



WORKERS' COMPENSATION BOARD

Northwest Territories

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REPORT OF THE BOARD ON ACTIVITIES IN 1988

The WCB is unique among the boards and agencies created by territorial legislation. It has exclusive jurisdiction in all matters affecting compensation for workers injured on the job. Compensation includes the payment of medical expenses and the provision of medical and vocational rehabilitation. It also includes payment for loss of wages resulting from injury or occupational disease, pensions for workers who suffer permanent disability, and pensions for the dependants of workers killed in accidents.

The money for all this comes from employers who carry on a business or industry in the Northwest Territories. Workers are guaranteed compensation for their injuries without regard to cause or fault and without having to go to court. In return, employers are protected from legal action by their own workers in the event of an accident.

The Board is appointed on the recommendation of the Legislative Assembly and reports to the Assembly through the Minister responsible for the WCB, the Honourable Nellie Cournoyea. There are 11 part-time Board members in addition to the Chairman who is also the Board's Chief Executive Officer. All the regions are represented on the Board; two of the members represent labour and five are employers or managers.

A staff of public servants act on behalf of the Board in adjudicating claims, administering pensions, arranging rehabilitation, and collecting assessments from employers. Some changes were made during 1988 following a report from management consultants, Touche Ross, on the Board's operations. A General Manager was appointed by the Board and given the full authority and responsibility of Chief Operating Officer. The number of staff positions has now been reduced to 43, a reduction of 20 percent from the 1985 level.

The Board has trustee responsibility for the Accident Fund from which all compensation and administration costs are paid. Established in 1977 with less than \$1 million, the Fund now has assets totalling \$100 million. At the end of 1988, \$93.4 million was invested and the Board was holding \$3.4 million in cash and short-term deposits.

Changes were made to the investment policy in 1988 to allow the Board's three investment managers to hold up to 20 percent of their portfolios in equities. Previously, all of the long-term investments were in bonds. Revenue from investments increased from a disappointing \$6.3 million in 1987 to \$8.8 million in 1988. A schedule of investments is attached to this report.

The Board's liabilities for pensions and claims totalled \$92.5 million at the end of 1988. These liabilities were fully funded and the Board had a contingency reserve at the end of the year of \$6.7 million. A four percent cost of living supplement to all existing pensions at the beginning of 1988 added \$2.4 million to the Board's Pension Liability.

Benefits for injured workers and dependants were improved when the insurable maximum was raised by an amendment to the Workers' Compensation Act from \$36,800 to \$40,000 on July 1, 1988. The maximum monthly pension for a totally disabled worker with two dependants, who was earning at or above the insurable maximum before the accident, is now \$2,405.00. Benefits for workers who are partially disabled, or who were earning less than \$40,000 before the accident, are correspondingly lower. Surviving spouses now receive a flat rate pension of \$1,100 per month and a pension of \$250.00 for each dependent child. Workers' compensation benefits are not taxed.

The number of accidents increased to 3,363 in 1988 from 3,063 in the previous year. The number of employers and self-employed registered with the Board also increased: from 4,233 in 1987 to 4,854. Assessment revenue was up from \$11.9 million to \$13.1 million, although rates in 1988 were unchanged from 1987 and the YMIR change did not come into effect for assessments until January 1, 1989.

The Board received a windfall of assessment revenue with the transfer of health services to the GNWT and the purchase of NCPC. Regional health boards and the NWT Power Corporation are now paying assessments to this Board for workers who were previously covered under the Federal Employees' Compensation Act.

Claims expenses - payments on current year's claims and transfers from operations to the Claims Liability as provision for future payments - were \$13.6 million compared with \$10.1 million in 1987. Transfers from 1988 operations to the Pension Liability increased to \$3.0 million from \$1.8 million in the previous year.

The Accident Fund is in a generally healthy situation. The liabilities for pensions and claims are fully funded, but the five year financial history issued with this report shows how quickly the liabilities are increasing. The contingency reserve, although it was at its lowest level in five years, was still within the Board's target range at the end of 1988. Total revenue from assessments and investments, although it was up by almost \$4 million over 1987, was still lower than in the years 1984-86. Expenses and transfers, on the other hand, were at the highest level for five years and the number of accidents increased significantly in 1988. The increased cost of claims is reflected in the provisional rates for 1989 which are, on average, 20 percent higher than the rates for 1988.



