



### **Letter to the Minister**

Honourable Malaya Marcelino Minister of Labour and Immigration Room 156, Legislative Building Winnipeg, MB R3C 0V8

Dear Minister Marcelino:

We are pleased to present our 2023 Annual Report and Five Year Plan in accordance with the provisions of *The Workers Compensation Act*. This report covers the twelve-month period from January 1 to December 31, 2023. It includes the statements of accounts required to be kept under the Act.

Respectfully submitted,

Michael D. Werier

Chair

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### **About the WCB**

The Workers Compensation Board (WCB) is a statutory corporation providing a workplace injury and disability insurance system for workers and employers.

With approximately 600 employees, the WCB is dedicated to ensuring and supporting safe and healthy workplaces. We place workers and employers at the centre of everything we do, providing services for injury prevention, compensation and facilitating return to health and work, all while maintaining the integrity of the workers compensation system.



If people are injured or become ill as a result of their work, the WCB is here to help. We offer a wide range of services to assist injured workers and to help ensure safe and suitable return to work. Some of the benefits we offer include:

- Replacement of lost income
- Payments for healthcare treatments and medication
- Employment retraining
- Lump sum payments for permanent impairments
- Financial support for partners and children in the event of a workplace fatality

As part of the WCB's commitment to quality service and fair process, injured workers, their dependents and employers may contact the Fair Practices Office (FPO). The FPO is the internal ombudsman office that works to ensure fair practices at the WCB. More information is available on our website: wcb.mb.ca/fair-practices.

### Message from the Chair

For more than a century, the WCB has served Manitoba employers and workers through an established workplace injury and insurance system that is an essential part of Manitoba's economy. As the province has continued to grow and evolve, so has the WCB. We continuously re-examine our processes, striving to enhance and improve the future of our customer service in the years to come.

As the Board of Directors for the WCB, we maintained our collaborative efforts in shaping strategic direction, approving policies and monitoring the organization's progress toward achieving its goals throughout 2023.

The past year brought a number of new and revised policies that were approved by the Board as we moved forward with our stakeholders. Policy changes included extending coverage for psychological injuries caused by excessive workload as well as the *Agents of the WCB* policy, which outlines rules for third parties authorized by the WCB to perform activities on its behalf.

The Board of Directors also approved a new Occupational Diseases Regulation under the Act. The regulation creates a presumption of work-relatedness for certain occupational diseases.

These changes brought Manitoba's approach to adjudicating occupational disease claims in line with several other Canadian worker's compensation systems, all the while addressing the challenges and opportunities of Manitoba's evolving workforce.

In 2023, the Board of Directors said farewell to Michael Bereziak, who served as a representative of employers for four years. We were pleased to have Chris Lorenc, who served in the same role from 2015-2019, return to the Board in his place. The Investment Committee also said farewell to external members Cathy Rolland and Brad Peacock after 10 years of service. We thank them all for their contributions.

The Board also created a new Digital Modernization Oversight Committee made up of both Board members and external members appointed by each stakeholder group: Kyle Ross (workers), Michael Anderson (employers) and Scott Greenlay (public interest), who moved from the Audit Committee.

In May 2024, I retired from my position as the Chair of the Board of Directors. It has truly been my honour to serve on the Board over the last 15 years and witness the remarkable growth and transformation of the WCB into the organization it is today. From the evolution of SAFE Work Manitoba as a division of the WCB to the significant overhaul of the assessment rate model, and the organizational focus on return to work alongside prevention, it has been an exciting and eventful time to serve. I am confident that I am leaving the Board in highly capable hands.

On behalf of the Board of Directors, I'd like to thank the WCB staff for their hard work and dedication over the past year. The Board looks forward to continuing our work in the coming year to provide our customers with valued services in insurance, prevention, compensation and return to work, while maintaining the integrity of the system.

#### Michael D. Werier

Chair

**OUR CUSTOMERS** 

**73.2**%

**Workers Covered** 

**40,088**Registered Employers

# Message from the Acting President and CEO

This is a time of change and renewal for the WCB. We are optimistic about what we can achieve for our clients and stakeholders. With over 100 years of history, the WCB continues to evolve to meet the changing needs of Manitoba's workers and employers. Over the past year, we launched the SAFE Work Manitoba Training Portal, piloted a Worker Care Clinic, strengthened our psychological injuries and occupational diseases policies, and initiated comprehensive due diligence on a multi-year modernization program that will reshape our customer experience.

The SAFE Work Manitoba Training Portal, launched last May, houses all SAFE Work Endorsed Training in one location. The portal features high-calibre training that meets specific standards, general workplace safety and health courses delivered by trusted training providers, and a marketplace for promoting approved course offerings.

Another 2023 highlight is the Worker Care Clinic pilot project, part of our return to work roadmap giving injured workers timely access to medical treatment by physicians with expertise in workplace injuries. These clinics appeal in particular to injured workers without a regular doctor.

Notable policy enhancements in 2023 offer WCB decision-makers with improved guidance in the areas of psychological injuries and occupational diseases.

The WCB also committed to meeting customer expectations for seamless interactions, and more self-serve options through tools like mobile apps. In 2023 we began preparing to build our system for the future. In the years to come, we will add more points of contact and foster an ongoing relationship with our customers via simplified experiences and upgraded technology.

Our strong customer focus is only possible with the commitment of everyone at the WCB. I would like to thank the Board of Directors, executive management team, and all staff, for their dedication. As we move ahead, the WCB will continue to bring integrity and caring to its service delivery, and strive to meet the needs of injured workers and their families, employers, and all Manitobans.

In closing, I offer a special thank you to Michael Werier, outgoing Chair of the WCB's Board of Directors, for his unwavering commitment to the WCB. Michael's vast knowledge and expertise has been a tremendous asset to the organization. Michael, thank you for fifteen years of service to the WCB, and all the best in your retirement.

#### **Catherine Skinner**

Acting President and CEO



Average assessment rate per \$100 of assessable payroll

BUDGET

\$.95

2023

\$.95



# Our Board of Directors and Board Committees

As stewards of the accident fund, the Board of Directors plans for the future of the workers compensation system. The Board of Directors sets the WCB's strategic direction, creates policies about compensation, rehabilitation, assessment, prevention and the investment of the funds within the investment portfolio. Additionally, the Board monitors progress within these critical areas.

By statute, the Board of Directors consists of 10 members appointed by the Government of Manitoba with consultation from workers, employers and the public. The multilateral representation includes a neutral Board Chair, three representatives of workers, three representatives of employers and three representatives of the public interest. The President and CEO is a non-voting member of the Board of Directors.

#### **Board Chair:**

Michael D. Werier

#### **Acting President and CEO:**

**Catherine Skinner** 

#### **Representatives of workers:**

Jean-Guy Bourgeois Sylvia Farley Marc Lafond

#### **Representatives of employers:**

Ron Koslowsky
Chris Lorenc
Yvette Milner

#### Representatives of the public interest:

Ranbir Dhillon Glenn Hildebrand Randal Smith

#### **Committees**

#### **Audit Committee:**

Ranbir Dhillon, Sylvia Farley, Yvette Milner, Doug Einarson\*

#### **Digital Modernization Oversight Committee:**

Glenn Hildebrand, Sylvia Farley, Chris Lorenc, Michael Anderson,\* Scott Greenlay,\* Kyle Ross\*

#### **Governance Committee:**

Jean-Guy Bourgeois, Glenn Hildebrand, Chris Lorenc

#### **Finance Committee:**

Ron Koslowsky, Marc Lafond, Randal Smith

#### **Investment Committee:**

Ron Koslowsky, Marc Lafond, Randal Smith,

Brad Peacock,\* Cathy Rolland,\* Nestor Theodorou\*

The Chair of the Board of Directors and the President and CEO are also members of all committees. For a description of the responsibilities of each committee, see the Terms of Reference available on our website: wcb.mb.ca/board-and-executive

<sup>\*</sup>external committee member

### **Our Leaders**

#### **Executive Management Committee**

Our Executive Management Committee oversees the strategic direction of the WCB and leads a diverse group of employees who fulfill the WCB's vision for A safer Manitoba that fosters prevention and return to work.

#### **Catherine Skinner**

Acting President and CEO

#### **Merrilee Allan**

Acting Vice President, Human Resources

#### Renzo Borgesa

Vice President, Strategy, Innovation & Transformation

#### **Candace Crossland**

Acting Vice President, Communications

#### **Leslie Anne Hurley**

Vice President & Chief Financial Officer

#### **Brad Janzen**

Acting Vice President, Legal, Compliance & Corporate Services

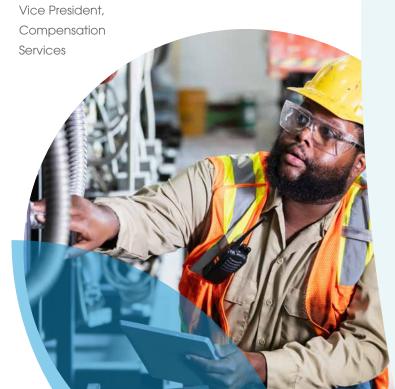
#### **Vince Jordan**

Vice President & Chief Technology Officer

#### **Dave Kramer**

Vice President, SAFE Work Manitoba

#### **Dan Holland**



#### **Our Vision**

A safer Manitoba that fosters prevention and return to work.

#### **Our Mission**

We provide our customers with valued services for insurance, prevention, compensation and return to work, while maintaining the integrity of the system.

#### **Our Values**

**Integrity** – We treat our stakeholders fairly and honestly, while being accountable and transparent.

**Caring** - We understand the unique needs of our customers and treat them with compassion, dignity and respect.

**Innovation** - We continuously strive to make our systems more responsive, efficient and effective.

**Collaboration** – We work together with our stakeholders to achieve our vision.

#### **Our Strategic Priorities**

#### Create a SAFE Work Culture -

Reduce the number and severity of injuries.

#### **Enable Successful Return to Work -**

Reduce days lost and improve the return to work experience.

**Deliver Excellent Service** – Strive to improve customers' satisfaction with their WCB experience.

**Grow Our People** – Attract, retain and develop our people to align with our evolving needs.

# Create a SAFE Work Culture

When safety and health become a core component of a workplace's culture, it means everyone in that workplace shares values and beliefs that support injury and illness prevention. Cultivating and reinforcing these shared principles ensures the establishment of robust safety and health programs and promotes safe and

suitable return to work for injured or ill workers.

A robust safety culture in Manitoba not only prioritizes current workplace safety but also lays the foundation for a sustained commitment to safety and health for the future.

The following strategic initiatives are highlights from our efforts in 2023 in supporting workplaces with prevention and return to work, with the goal of

reducing the number and severity of workplace injuries and illnesses in Manitoba.

Healthcare continued to be a priority industry sector, in that it had the highest injury rate of all sectors and injuries and illnesses continued to increase at a significant rate.

#### TIME LOSS INJURY RATES (PER 100 FULL TIME WORKERS)

2.2 or less

<sup>2023</sup> **2.6** 

The Manitoba Association for Safety in Healthcare (MASH), a new industry-based safety program, became operational in 2023. MASH began to deliver services to address the challenge of reducing workplace injuries and illnesses in healthcare. This initiative had been in development over the past several years as part of our goal to expand and enhance safety programs to ensure all Manitoba employers and workers have access to sector-specific services. MASH has committed to further action to reduce the occurrence of harm in the healthcare sector. specifically physical harm, psychological harm and workplace violence.

Another key accomplishment in healthcare is the attainment of SAFE Work Certification by two major employers. In 2023, St. Boniface Hospital and Interlake-Eastern Regional Health Authority successfully achieved certification.

ALL INJURY RATE (PER 100 FULL TIME WORKERS)

4.9 or less

<sup>2023</sup> **4.9** 

Additionally, the City of Winnipeg also received SAFE Work Certification. This supports our goal to increase employer participation in safety certification, so that more Manitoba workplaces adopt and benefit from consistent safety standards and best practices.

The public administration sector is the other industry group that currently has one of the highest injury rates in the province. As part of our commitment to supporting this sector and minimizing workplace injuries and illnesses, SAFE Work Manitoba has been actively involved in discussions with senior leaders in the sector. We've also formed partnerships with various government departments to strengthen safety and health as well as return to work programs. By offering consulting support and showcasing best practices from other industries, we are confident that our collaborative efforts will yield positive results.



In 2023, the WCB launched the SAFE Work Manitoba Training Portal to improve access and elevate the standards of workplace safety training programs.

It also ensures that safety training delivered by independent training providers, unions, employers and industry-based safety programs is of high calibre and is consistent in content. The portal acts as a "one-stop shop" for SAFE Work Endorsed courses that meet a standard established by the Manitoba Safety and Health Training Standards Council, and other general training related to safety and health. This initiative supports our

### SEVERE INJURY RATE (PER 100 FULL TIME WORKERS)



### WCB-COVERED PAYROLL THAT IS SAFE WORK CERTIFIED

Target 42%

2023 18%

goal to enhance safety program standards that establish best practices and promote consistency, and helps ensure that all Manitoba workers have access to the training they need to stay safe at work.

SAFE Work Manitoba and Workplace Safety and Health, in consultation with external stakeholders, developed the Manitoba Safety and Health Index (MSHI or Index) model to "combine multiple indicators into a single measure as a more complete and balanced picture of progress on achieving a safer Manitoba." The Index, a SAFE Work Manitoba Five Year Prevention Plan initiative, measures and reports on the injury and illness prevention system of Manitoba's workplaces. The Index model is valuable in that it combines four different metrics to provide a single view of performance and allows for consistency on measuring progress.

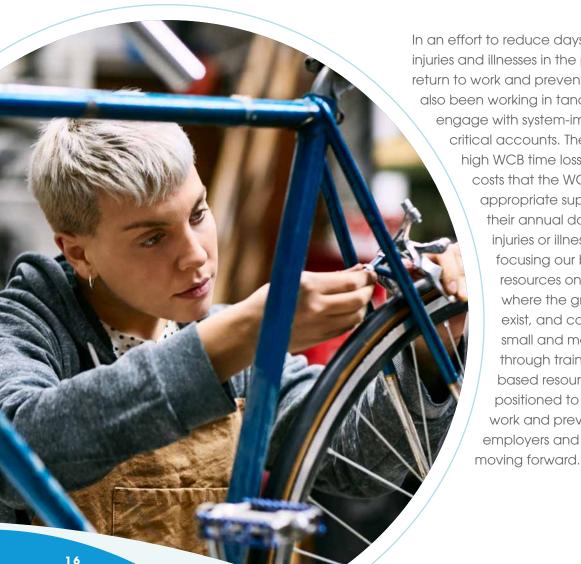
Through these initiatives, we are building a culture of safety in Manitoba's workplaces. Working with our valued partners in the safety community, we will continue to make progress and make work safer for all Manitobans.

<sup>&</sup>lt;sup>1</sup> Estimated, to be confirmed mid-2024.



### **Enable Successful Return to Work**

The return to work process hinges on collaboration, with a dedicated team assisting injured workers in resuming safe and suitable work. At the WCB, we work with all parties to ensure the injured worker, employer and healthcare provider all understand their roles and responsibilities. This collaborative effort means workers understand their rights, while employers recognize the benefits of having safe and suitable modified or alternate duties available for returning workers. Together, all parties play a part in achieving our goal to deliver the best possible outcomes for all stakeholders, which we believe will reduce Manitoba's days lost to workplace injury and illness.



In an effort to reduce days lost to workplace injuries and illnesses in the province, the WCB's return to work and prevention resources have also been working in tandem to identify and engage with system-impact employers and critical accounts. These are employers with high WCB time loss, injuries, days lost and costs that the WCB believes—with the appropriate supports—can reduce their annual days lost to workplace injuries or illnesses. By strategically focusing our bespoke consulting resources on these employers, where the greatest opportunities exist, and continuing to support small and medium employers through training offerings and webbased resources, the WCB is better positioned to improve the return to work and prevention culture of these employers and achieve our goals



In 2023, the WCB
updated its "just
in time" delivery
of return to work
communications to
injured workers. The
initiative is designed to raise
awareness to help improve
our customers' return to work
experience and reduces days lost

by increasing engagement with return to work resources and providing return to work support when the worker is injured. This improved method enables the WCB to communicate and deliver timely information and resources about the return to work process when it is needed most. The project also provides enhanced return to work support to small and medium employers shortly after one of their workers experiences a workplace injury.

The emails sent to injured workers now feature a new worker testimonial video, while the emails sent to employers now feature a new animated video illustrating the benefits of return to work.

### ENSURING PROMPT CUSTOMER SERVICE

Claims paid within 14 days of injury:

Target 70%

2023 74%

The WCB Basics in-person and virtual workshops are undergoing a significant overhaul and update. The course materials are being refreshed to enhance engagement and interactivity. The free workshops help employers gain an understanding of how the WCB operates, and what their role is in the workers' compensation system.

It also acts as an excellent companion course to the WCB's Return to Work Basics workshop, which assists attendees in gaining an understanding of the basic elements and best practices needed to build effective workplace return to work programs. Additionally, the WCB resumed offering in-person workshops in Brandon, Manitoba.

In April 2023, the WCB launched a new workerfocused care clinic through a pilot project in partnership with KALO Medical Clinic in Winnipeg.

### OUR SYSTEM HELPS INJURED WORKERS RETURN TO SAFE AND SUITABLE WORK

#### After 10 days:

Target 70%

2023 **62**%

After 60 days:

**Target 95%** 

2023 90%





### **Deliver Excellent Service**

Our customers are at the centre of everything we do at the WCB. Increasing customer satisfaction with our services is something we aim to continually improve. By having our customers as the main focus of our business, customer service ratings among workers and employers remained at a high level over the course of the year.

During 2023, we continued to see high customer service ratings among injured workers. The WCB is continually improving our services, meeting our customers' needs in order to serve them in the best way possible. Of note, 90% of short term claims customers were satisfied with their overall quality of customer service, which is one of our highest results to date. This is a testament to the excellent service we provide injured workers by approving their claims quickly. Workers with claims in case management had a 74 per cent satisfaction rate. Lastly, when asked, 82 per cent of injured workers were likely to speak positively about the WCB to others, an increase of two points from the previous year.

In speaking with employers, 76 per cent reported that they were satisfied with their overall experience with the WCB. Overall, 82 per cent of employers were likely to speak positively about the WCB. When asked, 94 per cent of employers believed that WCB staff were readily accessible, which was an increase of eight points from 2022.

We aim to ensure that our services are accessible to all of our customers. This includes removing barriers in how information is accessed and communicated, as well as in WCB policies and procedures. When surveyed, 90 per cent of employers did not experience any barriers when accessing services from the WCB. This is a slight increase from the previous years. For workers, 86 per cent of them did not experience any barriers when accessing our services.

Assessment Services piloted an initiative throughout 2023 which invited employers to view and access their account statements online. The service is safe and secure, and authorized users are able to view their statements online at any time. A rollout strategy is currently underway,



### IMPROVING EMPLOYER CUSTOMER SATISFACTION

2022 80%

2023 76%

and the service will be expanded to more employers in the coming year. This benefits our customers greatly, allowing them to view and pay their statements whenever it is most convenient for them.

As more organizations are offering digital services to their customers, the WCB is in the process of developing a mobile app for workers. The app will offer our customers the flexibility of filing an incident report on their own schedule, when it is most convenient for them. It will also allow workers to submit documents and to receive quicker updates related to their claims. The app is in development, with an expected launch in 2025.

We continued to offer an average assessment rate of \$0.95. This rate has been maintained for our stakeholders, despite the growing inflation rate. This continues to be the lowest rate in all of Canada among other workers compensation boards.

The WCB is continually evaluating the growing needs of our customers and aims to improve our services in order to serve them better. As our organization evolves, our customers will always drive everything we do.

### ENHANCING INJURED WORKER CUSTOMER SATISFACTION

**90% 75%** 

Short Term Claims

Case Management

#### **FUNDING TARGET AND FUNDING LEVEL**



### **Grow Our People**

Over the past year, we remained steadfast in our ability to attract, retain and develop our people as they are the key to our ongoing success at the WCB. Not only does investing in our staff provide them with new opportunities for training, learning and growth, but these opportunities also lead to better customer service experiences for our stakeholders. Having a plan in place to ensure the correct people receive the proper training to grow and develop, puts the WCB in a position to ensure the organization's continued success in the future.

