Safety Food for Thought

In May 2016 the second annual Partners in Safety Barbecue was held at Shipyards Park in Whitehorse. The free event had Board representatives and volunteers from other organizations serving up hot dogs and burgers, as well as discussions on health and safety.

“Safety doesn’t stop at work,” says organizer Paul Smythe. “It’s also about engaging families in conversation.”

Smythe is with the Board’s Occupational Health and Safety branch. He says about 750 people attended the barbecue, which was a significant increase from the inaugural event in 2015 held in the under-construction Whistle Bend subdivision in Whitehorse. According to Smythe, the event is evolving.

“We looked for other areas of influence to give people ideas about safety and get them engaged to start a conversation,” he says. “We built upon that theme of creating better communication strategies about safety. It’s pretty easy to message, but you have to do it right.”

Safety experts were on hand to discuss how they maintain safe workplaces, with representatives from organizations such as Air North, ATCO Electric Yukon, Canadian Society of Safety Engineering, City of Whitehorse, Northern Safety Network Yukon, and the Yukon Contractors Association. Each demonstrated how they implement safety programs and protocols in their line of work.

The Partners in Safety Barbecue is an official event of North American Occupational Safety and Health (NAOSH) Week, observed every year during the second week of May. Events are held in Canada, the United States and Mexico to promote and encourage occupational health and safety in all fields of work, with the goal of communicating the importance of preventing injury and illness in the workplace, at home, and in the community.

“We’ve proven we can get people to the barbecue, so the next step is getting even more information about safety out there,” Smythe explains. “It’s about bringing people together to have those discussions.”



Honouring Fallen Workers

Since 1984 dozens of Yukoners have been killed on the job. Sadly, three more were added to that tally in 2016.

To commemorate these workers, who paid such a terrible price to help build our territory, we worked with the Yukon Federation of Labour and a number of employers to build a permanent monument. The Workers' Memorial was officially unveiled on Sunday, August 21, 2016.

Its peaceful location on the banks of the Yukon River provides a space for people to contemplate the importance of workplace safety and remember those we have lost. Beginning on April 28, 2017, it will also be the community's annual gathering place for the Day of Mourning ceremony.

Designed and constructed by sculptor Bela Simo, based on a concept by designer Dan LeBrun, the memorial's five columns represent workers, employers, the community, governance and health-care providers.



www.archbold.com

Educating and protecting workers



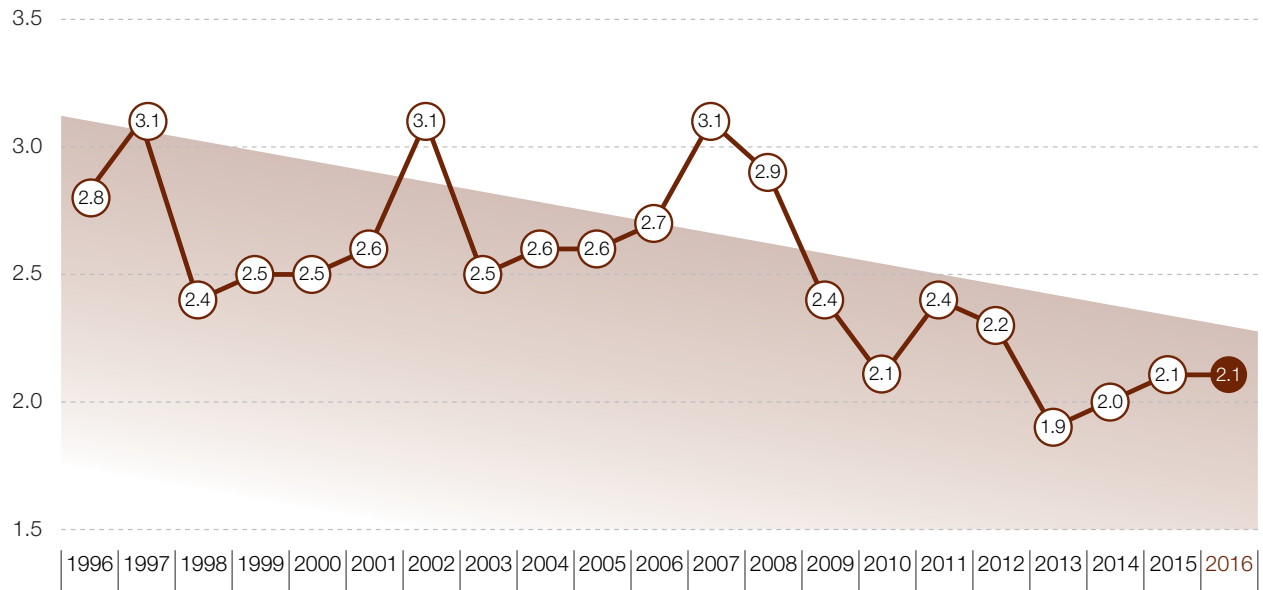
The Yukon Federation of Labour (YFL) is a key player in workplace safety. The umbrella organization of affiliated unions and locals in the territory collaborates with the Board to prioritize a culture of safety in the Yukon.

"YFL has been working with the Board for a number of years, and appreciates the positive working relationship. In other parts of Canada, federations of labour and compensation boards are in conflict. Here in the Yukon, we work together to improve policies, standards and worker safety," says Justin.

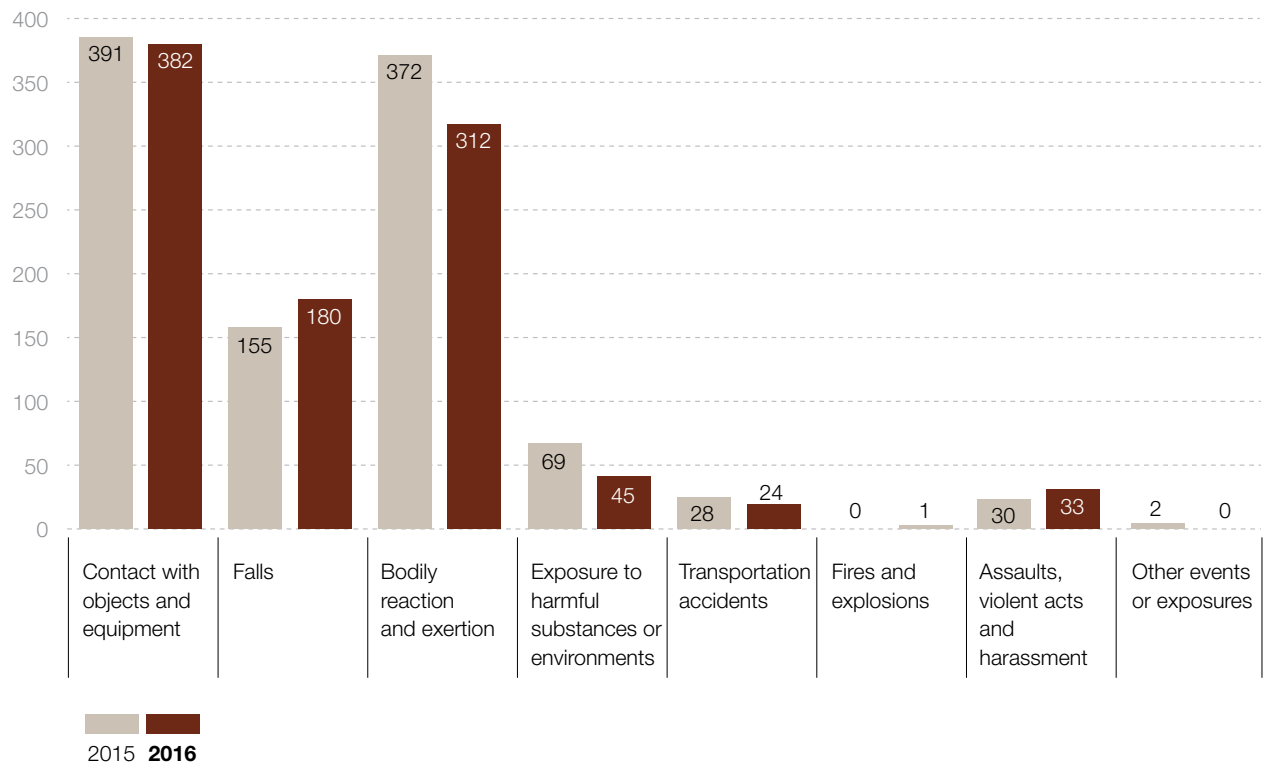
Justin was elected YFL president in October 2016, after having served as vice-president from 2013 to 2016. He says the organization's primary functions are to protect and educate workers, and to work towards political change. YFL continues to develop local training and educational opportunities for Yukoners and routinely pursues changes and revisions to legislation and regulations.

