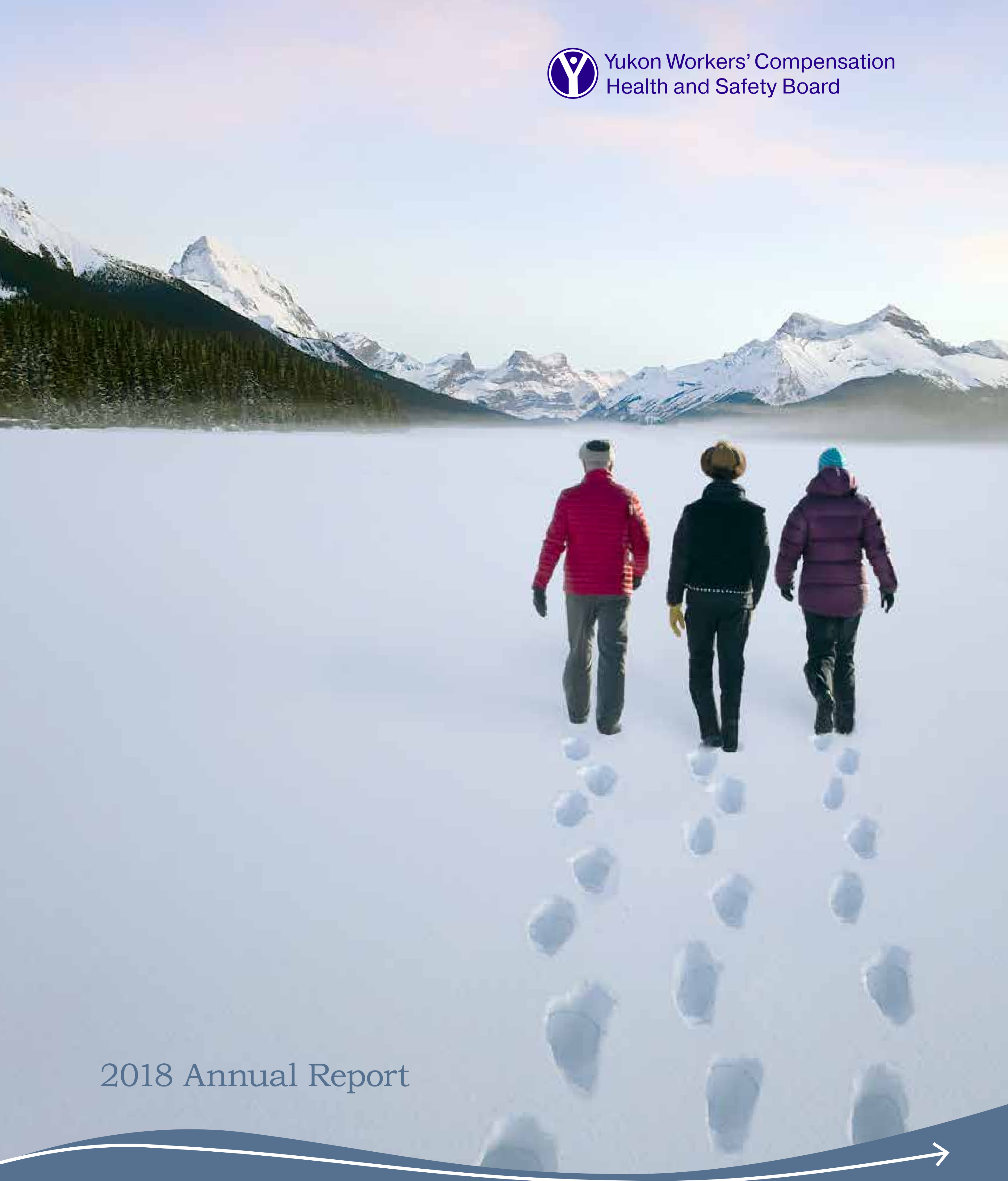
Yukon Workers' Compensation Health and Safety Board



2018 Annual Report

Footsteps into the future

Year at a glance

Note		2018	2017
1	Workers covered	**23,550**	23,360
2	Open claims	**3,240**	3,004
1, 2	Claims	**1,241**	1,267
1, 2	Accepted claims	**997**	1,045
1, 2	Lost-time claims	**417**	488
1	Lost-time rate (per 100 covered workers)	**1.8**	2.1
	Permanent impairment awards	**25**	35
5	Worker fatalities	**4**	1
	Decisions rendered by a hearing officer	**20**	23
	Decisions rendered by the Workers' Compensation Appeal Tribunal	**7**	6
1	Registered employers	**3,805**	3,834
	Maximum assessable earnings/wage rate	**$86,971**	$85,601
1	Assessable payroll (*millions*)	**$1,302**	$1,194
4	Assessment revenue (*millions*)	**$26.7**	$22.9
	Average estimated premium rate (per $100 of insurable earnings)	**$1.93**	$1.87
1, 3	Average collected premium rate (per $100 of insurable earnings)	**$2.05**	$1.92
4	Net investment income (loss) (*millions*)	**($2.5)**	$15.5
	Investments market return	**(0.9%)**	7.8%
4	Investments (*millions*)	**$203**	$209
	Funded position	**132%**	143%
	Funded position (including target reserves)	**107%**	115%
	Number of ATIPP requests	**16**	4
	Number of *Public Interest Disclosure of Wrongdoing Act* (PIDWA) disclosures	**0**	0

Notes:

Data may include revisions to prior releases.

1 2017 number revised based on most recent data.

2 Figures may include counts of duplicate occurrences.

3 Based on assessment revenue as reported in the Financial Statements section.

4 In accordance with the Financial Statements section.

5 Fatalities are reported during the year in which the fatality occurred.

Board of Directors

From left to right:

Heather McIntyre
Representative of Employers
Appointed February 26, 2015
Current term ends February 25, 2021

Mark Pike
Chair
Appointed November 5, 2010
Current term ends March 29, 2020

Lisa Martin
Representative of Employers
Appointed April 19, 2017 to April 18, 2020

Kurt Dieckmann
President/CEO
Non-voting board member
Appointed July 8, 2016

Luigi Zanasi
Representative of Workers
Appointed April 20, 2013
Current term ends May 3, 2019

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

Vicki Hancock
Alternate Chair
Appointed August 15, 2006
Current term ends October 21, 2021

Message from the Board of Directors

With 2018, our second century dawned. It was the first step on a new leg of our continued journey. As we move into that future, we see a landscape before us that is constantly changing. It presents fresh challenges we have only recently begun to encounter. But our resolve is strong. We are well-prepared for what lies ahead.

We do not face it alone. For one, our partners in the community will travel with us.

What's more, we have 100 years of wisdom and experience that guide us and empower our decisions.

As with any journey, features of the landscape become clearer with each step, as time passes, and as the traveller learns more.

Asbestos, for example, was a substance long considered benign. It took some time to understand its lethal nature and, in that time, it killed Yukon workers. While our evolved understanding of this hazard helps protect workers now, it will tragically continue to take some of those who were exposed to it in the past away from their families and the community.

With this in mind, we must make every effort to ensure our understanding of workplace hazards continues to evolve, to recognize risks, both pre-existing and new, and take measures to prevent them as early as we can.

It's in this spirit that we have come to understand not all injuries are physical, that the mental health of workers is every bit as important as that of their bodies. This is a significant challenge on the landscape before us, and it is one we recognized early and began to address over a decade ago.

As we continue our journey, we must mind the job, which is to say be mindful of our mental health while at work. Today, we are in the earliest stages of recognizing the many factors that contribute to psychological injury.

Anxiety. Stress. Violence. Harassment. Traumatic experiences. These are just some of the threats to workers' mental health.

If the first century of workers' compensation and workplace health and safety in Yukon was about the physical health of workers, this new one will certainly be about their mental health and preventing psychological injuries. We will carry our learnings forward because we now know that not all injuries are physical. While we may be well versed in broken bones, there is still much to learn about broken minds. One thing we know for certain– both can be mended.

Fortunately, we are well prepared for the approaching challenge. Our past successes will fuel our future efforts. And we are embracing change as we take footsteps into the future.

We are proud of our new strategic plan which will guide us. It is our road map. Introduced in 2018, the plan provides us with a clear vision of Yukon's economy, workforce and culture through the next five years. It was developed with input from our staff and our valuable stakeholder partners, and it was informed by our history of experience.

We have a stable Compensation Fund. Delivering on a promise made four years ago, we have made sure that the money employers contribute to the workers' compensation and occupational health and safety systems accurately represents the costs, and that the Fund is well-able to serve the needs of claimants for years to come.

We have strong and positive partnerships with stakeholder organizations in the community. Their input and insight inform the path of our journey and help us remain sensitive to the needs of our community.

We have an expanding workplace safety culture in Yukon that was established through a long history of marketing, enforcement, consultation and collaboration. Today, the territory's employers and workers value and practise health and safety measures more effectively than ever before and we see constant improvement.

We have a claims system that is compassionate in its attention to workers and their families who suffer as a result of incidents in workplaces. We have safety officers who effectively balance support with enforcement in their dealings with employers and workers.

Bob Nishikawa

Bob Nishikawa

There is always room for improvement, of course. That is something that never changes, and we embrace it.

With this in mind we made tremendous strides in 2018. Our claims system became more efficient, with a focus on improving services overall to claimants. We established a strong risk management system that has enhanced our ability to navigate the landscape before us and deal with the challenges we meet. We improved our focus on the continuous review and improvement of our business processes to ensure they deliver on the needs of employers and workers.

The goal of our journey is to prevent disabilities and, ultimately, reach target zero. Zero worker injuries or fatalities. Zero broken bodies, minds, homes and communities as a result of workplace incidents.

Zero, to some, might sound like a lofty goal. It is certainly challenging. However, workplaces achieve it every year. While Yukon as a whole suffered three accepted workplace fatality claims in 2018, and more than 1000 accepted lost-time claims, most workplaces did not contribute to these numbers. Most workplaces in 2018 were injury free. Most Yukon workplaces successfully arrived at zero.

It's something important to keep in mind as we all venture into this new century, this era of mentally healthy workplaces, of change and challenge: the successes of individual workplaces are in fact the shared successes of our community.

These successes are something to be proud of and aspire to as we journey together towards zero, towards a day when workplace injuries, illnesses and fatalities are things of myth.

