2017 Annual Report

Workers' Compensation Board – Alberta

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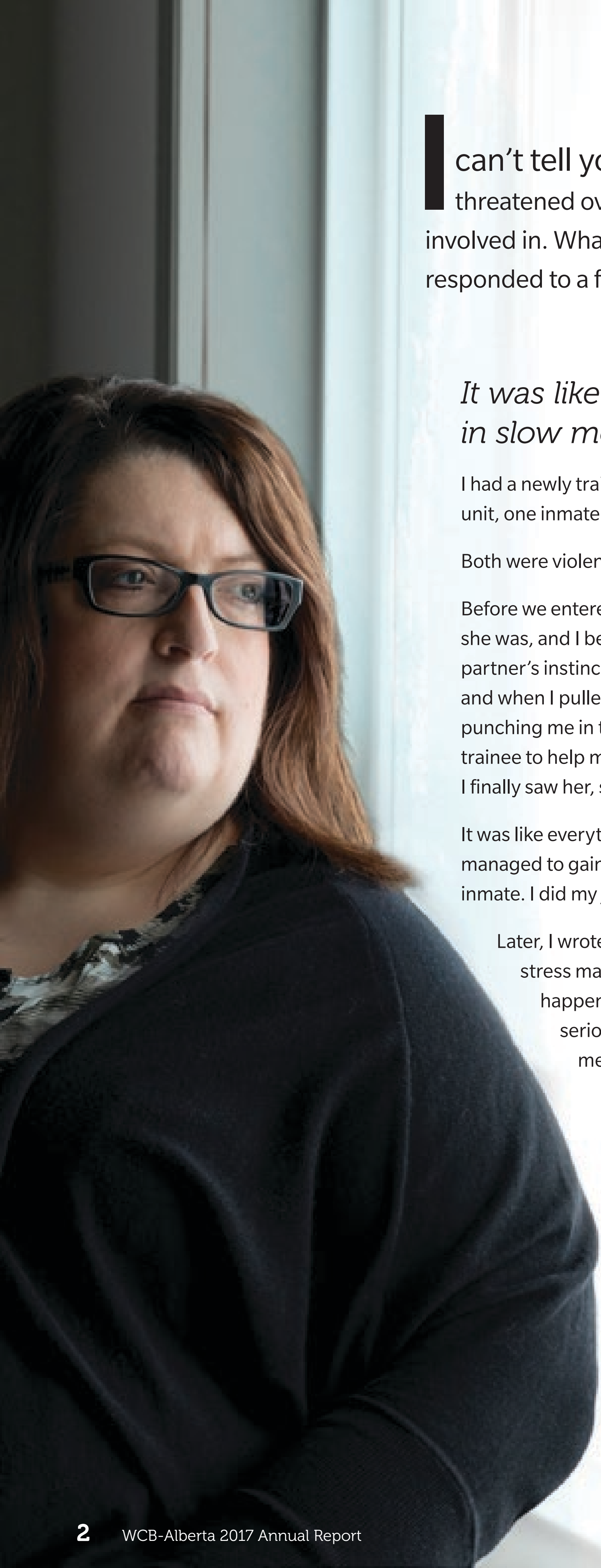
Financials

Mikelle Hawryschuk

had been a corrections officer at a women's correctional facility for eight years when she filed a psychological injury claim with WCB, beginning a journey that would unfold over the course of more than four years.

This is her story.



I can't tell you how many times my life was threatened over the years, or how many incidents I was involved in. What really did me in, though, was the day we responded to a fight on the secure unit.

It was like everything was happening in slow motion.

I had a newly trained officer with me and, as we approached the unit, one inmate was on top of another one, beating her severely.

Both were violent offenders.

Before we entered, I asked my trainee if she was ready. She said she was, and I believed her. In corrections, you depend on your partner's instincts and ability just as much as your own. We went in, and when I pulled the inmate off the other, she came up swinging—punching me in the face and in the abdomen. I called out to my trainee to help me, my eyes searching the room for her. When I finally saw her, she was standing in the corner, frozen, like a statue.

It was like everything was happening in slow motion. I finally managed to gain the upper hand and was able to restrain the inmate. I did my job.