"We're advocating that every worker be made aware of their rights and how to stay safe on the job. That when workers encounter something they believe may not be safe, they know who to ask for help and how to address safety concerns. That workers understand their employers have a responsibility to speak to any concerns and to take work place safety seriously."

Lost-Time Injury Rate per 100 Covered Workers

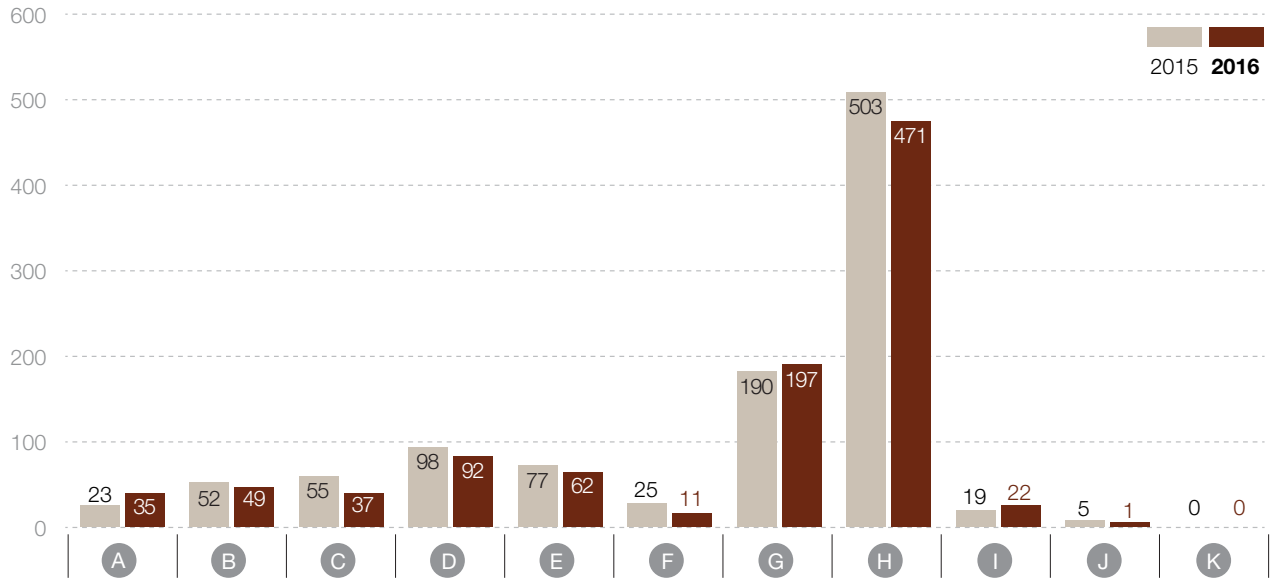


Accepted Claims by Event or Exposure



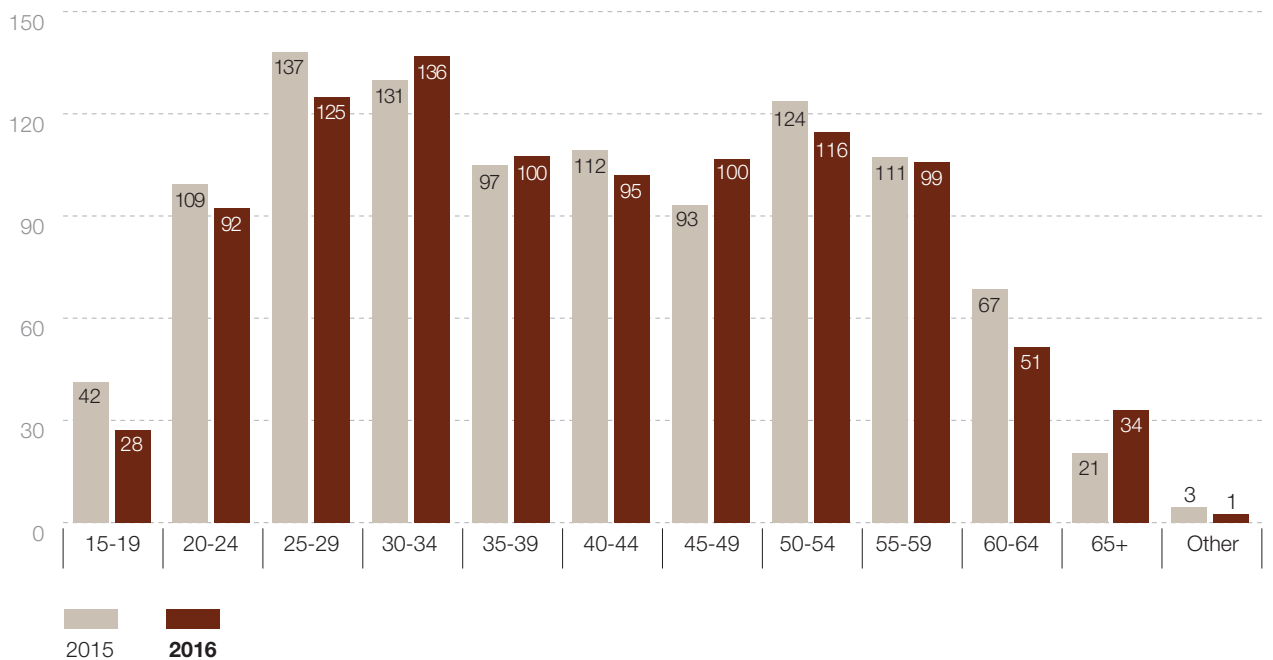
Data in these graphs may include revisions to prior releases.

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
- K** Unknown or Uncoded

Accepted Claims by Age Group



Financial Statements

Management's Discussion and Analysis

The Management's Discussion and Analysis provides further insight into the financial performance of the Compensation Fund (the Fund) for the year ended December 31, 2016. 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.

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 our actual results may differ materially from those expressed or implied.

Operating results

The 2016 operating surplus (prior to the funding surplus distribution) was lower than the previous year: \$1.7 million versus \$5.1 million in 2015. Lower than anticipated revenues were the main contributors to the decreased surplus in 2016.

A surplus distribution of \$9.6 million was issued to employers in 2016 due to the Fund's exceptionally strong financial position. This payout caused a net deficit for the year of \$7.9 million versus a net deficit of \$5.1 million in 2015. The surplus distribution was \$10.2 million in 2015.