On our journey, the spirit of safety is like a wind at our backs. We face a challenging landscape, but by employing our century of wisdom, knowledge and experience, and by continuously striving to improve, we shall overcome the terrain and achieve ever-greater successes built upon those of our past.

Planning for the future

We introduced a new five-year strategic plan in 2018. Covering the period up to 2022, it was developed by the Board of Directors with the participation of stakeholder partners, staff and senior management. Through consultation, key themes emerged including: rising awareness of mental health as a workplace safety issue; changing demographics and labour force; security, privacy and the rapid pace of technological change; and, workplace impairment, especially in the context of legal cannabis.

The outcome of this collaboration was five goals that will enable the Yukon Workers' Compensation Health and Safety Board (YWCHSB) to continue to achieve our mandate of preventing disability; live our values of partnership, accountability and compassion; and move towards our long-term target of Vision Zero.

Goal 1: All Yukoners participate in a culture of safety and prevention of physical and psychological injury.

Goal 2: Injured workers recover successfully and sustainably.

Goal 3: YWCHSB stakeholder relationships are positive and strong.

Goal 4: Yukon employers and workers know and understand their rights and responsibilities under the legislation we administer, and they work with YWCHSB to fulfill those rights and responsibilities.

Goal 5: YWCHSB consistently demonstrates corporate excellence and is a leader in complying with the acts, regulations, policies and directives that govern its operations.

Future-proofing our operations

We are always looking for ways to improve the services we deliver to workers, employers and the community at large. In 2018, we saw progress in this area.

A business improvement project in our Claimant Services Branch focused on delivering quality customer service by examining existing processes and looking at ways we can be more time and cost efficient.

Our Employer Services Branch, in conjunction with our IT Unit, introduced ways for employers to submit information online, such as the Employer's Payroll Return and Contract Labour Report. Employer Services also improved communications methods by increasing the use of email to share important public information directly with employers. It is now easier for employers to stay informed and meet important deadlines.

After several years of development, we established a formal risk management framework for the organization. This puts us in an excellent position to track, evaluate and manage current and future risks. Formally identifying risks means that we can establish measures to address them proactively.

The ultimate goal of these new initiatives is to be forward looking, improvement oriented and ready to adapt to any shift in our environment.

The Compensation Fund

Yukon employers share collectively in the obligation to provide compensation to injured workers by contributing to the Compensation Fund. The Fund provides injury prevention services, wage-loss benefits, health care benefits, and stay-at-work and return-to-work support to eligible claimants.

In its continuing efforts to move the Compensation Fund's surplus position to the target range of 121 to 129 percent, in 2018 the Board distributed $5.0 million of its surplus reserves to employers in the form of a rebate, the fourth in as many years.

The rebate helped reduce the Fund's surplus position to 132 percent of the total liabilities at the end of the year.

See Management's Discussion and Analysis at the start of the financial pages for more information.

Employer Services

In 2018, the Employer Services Branch continued efforts to improve processes with the goal of delivering a higher quality of service to the territory's employers. The branch works with employers to ensure that they are appropriately classified, have adequate coverage for their workers and pay premiums when they are due.

An employer's contribution to the Compensation Fund is based on their industry rate group and assessable payroll. There are nine different rate groups. In 2018, rates ranged from 68 cents in the "Services Low" rate group, to $8.26 in the "Resources and Transportation High" rate group. Rates represent the amount employers must contribute to the Fund for every $100 of their payroll. Visit wcb.yk.ca/rates for more information.

The Board offers Optional Coverage for individuals such as sole proprietors or business partners to protect against possible wage loss and health care costs in the event of a workplace injury. Approximately 800 businesses were registered for Optional Coverage in 2018.

The branch also administers the CHOICES Incentive Program. Employers who provide training to their workers to improve workplace safety and return-to-work practices may be eligible for a rebate on their workers' compensation premium. In 2018, the program returned over half-a-million dollars to employers.

The Board issues penalties for infractions such as failing to meet registration deadlines, incorrect filing of an Employer's Payroll Return and failing to pay premiums. In 2018, employers were issued penalties totalling approximately $390,000 compared to $224,000 in 2017.

In coming years, Employer Services will continue to make it easier for employers to participate in the Board's efforts to reduce workplace injuries and care for those workers who do become injured.

Occupational Health and Safety

The Occupational Health and Safety (OHS) Branch collaborates with workers, employers, communities and national organizations to promote and enforce health and safety in the workplace.

OHS safety officers visit workplaces throughout Yukon to raise awareness about health and safety and help them comply with the *Occupational Health and Safety Act* and Regulations. In 2018, OHS conducted 237 inspections and issued 840 orders to correct deficiencies. The branch issued 21 penalties—10 to employers, four to supervisors and seven to workers.

Safety officers launch investigations into specific workplace situations that warrant a deeper level of analysis than an inspection. OHS undertook 40 investigations in 2018, a notable increase from 28 in 2017. Situations that required investigation varied. Some involved allegations workers made of being dismissed from their workplace for having raised health and safety concerns—an offence under the *Occupational Health and Safety Act*. Others involved fatalities that resulted from incidents involving motor vehicles. Investigations demand considerable time and other resources on the part of OHS. A critical aspect of the occupational health and safety system, investigations clarify our understanding of why an incident occurred, what it involved and how similar incidents can be prevented in the future.

In an ongoing effort to make it easier for employers to access safety training, OHS collaborated with Yukon College to develop a four-day crane operator course. The course is an intensive introduction to heavy lifting and proper safe procedures for crane operations. ATCO Electric Yukon supplements the course with their 7 Steps to Electrical Safety Training Program, which teaches participants how to identify and avoid power line hazards on the worksite. The crane operator course had 39 participants from across the territory in 2018.

OHS safety officers also collaborated with WorkSafeBC and the BC Association for Crane Safety in 2018. They underwent crane safety training and partnered with a WorkSafeBC officer on a number of inspections in the territory. Safety officers gained invaluable skills and insights while learning from another jurisdiction with similar processes and regulations.


Bob Nishikawa

OHS sponsored the Board's annual Workplace Solutions event in February. The workshop, Cultivating Positive Mental Health at Work, reflected the growing recognition of the importance of psychological well-being in Yukon workplaces. Presented in partnership with the Mental Health Association of Yukon and the Canadian Centre for Occupational Health and Safety, the workshop explored topics such as how to recognize and respond to workplace mental health issues and, more broadly, how to cultivate psychological well-being in the workplace.

The branch also co-sponsored the annual Partners in Safety barbecue, held in May during North American Occupational Safety and Health Week. The barbecue aims to raise awareness about the importance of safety culture by bringing together a wide range of community partners for a day of learning, food and prizes. Partners included Air North, ATCO Electric Yukon, the Canadian Society of Safety Engineering, the City of Whitehorse, Northern Safety Network Yukon, the Yukon Contractors Association and Yukon Energy.

In May, the branch hosted the Canadian Association of Chief Inspectors of Mines conference in Whitehorse. This was the first time the association's conference has been held in the North. Representatives from almost every jurisdiction across the country were present. Canmet Mining, a division of Natural Resources Canada, updated participants with projects they are working on to improve health and safety in the mining industry, including diesel

engine certification and vehicle alternatives for underground mines, ground support technologies and explosive regulations.

The group also went on a tour of Goldcorp's Coffee Creek project. Mine tours are important for association members to get an overview of health and safety practices in different jurisdictions. Goldcorp delivered a presentation and provided tours to allow participants to see the scope of the project.

The Workplace Hazardous Information System (WHMIS) was updated in 2015 to align with revised federal regulations and the three-year implementation period ended December 1, 2018. The regulations require employers to provide their workers with information on the safe use of hazardous products—such as solvents, bleach and paint—using symbols, labels, safety data sheets, and education and training. OHS provided access to a broad range of information to assist workers and employers to comply with the updated regulations.

Hazardous products are present in all workplaces, including our own. To ensure full compliance with WHMIS and up-to-date knowledge of the regulations throughout our organization, all Board staff underwent WHMIS training.

OHS strengthened relationships with organizations locally and across Canada in 2018. The branch developed new skills and a deeper level of understanding of workplace safety issues, enabling its officers to be more prepared and effective in their efforts to support worker health and safety in Yukon.


Bob Nishikawa


archbould.com

Outreach and education

Making safe decisions begins with each one of us. That's why reaching out to the community with our message of safety is so integral to our mandate of preventing workplace injury.

Our outreach and education team engages the community with school-based programs, public presentations and community events. In 2018, we reached approximately 5,600 people in Yukon, compared to 4,700 in 2017. This 19 percent increase is largely due to our presence at community events. Through games and hands-on experiences, community members learned about safe hearing practices, safety risks related to impairment and how to take precautions around asbestos.

In-school programming is fundamental to planting the seed of safety in the next generation of workers. Two full-time safety consultants visit schools throughout the territory, delivering safety-themed programs to students at all grade levels.

Students in the younger grades meet Susie the Safety Squirrel, try on safety gear and play charades to show how they can stay healthy and safe. Students participating in the Safety Build Program create LEGO models of potentially dangerous situations at school, at home or outdoors. The second annual Safety Build contest was a huge success, with almost 100 students entering photos of their safety-themed LEGO scenes, compared to 40 in 2017.

The Safety Online course explores the risks of sharing private information online and the dangers and implications of cyberbullying. Our mental health presentation raises awareness about psychological injury and promotes strategies to reduce stress and increase resiliency. Work Shouldn't Hurt informs young and new workers about common workplace hazards, how to mitigate them and how the workers' compensation and occupational health and safety systems support injured workers.

Our outreach and education team launched two new programs in 2018. Head First highlights the seriousness of concussions while Risky Business teaches the basics of risk assessment, an ongoing priority for the Board.

In anticipation of cannabis legalization in the fall of 2018, the Youth Video Contest challenged high school students to think creatively about how we can ensure work remains safe in the changing landscape of impairment.

The Board's decade-long outreach and education initiative was recognized in 2018 when the team–Natalie Thivierge, Noah Chaikel and Vanessa Stewart–won the prestigious Premier's Award of Excellence and Innovation for the measurable positive impact this work has on Yukoners.

Impairment

Impairment affects how competently, and how safely, workers are able to do their jobs. The legalization of recreational cannabis in Canada in 2018 presented an opportunity to draw attention to this broad, nuanced issue.

Impairment can be caused by more than drugs and alcohol. Fatigue, distraction, grief and stress are other factors that can diminish a person's ability to perform their job safely. This can jeopardize the worker's own health and safety and that of others in the workplace.