Report on the examination of the
accounts and financial statements of the
WORKERS' COMPENSATION BOARD
(Northwest Territories)
for the year ended December 31, 1988

OFFICE OF THE AUDITOR GENERAL



BUREAU DU VÉRIFICATEUR GÉNÉRAL

Suite 420 Pacific Plaza
10909 Jasper avenue
Edmonton, Alberta
T5J 3L9

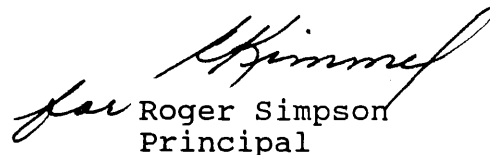
March 30, 1989

The Honourable Nellie Cournoyea
Minister responsible for the Workers'
Compensation Board
Yellowknife, Northwest Territories

Dear Madam:

Enclosed are the financial statements of the Workers' Compensation Board (Northwest Territories) along with the Auditor General's report on the examination of the accounts and financial statements. A formal published set of financial statements will be forwarded to you shortly.

Yours sincerely


for Roger Simpson
Principal



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Executive Member responsible for the
Workers' Compensation Board

I have examined the balance sheet of the Workers' Compensation Board (Northwest Territories) as at December 31, 1988 and the statements of operations, contingency reserve and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at December 31, 1988 and the results of its operations and changes in its financial position for the year then ended in accordance with the accounting policies set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept and the financial statements are in agreement therewith, and the transactions of the Board that have come under my notice have, in all significant respects, been in accordance with the financial Administration Act, the Workers; Compensation Act and regulations and by-laws of the Board.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 24, 1988

Report on the examination of the
accounts and financial statements of the
WORKERS' COMPENSATION BOARD
(Northwest Territories)
for the year ended December 31, 1988

WORKERS' COMPENSATION BOARD
(Northwest Territories)

Balance Sheet
as at December 31, 1988

ASSETS

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Cash and short-term deposits	\$ 3,378	\$ 3,554
Assessments receivable	1,828	2,359
Accrued interest receivable	1,915	2,330
Investments (note 3)	93,378	88,622
Property and equipment (note 4)	<u>291</u>	<u>356</u>
	\$ 100,790	\$ 97,221
	=====	=====

LIABILITIES AND RESERVE

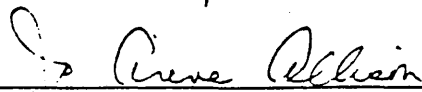
Accounts payable (note 5)	\$ 705	\$ 898
Assessments refundable	900	963
Pension liability (notes 6 and 8)	61,313	53,810
Claims liability (notes 7 and 8)	<u>31,216</u>	<u>30,069</u>
	94,134	85,740
Contingency reserve	<u>6,656</u>	<u>11,481</u>
	\$ 100,790	\$ 97,221
	=====	=====

Approved:

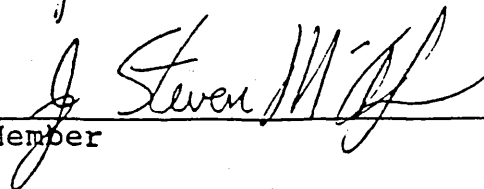


Manager, Finance

Approved by the Workers' Compensation Board:



Acting Chairperson and Chief Executive Officer



Member

WORKERS' COMPENSATION BOARD
(Northwest Territories)

Statement of Operations
for the year ended December 31, 1988

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	(thousands of dollars)
Revenues		
Assessments	\$ 13,148	\$ 11,958
Investments	<u>8,822</u>	<u>6,347</u>
	<u>21,970</u>	<u>18,305</u>
Expenses and transfers		
Pensions (note 6)	3,005	1,800
Claims (note 9)	13,584	10,120
Administration and general	<u>4,599</u>	<u>3,933</u>
	<u>21,188</u>	<u>15,853</u>
Income from operations transferred to contingency reserve	\$ 782 =====	\$ 2,452 =====

WORKERS' COMPENSATION BOARD
(Northwest Territories)

Statement of Contingency Reserve
for the year ended December 31, 1988

	<u>1988</u>	<u>1987</u>
	(thousands of	dollars)
Balance at beginning of the year	\$ 11,481	\$ 14,895
Income from operations	<u>782</u>	<u>2,452</u>
	12,263	17,347
Less: Transfers to		
Pension liability (note 6)	2,374	2,680
Claims liability (note 7)	<u>3,233</u>	<u>3,186</u>
	<u>5,607</u>	<u>5,866</u>
Balance at end of the year (note 8)	\$ <u>6,656</u>	\$ <u>11,481</u>