Total comprehensive loss, which is made up of operating surplus, funding policy surplus distributions, and the actuarial loss on post-employment benefits, was \$8.1 million (loss) in 2016 versus \$5.2 million (loss) in 2015.

Revenues

The Fund's revenue and income totalled \$32.0 million in 2016 versus \$36.0 million in 2015. The Fund has two main sources of revenue and income: assessment revenue and net investment income. The decrease in overall revenue was directly attributable to a decrease in both assessment revenue and net investment income.

Assessment revenue in 2016 was \$20.2 million, down approximately 5.5% from \$21.4 million in 2015. The decrease in assessment revenue was due mainly to a decrease in assessment rates and a decrease in assessable payroll in the Resources and Transportation Sector rate group.

Net investment income in 2016 was \$10.8 million versus \$13.7 million in 2015, decrease of \$2.9 million. In 2016 the Fund earned an overall return of 5.6% versus the benchmark return of 5.1%. The overall return for the past five years has been 9.5% versus the benchmark of 8.6%. The investment portfolio's asset mix is 44.1% fixed income and 55.9% equities. The Yukon Workers' Compensation Health and Safety Board's disciplined, structured, conservative approach to managing its investment portfolio continues to help the Fund maintain a very strong financial position. 2016 was the eighth consecutive year of positive investment returns.

Expenses

Total claims expenses decreased to \$18.5 million in 2016 from \$19.4 million in 2015. Claims costs were lower in 2016 due mainly to lower costs associated with prior years' injuries.

Administration costs increased to \$11.3 million in 2016 from \$11.0 million in 2015 mainly due to a general increase in salary costs as provided for in the collective bargaining agreement and management payroll policies.

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, 2016, this liability was \$143.1 million, an increase of approximately 1.5% over the previous year. The increase was lower than expected due to favourable experience gains related mainly to the legislative change in Old Age Security eligibility. The total assets of the Fund have decreased by \$8.8 million in 2016, or 3.8%. The decrease in total assets is related mainly to a decrease in investments as funds were required for operational purposes and the payment of the surplus distribution. The value of the investment portfolio at the end of 2016 was \$209.5 million versus \$218.7 million at the end of 2015.

Funding Position

The funding ratio is calculated by dividing the total assets by the total liabilities. Similar to a pension plan, the Fund must have adequate assets to ensure that benefits can be provided to 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.

At the end of 2016, the funding ratio was 150%, down from 155% in 2015. When the funding ratio exceeds 125%, the board's funding policy considers it to be in a surplus position. The current surplus is being reduced in two ways. First, the surplus is returned via lower rates. The average provisional assessment rate was set at \$1.85 per \$100 of payroll in 2016 (down from \$1.90 in 2015), which is well below the true cost of approximately \$2.30 per \$100 of payroll. As well, in late 2016 the Board distributed \$9.6 million of its surplus reserves to employers. These actions continued a multi-year effort to reduce the reserves to their target level. Between 2012 and 2016, approximately \$35 million was returned to Yukon employers through lower assessment rates and rebate payments.

Outlook

The Yukon Workers' Compensation Health and Safety Board must be able to respond to new challenges and opportunities in a rapidly changing environment. A strong financial position is important in order to meet our future commitments to injured workers and their families, provide rate stability and weather future economic downturns in an increasingly unstable world.

On the occupational health and safety side of our business, we did not, unfortunately, achieve one of the most meaningful measures of success: zero workplace fatalities. Three workers died as a result of workplace injury or occupational disease in 2016. But zero is possible. The year before, there were no fatalities. The board and its partners must continue to strive together for zero workplace fatalities and injuries. Only then can we claim to have been truly successful.

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; and that 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. The accompanying financial statements as at December 31, 2016 include amounts based on management's best estimates as determined through experience and judgement, and are prepared 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 his opinion on the financial statements. He also considers whether the transactions that come to his notice in the course of the audit are, in all significant respects, in accordance with specified legislation.

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



Kurt Dieckmann, MBA, CRSP
President and Chief Executive Officer



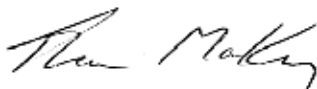
Jim Stephens, CPA, CMA, CGA
Vice President, Operations and Chief Financial Officer

April 18, 2017

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, 2016 (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 \$143,109,000. 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 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 Financial Statements

I have audited the accompanying financial statements of the Compensation Fund, which comprise the statement of financial position as at 31 December 2016, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Compensation Fund as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Workers' Compensation Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Compensation Fund and the financial statements are in agreement therewith. In addition, the transactions of the Compensation Fund that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Workers' Compensation Act* and regulations, the *Occupational Health and Safety Act* and regulations and the *Financial Administration Act* of Yukon and regulations.



Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

18 April 2017
Vancouver, Canada

Compensation Fund
Statement of Financial Position
As at December 31

(In Canadian Dollars)

	Note	2016 (\$000s)	2015 (\$000s)
ASSETS			
Cash		\$ 178	\$ -
Accounts receivable	6	1,934	1,601
Prepaid expenses		250	120
Investments	7	209,502	218,715
Property and equipment	8	9,430	9,261
Intangible assets	9	3,289	3,707
Total assets		\$ 224,583	\$ 233,404
LIABILITIES			
Bank overdraft	5	\$ -	\$ 2,654
Accounts payable and accrued liabilities	10	3,483	3,636
Surplus distributions payable	14	117	372
Deferred portion of government grant	11	183	225
Benefits liability	12	143,109	140,958
Employee benefits	13	2,992	2,771
Total liabilities		149,884	150,616
FUNDED POSITION (EQUITY)			
Reserves	14	74,699	82,788
Total equity		74,699	82,788
Total liabilities and equity		\$ 224,583	\$ 233,404

Commitments and Contingencies (notes 16 and 18)

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)

	<u>Note</u>	<u>2016</u> (\$000s)	<u>2015</u> (\$000s)
Revenue and Income			
Assessment revenue		\$ 20,210	\$ 21,392
Net investment income	7	10,761	13,699
Recoveries and other receipts		1,030	951
		<u>32,001</u>	<u>36,042</u>
Expenses			
Claims expenses	12	18,530	19,421
Administration	17		
General and Administration		8,214	7,855
Occupational Health and Safety		2,321	2,427
Workers' Advocate		492	515
Appeal Tribunal		114	125
Yukon Chamber		142	127
Prevention		455	435
		<u>30,268</u>	<u>30,905</u>
Operating surplus			
		<u>1,733</u>	<u>5,137</u>
Funding policy surplus distributions	14	<u>(9,618)</u>	<u>(10,214)</u>
Net deficit			
		(7,885)	(5,077)
Other comprehensive loss			
All items presented in other comprehensive loss will not be reclassified to operating surplus in subsequent periods:			
Actuarial loss on post-employment benefits	13	<u>(204)</u>	<u>(108)</u>
Total comprehensive loss			
		<u>\$ (8,089)</u>	<u>\$ (5,185)</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	Adverse Events Reserve	Total
	(\$000s)	(\$000s)	(\$000s)
Balance at January 1, 2015	\$ 65,811	\$ 22,162	\$ 87,973
Net deficit for 2015	(5,077)	-	(5,077)
Other comprehensive loss	(108)	-	(108)
Total comprehensive loss for 2015	(5,185)	-	(5,185)
Transfer to / from Adverse Events Reserve	(418)	418	-
Balance at December 31, 2015	\$ 60,208	\$ 22,580	\$ 82,788
Net deficit for 2016	(7,885)	-	(7,885)
Other comprehensive loss	(204)	-	(204)
Total comprehensive loss for 2016	(8,089)	-	(8,089)
Transfer to / from Adverse Events Reserve	(215)	215	-
Balance at December 31, 2016	\$ 51,904	\$ 22,795	\$ 74,699