In 2018, our outreach and education team offered community members the opportunity to participate in an impairment simulation that gave them a sense of what it feels like to undertake simple, everyday tasks with reduced functional ability. We also published a collection of information to our website about impairment and how workers and employers can address it in the workplace.

Opening up the conversation about impairment—what it is and how to address the issue in the workplace in a responsible and respectful way—promotes self-reflection. This helps workers develop an awareness of when they are at their personal best and when they are not. Making informed choices around impairment will lead to safer, healthier workplaces with fewer injuries.

Mental health in our workplace

Mental health is an area of increased focus for the Board. We believe it's important to lead by example as we continue to learn how to best prevent work-related psychological injuries. This means taking action within our own organization to bolster the mental well-being of our staff.

The Board is working on implementing the national standard for psychological health and safety in the workplace. This includes having conversations with staff, determining what measures need to be in place to protect their psychological health and then identifying ways to implement those protections. Establishing this standard will eliminate risk factors that negatively impact psychological health in our organization.

Staff underwent training in resiliency and team building with the Mental Health Association of Yukon. They learned how to tap into their own value systems to understand what drives them with the goal of avoiding burnout. As well, in 2018, 50 staff from throughout the organization completed the Workplace Mental Health Leadership Certificate Program from Queen's University in order to increase awareness, accountability and leadership when dealing with mental health issues in the workplace.

Claimant Services

The Claimant Services Branch helps injured workers navigate a challenging time in their lives. The branch is guided by the Board's corporate values of partnership, accountability and compassion.

The workers' compensation system provides a range of benefits and services to injured workers appropriate to their circumstances. A key principle of the system is to help injured workers return to their pre-injury state as quickly and safely as possible.

A safe and early return to work strengthens the physical, social and mental well-being of an injured worker. It prevents the negative consequences of a long-term absence, keeps pre-injury skills sharp, bolsters dignity and self-esteem and is of benefit to the employer.

A healthy transition back to work is a team effort. Claimant Services collaborates with workers, employers and health care providers to ensure injured workers are supported in every way possible when they re-integrate into the workforce while respecting their changing functional abilities throughout the recovery process. In 2018, more than 80 percent of claimants were cleared to work within 90 days.

The branch collaborates with health care professionals to provide appropriate medical treatment with a focus on helping injured workers stay at work or return to work. When returning to work is not a viable and healthy option, workers who have to take time off from their job may be entitled to loss-of-earnings benefits.

The Board accepted 997 claims in 2018, compared with 1,045 in 2017. Most of the claims in 2018 were for injuries caused by contact with objects and equipment (352), bodily reaction and exertion (316) and falls (198).

Mental health claims continued to rise in 2018. The Board received 46 mental health claims in 2018, 36 in 2017 and 29 in 2016. Of the 15 mental health claims the Board accepted in 2018, four involved post-traumatic stress disorder (PTSD). Claimant Services strives to be innovative and adapt to the evolving mental health landscape. To deal effectively with the increased demands of psychological injury claims, the branch continued to build on its strong relationships with service providers in the field.

Claimant Services is committed to helping minimize the physical, mental, economic and social impacts of a workplace injury. The branch supports workers in ways appropriate to their changing circumstances throughout the recovery process so they can move forward in their lives with independence.

Reviews and appeals

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

If the claimant or employer does not agree with a hearing officer's decision, they can appeal to the Workers' Compensation Appeal Tribunal (WCAT). WCAT is an independent body whose members are appointed by the Government of Yukon. WCAT decisions are final and binding. Any party can ultimately request a judicial review through the courts.

Board hearing officers reviewed 20 decisions in 2018, confirming eight decisions, reversing nine and varying three. Of these, eight were further appealed to WCAT. Four of these appeals confirmed the hearing officer decisions, while three overturned them. One appeal remained undecided at the end of 2018.

Appeals to the Board of Directors

An appeal panel of the Board of Directors is authorized to hear appeals on matters pertaining to assessments, occupational health and safety and right-of-action determinations. One decision was issued in 2018.

Sharing knowledge

Although every jurisdiction follows their own legislation, the core principles of workers' compensation are the same across the country. Many provinces and territories are experiencing similar challenges and issues, such as how best to deal with the changing landscape of mental health, impairment and the growing gig economy. Coming together to share expertise provides a broader understanding of these issues. It allows us to share best practices and discover innovative solutions that are more difficult to recognize in isolation.

A great example of this is the Association of Workers' Compensation Boards of Canada appeals conference, which was hosted in Whitehorse for the first time in September. Participants from almost every province and territory travelled to Yukon for the conference.

Participants learned about new research into the efficacy of cannabis and cannabinoids for medical conditions, trends in psychological injury claims and training for review officers to help maintain positive relationships between workers and client services. A professional career coach presented on building and maintaining resilience for leaders whose staff work in service and caring professions. As well, the Board's Psychological Health and Safety Working Group presented on why and how the Board is implementing the national standard for psychological health and safety in our workplace.


archbould.com


Bob Nishikawa

Policy

The Board administers and is governed by the *Workers' Compensation Act*. Policies help interpret and provide for practical application of the Act. They are developed in consultation with internal and external stakeholder groups. Policies are then approved by our Board of Directors. This process ensures that our policies reflect the input of our stakeholder partners and align with the Act.

All policies are posted on our website at wcb.yk.ca/policies. One policy (EN-01) was amended in 2018. It came into effect on July 1, 2018.

EN-01: Arising Out Of and In The Course of Employment

This policy focuses on the established principles that have evolved to define "arising out of and in the course of employment" within the compensation system. This term means there is a causal connection between the conditions of the work required to be performed and the resulting injury, and that the injury is linked to a worker's employment in terms of time, place and activity consistent with the obligations and expectations of that employment.

The policy was amended so that the definition of injury in the policy matches the definition in the *Workers' Compensation Act.*

Privacy and security

Privacy is an integral part of the Board's culture. We collect a broad range of information from employers, injured workers, medical practitioners, and other individuals and organizations. The information collected and managed is often personal and confidential. We have a designated privacy officer, privacy policies and directives and privacy breach protocols. We prioritize our obligation to store this information securely and protect it from unauthorized use and access.

In 2018, the Board continued its efforts to increase the security of our IT infrastructure, including the ongoing work with our disaster recovery site. This remote site securely stores our data for the unlikely event of a disaster. This could include physical risks that would compromise the building in Whitehorse, such as fires or earthquakes, as well as cyber-risks that would damage our data centre. We also entered into a cyber-response agreement that would provide us with expertise and resources during a cyber-attack.

Training our staff is a vital component of fostering privacy attitudes and behaviours. In 2018, new employees completed the online training program, Securing the Human, which gives practical tips on how to avoid breaches of privacy and security within the organization.

Investigations

The Investigations Unit provides security services to the Board, helps with investigations into workplace fatalities and major incidents, and looks into cases of suspected fraud.

In 2018, the Investigations Unit was involved in 15 claims files to verify that claimants are being compensated appropriately for injuries and illnesses sustained in the workplace. The unit also assisted the OHS branch with 15 investigations, as well as mentored and trained safety officers in the field of investigative work.

Going green

Thinking beyond our organization, to the health of the planet as a whole, is part of our wider commitment to prepare for the challenges of the future.

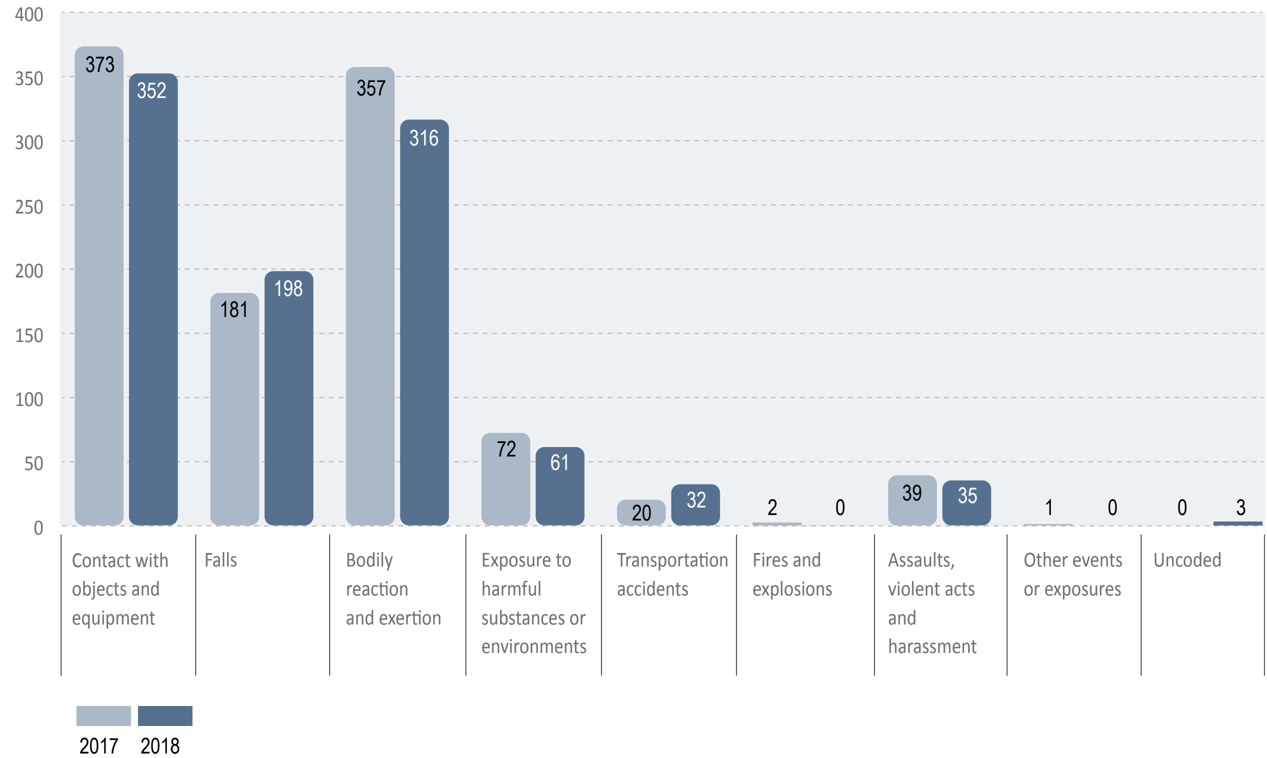
In 2018, we completed a number of initiatives to reduce our carbon footprint and future financial costs that included changing to LED lights and replacing the roof of the original part of our building, which was built in 1992. The new roof increased the R-value of the building by a factor of two.