Human Resources collaborated with leadership and staff to facilitate and invest in training opportunities, including assessment tools, a new methodology, and strategies to enhance competencies, knowledge, skills and abilities.

Employees from diverse departments were offered numerous chances to engage in cross-departmental training, project work, committee leadership roles, and formal education, such as post-secondary courses.

Participation in these initiatives allowed staff to gather valuable insights about other departments, contributing to a full understanding of the WCB. These opportunities not only nurtured employee engagement and retention but also paved the way for career growth within the organization. This strategic approach is an ongoing, multi-phase endeavour set to unfold in the years to come.

#### **OUR ANNUAL UNITED WAY CAMPAIGN**

TOTAL DONATIONS

\$208,982

STAFF CONTRIBUTIONS

\$104,491



Throughout the year, employees proactively pursued professional development and education through various channels, including internal programs, external courses, e-learning, job shadowing, and mentorship opportunities. Beyond day-to-day responsibilities, staff actively engaged in committees focusing on diversity, wellness, workplace safety, and health, fostering collaboration and enhancing engagement among co-workers.

Leadership development remains a high priority for the WCB. In collaboration with the Executive Education Asper School of Business, we've established a comprehensive program tailored for managers, directors and vice-presidents. This initiative is an integral part of our broader talent management strategy, aligning with our overarching goal of investing in our most valuable asset—our people.



#### **INVESTMENT IN STAFF TRAINING**

**OVERALL** 

\$376,000

PER FULL TIME EMPLOYEE

**\$627** 





The program's content was designed and tailored to help leaders expand on and acquire new skills, while keeping consistency across the leadership team as a whole. The training also included techniques and practices to empower, support and engage staff so they could realize their full potential and prepare for future opportunities within the organization, ranging from taking on new roles, projects, assignments or leadership responsibilities.

As the WCB plans for the future, our renewed focus on succession management has become pivotal. The succession management plan aims to identify staff who have the potential to fill leadership roles in the organization as more of our workforce retires. Collaborating with an external vendor, the WCB developed a process to identify individuals within the organization who exhibit leadership potential. Staff were also encouraged to refine their expertise, skills and knowledge in order to fill critical roles in the future. This is a strategic priority and a part of our greater talent management strategy.

The WCB continued to support the United Way through its annual campaign. This year's theme "Real Scary" was a reminder of the important work that over 125 United Way agencies do across the province to help fight poverty, homelessness and addiction.

Each year, long-standing employees of the WCB are recognized at our Long Service Awards. This year, 80 staff members reached a milestone anniversary, with two individuals reaching 35 years of service, and one person reaching 40 years at the WCB.

For the 12th consecutive year, the WCB was named one of Manitoba's Top Employers—a testament of the WCB's inclusive workplace and our ongoing commitment to investment in our employees. By prioritizing our people, the WCB aims to be well positioned to attract key talent to successfully meet the evolving needs of our organization into the future.

### **Statistics and Measures**

#### **Our Customers**

<b>Customer S</b>	atisfaction -	Injured	<b>Workers</b>
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	,						
Overall results							
2023	2022	2021	2020	2019			
<b>82</b> %	80%	<b>82</b> %	82%	81%			
Short Term Claim resu	ults						
2023	2022	2021	2020	2019			
90%	88%	<b>87</b> %	88%	88%			
Case Management	results						
2023	2022	2021	2020	2019			
<b>75</b> %	<b>72</b> %	<b>77</b> %	<b>76</b> %	<b>73</b> %			
<b>Customer Satisfacti</b>	ion - Employers						
2023	2022	2021	2020	2019			
<b>76</b> %	80%	81%	<b>76</b> %	<b>73</b> %			
Claims Paid within	14 Days of Injury						
2023	2022	2021	2020	2019			
74%	72%	72%	74%	73%			
	Employers and Workers Likley to Speak Positively About the WCB						
Employer results	0000	0001	0000	0010			
2023	2022	2021	2020	2019			
82%	85%	87%	<b>79</b> %	<b>82</b> %			
Injured Workers result							
2023	2022	2021	2020	2019			
<b>82</b> %	<b>80</b> %	80%	80%	81%			

#### **Our System**

#### Claim Duration (Average Days Paid)

2023	2022	2021	2020	2019		
32.8	30.6	33.2	34.3	30.1		
Reserves and Fur	nding (Funding Ra	tio)¹				
2023	2022	2021	2020	2019		
160.5%	151.1%	166.7%	164.7%	162.0%		
Review Office Re	considerations – A	djudicative Decis	ions Confirmed			
2023	2022	2021	2020	2019		
74%	<b>74</b> %	<b>75</b> %	74%	<b>75</b> %		
Percentage of Inj	ured Workers Retu	rning to Safe and	Suitable Work at	fter 10 Days		
2023	2022	2021	2020	2019		
62%	<b>62</b> %	58%	58%	<b>63</b> %		
Percentage of Injured Workers Returning to Safe and Suitable Work after 60 Days						
2023	2022	2021	2020	2019		
90%	92%	91%	91%	<b>92</b> %		
Percentage of Workforce Covered						
2023	2022	2021	2020	2019		
73%	73%	73%	<b>75</b> %	78%		
Registered Emplo	yers					
2023	2022	2021	2020	2019		
40,088	39,670	39,240	38,073	37,711		

 $<sup>^{\</sup>rm 1}$  The 2022 to 2019 funding ratio has been restated to the funding basis of accounting.

#### **Our Partners**

#### Manitobans Who Believe the WCB Makes a Positive Contribution to the Province

69%	67%	70%	75%	<b>75</b> %
2023	2022	2021	2020	2019

#### Percentage of WCB-Covered Payroll that is Served by an Industry-Based Safety Program

2023	2022	2021	2020	2019
<b>54.9</b> %	41%	<b>42</b> %	42%	<b>47</b> %



#### **SAFE Work Manitoba**

	•								
2023	2022	2021	2020	2019					
2.6	2.8	2.7	2.5	2.5					
Number of Time Loss Injuries									
2023	2022	2021	2020	2019					
13,604	14,391	12,974	12,044	12,755					
Severe Injury Rate	e per 100 Full Time	e Workers							
2023	2022	2021	2020	2019					
0.56	0.65	0.62	0.65	0.48					
Number of Severe	Injuries								
2023	2022	2021	2020	2019					
<b>2,829</b> 1	3,284	3,013	3,051	2,413					
Fatality Claims (c	Fatality Claims (accepted in 2023)								
2023	2022	2021	2020	2019					
23	16	20	14	19					
njury Rate per 100 Full Time Workers									
2023	2022	2021	2020	2019					
4.9	5.1	4.9	4.8	5.5					
Number of Injurie	S								
2023	2022	2021	2020	2019					
25,624	25,632	24,003	22,645	27,495					
Days Lost to Workplace Injury or Illness per Full Time Worker									
2023	2022	2021	2020	2019					
1.51	1.56	1.62	1.66	1.50					
Number of Days Lost to Workplace Injury or Illness									
2023	2022	2021	2020	2019					
784,475	787,699	785,559	778,770	758,807					
Percentage of WCB-Covered Payroll that is SAFE Work Certified									
2023	2022	2021	2020	2019					
18%	14%	14%	13%	12%					

<sup>&</sup>lt;sup>1</sup> Estimated, to be confirmed mid-2024

Fair
Practices
Office





# Message from the Fair Practices Office

Established in 1989, the Fair Practices Office (FPO) works to ensure fair practices at the Workers Compensation Board of Manitoba (WCB). It acts as an ombudsman for injured workers, their dependants and employers with the goal of helping to resolve issues they may have with the WCB, and in turn help the WCB improve its quality of service.

### The FPO has two main guiding principles:

### IMPARTIALITY CONFIDENTIALITY

If an employer or injured worker believes they have been unfairly treated by the WCB, they may bring their concerns to the FPO. There was an upward trend in the number of complaints the FPO received over the past year. The types of complaints can be broadly categorized as:

- Decision Making Process
- Communication / Service
- Timeliness
- Other Inquiries

The following table shows the types of complaints and inquires received over the past five years.

#### **FPO Inquiries**

	2023	2022	2021	2020	2019
Decision Making Process	82	89	171	135	115
Communication/ Service	80	44	100	38	54
Timeliness	52	50	30	30	35
Other Inquiries	56	37	58	50	51
TOTAL	270	220	368	253	255

Where appropriate, the FPO will meet with the WCB administration to raise concerns. The WCB administration will determine, for example, if improving decision letters or additional training for staff is warranted to address the issues raised. These opportunities for ongoing improvements is a critical piece to ensuring the WCB continues to keep their customers at the centre of their delivery model.









# 2023 Management Discussion and Analysis

As an integral part of the annual report, the management discussion and analysis provides management's perspective on the financial results and financial position of the WCB.

In accordance with *The Workers Compensation Act* (the Act), the WCB is required to present to the minister its annual report for the year, including its audited financial statements and its five-year operating plan. This financial reporting section, which includes the WCB's Funding Strategy (page 38), 2023 Financial Highlights (page 39) and Five Year Plan (page 56), followed by the International Financial Reporting Standards (IFRS) audited financial statements (page 70), fulfills this obligation.

Forward-looking statements contained in this discussion represents management's expectations, estimates and projections regarding future events based on information currently available, and involves assumptions, risks and inherent uncertainties. Readers are cautioned that actual results may materially differ from forward-looking statements in cases where future events and circumstances do not occur as expected.

#### IFRS 17 Insurance Contracts and the WCB

A new international accounting standard IFRS 17 - *Insurance Contracts* (IFRS 17) has been implemented effective January 1, 2023. IFRS 17 was intended for, and is based on, the commercial insurance model. The commercial model is substantively different than the context in which the WCB operates. To fully incorporate IFRS 17 into the WCB's business practices, rate-setting and funding requirements would have material consequences for the WCB and its stakeholders through increased premium rate and funding volatility.

While IFRS 17 significantly impacts the IFRS-reported financial results, it does not impact how the WCB operates. For the purposes of business planning, funding and rate-setting decisions the WCB uses the funding basis of accounting in accordance with the Funding Policy. The Funding Policy is the framework for the management of the Accident Fund to maintain the workers' compensation system's financial security to ensure sufficient funds are available for the payment of future benefit payments and maintain rate stability.

The most significant differences between the IFRS-reported financial results as compared to the WCB's funding basis of accounting are reported on page 49.

The funding-basis financial results, which are not audited, can be materially different from the IFRS-based financial results.

#### **Funding Strategy**

The financial viability of the WCB and its ability to provide stable and sustainable premium rates is predicated on taking a long-term financial perspective. Thus, the WCB's financial performance is measured and assessed in accordance with the Funding Policy using the funding basis of accounting. This approach is consistent with the approach taken by other Canadian workers' compensation boards.

The Act establishes the Accident Fund for the payment of compensation, outlays and expenses of the workers' compensation system. The Act also requires that sufficient funds be available for the payment of all current and future liabilities and the maintenance of reserves to ensure rate stability.

The Funding Policy is the framework for the management of the Accident Fund to maintain the workers' compensation system's financial security against risk and uncertainty, and to guide the WCB's funding and rate setting decisions.

In accordance with the Funding Policy, the funding ratio target for the Accident Fund is 130 per cent as measured on the funding basis. The 130 per cent target provides for 100 per cent funding – sufficient to fully fund all current and future liabilities – plus an additional 30 per cent to protect the system from risks, uncertainties and market volatility. In addition, the Funding Policy provides guidance and discretion to the WCB's Board of Directors to manage the Accident Fund when reserves deviate from the funding ratio target.

The Funding Policy applies the funding basis of accounting to determine the funding ratio.

The principles of the funding basis of accounting are:

- To maintain rate stability while protecting the system against risk, uncertainty and market volatility, the funding basis of accounting reflects a long-term perspective.
- The present value of benefit liabilities is actuarially valued using a discount rate that reflects the expected long-term return on the WCB's investment portfolio. This valuation is performed by the WCB's Chief Actuary and subject to peer review by the WCB's external actuary.
- The WCB's employee defined benefit plans are actuarially valued using a discount rate consistent with going concern valuations for pension plans. The valuations are performed by the WCB's consulting actuary.
- As the WCB bears the ultimate risk for claims arising from individually assessed employers, benefit liabilities include the future cost of their claims. As required by the Act, the WCB records a corresponding deferred assessment receivable due from individually assessed employers.
- The surplus of assets over liabilities is the WCB's funded position.

#### **2023 Financial Highlights**

The financial highlights are presented on the funding basis of accounting. The funding basis of accounting financial statements (unaudited) are reported on page 46.

Positive results for investment returns and premium revenues produced an operating surplus of \$115 million (budget, \$10 million surplus) in 2023. After recording a gain of \$10 million on the WCB's employee defined benefit plans, total comprehensive income was \$125 million.

Premium revenues of \$287 million were \$38 million above budget, a result of growth in the Manitoba work force and higher wages arising from inflationary pressures and negotiated wage settlements.

Investment returns were 8.6 per cent, resulting in \$135 million of investment income (budget, \$80 million). The 2023 investment portfolio returns reflected strong equity, bonds, infrastructure, and private debt market performance, offset by negative real estate returns.

In 2023, the number of time loss claims decreased by 5.5 per cent primarily due to a significant decline in the number of COVID-19 claims. When COVID-19 claims are excluded, time loss injuries increased by 5.4 per cent.

The WCB's funded position increased from \$657 million to \$781 million, exceeding the funded position target level (calculated at \$387 million for 2023). The WCB is fully funded with a funding ratio of 160.5 per cent versus target of 130.0 per cent.

#### **Revenue**

The WCB's revenue is derived from two sources: premium revenue and investment income. Under our funding strategy, current premiums are intended to cover the costs arising from current year injuries and operating expenses, while annual investment returns are expected to cover the annual interest requirement on prior years benefit liabilities. As a result of historically strong investment performance and returns in excess of the actuarial requirement, investment returns have been used to stabilize employer rates.

#### **Premium Revenue**

Premium revenue is the largest revenue stream for the WCB.

Premium revenue was \$287 million in 2023 (2022, \$255 million), versus a budget of \$249 million.

- \$38 million above budget, 15.3 per cent
- \$32 million above prior year, 12.5 per cent

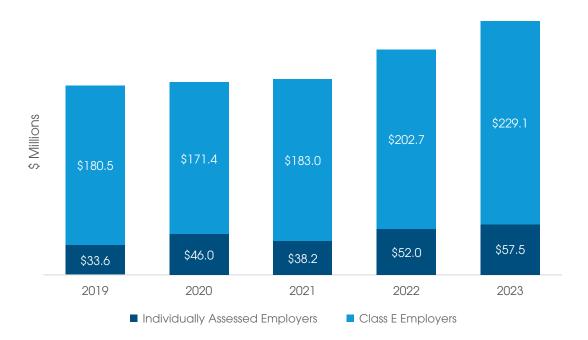
Premiums are derived from Class E employers and employers in Class B through Class D (individually assessed employers)<sup>1</sup>:

2023 Class E employers' net premiums were \$229 million, with payroll increasing by 8.4 per cent compared to a budgeted 3.0 per cent increase and up 13.0 per cent from 2022 (\$203 million).
 On an annual basis, employer assessable payroll has historically grown by 3.0 per cent or more, however, employer payroll increased by 8.4 per cent in 2023. Manitoba's employment growth, which was 2.5 per cent, and wage inflation were contributing factors. Service, transportation and healthcare sectors experienced the greatest payroll growth in 2023.

The final average assessment rate was \$0.95 per \$100 of assessable payroll (budget, \$0.95).

 2023 individually assessed employer premiums, calculated based on claim costs incurred, were \$58 million (2022, \$52 million). These pay-as-you-go employers experienced higher program costs and future costs, resulting in higher premiums.

The chart below shows the components of premium revenue:



Normal payroll growth of 3.0 per cent is expected in 2024 with the average assessment unchanged at \$0.95.

Individually assessed employers are employers in Class B through Class D - principally government bodies and employers named by Regulation 278/91 - who are subject to individual responsibility for costs attributable for claims arising from their workers, as well as a proportionate share of administration expenses.

#### **Investment Income**

In 2023, the WCB experienced investment income of \$135 million from its investment portfolio (2022, loss of \$70 million). Investment income was budgeted at \$80 million for 2023.

- \$54.3 million above budget, 67.6 per cent
- \$205.1 million above prior year, 291.0 per cent

The Statement of Investment Policies and Objectives (SIP&O) outlines the WCB's investment and risk philosophy. The portfolio is diversified among asset classes including bonds, mortgages, private debt, equities, real estate, and infrastructure. At December 31, 2023, the portfolio had a market value of \$1.8 billion (\$1.7 billion at the end of 2022) with an asset mix of 23 per cent fixed income, 40 per cent equities and 37 per cent real assets (2022, 32 per cent fixed income, 37 per cent equities and 31 per cent real assets).

The following graph shows the investment portfolio's gross rate of return for the five consecutive years ended December 31, plus the five year annualized return for the period:



The investment portfolio's gross rate of return was 8.6 per cent in 2023 (benchmark<sup>2</sup> 8.7 per cent) and -3.2 per cent in 2022 (benchmark -5.0 per cent). The 2023 investment portfolio returns reflected strong equity, bonds, infrastructure, and private debt market performance, offset by negative real estate returns.

<sup>&</sup>lt;sup>2</sup> The benchmark rate of return is comprised of the individual asset class indices weighted to match the long-term investment policy asset mix.

Major equity markets posted positive returns in 2023, with the US equity benchmark S&P 500 (CAD) and the international equity benchmark MSCI ACWI-ex US (CAD) indexes returning 22.9 per cent and 12.5 per cent, respectively. The prevailing view in early 2023 was for economies to experience a recession and markets to decline, however, market sentiment shifted significantly during the year as inflation normalized considerably. The S&P/TSX Composite Index returned 11.8 per cent, however it underperformed most other developed markets. Nine of the eleven GICS¹ sectors in Canada posted positive returns, with Materials and Communications being the only two sectors to post a negative return.

Fixed income started slow in 2023 before rebounding sharply in November and December, and the FTSE Canada Bond Universe Index returned 6.7 per cent in 2023. The Bank of Canada (BOC) has left its Policy Interest Rate unchanged at 5.00 per cent since July 12th, 2023, and this pause in rate hikes improved market sentiment on the future direction of interest rates. Private Debt performance was strong in 2023, benefiting from elevated interest rates and a resilient economy.

Real assets performance was mixed. After an exceptional year for real estate in 2022, rising interest rates and high vacancies in the office sector negatively affected real estate valuations in 2023. As a result, real estate was 2023's only negative performing asset class. Infrastructure returns were positive for the year, delivering stable, inflation hedged performance in 2023.

**Outlook:** Economic projections for 2024 suggest a soft landing in Canada and the US, however, recession risks remain elevated. Central banks appear poised to maintain tight monetary policy until inflation moves towards its target rate of 2 per cent. With inflation ending 2023 at 3.4 per cent (6.3 per cent at the end of 2022), inflation is trending towards the BOC's target rate of 2 per cent, which suggest the BOC will begin normalizing interest rates sometime in 2024. Despite high interest rates, Canada's unemployment rate remained low, ending the year at 5.8 per cent (5.0 per cent at the end of 2022).

With equity markets beginning 2024 at elevated levels, volatility should be expected given expectations that further declines in inflation seem largely priced in. Return expectations for bonds are higher than they were a few years ago, as global central banks have hiked interest rates in reaction to economic overheating.

Real estate prospects continue to be challenged by high interest rates and economic uncertainty, particularly in the office sector; however, industrial and multi-residential sectors remain strong. Overall performance is expected to be positive in 2024.

#### **Expenses**

#### **Claim Costs Incurred**

As noted in the funding basis Statement of Operations and Comprehensive Income (page 48) claims costs totalled \$198 million in 2023 (2022, \$191 million) versus a budget of \$194 million.

- \$3.6 million above budget, 1.9 per cent
- \$6.5 million above prior year, 3.4 per cent

<sup>&</sup>lt;sup>1</sup> Global Industry Classification Standard

Total claim costs are an estimate of the full costs for compensable injuries that occurred in 2023, together with adjustments to prior years' estimates. The estimates take into account claims that are in pay, reported but as yet unpaid claims and unreported claims.