Capital Management and Reserves (note 14)

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)

	2016 (\$000s)	2015 (\$000s)
Operating activities		
Cash received from:		
Employers, for assessments	\$ 19,922	\$ 21,075
Investment revenue - interest	2,897	2,993
Investment revenue - dividends	3,210	3,489
Recoveries and other receipts	960	896
	<u>26,989</u>	<u>28,453</u>
Cash paid:		
To employers, for surplus distributions	(9,873)	(9,842)
For claims	(16,675)	(16,608)
To employees and suppliers, for administration and prevention	(11,386)	(11,317)
	<u>(37,934)</u>	<u>(37,767)</u>
Total cash used by operating activities	<u>(10,945)</u>	<u>(9,314)</u>
Investing activities		
Net sale of investments	14,705	4,099
Purchases of property and equipment	(671)	(4,581)
Purchases of intangible assets	(257)	(761)
Total cash provided (used) by investing activities	<u>13,777</u>	<u>(1,243)</u>
Net increase (decrease) in cash	2,832	(10,557)
Cash (bank overdraft), beginning of year	<u>(2,654)</u>	<u>7,903</u>
Cash (bank overdraft), end of year	\$ 178	\$ (2,654)

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 new Act was July 1, 2008. The Board is exempt from income tax and the Goods and Services Tax.

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.

The Board, a territorial entity, is domiciled in Canada and has its office at 401 Strickland Street, Whitehorse, Yukon, Canada.

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 2016 financial statements on April 18, 2017.

Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for investments classified as held-for-trading that are measured at fair value. The Fund’s functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Fund operates, which 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.

Compensation Fund
Notes to the Financial Statements
December 31, 2016

(In Canadian Dollars)

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

- Note 7 Investments – Valuation of financial instruments
- Note 12 Benefits liability – Determination of discount rates and other assumptions
- Note 12 Benefits liability – Determination of latent occupational disease provision
- Note 13 Employee benefits – Determination of discount rates and other assumptions

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

3. Application of New and Revised IFRS

(a) Amendments to IFRS effective for the current year

The Board has applied amendments to IFRS that are mandatorily effective for the current year.

Amendments to IAS 1 *Disclosure Initiative*

In December 2014, the IASB issued amendments to IAS 1 to include guidance on the application of materiality in practice and are designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments did not have a significant impact on the Fund's financial statements.

(b) New and revised IFRS issued but not yet effective

IAS 7 *Statement of Cash Flows*

In January 2016, the IASB issued amendments to IAS 7 to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017. The adoption of these amendments is not expected to have a significant impact on the Fund's financial statements.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Board is currently evaluating

the impact the final standard is expected to have on the Fund's financial statements and therefore the extent of the impact of the adoption of this standard is unknown.

IFRS 16 Leases

The IASB issued a new standard on leases in January 2016. The scope of the new standard includes leases of all assets, with certain exemptions. A lease would be defined as a contract that conveys the right to use an asset for a period of time in exchange for consideration. IFRS 16 requires all leases to be reported on the lessee's statement of financial position. There are also changes in accounting over the life of the lease. In particular, the lessee will now recognize a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessors' accounting treatment remains similar to current practice. They continue to classify leases as finance or operating leases. The standard is effective for annual periods beginning on or after January 1, 2019. The Board is currently evaluating the impact the standard is expected to have on the Fund's financial statements and therefore the extent of the impact of the adoption of this standard is unknown.

(c) Future accounting changes

The IASB is currently working on a new standard to replace IFRS 4 *Insurance Contracts*. The goal of this project is to provide a single principle-based standard to account for all types of insurance contracts and to enhance comparability of financial reporting. The final standard is currently expected to be issued in 2017, and it will have an effective date no earlier than 2020. The impact of this new standard is not determinable at the present time.

4. Significant Accounting Policies

The following is a summary of the significant accounting policies:

(a) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and bank balances net of any bank overdrafts. Cash and short-term investments held by custodians for investment purposes are not available for general use and are included in investments.

(b) Assessments and 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. Supplementary compensation benefits are granted, pursuant to the Yukon Workers' Compensation

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Supplementary Benefits Ordinance, 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 15(a)).

(c) Recoveries from third parties

Since July 1, 2008, under section 51 of the *Workers' Compensation Act*, 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 will be 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 reduction to claims expense 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. Short-term investments held by the investment managers for investment purposes are included in Investments.

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. Bank overdraft, 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, bank overdraft, 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 which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that 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 into or out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers between levels in 2016 (2015 – 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 profit or loss.

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:

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Buildings and fixtures	10 – 50 years
Furniture and equipment	5 – 15 years
Computer equipment	5 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 is 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 capitalization ceases and the 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 – 12 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.

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Individual assets that may have experienced impairment due to loss, damage, obsolescence or curtailed service potential will be 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, 2016, 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 11).

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 is accounted for as deferred income and released into income over the expected useful life of the equipment (note 11).

(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 12).

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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, and death and funeral expenses.
- Compensation includes benefits for short and long-term compensation for loss of earnings and personal property, lump sum payments for permanent impairment, and rehabilitation assistance.
- The pension liability 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.
- The annuity liability is for workers who have received compensation for the same disability for at least 24 months. An amount equal to ten percent 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 profit and loss 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

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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 contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the 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) Leases

Leases, which do not transfer substantially all the risks and benefits of ownership of the asset to the Fund, are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The Board has entered into operating leases for office space, rental accommodation for travel, parking, and vehicles. The leases have an average life of 1 year (2015 – 1 year).

(l) 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 and issued. Surplus distributions that are approved but not issued are recorded as payable 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. 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.

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.

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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, 2016.

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 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 cash and cash equivalents held in the investment portfolio and 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-16	31-Dec-15
	AAA	AA	A	BBB	(\$000's)	(\$000's)
Fixed Income Securities	\$ 30,557	\$ 23,394	\$ 22,815	\$ 10,813	\$ 87,579	\$ 87,753

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 \$1,934,000 (2015 – \$1,601,000). Allowances for doubtful accounts are provided for potential losses that have been incurred at the reporting date. The amounts disclosed on the Statement of Financial Position are net of these allowances for bad debts. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer may default. At December 31, 2016, there were no accounts receivable that were past due but not impaired. The Board takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer 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, 2016, approximately 84% (2015 – 75%) 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.

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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, 2016 the Fund had used nil of the overdraft coverage (2015 - \$2,654,000). The bank overdraft is payable on demand.

The Fund's accounts payable and accrued liabilities had a carrying value of \$3,483,000 as at December 31, 2016 (2015 – \$3,636,000) and were all due within 60 days.

The Fund's surplus distributions payable had a carrying value of \$117,000 as at December 31, 2016 (2015 - \$372,000) and are expected to be paid in 2017 (note 14).

Liquidity risk related to the Benefits liability is included in note 12 (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 diversification and by limiting the concentration in any single entity to 15% or less of the fair value of the investment fund (note 7).