The Compensavers is a group of Board employees committed to reducing waste and promoting environmental sustainability within the organization. Their ongoing initiatives include maintaining the free store, increasing composting and recycling, and hosting garage sales. In 2018, the group started the process of installing a rainwater-diversion system for our planter gardens and initiated an investigation into the installation of solar panels on the roof.

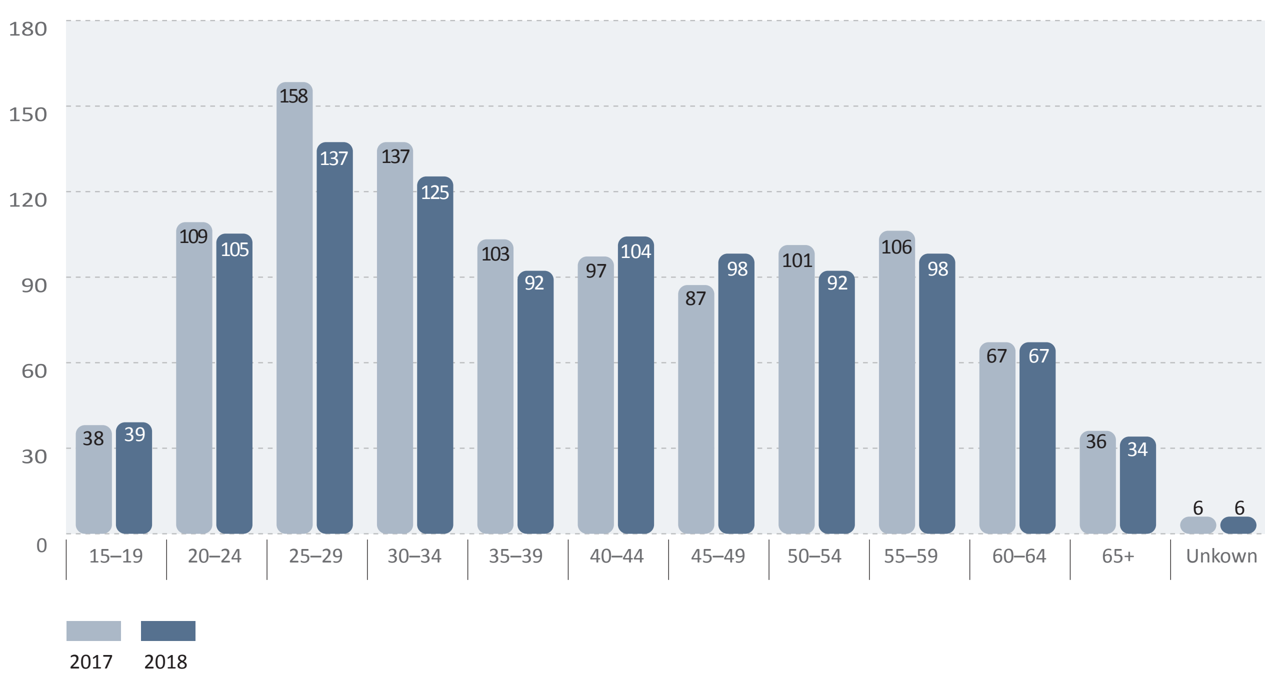
Michelle Kvam, a Human Resources Consultant, won the Environmental Stewardship award during the Whitehorse Public Service Week celebration in June. The award recognized Michelle for playing a lead role in promoting environmental awareness and action at work.

Government of Yukon

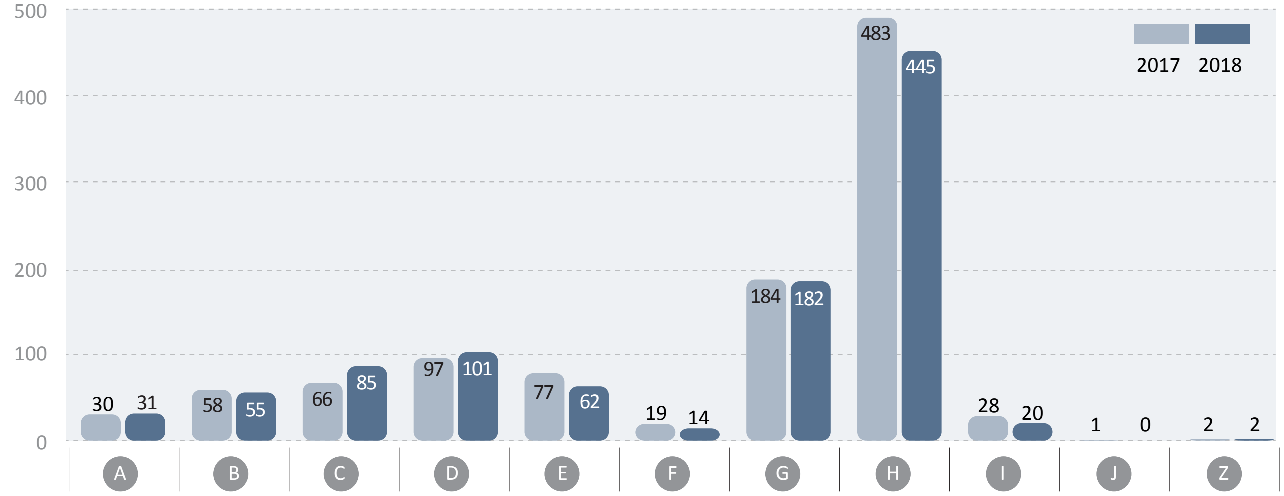
Accepted claims by event or exposure



Accepted claims by age group

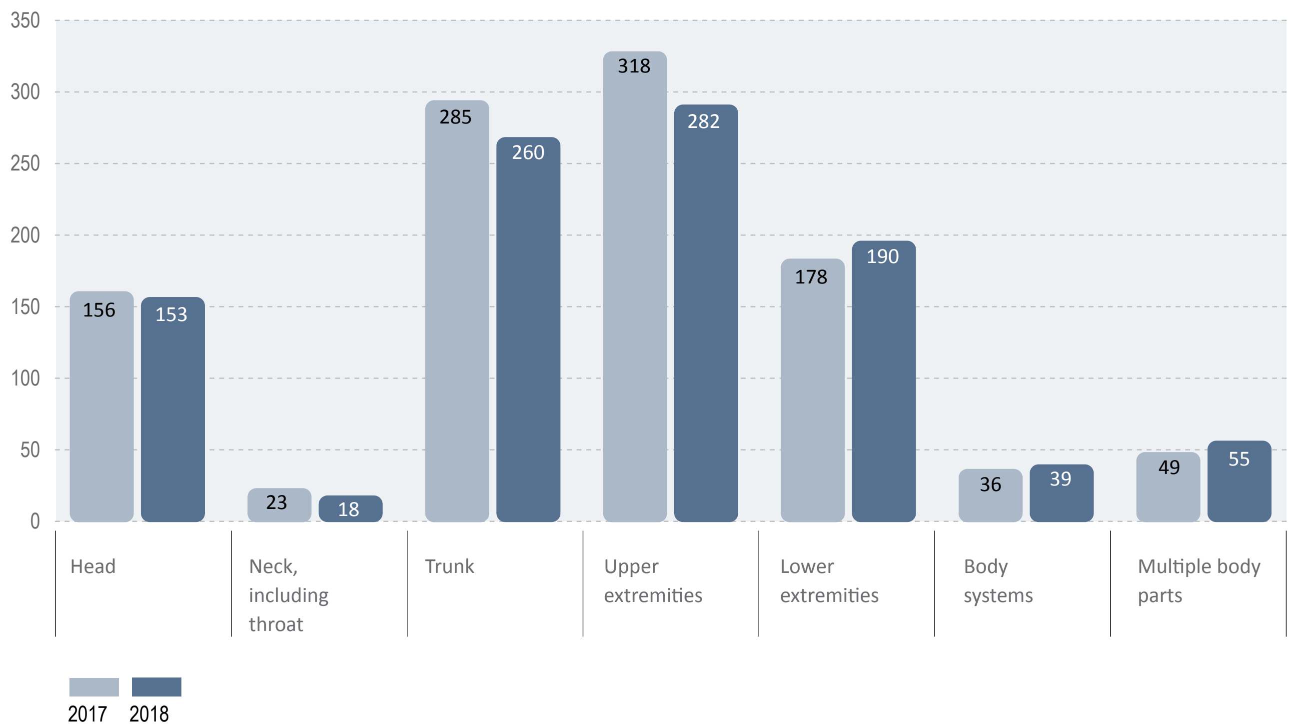


Accepted claims by occupation

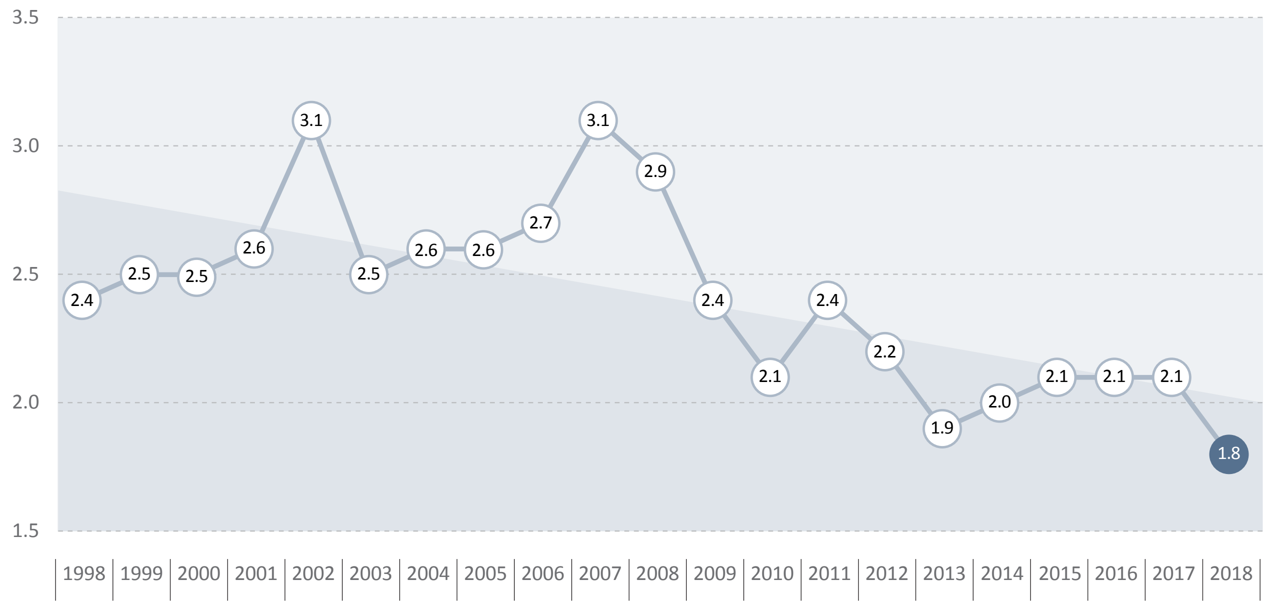


A Management occupations
B Business, finance and administration occupations
C Natural and applied sciences and related occupations
D Health occupations
E Occupations in social science, education, government service and religion
F Occupations in art, culture, recreation and sport
G Sales and service occupations
H Trades, transport and equipment operators and related occupations
I Occupations unique to primary industry
J Occupations to processing, manufacturing and utilities
Z Unknown or uncoded

Accepted claims by part of body affected



Lost-time injury rate per 100 covered workers



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, 2018. 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.