WORKERS' COMPENSATION BOARD
(Northwest Territories)

**Statement of Changes in Financial Position
for the year ended December 31, 1988**

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Operating activities		
Income from operations	\$ 782	\$ 2,452
Items not requiring outlay of funds		
Amortization of bond premiums and discounts	244	87
Depreciation	178	143
Provisions and investment income allocations		
Pension liability	3,005	1,800
Claims liability	<u>11,142</u>	<u>7,918</u>
	<u>15,351</u>	<u>12,400</u>
Payments from		
Pension liability	6,676	4,470
Claims liability	<u>4,428</u>	<u>3,765</u>
	<u>11,104</u>	<u>8,235</u>
(Decrease) increase in assessments and accrued interest receivable	(946)	669
Decrease in accounts payable and assessments refundable	<u>256</u>	<u>2,164</u>
	<u>10,414</u>	<u>11,068</u>
Funds provided from operating activities	<u>4,937</u>	<u>1,332</u>
Investing activities		
Funds utilized for investments	5,000	2,419
Purchases of property and equipment	<u>113</u>	<u>12</u>
	<u>5,113</u>	<u>2,431</u>
Decrease in cash and short-term deposits	176	1,099
Cash and short-term deposits		
at beginning of the year	<u>3,554</u>	<u>4,653</u>
at end of the year	<u>\$ 3,378</u>	<u>\$ 3,554</u>
	=====	=====

WORKERS' COMPENSATION BOARD
(Northwest Territories)

Notes to Financial Statements
December 31, 1988

1. Authority and operations

The Workers' Compensation Board was established by, and is responsible for the administration of, the Workers' Compensation Act.

The Board provides compensation for injury or death by accident arising out of and in the course of employment. Assessments are levied upon employers on the basis of a percentage of their assessable payroll to meet the costs of compensation, pension awards and administration.

2. Accounting policies

The more significant accounting policies of the Board are as follows:

(a) Investments

Investments are recorded at cost at the time of purchase. Discounts or premiums are amortized on a straight-line basis over the periods remaining to the maturity dates of the investments.

(b) Property and equipment

Property and equipment are recorded at cost and depreciated or amortized over their estimated useful life under the straight-line method as follows:

Furnishings	10 years
Equipment	5 years
Leasehold improvements	Over the term of the lease

(c) Pension liability

The pension liability represents amounts provided to meet the present value of future payments in respect of pension awards. Amounts of pensions awarded for the current year's claims are provided annually from operations, to the extent of authorized retention limits, and those awarded for prior years' claims are provided from the claims liability.

(d) Claims liability

The claims liability represents the present value of amounts, including a provision from operations for current year's claims, required to be paid in the future for all past accident claims still in process. Amounts in excess of retention limits are provided from the contingency reserve. All compensation payments and the capitalized value of pension awards granted after the year of injury are charged to this liability.

(e) Funding policy

The funding policy of the Board is to maintain both the pension liability and the claims liability at a fully funded level at each year end.

These liabilities are determined on a basis which allows for future inflationary increases by using a net discount rate of 2.5%.

(f) Contingency reserve

The contingency reserve is maintained to reduce fluctuations in the impact of claims costs arising from events which cannot be anticipated, and which could unduly burden the employers in any industry classification, or all employers. These fluctuations could arise in respect of:

- (i) disasters and catastrophes;
- (ii) the cost of supplementary pension increases to maintain the purchasing power of pensions; and
- (iii) other similar events.

The target level for the contingency reserve, set by the Board, is based on the average of the net assessment revenue for the 5 years ended on the previous December 31, and may range from 50% to 100% of that figure, after allowing for any known or anticipated liabilities.

Any difference between the actual reserve and the target level is used to adjust rates over a period of years, not exceeding five, in order to bring the contingency reserve back to the target level.