Later, I wrote up my report and we had a critical incident stress management meeting where we talked about what happened. These things are standard procedure after serious incidents and are intended to help officers like me, but I left feeling numb. I was angry, too.

I filed a claim with WCB. The sore jaw I suffered healed after a few days, but the psychological pain I was left with hadn't, and it was getting worse. What happened that day stuck with me. Thankfully, my WCB case manager, Anita, has been with me since day one and could recognize what I knew was there but no one else could see.

My case manager recognized the injuries I was suffering from that no one else could see.

I never felt safe after the day of the incident, and that feeling worsened to the point where I practically felt paralyzed. There were days I couldn't get out of bed. I was jaded and angry, and I found it hard to even be around the inmates, to afford them dignity and respect on even a basic level.

More than just helping me with the physical injuries I sustained at work, Anita recognized the pain I was feeling on the inside and worked just as hard to help me heal from the inside out. She ***arranged counselling for me*** to help me process my feelings about what had happened that day. I've always felt that she was in my corner and had my best interests at heart. Not to mention, she's the most thorough, organized, on-top-of-things person I've ever met.

After the incident, I had ***work restrictions*** in place where I couldn't respond to incidents or work on the secure units. After a few months, when I started performing these duties again, things really started to crumble around me.

I was missing more and more work. There were triggers everywhere. I realized I wouldn't be able to continue my career in criminal justice—it was like suffering a loss, and I had to go through a grieving process.

> *"There were days that I couldn't get out of bed. I was jaded and angry ...what happened that day stuck with me."*

Making sure injured workers get the right treatment at the right time is important to their recovery and to us. In addition to the services we offer to treat physical injuries, **we also offer a range of psychological services, like counselling,** *for those who need it.*

These services are provided by licensed professionals who have been chosen personally by the worker, or have partnered with WCB-Alberta as providers who have experience with work-related injuries. We take great care to ensure injured workers are matched with providers whose area of expertise supports their physical and/ or psychological injury.

Returning to work isn't always as straightforward as it sounds. **When workers have restrictions** *that keep them from doing their job the same way they did before they were hurt,* **their employers may be able to offer modified work.**

Modified work is a safe way for injured workers to return to work while recovering. It allows them to regain a sense of normalcy and independence.

We can help employers arrange modified work by helping to identify:

- *Changes to job tasks or functions (e.g., less lifting, bending).*
- *Changes to workload (e.g., hours worked per day).*
- *Alterations to the work area or equipment used.*

Operated by WCB-Alberta, **Millard Health** *is one service provider that offers rehabilitation and vocational services to injured workers. Teams of clinical professionals offer specialized physical, psychological and occupational therapies to help injured workers recover and return to work.*

Looking for and finding a new job can be stressful, but vocational experts can help by assessing injured workers' individual skills, abilities and interests to help identify their best employment options. Through personal **career counselling,** *injured workers can explore options, develop new skills and identify goals for their future.*

When injured workers cannot return to their pre-accident job, we can help. Throughout our **Supported Job Search (SJS) program,** *a dedicated job developer helped Mikelle through the process, which includes reviewing job-search techniques, helping identify potential new employers, helping to prepare for interviews and debriefing afterwards. While participating in the SJS program, injured workers are eligible to receive re-employment assistance wage benefits.*

A fresh start at 41: Back to school to explore a new career

While I tried to figure out what my next steps would be, Anita supported me by approving me for some computer courses and ***career counselling at Millard.*** I found a casual job at a casino doing surveillance, and it really helped to rebuild my confidence.

After I had been working at the casino for a while, Anita and I talked about the possibility of going back to school to retrain for another career. She knew how important it was to me to make sure people felt safe at work, so she suggested working toward becoming a construction safety officer. It felt like a great fit for me so, at 41 years old, I found myself going back to school to get my occupational health and safety certificate.

I completed the course and started looking for work, but I got really discouraged. The companies I approached wanted someone with experience. Plus, while I was in school the economy went downhill and there weren't a lot of jobs available.

Recognizing how difficult the economy was making it to find a job, Anita extended my ***supported job search*** to 16 weeks. I applied for well over 100 jobs. By the end I couldn't even look at a computer monitor anymore. I was so done. What was I going to do? I had a mortgage, a vehicle and bills to pay. My benefits were coming to an end and I still hadn't found a job.