Total claim costs consisted of \$182 million in cash expenses (2022, \$177 million) plus \$16 million in actuarial increases to benefit liabilities (2022, \$14 million). Higher average cost per claim and longer claim duration resulted in an increase in wage loss payments. Healthcare inflation was greater than projected, which increased the healthcare liability.

#### **Benefit Liabilities**

The benefit liabilities increased by \$15.8 million in 2023 to \$1,205.8 million.

(in millions of dollars)	2023	2022	Change
Short-Term Disability	\$ 228.2	\$ 198.8	\$ 29.4
Long-Term Disability	501.9	520.3	(18.4)
Survivor Benefits	102.4	108.2	(5.8)
Healthcare Benefits	369.8	359.2	10.6
Rehabilitation Services	3.5	3.5	
	\$ 1,205.8	\$ 1,190.0	\$ 15.8

The benefit liabilities are an estimate of the present value of future payments to be made for claims or injuries which occurred in the current year or any prior year.

At each year end, the WCB's Chief Actuary prepares a valuation of the benefit liabilities of the WCB for inclusion in the funding basis of accounting financial statements. This valuation is conducted in accordance with accepted actuarial practice in Canada and is subject to peer review by the WCB's external actuary.

The actuarial present value of future benefit payments represents management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. The most significant assumption in the determination of the benefit liabilities is the discount rate. The discount rate used for the 2023 valuation was 5.75 per cent (2022, 5.75 per cent), and was derived from the long-term expected return on the WCB's investment portfolio.

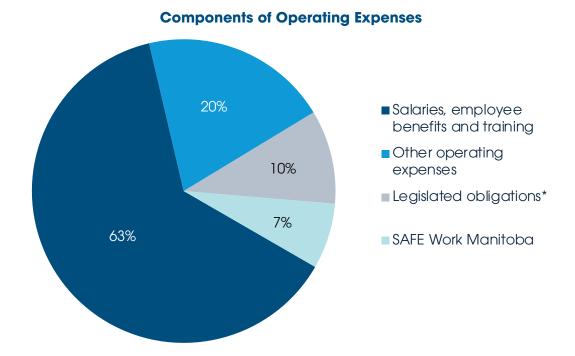
#### **Operating Expenses**

Operating expenses in 2023 were \$17 million under budget at \$108 million.

- \$17.3 million below budget, 13.7 per cent
- \$3.9 million above prior year, 3.8 per cent

Operating expenses were under budget in 2023 as staff hiring and project activity was delayed. Operating expenses increased \$3.9 million from 2022 with increases in SAFE Work Manitoba, legislated obligations and other operating expenses offset by decreases in salary, benefits and employee training.

The following shows the major categories of the 2023 operating expenses:



<sup>\*</sup> Legislated obligations are comprised of the Province of Manitoba Workplace Safety and Health Division funding and the expenses of the Appeal Commission

#### **Operating Surplus and Total Comprehensive Income**

The WCB experienced an operating surplus of \$115 million (budget, \$10 million) that together with surplus distribution and gain on defined benefit plans of \$10 million resulted in total comprehensive income of \$125 million. The funded position increased to \$781 million.

#### **Funded Position**

The WCB, in accordance with the Act, is responsible to ensure that sufficient funds are available for the payment of all current and future liabilities, and to maintain reserves sufficient to ensure the financial security of the system in the long term. The Funding Policy provides the framework to ensure these responsibilities are met.

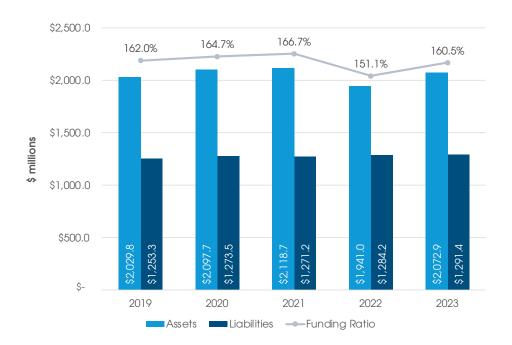
The funding ratio is one measure of the financial strength of the WCB. The Funding Policy sets a funding ratio target of 130 per cent, meaning sufficient funds are set aside to fully fund 100 per cent of all current and future liabilities - plus an additional 30 per cent to protect the system from risk.

The 2023 funding ratio (ratio of total assets to total liabilities) was 160.5 per cent (2022, 151.11 per cent) which exceeded the target ratio of 130.0 per cent.

<sup>&</sup>lt;sup>1</sup> Restated

The funded position was \$781 million (\$657 million in 2022), which exceeded the target balance of \$387 million set by the WCB's Funding Policy.

The following graph shows the funding ratio from 2019 through 2023<sup>2</sup>:



Note, the 2024 – 2028 Five-Year Plan financials (page 68) incorporate maintaining an average assessment rate of \$0.95, investment in the foundation stage of WCB's digital modernization project and amounts for surplus distributions to employers in order to dispose of the excess reserves. With surplus distributions anticipated in 2024, 2025 and 2026, the WCB's funding ratio will be reduced toward the 130 per cent target range.

<sup>&</sup>lt;sup>2</sup> The funding ratio from 2019 to 2022 has been restated to the funding basis of accounting, with changes attributed to the difference between the defined benefit plans valued on the going concern basis versus the IFRS basis.

#### **2023 Financial Performance**

The WCB has a long-term perspective with respect to the management of the Accident Fund. Therefore, the WCB believes the funding basis of accounting is the most relevant measure to assess the financial performance of the WCB and determine the funding ratio.

The funding basis financial statements, which are not audited, can be materially different from the IFRS-based financial results.

A reconciliation to the IFRS basis financial statements can be found on page 49.

#### Statement of Financial Position - Funding Basis (unaudited)

December 31

(in thousands of dollars)

	Note	2023		2022
Assets				
Cash		\$ 38,898	\$	22,572
Receivables and other		15,275	*	14,385
Investment portfolio		1,786,991		1,685,834
Deferred assessments	1	199,083		182,308
Capital assets		32,642		35,909
		\$ 2,072,889	\$	1,941,008
Liabilities and funded position				
Payables and accruals		\$ 18,260	\$	28,275
Employee benefits	2	21,180		22,862
Workers' retirement annuity fund	3	46,135		43,093
Benefit liabilities	4	1,205,836		1,189,954
Total liabilities		1,291,411		1,284,184
Funded position	5	781,478		656,824
		\$ 2,072,889	\$	1,941,008
Funding ratio (assets/liabilities)		160.5%		151.1%

#### **Explanatory Notes to the Statement of Financial Position - Funding Basis**

#### 1. <u>Individually assessed employers:</u>

The funding basis of accounting presents the nature of the relationship between the WCB and the individually assessed employers as established by the Act. Under the funding basis, the WCB recognizes the monies received from the individually assessed employers as premium revenue and the cost of their paid claims as claim costs incurred. Under the authority of the Act, the WCB may defer the collection of the funds, or any portion of the funds, required for the future cost of claims arising in respect of the individually assessed employers. Where the WCB defers the collection of the funds the amount is deferred assessment receivable and recognized in assets on the statement of financial position. A corresponding liability is recognized in benefit liabilities.

#### 2. Employee benefit plans:

Employee benefits include the liabilities of the WCB's employee defined benefit plans (see page 97 for a description of the plans). Valuations are performed annually by the WCB's consulting actuary. Under the funding basis of accounting, the WCB's employee defined benefit plans are valued using a discount rate consistent with going concern valuations for pension plans, i.e. based on the long-term expected return of plan assets. The discount rate used for the 2023 going concern valuation was 6.25 per cent (2022, 6.25 per cent).

#### 3. Workers' retirement annuity fund:

The funding basis of accounting presents the workers' retirement annuity fund as a liability independent of benefit liabilities, in accordance with the Act.

#### 4. Benefit liabilities:

Under the funding basis of accounting and consistent with the WCB's historical practice, benefit liabilities are valued using a discount rate based on the WCB's long-term expected return on the investment portfolio. This rate is revised only when warranted in response to changes in long-term trends. The discount rate used for the 2023 funding valuation was 5.75 per cent (2022, 5.75 per cent).

Other significant assumptions used in the 2023 valuation of benefit liabilities include general inflation of 3.0 per cent, wage inflation of 4.0 per cent and healthcare inflation of 4.5 per cent. These assumptions are unchanged from the prior valuation.

#### 5. Funded position:

The funding basis of accounting reflects the WCB's long-term funding strategy. The net assets of the WCB are reported as the funded position of the Accident Fund.

The 2022 funded position has been restated to the funding basis of accounting. The 2022 funded position (as published in the WCB's 2022 Annual Report) has increased by \$52.7 million as a result of valuing the employee defined benefit liabilities using the going concern discount rate of 6.25 per cent (2022 IFRS basis, 5.05 per cent).

#### Statement of Operations and Comprehensive Income - Funding Basis (unaudited)

Year Ended December 31 (in thousands of dollars)

	Note	2023	2022
Revenue			
Premium revenue	1	\$ 286,597	\$ 254,722
Investment income (loss)		134,639	 (70,498)
Total revenue		421,236	 184,224
_			
Expenses		107.510	101.000
Claim costs incurred		197,510	191,003
Operating expenses		108,456	 104,507
		305,966	295,510
Operating surplus (loss)		115,270	(111,286)
Surplus distribution		(387)	(94,868)
Gain on defined benefit plans		9,771	15,435
Total comprehensive income (loss)		\$ 124,654	\$ (190,719)

#### Explanatory Notes to the Statement of Operations and Comprehensive Income - Funding Basis

1. <u>Individually assessed employers:</u>

Included in premium revenue is \$57.5 million (2022, \$52.0 million) of individually assessed employer premiums, a corresponding amount is included in claim costs incurred.

#### IFRS to Funding Basis of Accounting Reconciliation (unaudited)

A reconciliation of the Statement of Financial Position on the IFRS basis to the funding basis of accounting as at December 31 is presented below. Explanatory notes follow the reconciliation.

(in thousands of dollars)	December 31, 2023								
		IFRS basis		Adjustments	Note		Funding basis		
Assets									
Cash	\$	38,898	\$	-		\$	38,898		
Receivables and other		4,101		11,174	1		15,275		
Investment portfolio		1,786,991		-			1,786,991		
Deferred assessment		-		199,083	1		199,083		
Capital assets		32,642		-			32,642		
	\$	1,862,632	\$	210,257		\$	2,072,889		
Liabilities and funded position									
Payables and accruals	\$	3,645	\$	14,615	1	\$	18,260		
Employee benefits		85,013		(63,833)	2		21,180		
Workers compensation liabilities									
Workers' retirement annuity fund		46,135		-			46,135		
Workers' compensation liabilities		1,250,984		(1,250,984)	1		-		
Unallocated surplus		451,374		(451,374)	3		-		
Benefit liabilities		-		1,205,836	1		1,205,836		
Total liabilities		1,837,151		(545,740)			1,291,411		
Funded position		-		781,478	3		781,478		
Accumulated other comprehensive income		25,481		(25,481)	3		-		
	\$	1,862,632	\$	210,257		\$	2,072,889		

in thousan	ds of dollar:	s)
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,						
	ı	FRS basis	Adjustments	Note	F	unding basis
Assets						
Cash	\$	22,572	\$ -		\$	22,572
Receivables and other		7,327	7.058	1		14,385
Investment portfolio		1,685,834	-			1,685,834
Deferred assessment		-	182,308	1		182,308
Capital assets		35,909	 -			35,909
	\$	1,751,642	\$ 189,366		\$	1,941,008
Liabilities and funded position						
Payables and accruals	\$	3,772	\$ 24,503	1	\$	28,275
Employee benefits		77,041	(54,179)	2		22,862
Workers compensation liabilities						
Workers' retirement annuity fund		43,093	-			43,093
Workers' compensation liabilities		1,196,807	(1,196,807)	1		-
Unallocated surplus		404,118	(404,118)	3		-
Benefit liabilities		-	1,189,954	1		1,189,954
Total liabilities		1,724,831	(440,647)			1,284,184
Funded position		-	656,824	3		656,824
Accumulated other comprehensive income		26,811	(26,811)	3		-
	\$	1,751,642	\$ 189,366		\$	1,941,008

December 31, 2022

### Explanatory Notes to the IFRS to Funding Basis of Accounting Statement of Financial Position Reconciliation:

#### 1. Workers compensation liabilities under IFRS to benefit liabilities on the funding basis:

December 31 (in thousands of dollars)	2023	2022
Workers' compensation liabilities	\$ 1,250,984	\$ 1,196,807
Deferred assessments	199,083	182,308
Employer-related accounts receivable or payable	(3,441)	(17,445)
Cumulative discount rate impact	(240,790)	(171,716)
Benefit liabilities	\$ 1,205,836	\$ 1,189,954

Under IFRS 17, the WCB is required to classify amounts related to individually assessed employers in a prescribed manner. The IFRS statements present the monies received from individually assessed employers net of their claim expense, and the deferred assessments receivable net of the future cost of claims that have arisen, or are expected to arise, from their employees.

IFRS requires the WCB to classify deferred assessments due from individually assessed employers and other employer-related accounts receivable and payable as part of the workers' compensation liabilities.

Under IFRS, benefit liabilities are a component of workers' compensation liabilities and are valued using a point-in-time market-based interest rate, which can cause significant fluctuations in the value of the liabilities year-to-year. This rate is updated annually. The estimated single-equivalent discount rate used for the 2023 IFRS valuation was 5.08 per cent (2022, 5.26 per cent).

Under the funding basis of accounting and consistent with the WCB's historical practice, benefit liabilities are valued using a discount rate based on the long-term expected return on the WCB's investment portfolio. This rate is revised only when warranted in response to changes in long-term trends. The discount rate used for the 2023 funding valuation was 5.75 per cent (2022, 5.75 per cent).

#### 2. Employee benefits under IFRS to employee benefits on the funding basis:

December 31 (in thousands of dollars)		2023	2022
Employee benefits IFRS	\$ 8	5,013 \$	77,041
Impact of discount rate difference	(6	3,833)	(54,179)
Employee benefits funding basis	\$ 2	21,180 \$	22,862

Under IFRS, the WCB's employee defined benefit plans are valued using a prescribed discount rate that is market-based and updated annually. The discount rate used for the 2023 IFRS valuation was 4.65 per cent (2022, 5.05 per cent).

Under the funding basis of accounting, the WCB's employee defined benefit plans are valued using a discount rate consistent with going concern valuations for pension plans, i.e. based on the long-term expected return of plan assets. The discount rate used for the 2023 going concern valuation was 6.25 per cent (2022, 6.25 per cent).

#### 3. Unallocated surplus to funded position:

December 31 (In thousands of dollars)	2023	2022
(		
Unallocated surplus included in workers' compensation liabilities	\$ 451,374	\$ 404,118
Adjustment for differences between workers compensation liabilities and benefit liabilities	240,790	171,716
Adjustment for differences of employee benefit plans	63,833	54,179
Reclassification of accumulated other comprehensive income	25,481	26,811
Funded position	\$ 781,478	\$ 656,824

Under IFRS, the WCB is required to classify the unallocated surplus (i.e. the excess assets over liabilities calculated using IFRS assumptions) as part of the workers' compensation liabilities. This presentation materially increases the total reported liabilities and reduces the reported net asset position.

The funding basis of accounting reflects the WCB's long-term funding strategy. The net assets of the WCB are reported as the funded position of the Accident Fund.

#### Reconciliation of Total Comprehensive Income IFRS Basis to Funding Basis

A reconciliation of total comprehensive income on the IFRS basis to the funding basis of accounting as at December 31 is presented below. Explanatory notes follow the reconciliation.

December 31 (in thousands of dollars)	Note	2023	2022
Total comprehensive income (loss) - IFRS		\$ 45,926	\$ 77,466
Remeasure workers' compensation liabilities	1	67,627	(183,230)
Remeasure employee defined benefit plans	2	11,101	(84,955)
Total comprehensive income (loss) - funding basis		\$ 124,654	\$ (190,719)

#### 1. Remeasure workers' compensation liabilities:

Reflects the difference in the annual change in the valuation of workers' compensation liabilities/ benefit liabilities calculated using the prescribed IFRS single-equivalent discount rate of 5.08 per cent (2022, 5.26 per cent) and the funding basis valuation discount rate of 5.75 per cent (2022, 5.75 per cent), plus the difference in the estimated interest cost of the liabilities calculated using the IFRS discount rate versus the funding basis valuation discount rate.

#### 2. Remeasure employee defined benefit plans:

Reflects the difference in the annual change in the valuation of employee defined benefit plans calculated using the prescribed IFRS discount rate of 4.65 per cent (2022, 5.05 per cent) and the going concern valuation discount rate of 6.25 per cent (2022, 6.25 per cent).

#### **Discussion of 2023 IFRS Financial Results**

The audited Financial Statements on the IFRS basis are on page 70.

Notable outcomes on the IFRS basis are:

Workers compensation result was income of \$40 million (2022, loss of \$11 million). Premium revenue increased \$26 million due to strong payroll growth and workers' compensation expense decreased \$25 million.

Workers compensation investment result was income of \$30 million (2022, \$7 million). Investment income of \$135 million (2022, \$70 million loss) reflects 2023's strong market performance. Workers' compensation finance expense was \$104 million (2022, income of \$172 million) comprised of discount rate changes and estimated interest cost on the liabilities.

Operating expenses were \$23 million (2022, \$19 million), due to an increase in the WCB's operating expenses not related to fulfilment of workers' compensation contracts.

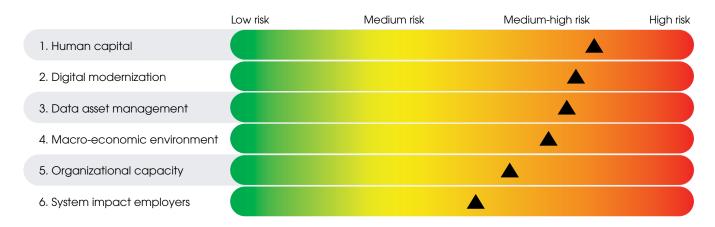
Combined, the three components above produced a surplus attributable to unallocated surplus of \$47 million (2022, deficit of \$23 million).

Total comprehensive income was \$46 million (2022, \$77 million) after recognizing defined benefit plan remeasurement loss of \$1 million.

# **Risk Management**

On an annual basis, the WCB identifies and assesses key corporate risks and implements mitigation strategies to manage these risks, which are embedded in the strategic planning and budgeting cycles.

Corporate risks are monitored and updated on a regular basis to reflect changes in the organization's risk profile. The corporate risk profile below shows the WCB's most significant risks and residual risk ratings for 2023. The residual risk assessment considers the processes, controls and mitigation strategies in place to manage risk.



#### The WCB's most significant risks are described below.

#### 1. Human Capital

The digital modernization project will result in a significant shift in required skill sets and as roles and responsibilities evolve, the WCB may not be able to access resources with the right expertise. The acquisition and development of in-demand, highly skilled and technical roles create challenges that will necessitate retraining, recruitment of desired skill sets, and outsourcing.

#### 2. Digital Modernization

The primary risk of digital modernization is project delivery, specifically preventing cost and time overruns; achieving deliverables and program outcomes in each project phase; and delivering value to stakeholders. The project creates a variety of internal risks given the significant changes to both technical infrastructure and our business model; the organization will experience growing pains over time as new operational management and accountability processes will be implemented in managing vendor and business partner relationships.

#### 3. Data Asset Management

With the implementation of the digital modernization plan, data will be used in multiple online platforms thereby exposing the WCB to a variety of risks, in particular a loss of reputation in the event the WCB is not pro-active in managing the retention, residency, security (privacy and cybersecurity), and utilization of our data assets.

#### 4. Macro-economic Environment

The long-term financial impacts of external factors on premium revenue, premium rate, benefit liabilities and investments will make financial projections more uncertain. Factors in the external environment can have significant impacts on balancing the funding ratio as we strive to reach and maintain our desired target level; factors include investment market volatility, healthcare cost increases, financial and economic assumptions, the Manitoba economic recovery, and changes in industry mix.

#### 5. Organizational Capacity

As the digital modernization project pulls key resources from business operations enterprise-wide, the WCB faces the risk that there will be a negative impact on on-going operations and customer service, and key performance metrics may not be achieved. Changes in organizational structure and increased demands on staff may negatively impact employee trust and engagement.