Risks 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

In 2018, the Fund incurred an operating deficit (prior to the funding surplus distribution) of $9.4 million versus an operating surplus of $3.1 million in 2017.

A surplus distribution of $5.0 million was issued to eligible employers in 2018 due to the Fund’s strong funded position. This payout created a net deficit of $14.4 million. In 2017, the surplus distribution was $9.9 million, contributing to a net deficit of $6.9 million.

Total comprehensive loss, which is comprised of the operating loss less the funding policy surplus distributions plus the actuarial loss on post-employment benefits, was $14.5 million (loss) in 2018 versus $7.0 million (loss) in 2017.

There were two main factors contributing to the $14.5 million loss. The primary factor was the negative returns earned on the investments ($2.5 million loss in 2018 versus income of $15.5 million in 2017). The other factor was the surplus distribution of $5.0 million.

The Fund incurred negative returns on the investments due to poor financial performance of all major equity markets in the fourth quarter of 2018. This was the first negative annual return since 2008.

Revenues

The Fund's revenue and income totalled $25.4 million in 2018 versus $40.6 million in 2017. The decrease in overall revenue was directly attributable to net investment loss.

Assessment revenue in 2018 was $26.7 million, up 16.6% from $22.9 million in 2017. The increase in assessment revenue can be attributed mainly to the overall increases in assessable payroll for all sectors as well as a shift in the industry mix to higher rate groups. This shift has been driven mainly by strong economic activity in the mining and construction sectors and has resulted in an average assessment rate that is higher than the original estimated assessment rate.

Net investment losses in 2018 were $2.5 million versus income of $15.5 million in 2017, a decrease of $18.0 million. The overall annualized return on investments for the past five years has been 5.8%. The investment portfolio's asset mix is 46.1% fixed income and 53.9% equities. Over the long term, the Yukon Workers' Compensation Health and Safety Board's (the Board) disciplined, structured and conservative approach to managing its investment portfolio continues to help the Fund maintain a very strong financial position.

Expenses

Total claims expenses decreased to $22.1 million in 2018 from $25.6 million in 2017. Claims costs were lower in 2018, mainly due to lower than expected costs associated with prior years' injuries.

Administration costs increased to $12.1 million in 2018 from $11.5 million in 2017, mainly due to costs associated with salaries and benefits. An increase to the employee benefit liability was the primary driver of this increase. The other significant factors were the collective bargaining and staff salary increases.

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, 2018, this liability was $155.5 million, an increase of approximately 2.9% over the previous year. The benefits liability increased less than expected due to favourable claims experience in long-term claims in 2018. The favourable claims experience helped to offset new injury costs which grew 10% relative to 2017.

The total assets of the Fund decreased by $8.1 million in 2018. The decrease in total assets is related mainly to the decrease in the value of the investments. This is the result of lower than expected returns incurred in 2018 and the withdrawal of cash from the investments in order to finance the planned reduction of the excess reserves through surplus distributions.

Funded position

The funded position is calculated by dividing the total assets by the total liabilities. Like a pension plan, the Fund must have adequate assets to ensure that benefits can be provided to 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 2018, the funded position was 132%, down from 143% in 2017. According to the Board's funding policy, when the funded position is above the target range of 121% to 129%, the Fund is considered to be in a surplus position. The current surplus is being reduced in two ways. First, the surplus is being drawn down via a reduction in rates. The average estimated premium rate was set at $1.93 per $100 of payroll in 2018 (up from $1.87 in 2017), which is well below the actual cost of approximately $2.30 per $100 of payroll. This resulted in a reduction of approximately $3.8 million in the surplus. Second, in late 2018, the Board distributed $5.0 million of its surplus reserves to eligible employers. These initiatives continued a multi-year effort to reduce the reserves to their target level. Between 2012 and 2018, approximately $60 million has been distributed to Yukon employers through these actions.

Outlook

The challenge in the upcoming years will be to manage the organization through a period of strong economic growth in the territory, which will be linked to global economic and political events. Management must be vigilant in order to protect the strength and sustainability of the Fund. Economic prospects should continue to be strong in the Yukon economy in 2019 as new mines are developed and brought into production and other industries such as tourism continue to grow. The Board is prepared to face these challenges and will closely monitor economic and operating trends to proactively develop strategies and responses that ensure the long-term sustainability of the compensation system for Yukon workers and employers.

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

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

The Auditor General of Canada conducts an independent audit for the purpose of expressing 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 16, 2019

40 Crowther Lane, Suite 300, Knowledge Park,
Fredericton, New Brunswick E3C 0J1

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, 2018 (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 $155,499,000. 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.

Business. Needs. People.

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Compensation Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Compensation Fund, which comprise the statement of financial position as at 31 December 2018, and the statement of operations and comprehensive income, statement of changes in funded position (equity) and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Compensation Fund as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Compensation Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Compensation Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Compensation Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Compliance with Specified Authorities

Opinion

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

In our opinion, the transactions of the Compensation Fund that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Workers' Compensation Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by the Compensation Fund and the financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

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

Edmonton, Canada
16 April 2019

Compensation Fund

Statement of Financial Position
As at December 31

(In Canadian Dollars)

	Note	2018 ($000s)	2017 ($000s)
ASSETS			
Cash		$ -	$ 2,232
Accounts receivable	6	2,053	1,932
Prepaid expenses		253	203
Investments	7	202,983	209,439
Property and equipment	8	9,677	9,217
Intangible assets	9	3,009	3,011
Total assets		**$ 217,975**	**$ 226,034**
LIABILITIES			
Bank overdraft	5	$ 1,226	$ -
Accounts payable and accrued liabilities	10	4,767	4,062
Surplus distributions payable	14	64	215
Deferred portion of government grant	11	109	146
Benefits liability	12	155,499	151,152
Employee benefits	13	3,037	2,722
Total liabilities		164,702	158,297
FUNDED POSITION (EQUITY)	14		
Reserves		53,273	67,737
Total equity		53,273	67,737
Total liabilities and equity		**$ 217,975**	**$ 226,034**

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)

	Note	2018 ($000s)	2017 ($000s)
Revenue and Income			
Assessment revenue		$ 26,742	$ 22,912
Net investment income (loss)	7	(2,490)	15,521
Recoveries and other receipts		1,187	2,135
		25,439	40,568
Expenses			
Claims expenses	12	22,104	25,600
Administration	17		
General and Administration		9,006	8,344
Occupational Health and Safety		2,137	2,223
Workers' Advocate		496	454
Act Amendments		164	153
Employer Advisor (previously referred to as Yukon Chamber)		153	151
Appeal Tribunal		135	130
Prevention		644	450
		34,839	37,505
Operating surplus (deficit)		(9,400)	3,063
Funding policy surplus distributions	14	(5,002)	(9,945)
Net deficit		(14,402)	(6,882)
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	(62)	(80)
Total comprehensive loss		**$ (14,464)**	**$ (6,962)**

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

Compensation Fund

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

(In Canadian Dollars)

	Stabilization Reserve ($000s)	Adverse Events Reserve ($000s)	Total ($000s)
Balance at January 1, 2017	$ 51,904	$ 22,795	$ 74,699
Net deficit for 2017	(6,882)	-	(6,882)
Other comprehensive loss	(80)	-	(80)
Total comprehensive loss for 2017	(6,962)	-	(6,962)
Transfer to / from Adverse Events Reserve	(880)	880	-
Balance at December 31, 2017	$ 44,062	$ 23,675	$ 67,737
Net deficit for 2018	(14,402)	-	(14,402)
Other comprehensive loss	(62)	-	(62)
Total comprehensive loss for 2018	(14,464)	-	(14,464)
Transfer to / from Adverse Events Reserve	(572)	572	-
Balance at December 31, 2018	$ 29,026	$ 24,247	$ 53,273

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)

	2018 ($000s)	2017 ($000s)
Operating activities		
Cash received from:		
Employers, for assessments	$ 26,715	$ 22,557
Investment revenue - interest	2,769	2,793
Investment revenue - dividends	2,770	2,888
Recoveries and other receipts	1,133	2,092
	33,387	30,330
Cash paid:		
To employers, for surplus distributions	(5,153)	(9,847)
For claims	(17,759)	(17,242)
To employees and suppliers, for administration and prevention	(11,591)	(11,051)
	(34,503)	(38,140)
Total cash used by operating activities	(1,116)	(7,810)
Investing activities		
Net sale (purchase) of investments	(857)	10,622
Purchases of property and equipment	(936)	(301)
Purchases of intangible assets	(551)	(415)
Total cash provided (used) by investing activities	(2,344)	9,906
Foreign exchange gain (loss) on cash held in foreign currency	2	(42)
Increase (decrease) in cash	**(3,458)**	**2,054**
Cash, beginning of year	2,232	178
Cash (bank overdraft), end of year	**$ (1,226)**	**$ 2,232**

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

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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 2018 financial statements on April 16, 2019.

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, 2018

(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

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) New or amended standards effective for the current year

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

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. This new standard is effective for annual periods beginning on or after January 1, 2018. The adoption of this standard had no impact on the Fund's financial statements.

Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
In September 2016, the IASB issued amendments to IFRS 4 *Insurance Contracts* which permits insurers that meet specified criteria to apply a temporary exemption from IFRS 9, for annual periods beginning on or after January 1, 2018. The Board has applied the amendment effective January 1, 2018. In order to qualify for the exemption, the Board needed to have a ratio of liabilities connected with insurance compared to the total carrying amount of its liabilities greater than 90%. The Board achieved 94% as of December 31, 2018 (95% December 31, 2017) and therefore qualified for the exemption.

With the exemption in place, the Board will continue to classify its investments as held-for-trading and measured at fair value through profit or loss, refer to note 7 for more details.

Accounts receivable is classified as loans and receivables and due to their short term in nature, the carrying value approximates their fair value. Bank overdraft, accounts payable, accrued liabilities, and surplus distributions payable are classified as other financial liabilities. All will continue to be measured at fair value, and measured at amortized cost using the effective interest rate method. Credit risk disclosure, including significant credit risk concentrations, are disclosed in note 5.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

The Board will continue to assess at year-end whether a receivable is considered to be uncollectible, and will write off against the allowance account.

The impact of applying the exemption is not considered to be material.

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

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. The Board is eligible and will be using the temporary exemption allowed for based on amendments to IFRS 4 issued in September 2016 which delays implementation of IFRS 9 to 2021.

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. The standard is effective for annual periods beginning on or after January 1, 2019. The Fund has elected to transition using the modified retrospective approach, and therefore the comparative period will not be restated and management does not expect any impact to the funded position. The Board also does not expect any material impact to lease assets or lease liabilities as a result of the adoption of this new standard.

IFS 17 *Insurance* Contracts
IFRS 17 *Insurance Contracts* was issued in May 2017 and is effective for years beginning on or after January 1, 2021, to be applied retrospectively. If full retrospective application is impractical, the modified retrospective or fair value methods may be used. IFRS 17 will replace IFRS 4 *Insurance Contracts* and is expected to change the way insurance contract liabilities are recognized and measured. It will also change the presentation and disclosures of the Fund's Financial Statements. The Board is assessing the impact of this standard and expects that it could potentially have a significant impact on the Fund's Financial Statements.

4. Significant Accounting Policies

The following is a summary of the significant accounting policies:

(a) Cash

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash includes cash on hand and bank balances net of any bank overdrafts. Foreign currency transactions incurred within operating activities are translated based on the exchange rate at the time of the transaction. Any gains or losses incurred as result of translation are recorded in the

Compensation Fund
Notes to the Financial Statements
December 31, 2018
(In Canadian Dollars)

Statement of Operations and Comprehensive Income. The cash balance remaining in the account at year end is translated at the exchange rate in effect as of December 31, 2018.

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 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 recovery in the year they are recognized. No provision is made in the benefits liability for possible future third party recoveries because of their contingent nature.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

(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

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

the date of the event or change in circumstances that caused the transfer. There were no such transfers between levels in 2018 (2017 – 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:

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

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

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

The remaining unamortized portion of property and equipment may be extended beyond its original estimated useful life when the appropriateness of such a change can be clearly demonstrated.

(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 – 20 years

The estimated useful life and amortization period is reviewed at each year end and any change in estimate is made on a prospective basis.

(g) Impairment of non-financial assets

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

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

Individual assets that may have experienced impairment due to loss, damage, obsolescence or curtailed service potential 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, 2018, 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).

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

- Medical aid includes benefits for medical aid, emergency transportation, traditional aboriginal healing, death and funeral expenses, lump sum payments for permanent impairment, and rehabilitation assistance.

- Compensation includes income amounts that are paid to all eligible workers who suffer a work-related injury, incapacity or occupational disease that has resulted in a loss of earnings.

- 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 Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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 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.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

(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 and rental accommodation for travel. The leases have an average life of 1 year (2017 – 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.

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, 2018.

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

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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	AAA	AA	A	BBB	31-Dec-18 ($000's)	31-Dec-17 ($000's)
Fixed Income Securities	$ 31,862	$ 27,092	$ 21,953	$ 7,837	$ 88,744	$ 86,931

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 $2,053,000 (2017 – $1,932,000). 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 doubtful accounts. 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, 2018, 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, 2018, approximately 86% (2017 – 92%) of accounts receivable were outstanding for less than 90 days. The Board does not require collateral or other security from employers or customers for accounts receivable.
iii. The Board has the power and remedies to enforce payment owing to the Fund.

Liquidity risk

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

The Fund has access to the Government of Yukon's overall line of credit facility with the Government's banker. This access provides the Fund with overdraft coverage of $7,000,000 if needed. As of December 31, the Fund had used $1,226,000 of the overdraft coverage (nil - 2017). The bank overdraft is payable on demand and is interest bearing based on standard market interest rates for cash deposits.

Compensation Fund
Notes to the Financial Statements
December 31, 2018
(In Canadian Dollars)

The Fund's accounts payable and accrued liabilities had a carrying value of $4,767,000 as at December 31, 2018 (2017 – $4,062,000) and were all payable within a year.

The Fund's surplus distributions payable had a carrying value of $64,000 as at December 31, 2018 (2017 - $215,000) and are expected to be paid in 2019 (note 14).

Liquidity risk related to the Benefits liability is included in note 12 (f).

Management estimates that approximately $6 million will be withdrawn from the investment fund during 2019 to fund the difference between operating revenues and expenses. The amount withdrawn will be a combination of maturing fixed income securities, sales of equities, and interest and dividend income earned.

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-18	31-Dec-17
Equities				
Canadian	0%	25%	18.4%	16.6%
United States	0%	25%	17.0%	17.3%
International	0%	25%	18.5%	19.5%
Fixed Income				
Short-term investments	0%	10%	2.4%	5.1%
Bonds	35%	85%	43.7%	41.5%
			100.0%	100.0%

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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-18 ($000's)		31-Dec-17 ($000's)	
Percentage decrease in fair value	-10%	-20%	-10%	-20%
Equities				
Canadian	$ (3,736)	$ (7,472)	$ (3,482)	$ (6,963)
United States	(3,445)	(6,890)	(3,629)	(7,259)
International	(3,749)	(7,498)	(4,081)	(8,163)
Total impact on operating results and equity	$ (10,930)	$ (21,860)	$ (11,192)	$ (22,385)

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-18 ($000's)		31-Dec-17 ($000's)	
Positive bp change in nominal interest rate	+50bp	+100bp	+50bp	+100bp
Bonds	$ (2,968)	$ (5,936)	$ (3,079)	$ (6,158)
Total impact on operating results and equity	$ (2,968)	$ (5,936)	$ (3,079)	$ (6,158)

(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-18 ($000's)	31-Dec-17 ($000's)
	< 1 year	1 - 5 years	5 - 10 years	> 10 years	Total	Total
Bonds	$ 3,235	$ 35,618	$ 30,037	$ 19,854	$ 88,744	$ 86,931
Average effective yield	2.41%	2.65%	2.97%	3.22%	2.88%	2.59%

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

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

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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

The Fund is exposed to exchange rate volatility that is managed by the contracted fund managers. The Board does not undertake long-term hedging strategies for the currency risk of foreign investments. The Fund's most significant exposure is to the US Dollar, Euro, British Pound, Swiss Franc, and the Japanese Yen. At December 31, the Fund held foreign currency denominated holdings, at fair value as follows:

Currency	31-Dec-18 ($000's)	31-Dec-17 ($000's)
US Dollar	$ 38,574	$ 39,100
Euro	$ 13,497	$ 15,200
Pound	$ 6,260	$ 8,000
Swiss Franc	$ 5,316	$ 3,900
Yen	$ 2,874	$ 5,500

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

Currency	31-Dec-18 ($000's)	31-Dec-17 ($000's)
US Dollar	$ (3,507)	$ (3,556)
Euro	$ (1,227)	$ (1,381)
Pound	$ (569)	$ (728)
Swiss Franc	$ (483)	$ (354)
Yen	$ (261)	$ (503)

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

6. Accounts Receivable

	31-Dec-18 ($000s)	31-Dec-17 ($000s)
Assessments		
Assessed and due from employers	$ 2,116	$ 1,895
Allowance for doubtful accounts	(262)	(93)
	$ 1,854	$ 1,802
Other		
Other receivables and recoveries	$ 242	$ 161
Allowance for doubtful accounts	(43)	(31)
	$ 199	$ 130
	$ 2,053	$ 1,932

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-18 ($000's)	31-Dec-17 ($000's)
Balance, beginning of year	$ 124	$ 273
Accounts written off	(18)	(217)
Recoveries and other adjustments	(57)	(21)
Current year provision	256	89
Balance, end of year	$ 305	$ 124

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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-18 ($000s) Fair Value	31-Dec-17 ($000s) Fair Value
Fixed-term securities		
Federal bonds	$ 24,146	$ 24,709
Provincial bonds	16,637	13,383
Corporate bonds	47,961	48,839
	88,744	86,931
Equities		
Canadian	37,359	34,817
United States	34,451	36,293
International	37,489	40,814
	109,299	111,924
Other investments		
Cash on account	609	392
Short-term investments	3,830	9,709
Accrued interest receivable	579	570
	5,018	10,671
Investments, sub-total	203,061	209,526
Management fee accrual	(78)	(87)
	$ 202,983	$ 209,439

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

	2018 ($000s)	2017 ($000s)
Interest	$ 2,758	$ 2,772
Dividends	2,770	2,888
Realized gains in the year	11,244	12,091
Unrealized loss in fair value in the year	(18,555)	(1,508)
Investment management fees	(707)	(722)
	$ (2,490)	$ 15,521

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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, 2018, 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	$ 4,940	$ -	$ -	$ 4,940
Bonds	8,511	80,233	-	88,744
Equities	50,190	-	-	50,190
Pooled Funds	-	59,109	-	59,109
Total Investments	$ 63,641	$ 139,342	$ -	$ 202,983

As at December 31, 2017, 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	$ 10,584	$ -	$ -	$ 10,584
Bonds	12,217	74,714	-	86,931
Equities	52,985	-	-	52,985
Pooled Funds	-	58,939	-	58,939
Total Investments	$ 75,786	$ 133,653	$ -	$ 209,439