When I felt discouraged, Anita stepped in to advocate on my behalf

Anita could hear how discouraged I was, so she took it upon herself to reach out to some employers I had on my contact sheet to advocate on my behalf. She also let them know about the possibility of WCB helping to offset training costs. Once again, she came through for me and did whatever she could to get me to that next step.

It felt like things might turn around when she got me an interview with Peak Safety Services. When I sat down to talk to Brent (Camplin) and Sharon (Audette), it was like having coffee with friends. Brent is a paramedic, so we had a connection right away.

The question was whether they were willing to gamble and bring someone onboard who was so green.

The following week, I finished my supported job search at Millard.

When I walked out of there for the last time and got into my vehicle to drive home, I thought, “Please, please, I just need somebody to have faith in me so I can prove myself.”

When I got home, there was a voicemail message on my cell. It was Brent. I felt sick, but I knew I had to call him back. He started talking about how much he enjoyed meeting me, but that I wasn't really qualified for the job I interviewed for. I thought, “That's it, it's done.”

But then he said they knew I would be a good fit for their team and they were going to create a job for me—they wanted to be the company to give me my start in my new career.

It was amazing!

My first day I got a new laptop and a cell phone, and the next day I got my business cards. I'm pretty proud of myself. It’s a whole new journey.

I feel like I've kind of come full circle. I worked as a front-line person for eight years and now, hopefully, I can help those people in the trenches, and teach people how to keep their staff safe.

“Please, please, I just need somebody to have faith in me so I can prove myself.”

Mikelle Hawryschuk, Brent Camplin and Anita Ferguson

Brent Camplin

is the co-founder of Peak Safety Services. Brent and his business partner Sharon Audette interviewed Mikelle and knew they wanted to hire her, despite her lack of experience.

This is Brent's story.

The posting Anita reached out to us about was for a junior health and safety person. We were looking for somebody with a moderate level of experience, and we ended up with more than 100 applications. Mikelle didn't have the experience we were looking for, but Anita was so confident in her that we decided we should meet her.

"I really empathized with Mikelle and the troubles she experienced in her previous career."

What struck both Sharon and me in the interview was Mikelle's enthusiasm and her dedication to learning about health and safety. She came across as very professional. She didn't hide the fact that she didn't have any experience, but what really came across was her willingness to learn.

I felt a connection with her, for sure. I haven't worked in corrections, but I am a paramedic. I still do two shifts a month in the ambulance, so I really empathized with Mikelle and the troubles she experienced in her previous career. I know the realities of psychological trauma; I see it every day, and I've walked down that path.

Rethinking the way we do business

In the end, we decided to create a position for her. We're calling her a health and safety technician because of her educational background, but really, we want her to explore what health and safety is about in a broad sense while, at the same time, identifying the areas she really enjoys or is interested in. We're also currently developing an equipment rental division to our business, which we see Mikelle playing a significant role in administering.

She hasn't been with us for very long but she's already doing an exceptional job. It's hard to keep enough work in front of her; she's so quick. She has jumped in with both feet.

I think the ***Training-on-the-Job program*** is really amazing.

It makes me rethink the way we do business in the sense that I know that Mikelle is not the only person who has struggled with psychological trauma because of work. If we're able to become a company that helps people like her find a new direction by giving them a positive, understanding working environment, that would be an opportunity in itself.

"If we're able to become a company that helps people like her find a new direction by giving them a positive, understanding, working environment, that would be an opportunity in itself."

The Training-on-the-Job program (TOJ) *is designed to help people return to work, but it's also an incentive for employers to get financial assistance for employee training.*

WCB-Alberta supports employers by identifying the on-the-job training skills needed for the worker to learn about the company and the new job. During this learning phase, the cost of the TOJ program is shared between WCB-Alberta and the training employer; WCB reimburses the employer a percentage of the salary paid to the new employee.

Anita Ferguson

has been a case manager with WCB-Alberta for 11 years. Mikelle was one of the first workers with a psychological injury that Anita helped after she joined the special needs team nearly five years ago.

This is Anita's story.