#### **6. System Impact Employers**

The nine system impact employers are large public entities that have proven slow in adopting changes and improvements, notably in the healthcare and public administration sectors, and significantly impact the WCB's ability to achieve the *Days lost due to workplace injury and illness* and *Time loss injury and illness* reduction targets. A variety of factors increase the risk of not being able to effectively assist the nine system impact employers, including public policy, union involvement, complex organization and accountability structures and a lack of resources.

03 Five Year Plan

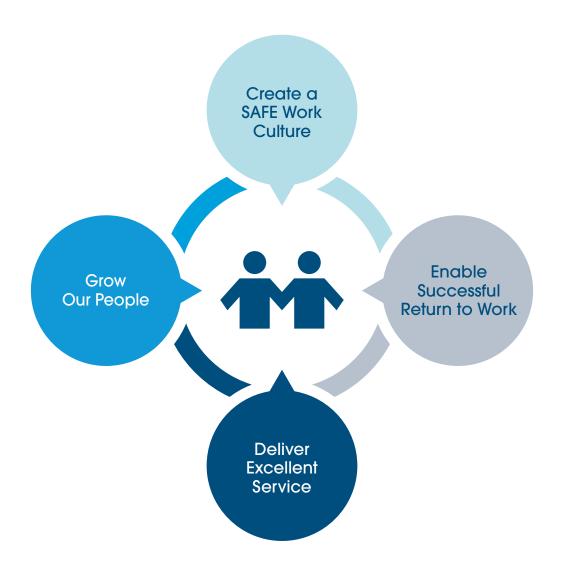




### Introduction

Working from the strategic framework approved by our Board of Directors in 2018, the WCB has developed its Five Year Plan focused on four priorities to guide our work and initiatives. These priorities were chosen to reflect our organization's vision to attract, retain and develop the staff needed to deliver excellent service to our customers and build a safer Manitoba that fosters prevention and return to work.

# Our Strategic Priorities



### **Create a SAFE Work Culture**

#### **Strategic Goal:**

Reduce the number and severity of injuries.

#### **Strategic Initiatives:**

# Champion a vibrant safety culture in which all Manitobans share values and beliefs that support workplace injury and illness prevention

The WCB, through its prevention division, SAFE Work Manitoba, will work to increase public awareness for workplace safety and health and for injury prevention through targeted campaigns to reach stakeholders and shift perspectives about safety and health at work. Our organization will work with partners to identify and support executives who are safety leaders. Programming will also focus on finding ways to engage with educational institutions in Manitoba to increase workplace safety and health awareness and training.

# Expand access to safety programs to build an inclusive, coordinated prevention system with all partners

SAFE Work Manitoba will continue to build strong partnerships with industry-based safety programs (IBSPs) with the goal of expanding and enhancing safety programs to ensure all Manitoba employers and workers have access to sector-specific services. Through this partnership, SAFE Work Manitoba will work to increase the number of stakeholders who have received workplace safety and health education and training through IBSPs and other safety partners.

# Enhance safety program standards to establish best practices and promote consistencies

SAFE Work Manitoba will continue to support and provide oversight for SAFE Work Certified, Manitoba's safety and health certification standard that helps make workplaces safer and provides a financial reward to employers that take proactive steps to prevent workplace injuries and illnesses. This includes working with IBSPs and other partners to increase employer participation in safety certification that meets the SAFE Work Certified standard.

SAFE Work Manitoba will work with prevention system partners to improve the consistency and calibre of safety and health training with a new training standards program. This initiative will work to increase the quality and consistency of safety and health training delivered and ensure workers have the right skills and knowledge needed to do their work safely and reduce their risk of injury.



# **Five Year Targets**

In the five-year period covered by this plan, the WCB is focused on the following milestones:

#### **TIME LOSS INJURIES:**

REDUCE THE NUMBER TO:

12,000 or less

ACHIEVE A

**2.2**\* or less

\*per 100 full time workers

### DAYS LOST TO WORKPLACE INJURY OR ILLNESS:

REDUCE THE NUMBER TO:

748,000 or less

ACHIEVE A

1.38\* or less

\*per 100 full time workers

#### **SEVERE INJURIES:**

REDUCE THE NUMBER TO:

**2,200** or less

ACHIEVE A

**0.4**\* or less

\*per 100 full time workers

#### **WCB-COVERED PAYROLL:**

42%

Achieve at least: 42% that is SAFE Work Certified

#### 72% or more

Increase percentage served by an industry-based safety program to 72% or more



# Enable Successful Return to Work

#### **Strategic Goal:**

Improve the return to work experience for all stakeholders, ensure the worker stays healthy during the return to work process, identify and address suspected inappropriate return to work activities by employers and reduce the number of days lost.

#### **Strategic Initiatives:**

# Expand industry-based safety programs' capacity to provide return to work programs

The WCB will look for opportunities to partner with industry-based safety programs (IBSPs) to promote return to work programming to their industries.

The WCB is committed to supporting best practices and promoting the value of return to work. This includes helping workplaces increase the effectiveness of their return to work programs, delivering return to work training and ensuring the WCB provides quality services to assist workers in a timely and safe return to health and work.

# Improve healthcare access and quality for workers through provider partnerships

The WCB will partner with community healthcare providers in the development of Worker Care Clinics. The goals of these partnerships include improving access to timely treatment for injured workers, improving timeliness and quality of healthcare reporting, improving physicians' understanding and knowledge of return to work best practices through education, and



The WCB will continue its work to support healthcare providers through initiatives focused on electronic healthcare reporting and billing. The WCB has seen success in its e-health application for physiotherapy service providers and will expand this initiative to provide greater online capabilities for other healthcare providers, including chiropractors and physicians.

# Increase awareness, education and training

healthcare providers.

The WCB will continue to meet the need for quality return to work training and consulting for employers through courses such as our Return to Work Basics course and consulting services to help employers gain an understanding of the basic components and best practices needed to build effective workplace return to work programs.



Our vision is to empower stakeholders through improved knowledge and understanding of their rights and responsibilities in the return to work process. We plan to leverage our systems and utilize new and existing technologies to better support workers in their timely return to health and suitable work.

## Leverage technology and analytics to improve outcomes

We will continue to find opportunities within our current claims systems to support and improve return to work outcomes through data analytics, while also continuing to develop our technology infrastructure to support new initiatives such as our electronic healthcare reporting and billing.

# Five Year Targets

In the five-year period covered by this plan, the WCB is focused on the following milestones:



Achieve at least: 70% of injured workers returning to safe and suitable work after 10 days



Achieve at least: 95% of injured workers returning to safe and suitable work after 60 days

**Deliver Excellent Service** 

#### **Strategic Goal:**

Strive to improve customers' satisfaction with their WCB experience.

#### **Strategic Initiatives:**

### Continuously strive to improve the quality of services we deliver

The WCB is committed to seeking out new and innovative ways to enhance the service we deliver to our customers. We will continue to develop comprehensive customer service initiatives to improve the overall customer service experience and provide additional ways for customers to communicate with us.

We will focus on ensuring our customers' access to the information they need takes into account the myriad of communications channels available. This increase in choice will provide them with greater flexibility in how they communicate with us and streamline our processes based on best practices.

# Utilize data analytics and tailor services to meet the unique needs of our customers

The WCB will leverage data to support the decision-making process for our key stakeholders. For workers and employers, this means providing them with claims information and other data to help them analyze trends and gain a better understanding of WCB systems and processes.

As an organization
we will continue to
analyze injury and return
to work data to improve the
customer service we provide.

The WCB will also support industry-based safety programs (IBSPs) by providing meaningful data and information to assist in the delivery of injury prevention and return to work programming tailored to the needs of different industries.

### Improve communication with customers and stakeholders

We will continue to collaborate with our partners to deliver information and solicit feedback through opportunities working with such stakeholders as the Winnipeg Chamber of Commerce and the Manitoba Chambers of Commerce. The WCB also commits to engaging with the healthcare community to clarify roles and expectations to promote the effectiveness of return to work programs.



# **Grow Our People**

#### **Strategic Goal:**

Attract, retain and develop our people to align with our evolving needs.

#### **Strategic Initiatives:**

## Support the ongoing development of employees to achieve our vision

The dedication and commitment of our employees is integral to our organization achieving its goals and vision. This commitment is key to delivering exceptional service, finding opportunities for improvements in the way we do business and supporting the evolving needs of our customers.

The WCB is committed to investing in initiatives that build skills and competencies that will help us continue to build a workforce focused on innovation, as well as professional growth and development.

The WCB recognizes that continuous learning and development promotes employee engagement and successful job performance. We will continue to deliver initiatives that support educational, training and professional development to enhance the knowledge, skills and competencies of our staff. This includes supporting employee development in both their current job responsibilities and future career opportunities with the WCB.

To promote the education, training and professional development of our staff, the WCB has introduced new corporate policies that commit to funding a broad range of



educational opportunities for employees, such as half-day seminars and workshops, courses, technical training, as well as degree, diploma and certificate programs. This will ensure our employees have the knowledge, skills and competencies needed to be successful in their careers, as well as ensure our workforce is qualified and skilled in helping our organization meet its strategic goals.

#### **Enhance employee engagement**

Enhancing employee engagement includes ensuring our workplace environment supports and promotes mental health and safety. The WCB will continue its work to deliver on our mental health strategy, which includes leadership development, training for our staff to raise awareness, as well as initiatives that foster understanding and support for mental health issues.

Enhancing employee engagement will also include continuing our work to provide employees with effective work spaces that promote collaboration and increase organizational efficiency. In the coming year, we will be entering Phase 2 of our multi-year office renewal plan, which will include ongoing upgrades and improvements to our office space throughout our organization.

# Five Year Targets

# Renew succession management strategies

Our organization's success depends on our ability to prepare and plan for the future.

To do this, we will be implementing strategies that promote succession management.

Our workforce is changing and evolving, as people move into different phases of their careers. We are committed to ensuring we have the employees with the right skill sets and competencies to meet the evolving needs of our organization and our customers.

We are committed to developing our people by providing career growth and educational opportunities, as well as cross-functional experience across departments and divisions throughout the WCB. We are committed to helping our people advance their careers within our organization and nurture a diverse, talented and innovative workforce.

In the five-year period covered by this plan, the WCB is focused on the following milestones:

\$650\*

investment in staff professional development and training

\*Average per employee per year



#### Pro Forma Statement of Financial Position - Funding Basis (unaudited)

As at December 31 (000's)

	 2023 Actual	2024 Budget	2025 Projection	2026 Projection		2027 Projection	2028 Projection
Assets	\$ 2,072,889	\$ 2,000,071	\$ 1,992,176	\$ 1,973,213	<b>\$</b>	2,032,330	\$ 2,097,677
Liabilities	1,291,411	1,323,367	1,355,722	1,384,165		1,423,830	1,466,327
Funded position	 781,478	676,706	 636,454	 589,048		608,500	631,350
	\$ 2,072,889	\$ 2,000,073	\$ 1,992,176	\$ 1,973,213	\$	2,032,330	\$ 2,097,677
Funding ratio	160.5%	151.1%	146.9%	142.6%		142.7%	143.1%

#### Pro Forma Statement of Total Comprehensive Income - Funding Basis (unaudited)

For the years ending December 31

(000'8)	2023 Actual	2024 Budget	2025 Projection	2026 Projection	2027 Projection	2028 Projection
Projected average assessment rate	\$ 0.95	\$ 0.95	\$ 0.95	\$ 0.95	\$ 0.95	\$ 0.95
Premium revenue	\$ 286,597	\$ 271,365	\$ 278,232	\$ 285,840	\$ 291,446	\$ 299,804
Investment income	134,639	83,379	83,477	85,127	87,150	89,558
Total Revenue	 421,236	354,744	361,709	370,967	378,596	389,362
Claim costs incurred	197,510	209,847	215,557	213,714	222,114	227,147
Operating expenses	108,456	131,301	128,109	144,621	137,030	139,365
Total expenses	305,966	341,148	343,666	358,335	359,144	366,512
Operating surplus	115,270	13,596	18,043	12,632	19,452	22,850
Surplus distribution	(387)	(118,368)	(58,295)	(60,038)	-	-
Gain on defined benefit plans	9,771	-	-	-	-	-
Total comprehensive income (loss)	\$ 124,654	\$ (104,772)	\$ (40,252)	\$ (47,406)	\$ 19,452	\$ 22,850

#### 2024 - 2028 Budgeted and Projected Financial Statements

The WCB adopted IFRS 17, *Insurance Contracts*, on its effective date of January 1, 2023. IFRS 17 applies to the IFRS-basis financial statements published in our annual report (page 78), which is required for statutory compliance.

For the purposes of rate setting and managing the funding ratio, the WCB prepares its financial projections using the funding basis of accounting. This approach provides our stakeholders with a long-term perspective of the WCB's financial stability, mitigates premium rate volatility and determines the required level of reserves in accordance with the Funding Policy.

The pro-forma financial statements for the years 2024-2028 present the financial outcomes of the strategic and operational plans of the WCB.

The average assessment rate is maintained at \$0.95 throughout the Five Year Plan. Surplus distributions are planned to continue through 2026 as the goal is to reduce the funding ratio toward the 130 per cent policy target.

#### **WCB** revenues include:

**Premium revenue:** this amount represents a combination of estimated annual assessable payroll and the average assessment rate, using reasonable assumptions for economic and inflationary growth. The average assessment rate used in the Five Year Plan is \$0.95.

**Investment revenue:** this amount represents a return that is consistent with the WCB's investment portfolio profile. A steady annual rate of return of 5.75 per cent is used throughout the Plan, as it is not possible to predict investment markets. Actual results in this area will vary and fluctuations can be significant.

#### **WCB** expenses include:

**Claim costs:** are calculated based on historical claims data updated to reflect recent experience and reasonable assumptions for cost inflation. The number of injuries are assumed to increase in 2024, however, the injury rate will decline during the Five Year Plan period. Fluctuations in claim costs can occur if there is an increase to injury rates, very expensive claims, a change in the mix of old and new claims, or a change in average claim duration.

**Operating expenses:** this amount represents salaries, employee benefits, infrastructure, the Appeal Commission, the Research and Workplace Innovation Program, SAFE Work Manitoba and administrative costs.

**Digital modernization:** An investment in a digital modernization of the WCB system has been included and is spread over multiple years. In January 2023, the Board of Directors approved the two-year foundational phase at an estimated cost of \$30 million. The foundational phase, which launched in 2023, is focused on stabilizing the existing technology infrastructure to support future modernization, and identifying short- and long-term needs.

The work of the foundational phase will inform the future direction of this digital modernization investment, however, only a nominal placeholder amount is included in these projections. Future investment is subject to additional due diligence and the approval of the Board of Directors. The WCB's digital modernization initiative will be funded from existing reserves.

**Surplus distribution:** The Board of Directors reviews the WCB's funded position on an annual basis to determine if a surplus distribution is warranted. The Board of Directors considers long-term financial projections, with the main objective of maintaining rate stability while protecting the system against risk, uncertainty and market volatility. Actual distribution amounts are approved based on year-end financial outcomes and may differ from the projected amounts.

04

# Audited Financial Statements and Notes



# Responsibility for Financial Information

The financial statements are the responsibility of management and were prepared in accordance with International Financial Reporting Standards. The financial statements include some amounts based on management's best estimates and judgments.

Management maintains the necessary internal controls to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The internal auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and approved the financial statements and other financial information included in this annual report on May 21, 2024.

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

The Chief Actuary of the WCB completed an actuarial valuation of the workers' compensation liabilities included in the financial statements of the WCB and reported thereon in accordance with accepted actuarial practice in Canada. The Chief Actuary's opinion on the valuation of the workers' compensation liabilities is provided on page 74. In addition, the WCB has appointed an independent peer review actuary, Eckler Ltd., to review the annual actuarial valuation of the workers' compensation liabilities.

PricewaterhouseCoopers LLP, the independent auditor of the WCB, has performed an independent audit of the financial statements of the WCB in accordance with Canadian generally accepted auditing standards (GAAS). The Auditor's Report, on page 75, outlines the scope of this independent audit and includes their opinion expressed on the 2023 financial statements.

**Catherine Skinner**, LLB, LLM, CIC Acting President and CEO

**Leslie Anne Hurley**, CPA, CGA Vice President and Chief Financial Officer

May 21, 2024

# **Actuarial Opinion**

# With respect to Future Workers' Compensation Liabilities of the Workers' Compensation Board of Manitoba

based on an actuarial valuation as at December 31, 2023

I have completed an actuarial valuation as at December 31, 2023 of the workers' compensation liabilities for all employers insured under *The Workers Compensation Act* of Manitoba as amended to the valuation date. The purpose of this valuation was to estimate the liabilities of the WCB with respect to injuries that occurred on or before the valuation date for inclusion in the 2023 financial statements which are prepared in accordance with International Financial Reporting Standards.

My estimate of the liabilities as at December 31, 2023 is \$1,247.5 million.

I reviewed the data and have performed tests to confirm their reasonableness and consistency with that used in the prior valuation.

The December 31, 2023 Illiquid Reference Curve from Fiera Capital's CIA IFRS 17 Market Curves and Reference Curves for December 2023 has been used for the discount rates. The inflation assumptions are 3.00 per cent for 2024, and 2.00 per cent per annum thereafter for inflation linked benefits, 4.00 per cent for 2024, and 3.00 percent per annum thereafter for wage linked benefits, and 4.50 per cent for healthcare benefits.

The mortality assumption for disability and survivor benefits is 105% of the generational table created from the Manitoba Life Table 2015-2017 projected from 2016 using the CPM-B projection scale. The mortality assumption for life insurance benefits is based on 105% of the Manitoba Life Table 2015-2017.

The assumptions and methods used in the valuation, as described in my report, are based on the current practices and administrative procedures of the WCB and on historical claims experience.

In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

In my opinion, the assumptions are appropriate for the purpose of the valuation.

In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

The amount of the insurance contract liability makes appropriate provision for all personal injury compensation obligations given the WCB's accounting.

This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

Respectfully submitted,

#### **Michael Williams**

Fellow, Canadian Institute of Actuaries Chief Actuary, WCB

May 21, 2024



# Independent auditor's report

To the Board of Directors of the Workers Compensation Board of Manitoba

# **Our opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Workers Compensation Board of Manitoba (the WCB) as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The WCB's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of operations and comprehensive income for the year then ended;
- the statement of changes in accumulated other comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

# **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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the WCB in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP

Richardson Building, 1 Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B oX6 T.: +1 204 926 2400, F.: +1 204 944 1020, Fax to mail: ca\_winnipeg\_main\_fax@pwc.com



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 on the other information obtained prior to the date of this auditor's report, 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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the WCB'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 WCB or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the WCB'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 WCB'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 WCB'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 WCB 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.

**Chartered Professional Accountants** 

Pricewaterhouse Coopers LLP

Winnipeg, Manitoba May 21, 2024

# **Statement of Financial Position**

(in thousands of dollars)

	Note	December 31, 2023		D	ecember 31, 2022		January 1, 2022
				Re	estated (Note 20)	Re	stated (Note 20)
Assets							
Cash	3	\$	38,898	\$	22,572	\$	18,672
Receivables	4		4,101		7,327		2,741
Investment portfolio and securities lending	5		1,786,991		1,685,834		1,878,274
Property and equipment	6		27,864		29,923		32,396
Intangible assets	7		4,778		5,986		7,389
		\$	1,862,632	\$	1,751,642	\$	1,939,472
Liabilities and funded position							
Payables and accruals	8	\$	3,645	\$	3,772	\$	4,851
Employee benefits	9		85,013		77,041		163,662
Total workers' compensation liabilities	10-12		1,748,493		1,644,018		1,844,538
Total liabilities			1,837,151		1,724,831		2,013,051
Accumulated other comprehensive			05.403		0 ( 0 ) ]		(70.570)
income (loss)			25,481		26,811		(73,579)
		\$	1,862,632	\$	1,751,642	\$	1,939,472

Authorized for issue on May 21, 2024, on behalf of the Board of Directors,

Michael D. Werier Ranbir Dhillon

Chair, Board of Directors

Chair, Audit Committee of the Board of Directors

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

# **Statement of Operations and Comprehensive Income**

Year ended December 31 (in thousands of dollars)

	Note	2023	2022
			Restated (Note 20)
Workers' compensation result			
Premium revenue	13	\$ 229,139	\$ 202,728
Workers' compensation expense	14	(188,731)	(213,899)
		40,408	(11,171)
Workers' compensation investment result			
Investment income (loss)	15	134,639	(70,498)
Workers' compensation finance (expense) income	15	(104,152)	172,401
Surplus distribution		(387)	(94,868)
		30,100	7,035
Operating expenses	14	(23,252)	(18,788)
Surplus (deficit) attributable to unallocated surplus		47,256	(22,924)
Other comprehensive income			
Defined benefit plans remeasurements*	9	(1,330)	100,390
Total comprehensive income (loss)		\$ 45,926	\$ 77,466

<sup>\*</sup>will not be recycled to surplus (deficit) attributable to unallocated surplus subsequently.