3. Investments

	<u>1988</u>		<u>1987</u>
	<u>Par</u>	<u>Amortized</u>	<u>Amortized</u>
	<u>Value</u>	<u>Cost</u>	<u>Cost</u>
	(thousands of dollars)		
Government of Canada bonds	\$ 37,756	\$ 35,092	\$ 48,456
N.H.A. mortgage-backed securities	1,910	1,877	1,952
Provincial bonds	16,600	16,339	27,399
Municipal bonds	2,000	1,981	1,961
Corporate bonds	9,100	8,959	5,186
Common stocks	<u>13,166</u>	<u>13,166</u>	<u>-</u>
	80,532	77,414	84,954
Cash and short-term held by investment managers (at market value)	<u>16,168</u>	<u>15,964</u>	<u>3,668</u>
	<u>\$ 96,700</u>	<u>\$ 93,378</u>	<u>\$ 88,622</u>
	=====	=====	=====

The approximate market value of investments as at December 31, 1988 was \$ 92,176,000 (1987 - \$ 87,041,000).

4. Property and equipment

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Furnishings	\$ 128	\$ 129
Equipment	728	661
Leasehold improvements	<u>145</u>	<u>98</u>
	1,001	888
Less: Accumulated depreciation and amortization	<u>710</u>	<u>532</u>
	<u>\$ 291</u>	<u>\$ 356</u>
	=====	=====

5. Accounts payable

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Payroll costs due to Government of the Northwest Territories	\$ 297	\$ 385
Employee leave and termination benefits liability	301	269
Other payables	<u>107</u>	<u>244</u>
	\$ 705	\$ 898
	=====	=====

6. Pension liability

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Transfers from Operations	\$ 3,005	\$ 1,800
Claims liability (note 7)	8,800	4,737
Contingency reserve	<u>2,374</u>	<u>2,680</u>
	14,179	9,217
Less: Pension payments	<u>6,676</u>	<u>4,470</u>
Increase for the year	7,503	4,747
Balance at beginning of the year	<u>53,810</u>	<u>49,063</u>
Balance at end of the year	<u>\$ 61,313</u>	<u>\$ 53,810</u>
	=====	=====

7. Claims liability

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Transfers from		
Operations (note 9)	\$ 11,142	\$ 7,918
Contingency reserve	<u>3,233</u>	<u>3,186</u>
	<u>14,375</u>	<u>11,104</u>
Less: Claims payments	4,428	3,765
Transfer to pension liability (note 6)	<u>8,800</u>	<u>4,737</u>
	<u>13,228</u>	<u>8,502</u>
Increase for the year	1,147	2,602
Balance at beginning of the year	<u>30,069</u>	<u>27,467</u>
Balance at end of the year	<u><u>\$ 31,216</u></u>	<u><u>\$ 30,069</u></u>

8. Actuarial evaluation

An evaluation by the actuary indicated that at December 31, 1988:

- the pension liability of \$ 61,313,000 is sufficient to meet the calculated liabilities;
- the claims liability of \$ 31,216,000 is sufficient to meet both the future costs of reported claims, and the cost of possible unreported claims;
- the contingency reserve of \$ 6,656,000 is adequate and appropriate to meet the costs of potential disasters or other extraordinary circumstances, including stabilization of assessment rates and supplementary pension increases. At this level, however, the contingency reserve is slightly below the lower end of the target range set by the Board.

9. Claims expense

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Payments on current year's claims		
Compensation	\$ 1,624	\$ 1,487
Medical aid	<u>818</u>	<u>715</u>
	2,442	2,202
Provision to claims liability for future payments on past and current year's claims (note 7)	<u>11,142</u>	<u>7,918</u>
	<u>\$ 13,584</u>	<u>\$ 10,120</u>
	=====	=====

10. Contingent legal claims receivable

The Board has a number of legal claims outstanding for recovery of compensation expenses from third parties. These claims are not recorded in the accounts because of their contingent nature. In the opinion of management and the Board's legal representatives, it is expected that the Board will recover approximately \$ 1,036,500.

11. Commitment

The Board is committed to payments aggregating \$ 288,000 under an office space lease agreement which expires December 31, 1989.

12. Related party transactions

Under an agreement with the Board, the Government of the Northwest Territories pays and is reimbursed for payroll costs of the Board together with administration fees aggregating \$ 32,000 (1987 - \$ 37,000). In addition, the Government paid workers' compensation assessments to the Board in the amount of \$ 853,000 (1987 - \$ 789,000).

13. Comparative figures

Certain of the 1987 comparative figures have been reclassified to conform to the presentation adopted in 1988.