> *"She had gone through so much, and I wanted to help her have a fresh start."*

After Mikelle was offered the training-on-the-job contract at Peak Safety Services, we reminisced about the long journey we had been on together. We talked every two weeks—sometimes more—over the course of her claim, so we had had a lot of conversations through the years.

I wanted to help her have a fresh start

When I first started working with her, she had days when she could barely get out of bed because her depression was so bad.

There were ups and downs throughout her claim, but I always took the time to listen and to hear what was worrying her. Understanding her worries helped me do everything I could to remove barriers to help her keep on an even keel.

It became clear early on that she wasn't going to be able to continue to work in corrections. She didn't feel safe. She tried to return to modified duties, but her workplace had so many triggers, and she would relapse. She had gone through so much, and I wanted to help her have a fresh start.

When we started talking about finding a new career I thought a lot about a construction safety officer. It felt like a good fit given her background in safety as a corrections officer and her newfound passion for it after the incident. I told her I thought she would be great at it, and she was interested right away. I approved her for an occupational health and safety (OH&S) certificate. She was so wonderful as she worked towards it—such a go-getter, always on top of everything.

Stepping in to see if there was more I could do to help

The economy had really gone down the drain while she was in school, and it was a difficult time to find work. I extended her supported job search, but I could tell she was feeling desperate. I could hear it in her voice. I started calling employers on her contact sheet to see if I could help. I told them how great I knew Mikelle would be and talked to them about the benefits of our Training-on-the-Job (TOJ) program. After several calls, I was able to get her an interview at Peak.

The fact that they created a job for her is beyond amazing. Recognizing that good jobs were hard to come by, and because of her positive attitude and commitment to learning, we were able to arrange for a year-long TOJ. I was so happy that we could facilitate this opportunity for her and that she now has a sense of job security after a lengthy search.

It was such a great opportunity, and Mikelle is doing so well; she's thriving, really. It's what makes my job so special. It's more than just helping someone recover—it's seeing them succeed.

Anita regularly helps workers who have psychological injuries. **She is part of a team that manages claims where the injuries are multifaceted** *and require specialized treatment. Special needs teams have experience working with those who have been severely injured or experienced trauma; staff on these teams are able to offer an additional level of expertise to what can be very complex circumstances.*

Our strategic priorities

Albertans working—a safe, healthy and strong Alberta.

This is our vision, what we believe should be the ideal state of working life in Alberta. To get there, we work with our partners to significantly and measurably reduce the impact of workplace illness and injury on Albertans.

Leading us there

To help us deliver on our commitments, ***four strategic priorities*** guide all areas of our business and every decision we make. In 2017, we enhanced these priorities to better reflect our organization's values to our stakeholders.

Our commitment to fairness:

Our decisions will be consistent, thoughtful and respectful to all stakeholders. Our service delivery model will reflect our goals of administrative fairness, ethical and evidence-based decision making, open communication and process transparency.

Supporting prevention efforts in the province:

Working with industry, labour and our partners in Occupational Health and Safety, we will examine issues and make improvements to the collection and use of data related to the prevention of workplace injuries and illness.

Our worker-centric return-to-work model:

We will focus on assisting workers with their injuries, illnesses and concerns and help them achieve their potential by engaging in a compassionate and collaborative process that ensures timely care, comprehensive benefits and realistic rehabilitation plans.

Ensuring financial sustainability:

Workers and employers deserve sustainable and affordable protection from the impact of workplace injury and illness. Our financial management strategies will improve the lives and livelihoods of the workers and employers of the province.

Message from the Chair

It's my privilege to serve as the Chair of WCB-Alberta's Board of Directors. We are a diverse group of individuals who bring a lot of knowledge and expertise from our personal backgrounds and professions. And we share a common vision and commitment to the strength and sustainability of the workers' compensation system in Alberta.

Helping make informed decisions

Representing the interests and perspectives of the workers, employers and general public that make up our province, our Board of Directors is appointed by the Lieutenant Governor in Council. Our role as directed by government is to monitor the performance of the organization and to provide guidance to its executive management—ensuring WCB stays true to its values and delivers on its commitments. The principles of fairness, balance and transparency that form this system are also the foundation of our leadership as a board.