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

	Target		Actual	
	Minimum	Maximum	31-Dec-16	31-Dec-15
Equities				
Canadian	0%	25%	18.1%	16.0%
United States	0%	25%	18.6%	20.2%
International	0%	25%	19.2%	20.2%
Fixed Income				
Short-term investments	0%	10%	2.3%	3.5%
Bonds	35%	85%	41.8%	40.1%
			<u>100.0%</u>	<u>100.0%</u>

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

	31-Dec-16		31-Dec-15	
	(\$000's)		(\$000's)	
Percentage decrease in fair value	-10%	-20%	-10%	-20%
Equities				
Canadian	\$ (3,782)	\$ (7,564)	\$ (3,510)	\$ (7,020)
United States	(3,899)	(7,799)	(4,409)	(8,818)
International	(4,024)	(8,048)	(4,415)	(8,830)
Total impact on operating results and equity	\$ (11,705)	\$ (23,411)	\$ (12,334)	\$ (24,668)

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.

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

	31-Dec-16		31-Dec-15	
	(\$000's)		(\$000's)	
Positive bp change in nominal interest rate	+50bp	+100bp	+50bp	+100bp
Bonds	\$ (3,142)	\$ (6,283)	\$ (2,950)	\$ (5,901)
Total impact on operating results and equity	\$ (3,142)	\$ (6,283)	\$ (2,950)	\$ (5,901)

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

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-16	31-Dec-15
	< 1 year	1 - 5 years	5 - 10 years	> 10 years	(\$000's)	(\$000's)
					Total	Total
Bonds	\$ 2,457	\$ 35,617	\$ 24,504	\$ 25,001	\$ 87,579	\$ 87,753
Average effective yield	2.94%	2.06%	2.35%	3.06%	2.45%	2.31%

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

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The Fund is also exposed to the risk that interest rate movements may materially impact the value of its benefits liability (note 12(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.

Within its pooled investments, 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, the Euro, the British Pound, the Japanese Yen, and the Swiss Franc. At December 31, the Fund held foreign currency denominated holdings, at fair value as follows:

Currency	31-Dec-16 (\$000's)	31-Dec-15 (\$000's)
US Dollar	\$ 41,900	\$ 48,300
Euro	\$ 16,600	\$ 16,800
Pound	\$ 6,800	\$ 7,400
Yen	\$ 4,700	\$ 6,100
Swiss Franc	\$ 3,700	\$ 4,000

The following table presents the effect of a ten percent appreciation in the Canadian dollar as compared to the US Dollar, the Euro, the British Pound, the Japanese Yen, and the Swiss Franc on operating results and equity:

Currency	31-Dec-16 (\$000's)	31-Dec-15 (\$000's)
US Dollar	\$ (3,813)	\$ (4,395)
Euro	\$ (1,506)	\$ (1,530)
Pound	\$ (622)	\$ (671)
Yen	\$ (425)	\$ (551)
Swiss Franc	\$ (341)	\$ (363)

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6. Accounts Receivable

	31-Dec-16	31-Dec-15
	(\$000s)	(\$000s)
Assessments		
Assessed and due from employers	\$ 1,694	\$ 1,668
Allowance for doubtful accounts	(250)	(220)
	<u>\$ 1,444</u>	<u>\$ 1,448</u>
Other		
Other receivables and recoveries	\$ 513	\$ 187
Allowance for doubtful accounts	(23)	(34)
	<u>\$ 490</u>	<u>\$ 153</u>
	<u><u>\$ 1,934</u></u>	<u><u>\$ 1,601</u></u>

Included in other receivables and recoveries are amounts due from the Government of Yukon, which are disclosed in note 15.

Reconciliation of allowance for doubtful accounts

	31-Dec-16	31-Dec-15
	(\$000's)	(\$000's)
Balance, beginning of year	\$ 254	\$ 338
Accounts written off	(57)	(122)
Recoveries and other adjustments	(9)	(118)
Current year provision	85	156
Balance, end of year	<u><u>\$ 273</u></u>	<u><u>\$ 254</u></u>

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7. 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-16	31-Dec-15
	(\$000s)	(\$000s)
	<u>Fair Value</u>	<u>Fair Value</u>
Fixed-term securities		
Federal bonds	\$ 18,611	\$ 21,508
Provincial bonds	13,483	7,159
Corporate bonds	55,485	59,085
	<u>87,579</u>	<u>87,752</u>
Equities		
Canadian	37,819	35,101
United States	38,993	44,092
International	40,240	44,152
	<u>117,052</u>	<u>123,345</u>
Other investments		
Cash on account	133	261
Short-term investments	4,223	6,904
Accrued interest receivable	599	615
	<u>4,955</u>	<u>7,780</u>
Investments, sub-total	209,586	218,877
Management fee accrual	(84)	(162)
	<u>\$ 209,502</u>	<u>\$ 218,715</u>

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

	2016	2015
	(\$000s)	(\$000s)
Interest	\$ 2,900	\$ 3,059
Dividends	3,210	3,489
Realized gains in the year	6,965	8,617
Unrealized loss in fair value in the year	(1,553)	(784)
Investment management fees	(761)	(682)
	<u>\$ 10,761</u>	<u>\$ 13,699</u>

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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:

A Level 1 classification reflects public daily market or quote pricing with a good volume level.

A 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.

A Level 3 security would have no public pricing and poor to non-existent liquidity.

As at December 31, 2016, the Fund held the following financial instruments measured at fair value:

	Level 1 (\$000s)	Level 2 (\$000s)	Level 3 (\$000s)	Total (\$000s)
Cash and Cash Equivalents	\$ 4,871	\$ -	\$ -	\$ 4,871
Bonds	5,973	81,606	-	87,579
Equities	58,102	-	-	58,102
Pooled Funds	-	58,950	-	58,950
Total Investments	\$ 68,946	\$ 140,556	\$ -	\$ 209,502

As at December 31, 2015, the Fund held the following financial instruments measured at fair value:

	Level 1 (\$000s)	Level 2 (\$000s)	Level 3 (\$000s)	Total (\$000s)
Cash and Cash Equivalents	\$ 7,618	\$ -	\$ -	\$ 7,618
Bonds	8,112	79,641	-	87,753
Equities	59,998	-	-	59,998
Pooled Funds	-	63,346	-	63,346
Total Investments	\$ 75,728	\$ 142,987	\$ -	\$ 218,715

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Valuation methodologies for Level 2 financial instruments

Bonds are valued at the year end closing bid prices based on available public quotations from recognized dealers in such securities, or by using appropriate and accepted industry valuation techniques including valuation models and the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices.

Pooled fund units are valued at their year end net asset value, as determined by the fund manager or administrator. For equity and fixed-income pooled funds, these values represent the Fund's proportionate share of underlying net assets at fair values determined using either quoted market prices or year end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities.