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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, 2017	$ 1,045	$ 9,906	$ 1,388	$ 772	$ 39	$ 13,150
Additions	-	-	133	104	79	316
Disposals	-	(24)	(46)	(58)	-	(128)
Transfers	-	102	-	-	(102)	-
At December 31, 2017	$ 1,045	$ 9,984	$ 1,475	$ 818	$ 16	$ 13,338
Depreciation and impairment						
At January 1, 2017	$ -	$ 2,350	$ 816	$ 554	$ -	$ 3,720
Depreciation	-	299	111	107	-	517
Disposals	-	(12)	(46)	(58)	-	(116)
Impairment	-	-	-	-	-	-
At December 31, 2017	$ -	$ 2,637	$ 881	$ 603	$ -	$ 4,121
Net book value						
At December 31, 2017	$ 1,045	$ 7,347	$ 594	$ 215	$ 16	$ 9,217
Cost						
At January 1, 2018	$ 1,045	$ 9,984	$ 1,475	$ 818	$ 16	$ 13,338
Additions	-	76	86	155	700	1,017
Disposals	-	(291)	(53)	(32)	-	(376)
Transfers	-	700	-	-	(700)	-
At December 31, 2018	$ 1,045	$ 10,469	$ 1,508	$ 941	$ 16	$ 13,979
Depreciation and impairment						
At January 1, 2018	$ -	$ 2,637	$ 881	$ 603	$ -	$ 4,121
Depreciation	-	240	130	113	-	483
Disposals	-	(217)	(53)	(32)	-	(302)
Impairment	-	-	-	-	-	-
At December 31, 2018	$ -	$ 2,660	$ 958	$ 684	$ -	$ 4,302
Net book value						
At December 31, 2018	$ 1,045	$ 7,809	$ 550	$ 257	$ 16	$ 9,677

During the year ended December 31, 2018 the Board reviewed all capital assets and using judgement determined if any changes in useful life were required. This review resulted in changes to the expected useful life of certain items included in buildings and fixtures. The effect of these changes on depreciation expenses was not significant.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

9. Intangible Assets

	Internal Software Development Costs [1] ($000s)		Software Systems Under Development ($000s)		Software Costs ($000s)		Total ($000s)	
Cost								
At January 1, 2017	$	8,778	$	29	$	996	$	9,803
Additions		254		108		49		411
Disposals		-		-		(49)		(49)
Transfer systems to production		22		(29)		7		-
At December 31, 2017	**$**	**9,054**	**$**	**108**	**$**	**1,003**	**$**	**10,165**
Amortization and impairment								
At January 1, 2017	$	5,740	$	-	$	774	$	6,514
Amortization		629		-		60		689
Disposals		-		-		(49)		(49)
Impairment		-		-		-		-
At December 31, 2017	**$**	**6,369**	**$**	**-**	**$**	**785**	**$**	**7,154**
Net book value								
At December 31, 2017	**$**	**2,685**	**$**	**108**	**$**	**218**	**$**	**3,011**
Cost								
At January 1, 2018	$	9,054	$	108	$	1,003	$	10,165
Additions		299		319		44		662
Disposals		-		-		(19)		(19)
Transfer systems to production		-		-		-		-
At December 31, 2018	**$**	**9,353**	**$**	**427**	**$**	**1,028**	**$**	**10,808**
Amortization and impairment								
At January 1, 2018	$	6,369	$	-	$	785	$	7,154
Amortization		594		-		70		664
Disposals		-		-		(19)		(19)
Impairment		-		-		-		-
At December 31, 2018	**$**	**6,963**	**$**	**-**	**$**	**836**	**$**	**7,799**
Net book value								
At December 31, 2018	**$**	**2,390**	**$**	**427**	**$**	**192**	**$**	**3,009**

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

(1) Included in internal software development costs is the claims management system which has a net book value of $1,021,000 (2017 – $1,276,000) and a remaining amortization period of 4 years.

System research and analysis costs expensed in 2018 were $103,000 (2017 – $150,000).

During the year ended December 31, 2018 the Board reviewed all intangible assets and using judgement determined if any changes in useful life were required. This review resulted in changes to the expected useful life of certain items included in internal software development costs. The effect of these changes was not significant.

10. Accounts Payable and Accrued Liabilities

	31-Dec-18 ($000s)	31-Dec-17 ($000s)
Payable		
Assessments refundable	$ 2,012	$ 1,753
Other payables and accrued liabilities	2,755	2,309
	$ 4,767	$ 4,062

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 2018, the Fund received $330,000 for the Mine Safety Program Grant (2017 – $330,000). This was accounted for as income in the period.

The Fund did not receive any funds in 2018 for the purpose of upgrading mine safety equipment (2017 – nil). The deferred portion of the government grant as at December 31, 2018 was $109,500 (2017 – $146,000) and $36,500 (2017 – $37,000) was expensed and released into income during the year.

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

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

12. Benefits Liability

2018
($000s)

	Medical Aid	Compensation	Pension	Annuity	Occupational Disease Provision	Total
Balance, beginning of year	$ 26,953	$ 70,638	$ 31,352	$ 8,781	$ 13,428	$ 151,152
Add claims costs incurred:						
Current year injuries	6,566	8,197	1,598	-	-	16,361
Prior years' injuries	818	474	4,065	-	-	5,357
Latent occupational disease provision	-	-	-	-	386	386
	7,384	8,671	5,663	-	386	22,104
Less claims payments made:						
Current year injuries	3,011	1,319	47	-	-	4,377
Claims management	452	198	7	-	-	657
Prior years' injuries	3,068	6,003	2,296	(281)	-	11,086
Claims management	460	833	344	-	-	1,637
	6,991	8,353	2,694	(281)	-	17,757
Balance, end of year	$ 27,346	$ 70,956	$ 34,321	$ 9,062	$ 13,814	$ 155,499

2017
($000s)

	Medical Aid	Compensation	Pension	Annuity	Occupational Disease Provision	Total
Balance, beginning of year	$ 23,651	$ 67,819	$ 31,115	$ 7,811	$ 12,713	$ 143,109
Add claims costs incurred:						
Current year injuries	6,881	7,982	-	-	-	14,863
Prior years' injuries	3,349	3,572	3,101	-	-	10,022
Latent occupational disease provision	-	-	-	-	715	715
	10,230	11,554	3,101	-	715	25,600
Less claims payments made:						
Current year injuries	3,006	1,335	-	-	-	4,341
Claims management	451	200	-	-	-	651
Prior years' injuries	3,018	6,412	2,490	(970)	-	10,950
Claims management	453	788	374	-	-	1,615
	6,928	8,735	2,864	(970)	-	17,557
Balance, end of year	$ 26,953	$ 70,638	$ 31,352	$ 8,781	$ 13,428	$ 151,152

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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

	2018 ($ 000's)	2017 ($ 000's)
Balance, beginning of year	$ 151,152	$ 143,109
Add:		
Provision for current year's claims	11,327	9,871
Interest allocated	7,823	7,570
Experience (gain) loss	(2,080)	3,167
	17,070	20,608
Deduct:		
Payments for prior years' claims	12,723	12,565
Balance, end of year	$ 155,499	$ 151,152

(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.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

(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.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

Expected timing of future payments for outstanding claims:

	2018	2017
Up to 1 year	5%	5%
Over 1 year and up to 5 years	15%	15%
Over 5 years and up to 10 years	19%	18%
Over 10 years	61%	62%
Total	100%	100%

(g) Actuarial assumptions and methods

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

	31-Dec-18	31-Dec-17
Discount rate for medical aid benefits - net (1,3,4)	0.80%	0.80%
Discount rate for compensation benefits - net (2,3,4)	3.25%	3.25%
Discount rate for survivor and other pension benefits - net (2,4)	3.25%	3.25%

(1) Net of a discount rate attributable to inflation of 4.75% (2017 – 4.75%).

(2) Net of a discount rate attributable to inflation of 2.25% (2017 – 2.25%).

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

(4) The nominal discount rate is 5.60% (2017 – 5.60%)

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, 2018. Medical services include hospital and physician services, prescription drugs, travel expenses, and other eligible medical services under the Act.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

The Short Term Compensation liability represents the present value of expected future short-term loss of earnings payments in the first seven years of a claim for injuries that occurred on or before December 31, 2018. 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 2012 and prior, including future inflationary adjustments, for individuals still in receipt of a long-term loss of earnings award at December 31, 2018. 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, 2018. 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, 2018. These future awards are in respect of all claims arising from injuries which occurred on or before December 31, 2018. 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, 2018. 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.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

The Occupational Disease provision represents a portion of the present value of the expected future cost of claims that have not yet been filed but are expected to manifest themselves in the future as a result of cumulative exposure to a causative agent in the workplace (i.e. long latency cases). Only a portion of the total provision is held based on the accumulated exposure up to the valuation date relative to total exposure before an occupational disease manifests itself. Occupational diseases differ from occupational injuries in that there can be a considerable time lag between the exposure, the manifestation of the disease and the identification of the ensuing disability as a workers' compensation claim. Furthermore, while the circumstances of an injury usually make it clear whether it is work related or not, the link between an occupational disease and the workplace may be difficult to establish.

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, 2018 is 15% (15% for December 31, 2017), 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	
	2018 ($000s)	2017 ($000s)
Change in runoff factors	$ 10	$ 1,118
Update of first year inflation	89	(449)
Change in discount rate	-	1,697
Other changes in actuarial assumptions	1,289	2,092
	$ 1,388	$ 4,458
Favourable claims experience during year	(4,241)	(2,707)
	$ (2,853)	$ 1,751
Actual versus expected claims paid on prior years' injuries	773	1,416
	$ (2,080)	$ 3,167

(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

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

rate would decrease the actuarial present value, resulting in a decrease in claims expense and benefits liability.