Working together

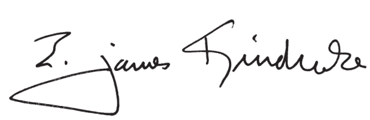
In our board meetings throughout the year, we meet with WCB's Strategic Management Council to review the organization's strategic direction and discuss its operational goals, ensuring they continue to adhere to the *Workers' Compensation Act*. It's in these meetings that we continue to learn firsthand how robust the system is in the ways that it serves injured workers and employers. We continue to work hard to maintain the overall stability of the system, but also to support WCB's culture of innovation by looking for new ways to meet the evolving needs of the thousands of Albertans whose lives are affected by workplace injuries each year.

Preparing for the year ahead

The end of 2017 saw the passing of new legislation that amended the *Workers' Compensation Act*. This new legislation was developed upon recommendations from a WCB review panel that was commissioned by the Minister of Labour to find ways to enhance the workers' compensation system for its stakeholders. In keeping with the new legislation, our board approved a number of significant policy changes that provide benefit enhancements to those who need it most, including families of fatally injured workers and those living with long-term disabilities whose benefits need to be protected from the cost of inflation.

As we move into 2018, we continue to work towards making the system better, and we look forward to working directly with our stakeholders to develop and implement the policies that reflect the legislation.

I look forward to working with the rest of the board in the coming year to continue to meet the interests of workers, employers and the general public in a fair and balanced manner.



E. James Kindrake, Chair, Board of Directors

E. James (Jim) Kindrake was appointed as Chair in 2015, after retiring from a lengthy practice as a civil litigation lawyer in both the private and public sector. Jim brings his knowledge of employment, insurance and personal injury law, where he acted on behalf of employers, employees, insurers and injured persons—to his role on the board. In addition to serving on the City of Edmonton Sub-Division and Development Appeal Board, Jim continues to be involved in legal education by chairing seminars for practitioners and by teaching several sections of the Alberta bar admission course to articling students.

2017 Board of Directors

Representative of the interests of workers:

Fred Nowicki currently sits as a board member with the Lethbridge John Howard Society, and is also involved in a number of community projects. Over his 28-year career in human resources management with the federal government, he gained knowledge and experience in counselling, training, immigration settlement and employment insurance benefits.

Grace Thostenson has a passion for labour relations that spans 25 years. Beginning her career as a long-distance operator, Grace went on to work for a telecommunications union and eventually to a union representing electrical power industries. She has been the business manager of the United Utility Workers' Association for the past 17 years.

Ivana Niblett is proud to be a steelworker. Currently a business agent for the United Steelworkers Local 1-207, she was appointed to the board in March 2017. She has been involved with the labour movement for 18 years, working with members, affiliates and labour councils across the country.

Representative of the interests of employers:

Erna Ference has been a board member since 2012. A chartered professional accountant by trade, she also has a wealth of agricultural experience stemming from her time as a chicken producer and family farm owner. Currently chair of the Alberta Chicken Producers, she also has a national role with the Chicken Farmers of Canada.

Alex McPherson is a professor emeritus at the University of Alberta, where he was a professor of medicine for 25 years. As a medical doctor, he was previously the director of medicine at the Cross Cancer Institute, and also held a deputy minister role with the provincial government. Additionally, Alex serves as chair and member of the Executive Committee for the Institute of Corporate Directors (Edmonton Chapter).

Philip Hughes has been a leader in Canada's energy sector for 25 years, serving as president and chief executive officer of five energy companies across Canada. He also serves as chair of Naikun Wind Energy Group Inc., and of Kineticor Resources Inc.

Representative of the interests of the public:*

Mary Phillips-Rickey is a chartered professional account and director of finance and administration at CKUA Radio Foundation. In addition to our board, she also sits on the board of the Association of Professional Engineers and Geoscientists of Alberta (APEGA). Actively engaged in the arts and not-for-profit sectors, she is a past board member of the Edmonton Arts Council and Edmonton Economic and Development Council (EEDC).

** There were two vacancies in this category in 2017.*

Standing committees

To support the Board of Directors in carrying out its responsibilities, its standing committees perform considerable work. Each committee has a specific area of focus and provides research, advice and direction to the board to continually enhance its overall governance of WCB-Alberta.