8. Property and Equipment

	Land (\$000s)	Buildings and Fixtures (\$000s)	Furniture and Equipment (\$000s)	Computer and Equipment (\$000s)	Assets under construction (\$000s)	Total (\$000s)
Cost						
At January 1, 2015	\$ 1,045	\$ 3,945	\$ 1,224	\$ 650	\$ 1,614	\$ 8,478
Additions	-	57	176	124	3,880	4,237
Disposals	-	-	(28)	(45)	-	(73)
Transfers	-	5,494	-	-	(5,494)	-
At December 31, 2015	\$ 1,045	\$ 9,496	\$ 1,372	\$ 729	\$ -	\$ 12,642
Depreciation and impairment						
At January 1, 2015	\$ -	\$ 1,946	\$ 643	\$ 466	\$ -	\$ 3,055
Depreciation	-	201	102	96	-	399
Disposals	-	-	(28)	(45)	-	(73)
Impairment	-	-	-	-	-	-
At December 31, 2015	\$ -	\$ 2,147	\$ 717	\$ 517	\$ -	\$ 3,381
Net book value						
At December 31, 2015	\$ 1,045	\$ 7,349	\$ 655	\$ 212	\$ -	\$ 9,261
Cost						
At January 1, 2016	\$ 1,045	\$ 9,496	\$ 1,372	\$ 729	\$ -	\$ 12,642
Additions	-	266	172	104	39	581
Disposals	-	-	(12)	(61)	-	(73)
Transfers	-	144	(144)	-	-	-
At December 31, 2016	\$ 1,045	\$ 9,906	\$ 1,388	\$ 772	\$ 39	\$ 13,150
Depreciation and impairment						
At January 1, 2016	\$ -	\$ 2,147	\$ 717	\$ 517	\$ -	\$ 3,381
Depreciation	-	203	111	98	-	412
Disposals	-	-	(12)	(61)	-	(73)
Impairment	-	-	-	-	-	-
At December 31, 2016	\$ -	\$ 2,350	\$ 816	\$ 554	\$ -	\$ 3,720
Net book value						
At December 31, 2016	\$ 1,045	\$ 7,556	\$ 572	\$ 218	\$ 39	\$ 9,430

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9. Intangible Assets

	Internal Software Development Costs ⁽¹⁾ (\$000s)	Software Systems Under Development (\$000s)	Software Costs (\$000s)	Total (\$000s)
Cost				
At January 1, 2015	\$ 8,146	\$ -	\$ 998	\$ 9,144
Additions	694	-	19	713
Disposals	(109)	-	-	(109)
At December 31, 2015	\$ 8,731	\$ -	\$ 1,017	\$ 9,748
Amortization and impairment				
At January 1, 2015	\$ 4,756	\$ -	\$ 700	\$ 5,456
Amortization	605	-	55	660
Disposals	(75)	-	-	(75)
Impairment	-	-	-	-
At December 31, 2015	\$ 5,286	\$ -	\$ 755	\$ 6,041
Net book value				
At December 31, 2015	\$ 3,445	\$ -	\$ 262	\$ 3,707
Cost				
At January 1, 2016	\$ 8,731	\$ -	\$ 1,017	\$ 9,748
Additions	253	29	16	298
Disposals	(206)	-	(37)	(243)
At December 31, 2016	\$ 8,778	\$ 29	\$ 996	\$ 9,803
Amortization and impairment				
At January 1, 2016	\$ 5,286	\$ -	\$ 755	\$ 6,041
Amortization	619	-	56	675
Disposals	(165)	-	(37)	(202)
Impairment	-	-	-	-
At December 31, 2016	\$ 5,740	\$ -	\$ 774	\$ 6,514
Net book value				
At December 31, 2016	\$ 3,038	\$ 29	\$ 222	\$ 3,289

(1) Included in internal software development costs is the claims management system which has a net book value of \$1,531,000 (2015 – \$1,690,000) and a remaining amortization period of 6 years.

System research and analysis costs expensed in 2016 were \$23,000 (2015 – \$18,000).

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10. Accounts Payable and Accrued Liabilities

	31-Dec-16 <u>(\$000s)</u>	31-Dec-15 <u>(\$000s)</u>
Payable		
Assessments refundable	\$ 1,676	\$ 1,894
Other payables and accrued liabilities	<u>1,807</u>	<u>1,742</u>
	<u>\$ 3,483</u>	<u>\$ 3,636</u>

Included in other payables and accrued liabilities are amounts due to the Government of Yukon, which are disclosed in note 15.

11. Government Grants

In 2016, the Fund received \$330,000 for the Mine Safety Program Grant (2015 – \$330,000). This was accounted for as income in the period.

The Fund did not receive any funds in 2016 for the purpose of upgrading mine safety equipment (2015 – nil). The deferred portion of the government grant as at December 31, 2016 was \$183,000 (2015 – \$225,000) and \$42,000 (2015 – \$43,000) was expensed and released into income during the year.

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

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12. Benefits Liability

	2016					
	(\$000s)					
	Medical Aid	Compensation	Pension	Annuity	Occupational Disease Provision	Total
Balance, beginning of year	\$ 22,727	\$ 68,905	\$ 29,269	\$ 7,535	\$ 12,522	\$ 140,958
Add claims costs incurred:						
Current year injuries	5,725	7,459	-	-	-	13,184
Prior years' injuries	922	(299)	4,532	-	-	5,155
Latent occupational disease provision	-	-	-	-	191	191
	<u>6,647</u>	<u>7,160</u>	<u>4,532</u>	<u>-</u>	<u>191</u>	<u>18,530</u>
Less claims payments made:						
Current year injuries	2,648	1,433	-	-	-	4,081
Claims management	397	215	-	-	-	612
Prior years' injuries	2,329	5,799	2,336	(276)	-	10,188
Claims management	349	799	350	-	-	1,498
	<u>5,723</u>	<u>8,246</u>	<u>2,686</u>	<u>(276)</u>	<u>-</u>	<u>16,379</u>
Balance, end of year	<u>\$ 23,651</u>	<u>\$ 67,819</u>	<u>\$ 31,115</u>	<u>\$ 7,811</u>	<u>\$ 12,713</u>	<u>\$ 143,109</u>

	2015					
	(\$000s)					
	Medical Aid	Compensation	Pension	Annuity	Occupational Disease Provision	Total
Balance, beginning of year	\$ 21,293	\$ 67,239	\$ 29,939	\$ 7,378	\$ 12,270	\$ 138,119
Add claims costs incurred:						
Current year injuries	5,663	7,541	-	-	-	13,204
Prior years' injuries	1,706	2,211	2,069	(21)	-	5,965
Latent occupational disease provision	-	-	-	-	252	252
	<u>7,369</u>	<u>9,752</u>	<u>2,069</u>	<u>(21)</u>	<u>252</u>	<u>19,421</u>
Less claims payments made:						
Current year injuries	2,589	1,417	-	-	-	4,006
Claims management	388	213	-	-	-	601
Prior years' injuries	2,572	5,671	2,382	(178)	-	10,447
Claims management	386	785	357	-	-	1,528
	<u>5,935</u>	<u>8,086</u>	<u>2,739</u>	<u>(178)</u>	<u>-</u>	<u>16,582</u>
Balance, end of year	<u>\$ 22,727</u>	<u>\$ 68,905</u>	<u>\$ 29,269</u>	<u>\$ 7,535</u>	<u>\$ 12,522</u>	<u>\$ 140,958</u>

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

	2016	2015
	(\$ 000's)	(\$ 000's)
Balance, beginning of year	<u>\$ 140,958</u>	<u>\$ 138,119</u>
Add:		
Provision for current year's claims	8,492	8,597
Interest allocated	7,464	7,663
Experience gain	<u>(2,119)</u>	<u>(1,446)</u>
	13,837	14,814
Deduct:		
Payments for prior years' claims	11,686	11,975
Balance, end of year	<u>\$ 143,109</u>	<u>\$ 140,958</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.

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(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.

(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 financial impact of changing interest rates on the benefits liability is expected to be offset in the longer term by similar changes in claims inflation.

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 5.

(f) Liquidity risk

The Fund's exposure to liquidity risk is set out in note 5.

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.