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

# Statement of Changes in Accumulated Other Comprehensive Income

Year ended December 31 (in thousands of dollars)

	2023	2022
Accumulated other comprehensive income (loss)		Restated (Note 20)
Balance, beginning of year	\$ 26,811	\$ (73,579)
Other comprehensive (loss) income	(1,330)	100,390
	\$ 25,481	\$ 26,811

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

# **Statement of Cash Flows**

Year ended December 31 (in thousands of dollars)

	Note	2023	2022
			Restated (Note 20)
Operating cash flows			
Premiums from employers		\$ 266,302	\$ 147,631
Claim payments	11	(181,626)	(176,987)
Purchases of goods and services		(111,606)	(96,453)
Net operating cash flows		(26,930)	(125,809)
Investing cash flows			
Purchases of investments		(802,139)	(898,660)
Proceeds on disposal of investments		771,684	973,511
Dividend income		42,942	31,588
Interest income		29,530	29,130
Other investment income (loss)		4,348	(2,993)
Asset acquisitions		(2,104)	(1,829)
Net investing cash flows		44,261	130,747
Financing cash flows			
Operating expenses		(1,005)	(1,038)
Net financing cash flows		(1,005)	(1,038)
Net increase in cash		16,326	3,900
Cash, beginning of year		22,572	18,672
Cash, end of year		\$ 38,898	\$ 22,572

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

## **Notes to the Financial Statements**

Year Ended December 31, 2023 (\$ amounts in thousands of dollars unless otherwise noted)

#### 1. NATURE OF OPERATIONS

## **Reporting Entity**

The Workers Compensation Board of Manitoba (the WCB) is a statutory corporation created by the Manitoba Legislature. The WCB has its corporate head office in Winnipeg, Manitoba.

The WCB was created in 1916 under the authority of *The Workers Compensation Act* (the Act) of Manitoba. In accordance with the provisions of the Act, the WCB is responsible for:

- prevention of workplace injuries and illnesses;
- administering payments to injured workers and suppliers of services to injured workers;
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and
- investing funds set aside for the future costs of claims as well as surplus funds.

SAFE Work Manitoba, a division of the WCB, is responsible for the delivery of prevention-related services mandated under the Act.

An independent Workers Compensation Appeal Commission operates under the Act to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The Act establishes the Accident Fund for the payment of compensation, outlays and expenses of the workers compensation system. The Accident Fund is funded through premiums collected from employers. The WCB does not receive government funding or assistance. While International Financial Reporting Standards (IFRS) are the reporting basis for the financial statements, the WCB applies a funding basis of accounting for the funding policy.

#### 2. MATERIAL ACCOUNTING POLICIES

# **Basis of Preparation**

The financial statements of the WCB are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB (IFRS Accounting Standards). The WCB presents its statement of financial position in order of liquidity. The material accounting policies applied in the preparation of these financial statements are set out below.

For the year ended December 31, 2022, the Financial Statements were prepared on a consolidated basis which included the accounts of the WCB and its wholly owned real estate investment subsidiary WCB Realty Limited. Intercompany balances were eliminated on consolidation. As at December 31, 2022 all investment properties were disposed and WCB Realty was dissolved in 2023. As a result, the December 31, 2023 financial statements are no longer on a consolidated basis.

#### **Basis of Measurement**

The financial statements of the WCB have been prepared on a historic cost basis except for certain financial assets and financial liabilities that are measured at fair value and workers' compensation liabilities, as explained in the accounting policy notes. The WCB's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the WCB operates, which is also the presentation currency of the financial statements. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise noted.

# Use of Estimates, Measurement Uncertainty and Critical Judgements

In accordance with IFRS, the WCB's financial statements incorporate management's critical judgments, accounting estimates and assumptions of the reported amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. As a result, some reported amounts are subject to measurement uncertainty. This uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Assumptions and estimates are reviewed on an ongoing basis, with changes recorded in the accounting period in which they are determined.

The most significant items that are based on accounting estimates are level 3 portfolio investments (Note 5), employee benefits liabilities and expenses (Note 9), and workers' compensation liabilities (Note 11).

#### **Insurance Contracts**

IFRS 17 Insurance Contracts requires the WCB to identify contracts as insurance contracts when the WCB accepts significant insurance risk from another party by agreeing to compensate the policy holder if a specified uncertain future event adversely affects the policy holder. The WCB has determined that the Act imposes a statutory workers compensation insurance contract under which the WCB accepts significant insurance risk from all classes of employers covered under the Act in exchange for premiums paid.

The operations of the WCB are categorized, in accordance with the Act, into several classes of employers:

- · Class E employers, the general employers pool, are subject to collective liability, and
- Class B to D employers, collectively referred to as individually assessed employers, are subject to individual responsibility for the costs attributable to claims arising from their workers, as well as administration expenses incurred.

Accounting policies related to insurance contracts are discussed in Notes 10 through 12. Class E employers are further discussed in Note 13.

# **Foreign Currency Translation**

Transactions in foreign currency are converted to Canadian dollars at the exchange rate in effect at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the date of the statement of financial position.

# **Specific Accounting Policies**

In order to facilitate an understanding of the WCB's financial statements, the following significant accounting policies are disclosed in the related notes:

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# **Changes in Accounting Policies**

The International Accounting Standards Board (IASB) is working towards continual improvement through the development of new accounting standards and the annual improvements process. The IASB will issue a number of exposure drafts of new or revised standards over the next several years. The WCB monitors the IASB work plans and publications to address any developments that may impact the organization.

## IFRS issued but not yet effective

#### **Amendments to IAS 1 Presentation of Financial Statements**

Narrow scope amendments to IAS 1 were issued by the IASB in January 2020 providing clarification on the classification of debt and other liabilities as current or non-current. The amendments impact only the presentation of liabilities on the Statement of Financial Position, and do not impact the amount or timing of recognition. On October 31, 2022 the IASB issued an amendment to defer the effective date to January 1, 2024. The WCB does not expect adoption of these amendments to have a material impact on the financial statements.

## IFRS adopted in the current year

# Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Changes in Accounting Policies, Estimates and Errors

The WCB has adopted the amendments to IAS 1 and IAS 8 on the effective date of January 1, 2023. The narrow scope amendments to IAS 1 require companies to disclose their material accounting policy information, rather than their significant accounting policies. The amendments clarify the definition of 'material' and provide guidance on applying the new definition in practice.

The amendments to IAS 8 introduce a new definition of accounting estimates, clarifying the relationship between an accounting policy and the related accounting estimates, and distinguishing the treatment between changes in accounting policies and changes in accounting estimates.

Adoption of these amendments had no material impact on the WCB's financial statements.

#### **IFRS 17 Insurance Contracts**

The WCB has applied IFRS 17 *Insurance Contracts* for the first time in these financial statements. IFRS 17 replaces IFRS 4 *Insurance Contracts* for annual periods on or after January 1, 2023.

The WCB has adopted IFRS 17 at the effective date of January 1, 2023. The WCB has applied the transition provisions of IFRS 17 and restated the 2022 comparative information.

The WCB has applied the full retrospective approach for transition to IFRS 17. At the transition date of January 1, 2022 the WCB has:

- Identified, recognized and measured each group of workers' compensation contracts as if IFRS 17 has always applied;
- Derecognized any existing balances that would not exist had IFRS 17 always applied; and
- Recognized the resulting net difference in unallocated surplus.

The changes in accounting policies can be summarized as follows:

- The adoption of IFRS 17 did not change the classification of insurance contracts and, therefore, did not change the classification of the WCB's workers' compensation contracts.
- IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts and, therefore, the WCB's workers' compensation contracts.
- The WCB's workers' compensation contracts are eligible to be measured by applying the premium allocation approach (the PAA). The PAA simplifies the measurement of insurance contracts, and therefore the WCB's workers' compensation contracts, in comparison to the general measurement model in IFRS 17.

IFRS 17 introduced significant changes to the presentation of the WCB's financial statements:

- The statement of financial position presents workers' compensation liabilities, comprised of liability for remaining coverage (previously referred to as premiums receivable), liability for incurred claims (previously referred to as benefit liabilities), workers' retirement annuity fund and unallocated surplus.
- The statement of operations and comprehensive income presents separate sections for:
  - Workers' compensation result, comprised of premium revenue net of workers' compensation expense, and
  - Workers' compensation investment result, comprised of investment income, workers' compensation finance income (expense) and surplus distribution.

The following highlights the key material accounting policies adopted on transition to IFRS 17:

- Insurance contracts are aggregated and measured together based on when they are
  managed together and share similar risks. The WCB recognizes one portfolio of insurance
  contracts, workers' compensation contracts, as the WCB provides only workers' compensation
  insurance to employers covered by the Act.
- On initial recognition, contracts are grouped based on expected profitability, with each group containing contracts issued no more than one year apart.
- The WCB assesses for onerous contracts, which exist when the claim costs and expenses (cash outflows) are greater that the premiums received (cash inflows). The WCB has concluded that there is no group of onerous contracts.
- The WCB measures workers' compensation liabilities using a market-based discount rate
  that reflects the timing, amount and risk characteristics of the cash flows of the workers'
  compensation liabilities.

The material accounting policies adopted on transition to IFRS 17 are fully described in the related notes.

#### 3. CASH

#### **Accounting policy**

Cash includes cash on hand and balances with banks. Cash and short-term investments held by investment managers and custodians for investment purposes are included in the investment portfolio. All outstanding payments are expected to be settled within 12 months. Cash is recorded at cost, which approximates fair value.

The WCB has established an operating line of credit with its principal banker in the amount of \$50 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB did not utilize the line of credit in 2023 or 2022.

# 4. RECEIVABLES

# **Accounting policy**

Under IFRS 9 Financial Instruments, receivables are classified as amortized cost financial assets, recorded at fair value on initial recognition and subsequently measured at amortized cost. Due to the short term nature of receivables, carrying value approximates fair value.

#### **Credit risk**

Receivables have been assessed as having minimal risk of default. The maximum credit risk exposure is the carrying value of \$4.1 million (2022, \$7.3 million).

# **Liquidity risk**

Receivables are presented net of expected credit loss of \$0.7 million (2022, \$0.8 million) where no future payment is expected.

#### 5. INVESTMENT PORTFOLIO AND SECURITIES LENDING

# Accounting policy Investment portfolio

The investment portfolio is managed according to the objectives and policies established by the Statement of Investment Policies and Objectives. The statement acknowledges that there is no single asset class that directly matches the obligations and objectives of the WCB, and that a portfolio diversified across a number of distinct asset classes represents the optimal means of meeting the WCB's investment objectives. The investment portfolio is comprised of portfolio investments consisting of financial assets accounted for in accordance with IFRS 9 Financial Instruments.

#### Classification

The WCB classifies its investments as fair value through profit or loss (FVTPL). The investment portfolio is managed and evaluated on a fair value basis, where fair value information is used to assess investment performance and make investment decisions. The investment portfolio is neither held to collect contractual cash flows nor held to both collect contractual cash flows and to sell financial assets.

All portfolio investments are measured at their fair value, with all changes in fair value immediately recorded in investment income in the statement of operations and comprehensive income. The changes in fair value of FVTPL instruments are comprised of net realized and unrealized gains or losses on investments.

#### **Recognition and measurement**

The WCB uses settlement date to account for the purchase and sale of all financial instruments in its investment portfolio. Transactions are recorded on the date the trade is finalized (the settlement date), not the date the trade is carried out (trade date).

The WCB's investments are measured at fair value on initial recognition and on a recurring basis reported at fair value, which is the market value.

- Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange, or as provided by the custodian from independent sources.
- Pooled fund investments are valued at the year-end net asset value (NAV) supplied by the pooled fund manager.
- Private debt and infrastructure investments, which are held through limited partnerships, are valued at the year-end NAV as provided by the fund manager.
- Investments denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the statement of financial position date. Foreign currency exchange gains and losses are recorded in the period in which they arise.

# Critical accounting estimates and judgments

Considerable judgment may be required in developing estimates of fair value, particularly for investments classified as Level 3 in the fair value hierarchy as such estimates incorporate unobservable inputs that require the use of assumptions.

#### **Unconsolidated structured entities**

Investments in limited partnerships for alternative asset classes do not satisfy the elements for control or significant influence and therefore have not been consolidated into these financial statements. Financial instruments accounting has been applied. The WCB's financial exposure is limited to the net carrying amount of the investments. Obligations are imposed on funds committed in structured entities; once committed, an investor is expected to fund the entire subscribed amount over the term of the agreement.

#### **Securities lending**

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105 per cent of the market amount of the asset borrowed.

Under the terms of the securities lending program, the WCB retains substantially all the risks and rewards of ownership of the loaned securities and retains the contractual rights to the cash flows. These securities are not derecognized from the statement of financial position.

#### **Investment Portfolio**

The investment portfolio is comprised of:

	2023	2022
Investments	\$ 1,624,114	\$ 1,524,251
Securities lending	162,877	161,583
Investment portfolio	\$ 1,786,991	\$ 1,685,834

The following table presents the value of the WCB's investments, together with their classification under the fair value hierarchy:

	2023							
	Fair Value							
	Level 1		Level 2		Level 3		Total	
Fixed Income								
Bonds	\$ -	\$	181,938	\$	-	\$	181,938	
Mortgages	-		188,998		-		188,998	
Private debt	-		-		139,895		139,895	
Cash and short term	64,310		_		-		64,310	
	64,310		370,936		139,895		575,141	
Equities								
Canadian	-		275,601		-		275,601	
U.S.	-		190,927		-		190,927	
Global	-		185,494		-		185,494	
Emerging markets	-		57,709		-		57,709	
Private placements	-		-		28		28	
	-		709,731		28		709,759	
Real estate	-		-		194,733		194,733	
Infrastructure	-	-	_		307,358		307,358	
Total investment portfolio	\$ 64,310	\$	1,080,667	\$	642,014	\$	1,786,991	

There were no transfers between levels in 2023 or 2022.

# 2022

					.022			
	Fair Value							
		Level 1		Level 2		Level 3		Total
Fixed Income								
Bonds	\$	-	\$	274,972	\$	-	\$	274,972
Mortgages		-		176,396		-		176,396
Private debt		-		-		5,497		5,497
Cash and short term		104,489		-		-		104,489
		104,489		451,368		5,497		561,354
Equities								
Canadian		101,934		135,635		-		237,569
U.S.		-		152,376		-		152,376
Global		-		173,301		-		173,301
Emerging markets		-		55,134		-		55,134
Private placements		-		-		37		37
		101,934		516,446		37		618,417
Real estate		-		-		277,713		277,713
Infrastructure					_	228,350		228,350
Total investment portfolio	\$	206,423	\$	967,814	\$	511,597	\$	1,685,834

The fair value of the WCB's investment portfolio is categorized into three levels comprising the fair value hierarchy. Valuations are provided by investment managers for financial reporting purposes. Valuation techniques are selected based on the characteristics of the investment, with the overall objective of maximizing the use of market-based information. Management is responsible for ensuring that the chosen valuation technique is appropriate in the circumstances.

The three levels of the fair value hierarchy are:

- **Level 1:** The fair value is based on quoted prices in active markets for identical assets.
- **Level 2:** The fair value is based on inputs that are observable for the asset either directly or indirectly but not considered Level 1 quoted prices. Fair value is based on, or derived from, market price data or using net asset value provided by fund managers. Level 2 includes pooled funds invested in debt and public equity securities.
- **Level 3:** The fair value is based on inputs that are not observable, indicating that the fair value is inherently based on accounting estimates. They reflect assumptions about market prices using the best internal and external information available. Valuation techniques applied are most appropriate for the type of investment and include:
  - Pooled real estate funds are valued at the year-end net asset value (NAV) as
    determined by the fund managers, who may use appraisals, third party transactions or
    discounted cash flows to value the underlying assets.
  - Structured entities, such as limited partnership investments, are valued at the yearend NAV as determined by the fund manager, who may use discounted cash flows or similar techniques that are not based on observable market data to value the underlying assets.

With respect to changes in the unobservable inputs used to value Level 3 investments, the WCB does not have sufficient information to provide sensitivities on the fair value of the underlying investments.

The following table reconciles the changes in the WCB's Level 3 fair value measurements to December 31:

	2023	2022
Balance, January 1	\$ 511,597	\$ 451,209
Unrealized (losses) gains	(51,297)	38,859
Realized gains	29,697	15,052
Purchases	201,492	25,787
Disposals	(49,475)	(19,310)
Balance, December 31	\$ 642,014	\$ 511,597

#### **Commitments**

The WCB has contractual agreements to contribute further funding to a maximum of \$90.3 million (2022, \$249.0 million) to specific investment projects to be financed from the existing portfolio or from available cash.

# **Investment Risk Management**

The WCB's Board of Directors, through the Investment Committee, is responsible for the overall strategic direction and governance of the investment portfolio through its review and approval of the Statement of Investment Policies & Objectives (the SIP&O), and the ongoing oversight of investment risk, performance and compliance.

The WCB is responsible for monitoring the investment portfolio, assessing performance on an ongoing basis and recommending changes to the SIP&O. The WCB retains an independent investment consultant to benchmark the performance of the portfolio, and to advise on the effectiveness of the SIP&O and investment practices.

The primary risk for the WCB is the risk that long term returns from the investment portfolio will not be sufficient to cover its obligations arising from its workers' compensation liabilities. In accordance with the SIP&O, the investment objective of the WCB is to generate a consistent, positive, real rate of return on invested assets. Recognizing the need to achieve a balance between risk and return, investment risk is managed through a portfolio that is diversified across a number of distinct asset classes.

The following sections describe the nature and extent of investment risk exposure and the related risk mitigation strategies.

#### **Market Risk**

#### **Market Price Risk**

The WCB invests in publicly traded equities and fixed income instruments available on domestic and foreign exchanges and through pooled funds. Market risk is the risk that the fair value of these financial instruments will decline due to changes in market prices. Market prices can change as a result of fluctuations in equity prices, interest rates or foreign exchange rates. The WCB does not use derivative financial instruments to counter the effects of these market changes and fluctuations. Market risk is managed through the SIP&O, which has established guidelines to ensure that the WCB's investments are diversified by issuer, geographic location, investment quality, and compliance monitoring and rebalancing requirements.

The nature of the WCB's exposure to market risk, and the policies, processes and assumptions used to estimate impact and manage risk, have not changed from the previous period.

The following table presents the decrease in fair value, and therefore total comprehensive income, as a result of a material adverse change in the values of each asset class in the WCB investment portfolio.

	2023	2022
Estimated loss in fair value:	10 per cent	10 per cent
Fixed Income		
Bonds	\$ 18,000	\$ 27,000
Mortgages	19,000	18,000
Private debt	14,000	1,000
Cash and short term	6,000	10,000
Equities		
Canadian	28,000	24,000
U.S.	19,000	15,000
Global	19,000	17,000
Emerging Mkts	6,000	6,000
Real estate	19,000	28,000
Infrastructure	31,000	23,000

# Foreign Exchange Risk

Foreign exchange risk is the risk of loss on a financial instrument due to changes in foreign exchange rates as compared to the Canadian dollar.

The WCB has certain investments denominated in foreign currencies, which exposes the WCB to foreign currency risk. The WCB's principal transactions are carried out in Canadian dollars and its exposure to foreign exchange risk arises primarily with respect to the US dollar.