Based on their areas of expertise and interest, each member of the board* sits on at least one standing committee. The committees cover the following core functions:

Audit

Review and make recommendations with respect to WCB's financial management and annual audited financial statements. This also includes overseeing the valuation of the claim benefit liabilities, which are the claim costs payable now and into the future.

Finance

Review and recommend WCB-Alberta's budget and financial plan and oversee the financial and investment management process.

Human resources and governance

Review and make recommendations with respect to human resource management philosophies, succession planning, executive compensation and corporate goals, objectives and performance. Ensuring the board operates in accordance with good corporate governance practices is also a focus, which includes monitoring and implementing board member orientation and development.

Policy

Review and recommend new policies, revised policies and legislative changes related to benefits and premiums. This includes overseeing stakeholder involvement in policy development and revision.

**The chair serves as an ex-officio member of all committees.*

Message from the President & CEO

In my role as the President & CEO of WCB-Alberta, I often reflect on the work we do and what our organization means to Albertans. Each year is different from the one before—new sets of challenges to face, new successes to celebrate—but what remains the same is the element of change.

Evolving with our customers

Just as change is a natural part of life, it's also a natural part of business. As Alberta's workforce transforms, so do the needs of our customers; as a result, we push ourselves to evolve alongside them so that we serve injured workers and their employers to the best of our abilities. This comes to life by taking feedback from our customers and using it to become better. For example, this year we worked hard to improve our communication and processes with workers who have complex claims, whose road to recovery and work may take a little longer and require extra care.

What's been equally important to our continued evolution is the persistence shown by our stakeholders. We see incredible resilience from workers every day—people like Mikelle whose story we shared on page 1, who are not only adapting to a new normal, but thriving in it. We see resilience from employers, health care providers, industry partners and our staff, each adjusting to changing environments but remaining focused on our collective goal of helping injured workers get back to life, work and good health.

Our people, helping people

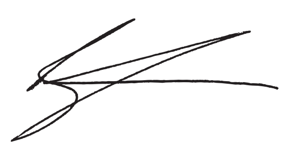
Thousands of people face the uncertainty caused by a work injury every year—fortunately, we have over 1,700 dedicated and compassionate people who work at WCB to help them. I am proud of their commitment and, even more, that most of our customers feel the same way. Each year, we survey workers and employers to find out how we're doing. We want to make sure they are satisfied with their experience, that they feel they were treated with respect and that they received open and timely communication. In 2017, we achieved a record-high satisfaction score of 88.8% in these areas. When our customers feel cared for, it tells us we're focusing on the right things.

Our leaders

Guiding our staff is WCB's Strategic Management Council (SMC). This group is made up of our organization's executive leaders, who are responsible for administering the *Workers' Compensation Act* and maintaining a focus on our mandate by developing solid business objectives and strategies. Seeing how these plans come to life through our clients' recoveries and triumphs helps us remain connected and committed to the responsibility we have to Albertans.

Heading in the right direction

Our strong customer satisfaction results, the excellence of our staff and the direction, guidance and oversight we receive from our Board of Directors gives me great confidence for the year ahead. Caring for injured workers and helping them recover and return to work will always be what we do. This isn't a path we'll stray from. By listening to our customers and working with our stakeholders and partners in government, I know we can confidently take our path in new directions.



Guy R. Kerr, President & CEO

Strategic Management Council

Ron Helmhold
Chief Financial Officer

Guy R. Kerr
President & CEO

William Ostapek
Secretary & General Counsel

Roxy Shulha-McKay
VP, Employee & Corporate Services

Pieter Lambooy
VP, Operations & Disability Management

Wendy King
VP, Operations & Chief Information Officer

Corporate objectives

In support of our strategic priorities, we focus our business performance through corporate objectives that are set each year. These objectives act as a guide for our organization to ensure we're all working together to achieve the same goals and deliver the best possible service to our stakeholders.

We measure these objectives in four areas that reflect our goals for service outcomes, customer impact, financial sustainability and innovation.

Customer outcomes

Customer satisfaction

Focusing on providing timely communication that is transparent, respectful and actively engages both workers and employers strengthens the return-to-work process and is key to successful outcomes.