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Expected timing of future payments for outstanding claims:

	<u>2016</u>	<u>2015</u>
Up to 1 year	5%	5%
Over 1 year and up to 5 years	16%	16%
Over 5 years and up to 10 years	20%	20%
Over 10 years	59%	59%
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-16</u>	<u>31-Dec-15</u>
Discount rate for medical aid benefits - net ^(1,3)	1.00%	1.00%
Discount rate for compensation benefits - net ^(2,3)	3.40%	3.40%
Discount rate for survivor and other pension benefits - net ⁽²⁾	3.40%	3.40%

(1) Net of a discount rate attributable to inflation of 4.75% (2015 – 4.75%).

(2) Net of a discount rate attributable to inflation of 2.25% (2015 – 2.25%).

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

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 impacted by professional judgment 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, 2016. 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

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occurred on or before December 31, 2016. 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 ten percent 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 2010 and prior, including future inflationary adjustments, for individuals still in receipt of a long-term loss of earnings award at December 31, 2016. 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 ten percent 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.

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, 2016. 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, 2016. These future awards are in respect of all claims arising from injuries which occurred on or before December 31, 2016. 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, 2016. A provision with respect to the ten percent 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

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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.

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, 2016 is 15% (15% for December 31, 2015), 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	
	2016 (\$000s)	2015 (\$000s)
Change in runoff factors	\$ (99)	\$ 268
Update of first year inflation	(631)	(1,012)
Change in mortality table	4,368	-
Other changes in actuarial assumptions	649	(184)
	\$ 4,287	\$ (928)
Change in old age security	(4,519)	-
Annuity top up	747	-
Favourable claims experience during year	(3,320)	(2,005)
	\$ (2,805)	\$ (2,933)
Actual versus expected claims paid on prior years' injuries	686	1,487
	\$ (2,119)	\$ (1,446)

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On March 22, 2016, the Government of Canada announced during the Budget Speech that the eligibility age for Old Age Security pension benefits would decrease from age 67 to 65. This change was passed into law and received Assent on June 22, 2016, and it had an effect on the benefits liability by decreasing it as the loss of earning benefits for those workers affected by the change will no longer be paid beyond age 65. This decrease resulted in a \$4,519,000 experience gain which is included in the significant changes in the benefits liability for experience gains or losses.

(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 20% (2015 – 20%) 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:

	31-Dec-16		31-Dec-15	
	(\$000s)		(\$000s)	
Percentage change in assumed rates	+1%	-1%	+1%	-1%
Increase (decrease) in claims expense and benefits liability from change in net discount rate	\$ (11,191)	\$ 13,094	\$ (11,092)	\$ 12,958
Increase (decrease) in claims expense and benefits liability from change in excess medical inflation rate	2,945	(2,458)	2,746	(2,300)

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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	2007 (\$000s)	2008 (\$000s)	2009 (\$000s)	2010 (\$000s)	2011 (\$000s)	2012 (\$000s)	2013 (\$000s)	2014 (\$000s)	2015 (\$000s)	2016 (\$000s)	Total (\$000s)
At end of accident year	25,247	24,593	21,560	26,001	28,402	24,192	24,513	24,789	19,067	18,600	
One year later	26,069	19,487	18,820	23,288	26,111	25,187	20,973	21,570	15,325		
Two years later	23,205	17,116	18,092	23,006	25,087	22,366	20,821	19,054			
Three years later	21,047	16,422	17,895	21,645	21,837	22,418	20,327				
Four years later	20,422	15,667	17,497	17,971	20,488	22,386					
Five years later	21,102	15,248	14,601	16,857	20,024						
Six years later	19,137	11,284	12,098	14,205							
Seven years later	17,885	11,147	11,856								
Eight years later	17,546	10,925									
Nine years later	16,998										
Cumulative Payments											
At end of accident year	3,288	3,082	2,454	3,182	3,721	4,433	3,438	3,757	3,801	3,879	
One year later	6,572	4,707	3,963	4,787	5,618	7,404	5,113	2,833	2,280		
Two years later	7,607	5,198	4,500	5,394	6,222	8,277	5,910	1,299			
Three years later	8,013	5,371	4,880	5,635	6,648	8,999	6,394				
Four years later	8,304	5,469	5,067	5,833	6,910	9,540					
Five years later	8,528	5,653	5,254	6,085	7,211						
Six years later	8,736	5,453	5,408	6,318							
Seven years later	8,900	5,590	5,581								
Eight years later	9,111	5,697									
Nine years later	9,332										
Estimate of Future Payments	7,666	5,228	6,275	7,887	12,813	12,847	13,934	17,754	13,045	14,722	112,171
2006 and prior claims											104,757
Effect of Discounting											(101,735)
Effect of Admin Expenses											15,203
Effect of Occupational Disease Liability											<u>12,714</u>
Balance Sheet Liability											<u><u>143,109</u></u>

During the year ended December 31, 2016, 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.

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13. Employee Benefits

	31-Dec-16	31-Dec-15
	(\$000s)	(\$000s)
Short-term employee benefits	\$ 583	\$ 577
Other long-term employee benefits (a)	854	856
Post-employment benefits (b)	1,555	1,338
	<u>\$ 2,992</u>	<u>\$ 2,771</u>

Short-term benefits included in the above amounts are expected to be paid within the next twelve 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:

	31-Dec-16	31-Dec-15
	(\$000s)	(\$000s)
Long service vacation benefits	\$ 38	\$ 34
Accumulating sick and special leave benefits	816	822
Total	<u>\$ 854</u>	<u>\$ 856</u>

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

	2016	2015
	(\$000s)	(\$000s)
Benefits, beginning of the year	\$ 856	\$ 518
Payments made during the year	(94)	(75)
Current service cost	67	33
Interest cost	27	20
Actuarial (gain) loss and other changes	(2)	360
Benefits, end of the year	<u>\$ 854</u>	<u>\$ 856</u>

Actuarial (gain) loss remeasurements:

	2016	2015
	(\$000s)	(\$000s)
Effect of changes in financial assumptions	\$ (22)	\$ 342
Effect of changes in demographic assumptions	20	18
Remeasurements (gain) loss in profit or loss	<u>\$ (2)</u>	<u>\$ 360</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.

Management employees have a graded retirement and severance benefits per service year arrangement with no maximum payout limit.

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

	2016	2015
	(\$000s)	(\$000s)
Benefits, beginning of the year	\$ 1,338	\$ 1,167
Payments made during the year	(121)	(59)
Current service cost	90	74
Interest cost	44	48
Actuarial loss and other changes	204	108
Benefits, end of the year	<u>\$ 1,555</u>	<u>\$ 1,338</u>

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Actuarial loss remeasurements:

	2016	2015
	(\$000s)	(\$000s)
Effect of changes in financial assumptions	\$ (37)	\$ 73
Effect of changes in demographic assumptions	241	35
Remeasurements loss in other comprehensive income	<u>\$ 204</u>	<u>\$ 108</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 3.50% (2015 – 3.25%) 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 1.5% for 2017 and 1.5% for 2018, based on negotiated wage increases, and 2.0% for 2019 and beyond (2015 – 2.0% in 2016) based on management's best estimate.