WORKERS' COMPENSATION BOARD
Schedule of Administration and General Expenses
for the year ended December 31, 1988

	1988	1987
	(thousands of dollars)	
Salaries, wages & allowances	\$ 2,162	\$ 1,981
Employer share of benefits	200	174
Office lease & renovations	351	295
Professional services	350	281
Investment portfolio management	212	201
Board members	188	185
Office furnishings & equipment	197	182
Communication	136	136
Travel	221	118
Medical services	109	114
Office services & supplies	198	93
Safety program	251	66
Advertising & public information	36	62
Computing services	41	41
Administrative services - GNWT	32	37
Review committee on legislation		4
Miscellaneous	<u>21</u>	<u>33</u>
	\$ 4,705	\$ 4,003
	-----	-----
Less:		
Assessment interests	73	62
Penalties	26	
Sundry revenue	<u>7</u>	<u>8</u>
	106	70
TOTAL	\$ 4,599	\$ 3,933
	=====	=====

**FIVE YEAR HISTORICAL DATA
1984 - 1988**

	1988	1987	1986	1985	1984
ACTIVE BUSINESSES:					
Employers	3,491	3,215	3,450	3,436	3,269
Self-employed	1,363	1,018	1,499	1,435	1,178
TOTAL ACTIVE BUSINESS	4,854	4,233	4,949	4,871	4,447
ACCIDENTS REPORTED	3,363	3,063	3,186	3,419	3,355
YEAR'S MAXIMUM INSURABLE REMUNERATION (YMIR)	\$ 40,000 ⁽³⁾	\$ 36,800	\$ 30,400	\$ 30,400 ⁽¹⁾	\$ 26,400
SUPPLEMENTARY PENSION INCREASES ⁽²⁾	\$ 2,374,000	\$ 6,564,000	\$ 4,682,000	\$ 3,461,000	-

(1) Change to \$ 30,400 YMIR was effective July 1, 1985.

(2) Pension increases granted to bring existing pensions to current level of benefits.

(3) Change to \$ 40,000 YMIR was effective July 1, 1988.

FIVE YEAR FINANCIAL HISTORY
1984 - 1988

		<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>	<u>1984</u>
REVENUES	Assessments	\$ 13,148	\$ 11,958	\$ 16,346	\$ 18,382	\$ 18,667
	Less: Merit rebates	-	-	1,677	1,965	1,640
	Investments	13,148	11,958	14,669	16,417	17,027
		<u>8,822</u>	<u>6,347</u>	<u>12,015</u>	<u>10,111</u>	<u>8,054</u>
		<u>21,970</u>	<u>18,305</u>	<u>26,684</u>	<u>26,528</u>	<u>25,081</u>
EXPENSES AND TRANSFERS	Pensions	3,005	1,800	5,494	4,749	3,723
	Claims	13,584	10,120	11,286	11,219	11,024
	Administration and General	4,599	3,933	3,934	4,223	3,924
		<u>21,188</u>	<u>15,853</u>	<u>20,714</u>	<u>20,191</u>	<u>18,671</u>
INCOME FROM OPERATIONS		782	2,452	5,970	6,337	6,410
CONTINGENCY RESERVE, BEGINNING YEAR ⁽¹⁾		<u>11,481</u>	<u>14,895</u>	<u>22,963</u>	<u>20,180</u>	<u>17,084</u>
		12,263	17,347	28,933	26,517	23,494
LESS: CONTINGENCY RESERVE EXPENSE		<u>5,607</u>	<u>5,866</u>	<u>14,038</u>	<u>3,554</u>	<u>3,314</u>
CONTINGENCY RESERVE, END OF YEAR ⁽¹⁾		<u>\$ 6,656</u>	<u>\$ 11,481</u>	<u>\$ 14,895</u>	<u>\$ 22,963</u>	<u>\$ 20,180</u>
PENSION LIABILITY		<u>\$ 61,313</u>	<u>\$ 53,810</u>	<u>\$ 49,063</u>	<u>\$ 33,749</u>	<u>\$ 26,713</u>
CLAIMS LIABILITY		<u>\$ 31,216</u>	<u>\$ 30,069</u>	<u>\$ 27,467</u>	<u>\$ 21,005</u>	<u>\$ 16,794</u>

⁽¹⁾ Restated to include operating reserve which was a separate reserve prior to January 1, 1986.