The WCB has exposure to the US dollar (USD), with USD-denominated holdings of \$625.3 million Canadian dollar (CAD) (2022, \$462.0 million CAD) or 35.0 per cent of the portfolio (2022, 27.3 per cent).

At December 31, 2023, it is estimated that a 10 per cent appreciation in the Canadian dollar versus the US dollar would result in a loss in fair value of \$56.8 million (2022, \$42.0 million). Fair value losses are recognized in investment income, and therefore reduce total comprehensive income.

During 2023 and 2022, the WCB did not undertake hedging strategies for the currency risk of foreign investments.

#### **Interest Rate Risk**

The WCB is exposed to interest rate risk as fluctuations in interest rates can impact the fair value of the fixed income portion of the investment portfolio. Interest rate risk is actively managed by controlling the duration of the fixed income portfolio. As at December 31, 2023, the duration of the WCB's bond portfolio was 7.2 years (2022, 7.4 years).

At December 31, 2023, had the prevailing interest rate changed by 1 per cent, the fair value of the fixed income portfolio would have increased or decreased by \$13.3 million (2022, \$20.4 million). Fair value changes are recognized in investment income, therefore increase or decrease total comprehensive income.

The WCB has no significant concentration of interest rate risk.

#### **Credit Risk**

Credit risk on financial instruments arises from the possibility that the issuer of an instrument fails to meet its obligations. The WCB's credit risk of the investment portfolio arises primarily from cash and short term investments, bonds and debentures, the pooled bond fund, the pooled mortgage fund, private debt, equities, real estate and infrastructure.

Credit risk is mitigated through a well-diversified portfolio with limited exposure to any one entity, industry or country, and through the SIP&O asset mix guidelines and investment constraints with respect to credit quality. Credit risk is actively managed through asset mix compliance monitoring and the rebalancing requirements of the SIP&O.

The WCB does not anticipate that any borrowers will fail to meet their obligations.

The credit ratings and maximum credit exposure of the WCB's fixed income portfolio as at December 31 are as follows:

	2023			20	)22
Credit rating		Total	per cent	Total	per cent
AAA	\$	70,580	12.3%	\$ 77,647	13.8%
AA		49,316	8.6%	56,761	10.1%
Α		34,097	5.9%	73,695	13.1%
BBB		26,672	4.7%	54,914	9.8%
Below BBB		631	0.1%	4,845	0.9%
Not rated <sup>1</sup>		393,845	68.4%	 293,492	52.3%
Maximum credit exposure	\$	575,141	100.0%	\$ 561,354	100.0%

<sup>&</sup>lt;sup>1</sup> Not rated includes cash and short term, mortgages and private debt

The WCB is also exposed to counterparty risk through securities lending. This risk is managed by the appointment of an experienced intermediary to manage the securities lending program including daily monitoring of collateral held to ensure full collateralization plus a margin for safety, and by an indemnity from the financial institution that manages the securities lending program.

#### **Securities Lending**

As at December 31, 2023 the fair value of investments loaned under the securities lending program was \$162.9 million (2022, \$161.6 million). As at December 31, 2023, total collateral pledged to the WCB amounted to \$171.1 million (2022, \$169.7 million).

# **Liquidity Risk**

Liquidity risk is the risk that the WCB will be unable to meet its financial obligations. The WCB manages its liquidity requirements primarily through funds generated through operations, investment income and asset maturities. The WCB monitors its current and expected cash flow requirements to ensure it has sufficient cash to meet its liquidity requirements in the short and long term. To further manage this risk, the WCB maintains a credit facility as discussed in Note 3.

The following table provides the carrying values of all financial instruments by contractual maturity or expected cash flow:

	Up to 1 year	1-5 years	5-10 years	(	Over 10 years	No fixed maturity	Total
Fixed Income							
Bonds	\$ 7,267	\$ 52,775	\$ 81,459	\$	40,437	-	\$ 181,938
Mortgages	-	188,998	-		-	-	188,998
Private debt	-	139,895	-		-	-	139,895
Cash and short term	64,310	-	-		-	-	64,310
Equities							
Canadian	-	-	-		-	275,601	275,601
U.S.	-	-	-		-	190,927	190,927
Global	-	-	-		-	185,494	185,494
Emerging markets	-	-	-		-	57,709	57,709
Private placements	-	-	-		-	28	28
Real estate	-	-	-		-	194,733	194,733
Infrastructure	-	-			_	307,358	307,358
Total	\$ 71,577	\$ 381,668	\$ 81,459	\$	40,437	\$ 1,211,850	\$ 1,786,991

#### 2022

	Up to		1-5		5-10		Over 10		No fixed		Total
		1 year	years		years		years		maturity		
Fixed Income											
Bonds	\$	33,556	\$ 38,121	\$	147,148	\$	56,147		-	\$	274,972
Mortgages		-	176,396		-		-		-		176,396
Private debt		-	5,497		-		-		-		5,497
Cash and short term		104,489	-		-		-		-		104,489
Equities											
Canadian		-	-		-		-		237,569		237,569
U.S.		-	-		-		-		152,376		152,376
Global		-	-		-		-		173,301		173,301
Emerging markets		-	-		-		-		55,134		55,134
Private placements		-	-		-		-		37		37
Real estate		-	-		-		-		277,713		277,713
Infrastructure		-	-		_		_		228,350		228,350
Total	\$	138,045	\$ 220,014	\$	147,148	\$	56,147	\$	1,124,480	\$	1,685,834

The WCB's investment portfolio is well diversified in accordance with the guidelines of the SIP&O, which includes both highly liquid and certain investments that, due to the absence of active markets and contract terms, cannot be sold or converted easily to cash in a timely and cost effective manner.

The following investment assets are not easily converted to cash:

	2023	2022
Infrastructure	\$ 307,358	\$ 228,350
Private debt	139,895	5,497
Real estate	194,733	277,713
	\$ 641,986	\$ 511,560

#### **6. PROPERTY AND EQUIPMENT**

#### **Accounting policy**

Property and equipment are valued at cost, less accumulated amortization and any impairment loss. Right-of-use assets (leases) are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

Amortization is calculated on a straight line basis over the estimated useful life of the asset, as follows:

Building	40 years
Building renovations and leasehold improvements	2 to 10 years
Computer equipment	3 to 5 years
Furniture, fixtures and equipment	5 years
Leases	Lease term

The WCB does not recognize a lease liability or corresponding right-of-use asset for leases where the total lease term is less than 12 months or for leases of low value. Payments for these leases are recognized in operating expenses on a straight-line basis over the term of the lease.

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition is included in operating expenses. The carrying amounts of the WCB's non-financial assets are reviewed at each reporting date to ensure that assets are not carried at a value in excess of the recoverable amount.

The changes in property and equipment were as follows:

		2023								
Cost	Building and		Computer		Total					
As at January 1	\$ 36,618	\$ 12,705	\$ 13,193	\$ 5,220	\$ 67,736					
Additions	-	956	826	34	1,816					
Adjustments <sup>1</sup>	(257)				(257)					
As at December 31	36,361	13,661	14,019	5,254	69,295					
Amortization										
As at January 1	(11,857)	(9,007)	(11,996)	(4,953)	(37,813)					
Amortization charge	(1,870)	(872)	(683)	(193)	(3,618)					
As at December 31	(13,727)	(9,879)	(12,679)	(5,146)	(41,431)					
Net book value, December 31	\$ 22,634	\$ 3,782	\$ 1,340	\$ 108	\$ 27,864					

# 2022

Cost	Building and land	Building renovations and leaseholds	Computer equipment	Furniture, fixtures and equipment	Total
As at January 1	\$ 36,401	\$ 12,286	\$ 12,416	\$ 5,642	\$ 66,745
Additions	217	419	777	58	1,471
Disposals	-		_	(480)	(480)
As at December 31	 36,618	12,705	 13,193	 5,220	 67,736
Amortization					
As at January 1	(9,950)	(8,181)	(11,168)	(5,050)	(34,349)
Amortization charge	(1,907)	(826)	(828)	(383)	(3,944)
Disposals	 -		 _	 480	480
As at December 31	(11,857)	(9,007)	 (11,996)	(4,953)	(37,813)
Net book value, December 31	\$ 24,761	\$ 3,698	\$ 1,197	\$ 267	\$ 29,923

<sup>&</sup>lt;sup>1</sup> Adjustments related to the lease modification and lease reassessment.

<sup>&</sup>lt;sup>2</sup> Building and land includes right-of-use assets for office space where the WCB is a lessee. At December 31, the WCB held right-of-use assets of \$3.2 million (2022, \$3.9 million), net of depreciation of \$0.9 million (2022, \$0.9 million).

#### 7. INTANGIBLE ASSETS

# **Accounting policy**

Acquired intangible assets, primarily computer software, are valued at cost less accumulated amortization. Amortization is calculated on a straight line basis over the estimated useful life, and included in operating expenses.

Internally developed intangible assets, primarily computer software and systems, including professional fees incurred to implement these assets, are valued at cost and amortized over their useful lives. Amortization is calculated on a straight line basis over the estimated useful life, as follows:

Computer software Internally developed

3 years 10 years

2023

The carrying amounts of the WCB's non-financial assets are reviewed at each reporting date to ensure that assets are not carried at a value in excess of the recoverable amount.

The changes in intangible assets were as follows:

Cost	Computer software		Internally developed	Total
As at January 1	\$ 4,500	\$	25,681	\$ 30,181
Additions	537		6	 543
As at December 31	5,037		25,687	30,724
Amortization				
As at January 1	(4,093)		(20,102)	(24, 195)
Amortization charge	(303)	_	(1,448)	(1,751)
As at December 31	(4,396)		(21,550)	(25,946)
Net book value, as at December 31	\$ 641	\$	4,137	\$ 4,778
			2022	
Cost	Computer software		Internally developed	Total
As at January 1	\$ 4,191	\$	25,632	\$ 29,823
Additions	309		49	358
As at December 31	4,500		25,681	30,181
Amortization				
As at January 1	(3,804)		(18,630)	(22,434)
Amortization charge	(289)		(1,472)	(1,761)
As at December 31	(4,093)		(20,102)	(24, 195)
Net book value, as at December 31	\$ 407	\$	5,579	\$ 5,986

#### 8. PAYABLES AND ACCRUALS

# **Accounting policy**

Payables and accruals are financial liabilities representing obligations to pay for goods and services acquired in the normal course of operations. The WCB records a liability and an expense for goods upon receipt or transfer of control, and for services when they are performed. Other payables include various payroll-related liabilities. The timing and amount of payables and accruals are readily determinable.

Payables and accruals are classified as amortized cost, recorded at fair value on initial recognition and subsequently measured at amortized cost. Due to the short term nature of payables and accruals, the carrying value of these items approximates fair value.

#### **Lease liabilities**

The WCB records a liability and a right-of-use asset upon commencement of a lease. Lease liabilities are measured at the present value of remaining lease payments, discounted by the WCB's incremental borrowing rate.

The liability for each lease is settled at the end of its lease term.

Payables and accruals are comprised of:

Accounts payable and accrued liabilities
Research and Workplace Innovation Program
Lease liabilities
Other payables
Balance, end of year

2023	 2022
\$ 2,858	\$ 2,499
160	551
570	689
57	 33
\$ 3,645	\$ 3,772

Payables and accruals expected to be settled within 12 months total \$3.2 million (2022, \$3.2 million).

#### 9. EMPLOYEE BENEFITS

The WCB has several employee benefit plans:

#### **Short term benefits**

These benefits include wages, salary, vacation entitlements and group health plans.

#### **Retirement plans**

The retirement plans, comprised of the WCB Retirement Plan and the Supplementary Employee Retirement Plan (SERP), are funded by employee and employer contributions. The WCB Retirement Plan is a defined benefit pension plan that provides partially indexed pensions based on years of service and the best five consecutive years average earnings in the last 12 years of employment. The SERP provides that the employees of the WCB, whose pension benefits exceed the maximum pension benefit permitted under the federal *Income Tax Act*, will receive pension benefits based on their total pensionable earnings.

#### Sick leave plan

The WCB sick leave plan is a multi-faceted benefit plan. Sick leave credits are earned and payable in the form of sick leave in the current year. Unused sick leave credits are accumulated and carried forward to future periods, and are available to be taken as sick leave when the current year entitlement is exhausted. For employees that meet established criteria upon termination or retirement, the sick leave plan represents a post-employment benefit plan that provides for payment of sick leave credits. For accounting purposes, it is treated as a defined benefit plan and the liability is valued on the basis of discount rates and other estimates that are consistent with the estimates used for defined benefit obligations. For this unfunded plan, where the WCB funds the obligation directly from its own resources, employee contributions are not required.

## WCB Retiree Healthcare Spending Account (RHCSA)

The RHCSA is a defined benefit plan. Eligible retirees receive a predetermined annual credit amount which may be used to cover healthcare expenses not covered by other plans. The WCB funds this plan directly via the plan administrator.

#### **Workers compensation claims**

Workers' compensation claims are liabilities representing the present value obligation for expected employee claim costs. The WCB recognizes a provision when the claim is accepted.

# **Accounting policy**

#### **Short term benefits**

Short term employee benefits are measured on an undiscounted basis and are expensed when the services are rendered.

# **Defined benefit plans**

The Projected Unit Credit Method is used to calculate the defined benefit obligations and current service costs. This method reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions regarding discount rates used to determine the present value of benefits, projected rates of salary growth and long term expected rate of return on plan assets.

In accordance with IAS 19 Employee Benefits, the net interest approach is used to disaggregate the costs of the retirement plans. The change in the net defined benefit liability is disaggregated into the following components:

- Service cost, or the additional liability that arises from employees providing service during the period.
- Net interest or the interest expense on the net defined benefit liability calculated using the discount rate.
- Remeasurements, which are other changes in the value of the defined benefit obligation such as changes in estimates and other changes in the value of plan assets.

Service cost and net interest are recognized in operating surplus whereas remeasurements are recognized in other comprehensive income. Employee contributions, which are independent of the number of years of service, are treated as a reduction of service cost.

When past service costs arise they are recognized immediately.

# **Material Accounting Estimates and Assumptions**

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at December 31 each year using actuarial assumptions that are unbiased and mutually compatible. The assumptions represent management's best estimates of the variables that will determine the ultimate cost of post-employment benefits. Actuarial assumptions are comprised of demographic assumptions such as mortality and employee turnover, and financial assumptions such as salary and benefit levels, interest rates and return on investments. Given the long term nature of the plan and the use of these assumptions, the resulting estimates are subject to significant uncertainty.

Components of the employee benefits liabilities are as follows:

	2023	2022
Retirement plans	\$ 63,092	\$ 56,663
Sick leave plan	11,292	11,054
Employee vacation entitlements	4,488	4,473
Retiree healthcare spending account	2,998	2,770
Workers' compensation claims	1,550	1,447
Other	1,593	634
As at December 31	\$ 85,013	\$ 77,041

The current portion of the employee benefits liabilities is estimated to be \$15.1 million (2022, \$14.5 million).

The significant actuarial assumptions used to value the defined benefit plan liabilities for accounting purposes are as follows:

	2023	2022
Discount rate:		
Current service costs	5.05%	3.05%
Benefit obligation	4.65%	5.05%
Rate of salary increase	3.00%	3.00%

The discount rates shown for benefit obligations were effective as at December 31 and applied in determining the balances at the end of the reporting period. The discount rates shown for the current service cost were applied in determining the benefit plan expenses for the reporting period. Discount rates are based on the market yields of high-quality corporate bonds.

The mortality assumptions used for 2023 and 2022 were 90 per cent of CPM2014Priv Projected with Scale MI-2017.

# **Defined benefit plans**

A reconciliation of the defined benefit plan liabilities is as follows:

			20	023			
	Retirement Plans		Sick Leave Plan		RHCSA		Total
Change in Defined Benefit Liability							
Defined benefit obligation, January 1	\$ 338,043	\$	11,054	\$	2,770	\$	351,867
Current service cost <sup>1</sup>	8,193		627		71		8,891
Interest expense <sup>2</sup>	16,774		541		138		17,453
Employee contributions	3,677		-		-		3,677
Net transfers to the plan	1,190		-		-		1,190
Actuarial (gains) losses arising from <sup>3,4</sup> :							
Experience	(4,176)		(592)		(54)		(4,822)
Changes in financial assumptions	17,718		348		160		18,226
Benefits paid	(12,981)		(686)		(87)		(13,754)
Defined benefit obligation, December 31	\$ 368,438		11,292		\$2,998		382,728
Change in fair value of plan assets							
Fair value of plan assets, January 1	\$ 281,380	\$	-	\$	-	\$	281,380
Employer contributions	5,853		686		87		6,626
Employee contributions	3,677		-		-		3,677
Net transfers to the plan	1,190		-		-		1,190
Interest income <sup>2</sup>	14,153		-		-		14,153
Return on plan assets							
(excluding interest income) <sup>3</sup>	12,074		_		-		12,074
Benefits paid	(12,981)		(686)		(87)		(13,754)
Fair value of plan assets, December 31	\$ 305,346	\$	-	\$	-	\$	305,346
		_				_	
Net Defined Benefit Liability							
Defined benefit obligation	\$ 368,438	\$	11,292	\$	2,998	\$	382,728
Fair value of plan assets	305,346		-		-		305,346
	\$ 63,092	\$	11,292	\$	2,998	\$	77,382

<sup>&</sup>lt;sup>1</sup> Current service cost is presented in operating expenses in the statement of operations and comprehensive income

Interest expense is presented net of interest income in operating expenses in the statement of operations and comprehensive income

<sup>&</sup>lt;sup>3</sup> Actuarial (gains) losses are presented net of return on plan assets in defined benefit plan remeasurements in the statement of operations and other comprehensive income

<sup>&</sup>lt;sup>4</sup> There were no actuarial (gains) losses due to changes in demographic assumptions in 2023.

The current portion of the WCB's defined benefit liabilities is estimated to be \$12.6 million (2022, \$11.6 million).

				2	022			
	_	Retirement Plans		Sick Leave Plan		RHCSA		Total
Change in Defined Benefit Liability								
Defined benefit obligation, January 1	\$	435,694	\$	15,266	\$	3,617	\$	454,577
Current service cost <sup>1</sup>		13,656		784		126		14,566
Interest expense <sup>2</sup>		13,113		447		109		13,669
Employee contributions		3,319		-		-		3,319
Net transfers to the plan		803		-		-		803
Actuarial (gains) losses arising from <sup>3,4</sup> :								
Experience		(1,044)		(2,147)		(50)		(3,241)
Changes in financial assumptions		(115,223)		(2,087)		(969)		(118,279)
Benefits paid		(12,275)		(1,209)		(63)		(13,547)
Defined benefit obligation, December 31	\$	338,043		11,054		2,770		351,867
Change in fair value of plan assets								
Fair value of plan assets, January 1	\$	296,391	\$	-	\$	-	\$	296,391
Employer contributions		5,276		1,209		63		6,548
Employee contributions		3,319		-		-		3,319
Net transfers to the plan		803		-		-		803
Interest income <sup>2</sup>		8,996		-		_		8,996
Return on plan assets								
(excluding interest income) <sup>3</sup>		(21,130)		_		_		(21,130)
Benefits paid		(12,275)		(1,209)		(63)		(13,547)
Fair value of plan assets, December 31	\$	281,380	\$	-	\$	-	\$	281,380
Net Defined Benefit Liability								
Defined benefit obligation	Ś	338,043	Ś	11,054	\$	2,770	Ś	351,867
Fair value of plan assets	Ų	281,380	Ų	11,004	Y	2,770	Y	281,380
i ali value di piari assets	-	201,000	-				-	201,000

1 Current service cost is presented in operating expenses in the statement of operations and comprehensive income

56,663 \$

11,054 \$

2,770 \$

- <sup>2</sup> Interest expense is presented net of interest income in operating expenses in the statement of operations and comprehensive income
- <sup>3</sup> Actuarial (gains) losses are presented net of return on plan assets net in defined benefit plan remeasurements in the statement of operations and other comprehensive income
- <sup>4</sup> There were no actuarial (gains) losses due to changes in demographic assumptions in 2022.