The expected Fund contributions for retirement and severance for the next year are \$491,000 (2016 – \$121,000). The weighted average duration of the retirement and severance benefit is 6.6 years (2015 – 7.8 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-16		31-Dec-15	
	(\$000s)		(\$000s)	
Percentage change in assumed rates	+1%	-1%	+1%	-1%
Discount rate	\$ (93)	\$ 105	\$ (97)	\$ 108
Wage Inflation rate	\$ 81	\$ (73)	\$ 109	\$ (95)

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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 contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the 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:

Contribution rate for the year	2016		2015	
	Up to Maximum	Above Maximum	Up to Maximum	Above Maximum
For employees eligible before January 1, 2013	\$ 1.15	\$ 6.67	\$ 1.28	\$ 7.13
For employees eligible after January 1, 2013	\$ 1.11	\$ 6.67	\$ 1.28	\$ 7.13
Maximum salary limit	\$ 161,700	No limit	\$ 157,700	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 percent 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:

	2016	2015
	(\$000s)	(\$000s)
Employees' contributions	\$ 614	\$ 568
Fund contributions	\$ 724	\$ 766

The expected contributions to the Plan for the next year are \$604,000 (2016 – \$631,000) employee contributions and \$622,000 (2016 – \$761,000) Fund contributions.

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(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 \$950,000 in 2016 (2015 - \$1,301,000).

14. 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.

The Board of Directors uses the Funding Ratio (Assets/Liabilities) to manage capital. At December 31, 2016, the Funding Ratio was 150% (2015 – 155%). Management's funding target is 125%, 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, including the cost of administration.

(b) Surplus Distributions

In 2016, in order to bring the Funding Ratio closer to target, the Board of Directors approved a surplus distribution of \$10,030,000 (2015 - \$10,214,000) to be paid out to eligible employers.

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Reconciliation of funding policy surplus distributions:

	31-Dec-16 (\$000s)	31-Dec-15 (\$000s)
Current year surplus distributions paid	\$ 9,746	\$ 9,842
Current year surplus distributions withheld	284	372
	<u>10,030</u>	<u>10,214</u>
Prior year surplus distributions reversed	(245)	-
Current year surplus distributions reversed	(167)	-
Funding policy surplus distributions	<u>\$ 9,618</u>	<u>\$ 10,214</u>

An amount of \$9,746,000 was paid relating to the 2016 approved surplus distribution (2015 – \$9,842,000). Distributions paid are conditional upon employers being compliant with the *Workers' Compensation Act* and *Occupational Health and Safety Act*. At December 31, 2016, \$284,000 (2015 - \$372,000) in surplus distributions were withheld due to non-compliance by employers.

Reconciliation of surplus distributions payable:

	31-Dec-16 (\$000s)	31-Dec-15 (\$000s)
Surplus distributions payable, beginning of year	\$ 372	\$ -
Amounts paid for prior year surplus distributions	(127)	-
Prior year surplus distributions reversed	(245)	-
Current year surplus distributions withheld	284	372
Current year surplus distributions reversed	(167)	-
Surplus distributions payable, end of year	<u>\$ 117</u>	<u>\$ 372</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 ten percent of the benefits liability. In 2016 the benefits liability was \$143,109,000 (2015 – \$140,958,000). The target was \$14,311,000 as at December 31, 2016 (2015 – \$14,096,000). The operating range for this reserve is determined as the target level balance plus or minus three and a half percent of the benefits liability. At December 31, 2016, the Stabilization Reserve has a balance of \$51,904,000 (2015 – \$60,208,000).

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 ten years from the year in which the deficiency or surplus arose.

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A rebate in 2016 was included in the assessment rates as required by the Funding Policy based on the 2015 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. The target level for this reserve is \$22,795,000 (2015 – \$22,580,000), which has been set at 100 times the maximum wage rate plus ten percent of the benefits liability and is calculated annually upon completion of the actuarial valuation of the benefits liability. Costs related to catastrophic and adverse events and latent occupational diseases are charged to this reserve, resulting in a charge of nil for 2016 (2015 – nil). This reserve is limited to its target level. Funds in excess of the target level are transferred to the Stabilization Reserve, with nil funds transferred in 2016 (2015 – nil). At December 31, 2016, the Adverse Events Reserve has a balance of \$22,795,000 (2015 – \$22,580,000).

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.

15. 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 all Government departments, agencies and Government corporations.

The Government and entities related to the Government pay assessment premiums to the Fund for workers’ compensation benefit coverage.

During 2016, the Compensation Fund paid the Government \$226,000 (2015 – \$395,000) for building maintenance, computer, office supplies, payroll processing, recruitment, and vehicle services. The Fund reimbursed the Government \$492,000 (2015 – \$515,000) for the Worker’s Advocate Office. The Fund also reimbursed the Government for payroll costs of \$8,740,000 (2015 – \$8,355,000).

Reimbursements for claims costs received from the Government were \$512,000 in 2016 (2015 – \$464,000) (note 4(b)).

The Board enters into transactions with the Government and entities related to the Government in the normal course of business and the transactions are recorded at fair value.

Revenues and recoveries from the Government for the year ended December 31, 2016 totalled \$6,079,000 (2015 – \$6,124,000), including the Mine Safety Program Grant (note 11).

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During 2016, the Board issued a \$2,331,000 (2015 – \$2,176,000) surplus distribution to the Government.

Balances due to and from Government of Yukon were as follows:

	31-Dec-16	31-Dec-15
	(\$000s)	(\$000s)
Due to the Government of Yukon	\$ (1,038)	\$ (1,088)
Due from the Government of Yukon - Recoveries	129	60
Due from the Government of Yukon - Assessments	257	269
Net amount due	<u>\$ (652)</u>	<u>\$ (759)</u>

(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:

	2016	2015
	(\$000s)	(\$000s)
Short-term employee compensation and benefits	\$ 1,335	\$ 1,413
Other long-term employee benefits	24	8
Post employment benefits	316	238
Total remuneration	<u>\$ 1,675</u>	<u>\$ 1,659</u>

Contributions made to the Public Service Pension Plan by the Fund for key management personnel was \$153,000 (2015 – \$189,000) and are included in post employment benefits.

Transactions with responsible key management personnel are negotiated on a commercial basis. Conflicts are overcome by directors declaring their interests and abstaining from voting at Board of Directors meetings.

16. Commitments

The Fund has entered into the following contractual commitments for the next five years:

	Contribution agreements	Computer systems support	Professional services	Building maintenance	Other	Total
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
2017	\$ 694	\$ 89	\$ 301	\$ 88	\$ 48	\$ 1,220
2018	153	28	245	8	11	445
2019	-	-	252	-	9	261
2020	-	-	260	-	-	260
2021	-	-	-	-	-	-
	<u>\$ 847</u>	<u>\$ 117</u>	<u>\$ 1,058</u>	<u>\$ 96</u>	<u>\$ 68</u>	<u>\$ 2,186</u>

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17. Administration Expenses

	2016	2015
	(\$000s)	(\$000s)
Salaries and benefits	\$ 9,073	\$ 8,972
Consulting and professional	1,078	1,037
Amortization - intangible assets	675	660
Buildings	424	415
Depreciation - property and equipment	412	399
General administration	364	409
Computer systems	309	343
Automobile and travel	255	203
Communications	222	216
Staffing and recruitment	164	135
Board expenses	127	143
Lease expense	92	108
Printing and publications	78	37
Supplies and stationery	52	58
Furniture and equipment	45	25
System development analysis expense	23	18
	<u>\$ 13,393</u>	<u>\$ 13,178</u>
Less: claims administration expense transferred to claims expenses (note 12)	(2,110)	(2,129)
	<u>\$ 11,283</u>	<u>\$ 11,049</u>

18. Contingencies

(a) Contingent liabilities

Due to the nature of the Board's operations, various legal matters are pending. In the opinion of management, these matters will not have a material effect on the Fund's financial position or results of operations.

(b) Contingent assets

There are probable recoveries from third parties where the outcome is subject to future resolution and could have a material impact on the Fund's financial position or results of operations (note 4(c)). An estimate of their financial effect is not practicable to disclose.



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