Medical benefits represent approximately 19% (2017 – 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-18 ($000s)		31-Dec-17 ($000s)	
Percentage change in assumed rates	+1%	-1%	+1%	-1%
Increase (decrease) in claims expense and benefits liability from change in net discount rate	$ (12,522)	$ 14,785	$ (12,449)	$ 14,682
Increase (decrease) in claims expense and benefits liability from change in excess medical inflation rate	3,491	(2,898)	3,341	(2,785)

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

(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	2009 ($000s)	2010 ($000s)	2011 ($000s)	2012 ($000s)	2013 ($000s)	2014 ($000s)	2015 ($000s)	2016 ($000s)	2017 ($000s)	2018 ($000s)	Total ($000s)
At end of accident year	21,560	26,001	28,402	24,192	24,513	24,789	19,067	18,600	21,347	25,921	
One year later	18,820	23,288	26,111	25,187	20,973	25,327	19,126	25,298	21,507		
Two years later	18,092	23,006	25,087	22,366	20,821	25,644	20,206	25,960			
Three years later	17,895	21,645	21,837	22,418	20,327	25,866	17,997				
Four years later	17,497	17,971	20,488	22,386	20,675	29,726					
Five years later	14,601	16,857	20,024	23,706	18,187						
Six years later	12,098	14,205	21,596	20,158							
Seven years later	11,856	14,410	19,390								
Eight years later	11,082	14,491									
Nine years later	11,053										
Cumulative Payments											
At end of accident year	2,454	3,182	3,721	4,433	3,438	3,757	3,801	3,879	4,129	4,094	
One year later	3,963	4,787	5,618	7,404	5,113	6,590	6,081	6,673	6,654		
Two years later	4,500	5,394	6,222	8,277	5,910	7,890	6,773	7,856			
Three years later	4,880	5,635	6,648	8,999	6,394	9,018	7,225				
Four years later	5,067	5,833	6,910	9,540	6,719	9,870					
Five years later	5,254	6,085	7,211	10,073	6,840						
Six years later	5,408	6,318	7,450	10,359							
Seven years later	5,581	6,462	7,721								
Eight years later	5,709	6,545									
Nine years later	5,944										
Estimate of Future Payments	5,109	7,946	11,669	9,799	11,347	19,856	10,772	18,104	14,853	21,827	131,282
2008 and prior claims											107,626
Effect of Discounting											(113,794)
Effect of Admin Expenses											16,571
Occupational Disease											13,814
Balance Sheet Liability											155,499

During the year ended December 31, 2018, 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.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

13. Employee Benefits

	31-Dec-18 ($000s)	31-Dec-17 ($000s)
Short-term employee benefits	$ 474	$ 432
Other long-term employee benefits (a)	992	883
Post-employment benefits (b)	1,571	1,407
	$ 3,037	$ 2,722

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-18 ($000s)	31-Dec-17 ($000s)
Long service vacation benefits	$ 66	$ 59
Accumulating sick and special leave benefits	926	824
Total	$ 992	$ 883

Compensation Fund
Notes to the Financial Statements
December 31, 2018
(In Canadian Dollars)

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

	2018 ($000s)	2017 ($000s)
Benefits, beginning of the year	$ 883	$ 854
Current service cost	65	66
Payments made during the year	(92)	(123)
Interest cost	26	29
Other changes	72	-
Actuarial loss	38	57
Benefits, end of the year	$ 992	$ 883

Actuarial loss remeasurements:

	2018 ($000s)	2017 ($000s)
Effect of changes in financial assumptions	$ 36	$ (2)
Effect of changes in demographic assumptions	2	59
Remeasurements loss in profit or loss	$ 38	$ 57

(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.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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

		2018 ($000s)		2017 ($000s)
Benefits, beginning of the year	$	1,407	$	1,555
Current service cost		92		86
Payments made during the year		(121)		(365)
Interest cost		45		51
Other changes		86		-
Actuarial loss		62		80
Benefits, end of the year	$	1,571	$	1,407

Actuarial loss remeasurements:

		2018 ($000s)		2017 ($000s)
Effect of changes in financial assumptions	$	57	$	(3)
Effect of changes in demographic assumptions		5		83
Remeasurements loss in other comprehensive income	$	62	$	80

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% (2017 – 3.10%) is selected by reference to a spot curve at the valuation date of high-quality corporate and provincial debt instruments with cash flows that match the timing and amount of the expected benefit payments. The annual rate of general escalation in wages is 2.2% for 2019, 2020, and 2021 and 2.0% for 2022 and beyond based on management's best estimate (2017 – 1.5% in 2018 onwards) based on management's best estimate.

The expected Fund contributions for retirement and severance for the next year are $251,000 (2018 – $255,000). The weighted average duration of the retirement and severance benefit is 6.7 years (2017 – 6.7 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

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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-18 ($000s)		31-Dec-17 ($000s)	
Percentage change in assumed rates	+1%	-1%	+1%	-1%
Discount rate	$ (97)	$ 107	$ (87)	$ 97
Wage Inflation rate	$ 108	$ (99)	$ 98	$ (89)

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:

	2018		2017	
Contribution rate for the year	Up to Maximum	Above Maximum	Up to Maximum	Above Maximum
For employees eligible before January 1, 2013	1.01	3.20	1.01	7.74
For employees eligible after January 1, 2013	1.00	3.20	1.00	7.74
Maximum salary limit	$ 164,700	No limit	$ 163,100	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.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

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

	2018 ($000s)	2017 ($000s)
Employees' contributions	$ 708	$ 640
Fund contributions	$ 721	$ 663

The expected contributions to the Plan for the next year are $691,000 (2018 – $636,000) employee contributions and $704,000 (2018 – $624,000) Fund contributions.

(c) Benefit Expense

Benefit expense recognized in salaries and benefits within administration expenses in the Statement of Operations and Comprehensive Income for other long-term employee benefits and post-employment benefits was $1,145,000 in 2018 (2017 - $952,000).

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, 2018, the Funding Ratio was 132% (2017 – 143%). Management's funding target ratio is between 121% and 129%, which ensures that the Fund remains fully funded plus sustains the Adverse Events and Stabilization Reserves' target funding levels. The Fund is considered fully funded when there are sufficient funds for the payment of all present and future compensation, including the cost of administration.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

(b) Surplus Distributions

In 2018, in order to bring the Funding Ratio closer to target, the Board of Directors approved a surplus distribution of $5,031,000 (2017 - $9,997,000) to be paid out to eligible employers.

Reconciliation of funding policy surplus distributions:

	31-Dec-18 ($000s)	31-Dec-17 ($000s)
Current year surplus distributions released	$ 4,963	$ 9,763
Current year surplus distributions withheld	68	234
	5,031	9,997
Prior year surplus distribution adjustments	(25)	(33)
Current year surplus distribution adjustment	(4)	(19)
Funding policy surplus distributions	$ 5,002	$ 9,945

An amount of $4,963,000 was paid relating to the 2018 approved surplus distribution (2017 – $9,763,000). Distributions paid are conditional upon employers being compliant with the *Workers' Compensation Act* and *Occupational Health and Safety Act*. At December 31, 2018, $68,000 (2017 - $234,000) in surplus distributions were withheld due to non-compliance by employers.

Reconciliation of surplus distributions payable:

	31-Dec-18 ($000s)	31-Dec-17 ($000s)
Surplus distributions payable, beginning of year	$ 215	$ 117
Amounts paid for prior year surplus distributions	(190)	(84)
Prior year surplus distribution adjustments	(25)	(33)
Current year surplus distributions withheld	68	234
Current year surplus distribution adjustment	(4)	(19)
Surplus distributions payable, end of year	$ 64	$ 215

(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 2018 the benefits liability was $155,499,000 (2017 – $151,152,000). The target was $15,550,000 as at December 31, 2018 (2017 – $15,115,000). 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, 2018, the Stabilization Reserve has a balance of $29,026,000 (2017 – $44,062,000).

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.

A rebate in 2018 was included in the assessment rates as required by the Funding Policy based on the 2017 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 $24,247,000 (2017 – $23,675,000), 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 2018 (2017 – 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 2018 (2017 – nil). At December 31, 2018, the Adverse Events Reserve has a balance of $24,247,000 (2017 – $23,675,000).

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.

During 2018, the Compensation Fund paid the Government $209,000 (2017 – $220,000) for computer, office supplies, payroll processing, recruitment, and vehicle services. The Fund also reimbursed the Government for payroll costs of $9,208,000 (2017 – $8,986,000).

Reimbursements for claims costs received from the Government were $327,000 in 2018 (2017 – $366,000) (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.

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

Revenues and recoveries from the Government for the year ended December 31, 2018 totalled $6,956,000 (2017 – $6,290,000), including the Mine Safety Program Grant (note 11).

During 2018, the Board issued a $1,253,000 (2017 – $2,446,000) surplus distribution to the Government.

Included in the Fund’s accounts receivable and accounts payable as of December 31, 2018 are amounts owing to and from the Government of Yukon as follows:

	31-Dec-18	31-Dec-17
	($000s)	($000s)
Due to the Government of Yukon	$ (1,897)	$ (1,602)
Due from the Government of Yukon	389	374
Net amount due	$ (1,508)	$ (1,228)

The Workers' Advocate Office operates independently from the Board and assists workers or dependants of workers in respect of claims for compensation. The approved budget of the Workers’ Advocate shall be paid out of the compensation fund. In 2018, the Fund reimbursed the Government $496,000 (2017 – $454,000) for the Workers' Advocate Office expenses.

(b) Key Management Personnel

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

	2018	2017
	($000s)	($000s)
Short-term employee compensation and benefits	$ 1,226	$ 1,053
Other long-term employee benefits	15	28
Post employment benefits	182	168
Total remuneration	$ 1,423	$ 1,249

Contributions made to the Public Service Pension Plan by the Fund for key management personnel was $121,000 (2017 – $112,000) and are included in post employment benefits.

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

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

16. Commitments

As of December 31, 2018, the Fund had entered into the following contractual commitments for the next five years:

	Contribution agreements ($000s)	Computer systems support ($000s)	Professional services ($000s)	Building maintenance ($000s)	Other ($000s)	Total ($000s)
2019	$ 727	$ 20	$ 683	$ 64	$ 39	$ 1,533
2020	570	-	426	47	12	1,055
2021	581	-	-	33	-	614
2022	593	-	-	-	-	593
2023	-	-	-	-	-	-
	$ 2,471	$ 20	$ 1,109	$ 144	$ 51	$ 3,795

17. Administration Expenses

	2018 ($000s)	2017 ($000s)
Salaries and benefits	$ 9,090	$ 8,322
Consulting and professional	1,131	1,287
Amortization - intangible assets	664	689
Statutory funding obligations	631	584
General administration	565	416
Depreciation - property and equipment	483	518
Computer systems	446	352
Buildings	397	435
Communications	220	215
Automobile and travel	212	246
Staffing and recruitment	148	200
System development analysis expense	103	150
Board expenses	100	117
Printing and publications	85	61
Supplies and stationery	43	51
Furniture and equipment	42	42
Lease expense	25	36
	$ 14,385	$ 13,721
Less: claims administration expense transferred to claims expenses (note 12)	(2,294)	(2,266)
	$ 12,091	$ 11,455

Compensation Fund
Notes to the Financial Statements
December 31, 2018

(In Canadian Dollars)

18. Contingencies

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.

Yukon Workers' Compensation
Health and Safety Board