The most recent actuarial valuation of the WCB Retirement Plan for funding purposes, to be filed with the pension regulators, was as at December 31, 2023. This funding valuation showed a funding surplus of \$8.3 million (2022 valuation, deficit of \$4.2 million). The solvency deficiency as at December 31, 2023 was \$52.7 million (2022 valuation, deficiency of \$62.6 million). The WCB is not required to fund this deficiency as the WCB is exempt from the solvency and transfer deficiency provisions of the *Pension Benefits Act*.

70,487

#### **Future cash flows**

Based on historical experience and expected salary expense, the WCB expects to fund \$6.3 million in 2024.

Based on the latest actuarial valuation performed as at December 31, 2023, the weighted average duration of the benefit obligation for the WCB Retirement Plan was 18 years (2022, 17 years). The breakdown of this estimated average duration, is as follows:

	2023	2022
Active members	23 years	21 years
Deferred members	23 years	22 years
Retired members	13 years	12 years

#### **Defined benefit plan risks**

The WCB is exposed to defined benefit plan risks due to the assumptions used to determine the defined benefit liabilities. Changes in assumptions may negatively impact the funded position of the defined benefit plans. The most significant assumption risks are discussed below.

#### **Investment risk**

The retirement plans are exposed to investment risk as plan assets are invested in equity, fixed income and other assets. There is risk that investment returns could be lower than expected, negatively impacting the retirement plans' funded status.

#### Interest rate risk

The defined benefit plans are exposed to interest rate risk through assumptions based on economic factors such as discount rates determined with reference to bond markets. A decline in the discount rate would increase the liability and the expense.

#### **Mortality risk**

The present value of the defined benefit plans' liabilities is calculated by referencing the best estimate of the mortality of plan members. An increase in their life expectancy will increase the liabilities.

#### **Salary risk**

The present values of the retirement plans' liabilities and the sick leave liability are calculated by referencing an estimated increase in the future salaries of plan members. An increase in their salaries in excess of the estimate will increase the liabilities.

#### Sensitivity of defined benefit obligations

The actuarial present value of the defined benefit obligations are sensitive to changes in key actuarial assumptions.

The following table illustrates the sensitivity of the defined benefit obligations to a change in the discount, mortality and salary rate.

		2023 Effect on defined benefit obligation							
		Retireme	Retirement Plans Sick Leave Plan RHCSA						
	Change in assumption	Increase	Decrease	Increase	Decrease	Increase	Decrease		
Assumption									
Discount rate	1%	(49,088)	64,005	(832)	967	(375)	469		
Mortality rate	10%	(6,231)	6,802	-	-	(47)	49		
Salary rate	1%	11,828	(10,239)	1,075	(940)	-	-		

2022 Effect on defined benefit obligation

		Retirement Plans		Sick Led	ave Plan	RHCSA		
	Change in assumption	Increase	Decrease	Increase	Decrease	Increase	Decrease	
Assumption								
Discount rate	1%	(42,247)	56,658	(833)	964	(342)	428	
Mortality rate	10%	(5,284)	5,763	-	-	(40)	44	
Salary rate	1%	10,859	(9,184)	1,075	(943)	-	-	

## **Retirement plan assets**

Retirement plan assets, at fair value, are comprised of the following:

	2023	2022
Equity		
Canadian	\$ 76,640	\$ 70,872
Global	92,058	84,812
	168,698	155,684
Fixed income	75,533	68,617
Real estate	61,215	57,079
As at December 31	\$ 305,446	\$ 281,380

The retirement plans' assets are wholly invested in segregated funds. The fair value represents the retirement plans' share of the net asset value provided by the custodian and is based on the last market price for the underlying assets. At December 31, 2023 plan assets are categorized as Level 2 of the fair value hierarchy (2022, Level 2).

The WCB's Board of Directors, through the Investment Committee, is responsible for the overall strategic direction and governance of the retirement plan assets through its review and approval of the Retirement Plan Statement of Investment Policies & Objectives (the SIP&O), and the ongoing oversight of investment risk, performance and compliance. The SIP&O identifies a target asset mix and range of acceptable levels of each type of investment which it believes will generate a consistent, positive, real rate of return on the invested assets which will provide for payment of all liabilities as required.

## **Related Party Transactions**

By definition, the WCB Retirement Plans, Sick Leave Plan and RHCSA are related parties to the WCB. Transactions between the related parties are detailed below:

	2023	2022
Contributions from the employees	\$ 3,677	\$ 3,319
Contributions from the employer	6,626	6,548

There were no amounts outstanding as at December 31, 2023 or December 31, 2022.

#### 10 to 12. TOTAL WORKERS' COMPENSATION LIABILITIES

Total workers' compensation liabilities is comprised of:

	Note	2023	2022
Workers' retirement annuity fund	10	\$ 46,135	\$ 43,093
Workers' compensation liabilities	11	1,250,984	1,196,807
Unallocated surplus	12	451,374	 404,118
Total workers' compensation liabilities		\$ \$1,748,493	\$ 1,644,018

#### 10. WORKERS' RETIREMENT ANNUITY FUND

# **Accounting policy**

The workers' retirement annuity fund (the fund) represents the WCB's obligation to provide an annuity for an eligible worker at retirement.

In accordance with Section 42(2) of the Act, where wage loss benefits are paid to a worker after a qualifying period, the WCB is required to invest on a worker's behalf an amount equal to a percentage between five per cent and seven per cent, to provide an annuity for the worker at retirement. In addition, the worker may contribute an amount of not more than the amount contributed by the WCB.

The fund is intended to establish or replace lost pension entitlement resulting from a work related injury or illness. In accordance with WCB Policy 44.100.20, *Annuities*, contributions are set aside in an annuity account for each eligible worker, and earn interest based on the investment income rate of the WCB's investment portfolio. When the investment income rate of return is negative, the rate of return used is zero. At age 65 or upon retirement from the workforce, the retirement amount becomes payable as either an annuity or a lump sum payment.

The fund is comprised of the WCB's contributions, workers' contributions and investment income earned on those contributions. The assets attributable to the fund are included and managed as part of the WCB's investment portfolio.

The workers' retirement annuity fund is an extension of the workers' compensation contract and a component of the liability for incurred claims.

The changes in the workers' retirement annuity fund were as follows:

	2023	2022
Balance, January 1	\$ 43,093	\$ 44,301
Interest income	3,486	-
WCB contributions	1,874	1,860
Workers' contributions	598	583
Benefits paid	(2,916)	 (3,651)
Balance, December 31	\$ 46,135	\$ 43,093

The following table shows the anticipated cash flows to pay workers' retirement annuity funds to eligible workers, based on all workers reaching retirement age (age 65 or older):

	2023	2022
Within 1 year	\$ 5,477	\$ 3,180
Year 2	3,062	3,971
Year 3	3,155	2,734
Year 4	3,642	2825
Year 5	2,121	3,261
Thereafter	28,678	 27,122
Total	\$ 46,135	\$ 43,093

#### 11. WORKERS' COMPENSATION LIABILITIES

#### **Accounting policy**

Under the provisions of the Act, the WCB has a legislated obligation to accept insurance risk from employers in exchange for premiums paid. As such, the WCB issues workers' compensation insurance contracts which are comprised of a liability for incurred claims and a liability for remaining coverage.

#### **Level of Aggregation**

IFRS 17 requires the WCB to aggregate its workers' compensation contracts into portfolios and groups for measurement purposes. Portfolios are comprised of contracts that have similar risks and are managed together. As a matter of significant judgment, the WCB has determined that it has one portfolio of contracts, as all of the WCB's workers' compensation contracts including Class E employers (general employer pool) and Class B to D employers (individually assessed employers) have similar risks and are managed together.

Portfolios are further divided into three groups based on expected profitability: onerous contracts, contracts with no significant risk of becoming onerous and all remaining contracts. The WCB has identified two groups of contracts:

- Contracts with no significant risk of becoming onerous, and
- All remaining contracts.

#### **Contract Boundary**

The WCB includes in the measurement of a group of workers' compensation contracts all future cash flows within the boundary of the contracts in the group. Cash flows are within the boundary if they arise from the substantive rights and obligations that exist during the reporting period in which the WCB can compel employers to pay premiums, or in which the WCB has the substantive obligation to provide services under the workers' compensation contract. As a matter of significant judgment, the WCB has determined that substantive obligation ends when the WCB has the practical ability to reassess the risks of contracts in the group and, as a result, can set a price or level of benefits that fully reflects those risks.

The WCB's contract boundary ends at the end of each calendar year on December 31, which is when the WCB can set a price that fully reflects the risks for the following year. The WCB has determined that the contract boundary of the portfolio is one year. In accordance with the Act, it has the substantive right to collect premiums on an annual basis and the practical ability to set a price that reflects these risks on an annual basis.

# **Recognition**

As a matter of significant judgment, the WCB recognizes each group of workers' compensation contracts at the beginning of the coverage period on January 1 which is the beginning of the coverage period in accordance with the Act.

#### **Measurement**

Subject to specified criteria in IFRS 17, the Premium Allocation Approach (PAA) can be adopted as a simplified approach to the IFRS 17 General Measurement Model. The WCB applies the PAA to all workers' compensation contracts that it holds, as the coverage period for each workers' compensation contract in the groups is one year or less.

Workers' compensation liabilities are measured as the liability for remaining coverage (LRC) plus the liability for incurred claims (LIC). The LRC represents the WCB's unexpired portion of insurance coverage. The LIC represents the WCB's obligation to pay claims which have already occurred, including claims which have occurred but have not yet been reported.

On initial recognition, the LRC component of the workers' compensation liabilities is measured as the premiums received, any assets or liabilities related to the cash flows paid or received prior to initial recognition.

#### **Onerous Contracts**

The profitability of groups of insurance contracts is determined by actuarial models that consider facts and circumstances that would indicate that a group of contracts is onerous, including pricing information and rate setting.

The WCB has concluded that it does not have onerous contracts.

#### **Liability for Remaining Coverage and Liability for Incurred Claims**

At the end of the reporting period, the WCB measures the LRC as the LRC at the beginning of the reporting period plus premiums received during the period, minus amounts recognized as premium revenue during the period, plus any change in onerous contract liability recognized during the period.

As no significant financing component related to the LRC exists and the time between providing insurance service and the related premium due date is not more than one year, the WCB does not adjust the LRC for interest and the LRC is not discounted.

The WCB includes insurance acquisition cash flows within the measurement of a group of insurance contracts if the acquisition cash flows are directly attributable to individual contracts within a group or the group itself. The WCB expenses these acquisition costs immediately as incurred as all workers' compensation liabilities have a coverage period of one year or less.

The WCB estimates the LIC as the fulfilment cash flows related to incurred claims and the workers' retirement annuity fund. The fulfillment cash flows incorporate all reasonable and supportable information available that reflects the amount, timing and uncertainty of those cash flows. The LIC is adjusted for the effect of time value of money and changes in the time value of money. The impact of changes in market interest rates related to the LIC liability is recognized in the statement of operations and comprehensive income. The LIC is calculated by discounting expected future cash flows at a risk free rate plus an illiquidity premium plus a risk adjustment for non-financial risk.

## **Critical Accounting Estimates and Assumptions**

In preparing the valuation, the WCB relies on assumptions and estimates as explained below.

Liability for Incurred Claims

The WCB's Chief Actuary prepares a valuation of the LIC at each year end. This valuation is conducted in accordance with accepted actuarial practice in Canada, and is subject to peer review by the WCB's external actuary. The LIC represents the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current year or in any prior year, adjusted for the time value of money. The LIC includes provisions for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims, plus provisions for the future expenses of administering the existing claims. The valuation of the workers' compensation liabilities is the WCB's most critical accounting estimate. Assumptions and estimates related to future developments may change as a result of economic changes, or other circumstances that cannot be controlled by the WCB. Differences arising from actual claims experience and assumptions used for the previous valuation, as well as the impacts of changes in legislation, policy, administrative practice or actuarial methods and assumptions, are recognized in the period that they occur.

The actuarial present value of future benefit payments reflects management's long-term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments.

The key actuarial assumptions used to value the liability for incurred claims as at December 31 are as follows:

	2023	2022
Inflation for CPI-indexed benefits		
2024	3.00%	3.00%
Thereafter	2.00%	2.00%
Inflation for wage-related benefits		
2024	4.00%	4.00%
Thereafter	3.00%	3.00%
Inflation for healthcare benefits		
2024	4.50%	4.50%
Thereafter	4.50%	4.50%

# Discount rate

The WCB calculates the liability for incurred claims by discounting expected future cash flows by applying a marked-to-market risk free rate plus adjustments to reflect the characteristics of the cash flows and the liquidity of the workers' compensation contracts. The risk free rate is determined by referencing Government of Canada yield curves. Due to the highly illiquid nature of the WCB's workers' compensation contracts, the WCB is using the illiquid reference curve provided regularly for the Canadian Institute of Actuaries by Fiera Capital.

The discount rates applied to the expected future cash flows are as follows:

Year	2023	2022
1	5.39%	5.61%
3	4.86%	5.28%
5	4.75%	5.15%
10	4.79%	5.20%
25	4.89%	5.34%
50	4.97%	5.10%
70 and thereafter	5.15%	5.15%
Single equivalent rate <sup>1</sup>	5.08%	5.26%

<sup>&</sup>lt;sup>1</sup> Single equivalent is a derived spot rate that allows for the comparison or aggregation of cash flows that occur at different points in time.

## Other economic assumptions

Long-term economic assumptions are developed using historical assumptions and other economic indicators.

- The CPI-indexed benefits assumption considers inflation rates, the Bank of Canada's target inflation rate, inflation assumptions used by other workers' compensation boards and the inflation assumption used in the Thirty-first Actuarial Report on the Canada Pension Plan, prepared as at December 31, 2022.
- The wage-related benefits assumption is comprised of an inflation assumption plus real wage growth of 1.0 per cent (2022, 1.0 per cent).
- The healthcare benefits assumption is developed from analysis of historical changes in healthcare expenditures.

# Long latent occupational disease risk

Long latent occupational diseases differ from other workplace injuries in that there can be a considerable lag between the exposure, the manifestation of the disease and identification of the injury as a workers' compensation claim.

The WCB periodically undertakes studies of occupational disease claims and costs in order to develop and maintain models to determine the liability for these future long latency claims. The assumptions used in this valuation are based on the most recent 2021 study or a combination of the 2021 study and the 2015 study where experience was limited.

# Mortality risk

Future mortality rates are estimated to determine the liability for monthly pensions established for long-term disability and survivor benefits. The mortality assumption is based on information published from Statistics Canada. Mortality is based on the 105 per cent of the generational table created from the Male and Female Life Tables 2015-2017 for Manitoba (published by Statistics Canada) with generational mortality improvements projected from 2016 using the CPM-B mortality improvement scale (published by the Canadian Institute of Actuaries). The impact of the mortality risk is not considered material to the WCB.

## Risk Adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the WCB requires for bearing uncertainty about the amount and timing of the cash flows of groups of workers' compensation contracts that arises from non-financial risk. Due to the non-profit nature of the WCB's operations and in accordance with the funding policy (note 18), the WCB does not require compensation for bearing uncertainty for any non-financial risk. The WCB has assessed the risk adjustment at near zero and corresponds to a 50 per cent confidence level.

The following table presents the change in the carrying value of the workers' compensation liabilities. The workers' retirement annuity fund is presented separately in Note 10.

	2023					
	Liabilities for remaining coverage	Liabilities for incurred claims	Total			
		Estimates of the present value of future cash flows				
Workers compensation liabilities, January 1	\$ 8,112	\$ 1,188,695	\$ 1,196,807			
Changes in the Statement of Operations and Comprehensive Income						
Premium revenue	(229,139)	-	(229,139)			
Workers compensation expenses	-	-	-			
Incurred claims and other insurance service expenses	-	250,866	250,866			
Changes that relate to past service		(62,135)	(62,135)			
Workers compensation result	(229,139)	188,731	(40,408)			
Insurance finance income or expenses		104,152	104,152			
Total changes in the Statement of Operations and Comprehensive Income	(229,139)	292,883	63,744			
Surplus distributions <sup>1</sup>	387	-	387			
Cash flows						
Premiums received	216,887	-	216,887			
Incurred claims	-	(140,945)	(140,945)			
Other insurance service expenses paid	-	(85,896)	(85,896)			
Total cash flows	216,887	(226,841)	(9,954)			
Workers compensation liabilities, December 31	\$ (3,753)	\$ 1,254,737	\$ 1,250,984			

 $<sup>^{\</sup>rm 1}$  Surplus distribution total is reclassed from unallocated surplus to the LRC upon approval.

2022

	Liabilities for Liabilities for remaining coverage incurred claims		Total			
			Estimates of the present value of future cash flows			
Workers compensation liabilities, January 1	\$	3,073	\$	1,370,122	\$	1,373,195
Changes in the Statement of Operations and Comprehensive Income						
Premium revenue		(202,728)		-		(202,728)
Workers compensation expenses				-		-
Incurred claims and other insurance service expenses		-		232,561		232,561
Changes that relate to past service				(18,662)		(18,662)
Workers compensation result		(202,728)		213,899		11,171
Insurance finance income or expenses				(172,401)		(172,401)
Total changes in the Statement of Operations and Comprehensive Income		(202,728)		41,498		(161,230)
Surplus distributions <sup>1</sup>		94,868		-		94,868
Cash flows						
Premiums received		112,899		-		112,899
Incurred claims		-		(136,282)		(136,282)
Other insurance service expenses paid				(86,643)		(86,643)
Total cash flows		112,899		(222,925)		(110,026)
Workers compensation liabilities, December 31	\$	8,112	\$	1,188,695	\$	1,196,807

<sup>&</sup>lt;sup>1</sup> Surplus distribution total is reclassed from unallocated surplus to the LRC upon approval.

The LIC includes a liability for short term disability, long term disability, survivor benefits, healthcare benefits and rehabilitation services:

- The short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize.
- The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, estimated future pension payments, and estimated future cost of claims relating to certain long latent occupational diseases.
- The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses.
- The healthcare liabilities are the estimated future medical costs for existing claims. The liability
  for rehabilitation services is composed of the estimated cost of future rehabilitation services
  which are externally supplied to the WCB.

The following table provides information on the liability for incurred claims by benefit type:

	2023	2022
Short term disability	\$ 242,315	\$ 198,850
Long term disability	543,327	539,632
Survivor benefits	108,197	110,715
Healthcare benefits	350,262	326,644
Rehabilitation services	3,442	3,521
Libility for incurred claims	1,247,543	1,179,362
Directly attributable fulfilment costs	7,194	9,333
Total liability for incurred claims	\$ 1,254,737	\$ 1,188,695

Included in the long term disability LIC balance is \$105.9 million (2022, \$99.3 million) for the estimated long latent occupational disease liability including Post-Traumatic Stress Disorder.

Included in workers compensation liabilities are claim costs of \$17.3 million (2022, \$16.9 million) the WCB has paid to injured workers of individually assessed employers. This is offset by claim cost recoveries of \$17.3 million (2022, \$16.9 million).

Payments in the amount of \$11.1 million (2022, \$9.9 million) have been made by individually assessed employers directly to injured workers on the WCB's behalf.

As at December 31, 2023, included in the LIC is \$271.2 million (2022, \$237.2 million) for the future cost of claims arising from individually assessed employers, offset by deferred assessments of \$252.4 million (2022, \$217.5 million).

Individually assessed employers may provide collateral in the form of cash, irrevocable letters of credit, surety bonds or other suitable forms of guarantee. As at December 31, 2023, the value of collateral held was \$29.0 million (2022, \$30.0 million).

#### **Financial risk**

The workers compensation liabilities are exposed to the following financial risks:

- Market risk interest rate risk and inflation risk
- Liquidity risk

#### Market risk - interest rate risk and inflation risk

The most significant assumption in the determination of the LIC is the discount rate and the inflation rate. The following table shows the sensitivity of the LIC to an immediate one per cent increase or decrease in the key assumptions used to determine the liabilities:

Change in insurance contract liability in millions:

		2023		2022
+/-% change on assumed rates	+1%	-1%	+1%	-1%
Discount rate	\$ (99) \$	119	\$ (82) \$	98
Wage inflation rate	68	(59)	55	(46)
General inflation rate	6	(6)	8	(7)
Healthcare inflation rate	43	(35)	35	(29)

The methods used and assumptions made for workers' compensation liabilities are disclosed above, including a sensitivity analysis. Changes in the value of the workers' compensation liabilities along with changes in the value of the investment portfolio for interest rate sensitivity will be offset by changes in the unallocated surplus to the extent available.

The method used for obtaining sensitivity information and significant assumptions is consistent to the previous period.

Investment risk is discussed in Note 5.

# Liquidity of workers' compensation liabilities

The following table estimates the expected amount and timing of future benefit payments based on the present value of the future cash flows expected to be paid. As these payments extend well out into the future, these estimates involve considerable uncertainty.

	2023	2022
Within 1 year	\$ 169,261	\$ 167,391
Year 2	111,493	109,789
Year 3	95,662	93,032
Year 4	83,962	80,617
Year 5	74,015	70,396
Thereafter	713,150	658,137
Total	\$ 1,247,543	\$ 1,179,362

#### Insurance risk

#### **Claim risk**

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

In accordance with the Act, for the purposes of maintaining the accident fund, the WCB levies and collects assessments from employers. In the event of a deficiency in assessments, the WCB may recover such deficiencies by further assessments.

Premium rates for Class E employers are determined by the rate setting model, which considers a number of factors including industry classification, employer size and individual claim experience. Individually assessed employer premiums are determined by the costs attributable to claims arising from their employees, as well as a proportionate share of the administration expenses of the WCB.

Premium rates are the primary means to mitigate the claim risk. The WCB is responsible under the Act to levy and collect premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims.

#### **Concentration of insurance risk**

The WCB provides workers' compensation insurance to all employers in all industries in Manitoba, except those that are explicitly excluded by regulation. Therefore, the WCB's risks are concentrated in workplace risks associated with various industries in Manitoba.

#### **Claims development**

The following table presents the development of outstanding claims relative to the cumulative expected claims for the 10 most recent accident years. The table illustrates how the estimate of cumulative claims for each accident year has changed with more experience over succeeding year-ends, and compares the current estimate of cumulative claims cost to the actual claim liabilities over the development period for which there is material uncertainty about the estimate and timing of claim. The lower section of the table reconciles the total outstanding claims amounts to the discounted amount reported in the statement of financial position.

**Injury Year** 

Estimate of cumulative claims	2014 & Prior	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
End of accident year	\$ 3,423,045	195,543	192,331	199,311	194,341	196,585	196,616	202,499	220,498	230,959	
1 year later	3,203,458	188,020	189,883	204,883	194,005	190,185	174,602	202,987	212,543	-	
2 years later	3,169,246	184,957	190,487	204,370	187,014	179,060	175,979	202,238	-	-	
3 years later	3,161,229	184,791	190,640	185,142	174,306	179,712	176,853	-	-	-	
4 years later	3,155,027	185,050	182,127	187,187	175,011	179,321	-	-	-	-	
5 years later	3,144,933	174,553	179,848	187,973	175,942	-	-	-	-	-	
6 years later	3,161,011	171,393	180,868	189,473	-	-	-	-	-	-	
7 years later	3,060,357	172,914	180,462	-	-	-	-	-	-	-	
8 years later	3,086,687	172,410	-	-	-	-	-	-	-	-	
9 years later	3,066,036										
Estimate of cumulative claims	3,066,036	172,410	180,462	189,473	175,942	179,321	176,853	202,238	212,543	230,959 \$	4,786,237
Cumulative claim payments	(2,160,788)	(112,792)	(115,042)	(121,171)	(109,389)	(105,414)	(93,867)	(97,154)	(85,684)	(53,606)	(3,054,907)
Current year unpaid and unreported claims	905,247	59,618	65,419	68,302	66,553	73,907	82,986	105,084	126,860	177,354	1,731,331
Effect of disco	ounting										(685,690)
Administration cost within benefit liabilities 312,140									312,140		
Future dated I	ong latency liab	ility									142,175
Deferred assessments (252,413)								(252,413)			
Directly attributable fulfillment costs 7,194								7,194			
Total workers' compensation liabilities for incurred claims \$ 1,254,737											

## 12. UNALLOCATED SURPLUS

## **Accounting policy**

Unallocated surplus is recorded as a liability on the Statement of financial position as part of workers' compensation liability.

After accounting for all changes in the WCB's assets and liabilities, any remaining amount could at some undetermined point in the future, be eventually distributed as benefit payments, premium reductions, or surplus distributions. Any use of the unallocated surplus is determined at the sole discretion of the Board of Directors.

The following table presents the change in unallocated surplus:

	Note	2023		2022
			R	estated (Note 20)
Unallocated surplus, January 1		\$ 404,118	\$	427,042
Surplus distribution		(387)		(94,868)
Surplus (deficit) attributable to unallocated surplus		47,643		71,944
Unallocated surplus, December 31		\$ 451,374	\$	404,118

## Liquidity of workers' compensation liabilities

The following table estimates the expected amount and timing of future cash flows of the unallocated surplus. These estimates involve considerable uncertainty. The Board of Directors has total discretion over the use of unallocated surplus.

	2023	2022
Within 1 year	\$ 118,368	\$ -
Year 2	58,295	-
Year 3	60,038	-
Year 4	-	-
Year 5	-	-
Uncommitted	214,673	 404,118
	\$ 451,374	\$ 404,118

## **13. PREMIUM REVENUE**

## **Accounting policy**

Premium revenue consists primarily of Class E employer (General Employers Pool) assessments for workplace injury coverage.

Employers registered within Class E are subject to collective liability. Premium revenue is estimated by applying applicable industry assessment rates to the employers' reported assessable payrolls for the current year. Any difference between the estimated premium revenue and the actual premium revenue is credited or charged to income in the year the determination is made. Historically, the difference has not been significant.

The Prevention Rebate Program (PRP) reduces the risk of workplace injury and illness by rewarding employers who have developed and maintained meaningful workplace safety and health management systems. SAFE Work Manitoba administers the PRP, determines employer eligibility and issues the prevention rebate. SAFE Work Certified employers who have met all criteria are eligible for the prevention rebate. The rebate is calculated using the actual payroll associated with the rebate eligibility period.

Premium revenue is fully earned and recognized over the coverage period. Premium revenue reported in the period is recorded net of prevention rebates, uncollectable account write-offs, interest and penalties on overdue amounts and adjustments of premiums for prior periods.

The table below shows the premium revenue recognized during the period from Class E employers:

	2023	2022
Premiums - Class E employers	\$ 236,735	\$ 209,741
Prevention rebates	(7,596)	(7,013)
Total premium revenue	\$ 229,139	\$ 202,728

Included in the LRC is premiums due from Class E employers. The WCB is exposed to credit risk on these premiums due, which varies with employer-specific circumstances, industry conditions and other factors. Specific employer accounts in excess of four thousand dollars are individually reviewed for collectability. In accordance with the Act the WCB has the authority to pursue and collect outstanding premiums. When there is no reasonable expectation of collection, amounts are written off. The WCB's maximum exposure to credit risk related to its workers' compensation liabilities is \$8.4 million (\$5.7 million in 2022).

The table below illustrates the changes in credit experience adjustments included in the LRC:

	2023	2022
Balance, January 1	\$ 1,763	\$ 1,237
Write offs	(574)	(653)
Additions	590	1,179
Balance, December 31	\$ 1,779	\$ 1,763

#### 14. WORKERS' COMPENSATION AND OPERATING EXPENSES

## **Accounting policy**

The WCB's primary administrative functions include expenses for the following:

- Claims administration costs which are the portion of administrative expenses incurred for adjudicating claims, processing benefit payments, providing return-to-work services and associated overhead costs.
- Assessments administration costs which are the assessment and collection of premiums, and associated overhead costs, and
- Corporate administration which provides general management and administration.

Operating expenses are accrued when goods or services have been received.

The following table presents the workers' compensation and operating expense

	2023	2022
Incurred claims	\$ 104,974	\$ 126,733
Other operating expenses	83,757	87,166
Total workers compensation expense	188,731	213,899
Salaries, employee benefits and training	\$ 67,897	\$ 71,882
Information technology service fees	3,257	3,003
Occupancy costs	3,059	3.037
Right-of-use asset depreciation	791	830
Lease interest	116	148
Communications	2,813	2,317
Professional fees	8,485	4,064
Amortization of property and equipment	2,766	3,051
Amortization of intangible assets	1,751	1,761
Other	1,116	1,264
	92,051	91,357
Appeal Commission	1,414	1,364
Research and Workplace Innovation Program grants	(78)	(91)
Recoveries from the Government of Canada	(2,311)	(2,003)
SAFE Work Manitoba	7,208	7,030
Province of Manitoba Workplace Safety		
and Health Department funding (Note 17)	8,725	8,297
	\$ 107,009	\$ 105,954
Less Reclassified to insurance service expense	(83,757)	(87,166)
Operating and other expenses	\$ 23,252	\$ 18,788

Workers compensation expense includes claim costs and allocated indirect administration expenses.

Of the total operating expenses, \$13.0 million (2022, \$11.6 million) was allocated to individually assessed employers based on the current year's transaction volumes.

The WCB administers the *Government Employees Compensation Act* program for the Government of Canada. The Government of Canada reimburses the WCB for all claims paid out on their behalf plus a recovery of operating expenses.

#### 15. INVESTMENT INCOME AND WORKERS' COMPENSATION INVESTMENT RESULT

# **Accounting policy**

Income from interest and dividends is recognized in the period earned, and changes in fair value are presented in the period in which they arise. Investment income and changes in fair value, both realized and unrealized, are recognized in Investment income (loss) in the statement of operations and comprehensive income in the period.

Workers' compensation investment result is comprised of the change in the carrying value of the WCB's workers' compensation liabilities arising from the effect of the time value of money, and changes in the time value of money. Insurance finance income or expense is recognized in the period incurred and included within Workers' compensation finance income (expense) in the statement of operations and comprehensive income in the period.

The following table presents the sources of total investment income and workers' compensation investment result recognized in the statement of operations and comprehensive income:

		1	-
_	u	12	ь,

Investment Income Fixed Income	lı	ncome		let realized ins (losses)		realized (losses)		Total
Bonds	\$	8,060	\$	(22,905)	Ś	28,769	\$	13,924
Mortgages	Y	8,806	Ψ	-	Ÿ	3,797	Y	12,603
Provate debt		7,364		-		1,942		9,306
Cash and short term		2,490		38		(43)		2,485
		26,720		(22,867)		34,465		38,318
Equities								
Canadian		6,074		7,898		22,360		36,332
U.S.		1,969		49		35,758		37,776
Global		17,578		3,973		7,166		28,717
Emerging markets		3,344		14,080		(14,792)		2,632
Private placements		- 00.045		- 04 000		(4)		(4)
		28,965		26,000		50,488		105,453
Real estate		13,139		29,234		(67,693)		(25,320)
Infrastructure		13,791		463		14,458		28,712
Investment income	\$	82,615	\$	32,830	\$	31,718		147,163
Less: Portfolio management expenses								12,524
Net investment income							\$	134,639
Workers' compensation finance income (e	expense)							
Interest on the workers' compensation liab	oilities <sup>1</sup>							(62,253)
Changes in discount rate and other financial assumptions						(41,899)		
0	,							(104,152)
								,
Surplus distribution								(387)
Total workers' compensation financial resu	ılt						\$	30,100

Represents the estimated interest cost of workers' compensation liabilities, considering the discount rate, workers' compensation liabilities at the beginning of the year and payments made during the year.

Investment Income		Income	_	let realized iins (losses)		unrealized ins (losses)	Total
Fixed Income			9		9	,	
Bonds	\$	13,256	\$	(39,400)	\$	(35,464)	\$ (61,608)
Mortgages		6,543		-		(8,321)	(1,778)
Provate debt		-		-		661	661
Cash and short term		679				-	679
		20,478		(39,400)		(43,124)	(62,046)
Equities		F 70/		/ /10		(0.5.00 A)	(00 / / 0)
Canadian		5,796		6,619		(35,084)	(22,669)
U.S.		2,939		11,260		(32,801)	(18,602)
Global		16,490 1,050		(000)		(37,842)	(21,352)
Emerging markets Private placements		1,030		(928) (306)		(5,777) 300	(5,655) (6)
Thvare piacements		26,275		16,645		(111,204)	(68,284)
Real estate		8,420		15,419		16,511	40,350
Infrastructure		9,030		(61)		21,387	30,356
Investment loss	\$	64,203	\$	(7,397)	\$	(116,430)	(59,624)
Less: Portfolio management expenses							 10,874
Net investment (loss)							\$ (70,498)
Workers' compensation finance income (	expens	e)					
Interest on the workers' compensation lia	oilities <sup>1</sup>						(22,451)
Changes in discount rate and other finan	icial ass	umptions					194,852
							172,401
Surplus distribution							 (94,868)
Total workers' compensation financial res	ult						\$ 7,035

Represents the estimated interest cost of workers' compensation liabilities, considering the discount rate, workers' compensation liabilities at the beginning of the year and payments made during the year.

The tables above explain the relationship between insurance finance income (expense) and the investment return on assets, broken down by type of asset to quantify the direct impact. The WCB manages the investment portfolio on a total basis.

#### **16. RELATED PARTY TRANSACTIONS**

The WCB is a statutory corporation created by the Manitoba Legislature. As a corporation of the Province of Manitoba, the WCB applies the exemption for government-related entities in IAS 24 *Related Party Disclosures*.

Pursuant to *The Workplace Safety and Health Act* of Manitoba, the Province may pay the expenses incurred in the administration of that Act out of its consolidated fund and may subsequently recover such portion as it may determine from the WCB under *The Workers Compensation Act* of Manitoba. For 2023, the amount charged to operations under this provision was \$8.2 million (2022, \$7.6 million).

Also, under Section 84.1(1) of *The Workers Compensation Act* of Manitoba, the Province may pay the costs incurred in respect of worker advisors and may recover them from the WCB. For 2023, the amount charged to operations under this provision was \$0.5 million (2022, \$0.7 million).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is a Class C employer under *The Workers Compensation Act* of Manitoba. Accordingly, the Province of Manitoba was allocated \$5.1 million (2022, \$4.9 million) of the total operating expenses (Note 14) based on their transaction volume. Balances resulting from transactions with the Province of Manitoba are included in these financial statements and are settled on normal trade terms.

No guaranteed debentures issued by the Province of Manitoba were included in the WCB's investment portfolio as at December 31, 2023 (2022, \$nil).

#### **Other Related Party Disclosures**

In addition to the related government entities above, the key management personnel of the WCB (comprised of the WCB executive personnel and the Board of Directors) are deemed related parties. By definition, close family members of the key management personnel are also related parties of the WCB. Any transactions or business relationships are incidental, and carried out at normal trade terms.

The WCB has benefit plans for the benefit of WCB employees, which are related parties by definition of IAS 24 *Related Party Disclosure*. Detailed information on transactions with the plans are included in note 9.

# **Key Management Compensation**

The following table shows total compensation for the executive personnel of the WCB:

	2023	2022
Short term employee benefits	\$ 2,122	\$ 1,991
Post-employment benefits	343	520
Total compensation	\$ 2,465	\$ 2,511

Short term employee benefits include salary, vacation, car allowances, group health and dental benefits, group life insurance, and the employer's share of contributions to the Canada Pension Plan and employment insurance. Post-employment benefits include the estimated current service cost accrued for pension and other post-employment benefits.

The Board of Directors of the WCB is comprised of 10 members appointed by the Government of Manitoba. Members' remuneration is set out in Order in Council passed by Lieutenant Governor in Council. For 2023, total compensation paid to the Board of Directors was \$0.1 million (2022, \$0.1 million).

#### 17. CONTINGENCIES

The WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcome of such claims and lawsuits are not determinable. However, based on the total amount of all such actions, the WCB has concluded that their outcomes, either individually or in aggregate, will not have a material effect on the results of operations or financial position.

#### **18. CAPITAL MANAGEMENT**

The WBC's capital management strategy has not been impacted significantly as a result of the transition to IFRS 17. The fundamental economics of WCB's capital management, business planning, and rate-setting has not changed. Therefore, the WCB continues to focus on long-term expectations versus short-term fluctuations.

The Act establishes the Accident Fund to provide for the payment of compensation, outlays and expenses of the workers compensation system. The Act also requires that sufficient funds be available for the payment of all current and future liabilities and the maintenance of reserves to ensure rate stability. The WCB is guided by the funding policy to meet these objectives.

The funding policy is the framework for the management of the Accident Fund to maintain the workers compensation system's financial security while ensuring sufficient funds are available to meet future benefit payments and maintain rate stability. In accordance with the funding policy, the WCB assesses its financial security on the funding basis of accounting, which values the workers compensation liabilities and the defined benefit liabilities of employee benefit plans based on the WCB's long-term expected rate of return.

In accordance with the funding policy, the funding ratio target for the Accident Fund is 130 per cent as measured on the funding basis. The 130 per cent target provides for 100 per cent funding – sufficient to fully fund all current and future liabilities – plus an additional 30 per cent to protect the system from risks, uncertainties and market volatility.

Each year, the WCB will review the funding ratio. When the funding ratio deviates from the 130 per cent target, the Board of Directors, at its total discretion, will consider steps to move the WCB's funded position back toward the funding ratio target. When the funding ratio exceeds the 130 per cent target the Board of Directors, at its discretion, may approve a surplus distribution. However, the Board of Directors has total discretion over the use of the surplus funds, and may consider benefit enhancements, future business requirements or significant investments in the system.

When the funding ratio falls below the 130 per cent target the WCB may approve adjustments in assessment rates in such a manner that will bring the funding ratio back to the 130 per cent target.

#### 19. COMPARATIVE FIGURES

Certain comparative figures and disclosures have been reclassified to conform to the financial statement presentation adopted in the current year.

#### 20. TRANSITION TO IFRS 17

The WCB has adopted IFRS 17, *Insurance Contracts* at the effective date of January 1, 2023. The WCB has applied the transition provision of IFRS 17 and restated the comparative information for 2022.

The WCB has applied the full retrospective approach for transition to IFRS 17. At the transition date of January 1, 2022 the WCB has:

- Identified, recognized and measured each group of workers' compensation contracts as if IFRS 17 has always applied,
- Derecognized any existing balances that would not exist had IFRS 17 always applied; and
- Recognized the resulting net difference in workers compensation liabilities.

The effects of the transition from IFRS 4 to IFRS 17 are provided below.

As at January 1, 2022, asset and liability reclassifications resulted from the recognition criteria requirements of IFRS 17. At the date of transition, the following items were reclassified:

- \$8.2 million of employer receivables were reclassified from receivables and other to workers' compensation liabilities,
- \$171.0 million was reclassified from deferred assessments to workers' compensation liabilities,
- \$20.1 million was reclassified from payables and accruals to workers' compensation liabilities, and
- \$783.4 million was reclassified from accident fund reserve to workers' compensation liabilities.

As at December 31, 2022, asset and liability reclassifications resulted from the recognition criteria requirements of IFRS 17. The following items were reclassified:

- \$7.1 million of employer receivables were reclassified from receivables and other to workers' compensation liabilities,
- \$182.3 million was reclassified from deferred assessments to workers' compensation liabilities,
- \$24.5 million was reclassified from payables and accruals to workers' compensation liabilities and
- \$577.3 million was reclassified from accident fund reserve to workers' compensation liabilities.

The following table reconciles the WCB's net funding loss as reported under IFRS 4 to the surplus (deficit) attributable to unallocated surplus as restated under IFRS 17 for the year ended December 31, 2022:

	For the year ended December 31, 2022	
Net funding loss as reported under IFRS 4	\$ (206,154)	
Impact of initial application of IFRS 17	 183,230	
Surplus (deficit) attributable to unallocated surplus	\$ (22,924)	

The following table reconciles the WCB's total comprehensive income reported under IFRS 4 to total comprehensive income as restated under IFRS 17 for the year ended December 31, 2022:

	For the year ended December 31, 2022		
Total comprehensive loss as reported under IFRS 4	\$	(105,764)	
Impact of initial application of IFRS 17		183,230	
Total comprehensive income as reported under IFRS 17	\$	77,466	

## **21. SUBSEQUENT EVENT**

On April 25, 2024, the Board of Directors approved a surplus distribution of \$118 million, to be credited to eligible employers in May 2024.



Workers Compensation Board of Manitoba

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