Each year we survey 1,600 workers and 1,600 employers to get feedback on how we are doing.

Fairness

The decisions we make impact lives. We want them to be fair and explained clearly, and we work hard to get them right the first time. To measure how we are doing, we audit decisions throughout the life of a claim. These include decisions made on return-to-work planning, fitness for work and benefit entitlement.

Return to work

A successful return to work requires a collaborative effort. Our goal is to keep workers informed and engaged in their return-to-work plans. This is especially important in complex cases (that last 29 days or more), when the road to recovery and return to work might be less clear. We want workers to play an active role in developing plans that work for them and their unique situation.

We gauge this result by asking injured workers we survey to respond to the following statement, "My case manager did a good job involving me in decisions made around return to work."

Leveraging prevention

Employers play a key role in helping workers stay safe and return to work successfully if they've been hurt. To help employers offer their workers the very best support, we partner with them to develop action plans aimed at improving their health and safety and disability management plans.

Results

By being timely, respectful and transparent with workers and employers, we achieved an ***average customer satisfaction score of 88.8%.***

Target: 83%

Our decisions were reviewed for accuracy and quality, and they achieved an ***average score of 95%.***

Target: 90%

Our success in engaging workers with complex claims is measured by their feedback on whether they felt appropriately involved in decisions about their return to work. We achieved ***86.1%.***

Target: 83.7%

We collaborated with employers to create ***474 custom action plans*** *to help them develop programs that support the care and safety of their staff.*

Target: 450 action plans

Key deliverables

Customer satisfaction

Part of helping our customers feel well cared for is making sure they feel well informed. We try to provide timely and proactive communication to our customers so they don't have to take extra steps to contact us to get the information they need.

Fairness

1. The impact of workplace injuries is felt by workers and employers alike—at times they may not agree with a decision we have made. In these cases, we want to ensure they fully understand how the decision was made and have every opportunity to provide us with additional information that could impact that decision.

   In 2017 we enhanced our proactive resolution approach within Customer Service teams to help resolve workers' and employers' concerns so they did not feel they needed to proceed to a formal decision review.

2. Temporary economic loss (TEL) and economic loss payment (ELP) benefits represent two of the largest vocational benefits provided to injured workers. These benefits are paid when work restrictions prevent workers from returning to their date-of-accident employment. We audit these wage-loss decisions to ensure our customers receive consistently appropriate vocational services and accurate wage-loss benefits.

Return to work

Sometimes when workers are injured, they are not medically able to return to their previous job. When a job change is required, we offer vocational services to help workers identify their transferable skills, job interests and retraining options. We also help them improve their job-search skills.

Alberta's difficult job market has continued to present challenges for our workers whose injuries require them to embark on a new career. For these workers—and any workers who are unable to regain their pre-injury income—we provide temporary and long-term wage-loss benefits to close the gap as needed.

Leveraging prevention

Modified work is a safe way for injured workers to work while they recover. In addition to being good for recovery, meaningful modified work helps workers stay connected to their career, their colleagues and their workplace. It can include adjusting tasks or temporarily performing duties that are normally performed by others. It can also mean altering a work space or the equipment used to perform a job.

Results

*We exceeded our target by **reducing call-back requests by 3.7%.***

Target: Maintain the call-back volume reduction achieved in 2016.

1. *Our enhanced proactive resolution approach allowed our Customer Service teams to resolve **35.3% of all issues** submitted by workers and employers without escalation to the Dispute Resolution and Decision Review Body.*

   Target: Resolve 29.5%

2. *We achieved a **quality score of 98.2%,** ensuring our customers received appropriate vocational services and accurate wage-loss benefits.*

   Target: 90%

*We helped **62.1% of workers** achieve the potential to recover at least 75% of their pre-injury income.*

Target: 67% or greater

*Through successful partnerships, we helped employers arrange **successful modified work on 56.1% of cases** where a return to work was achieved.**

Target: 55%

** Where time loss was greater than 21 days*

Financial sustainability

Today's employers pay for the cost of today's injuries

Ensuring our workers' compensation system is financially stable and able to support injured workers now and in the future is a responsibility we take seriously.

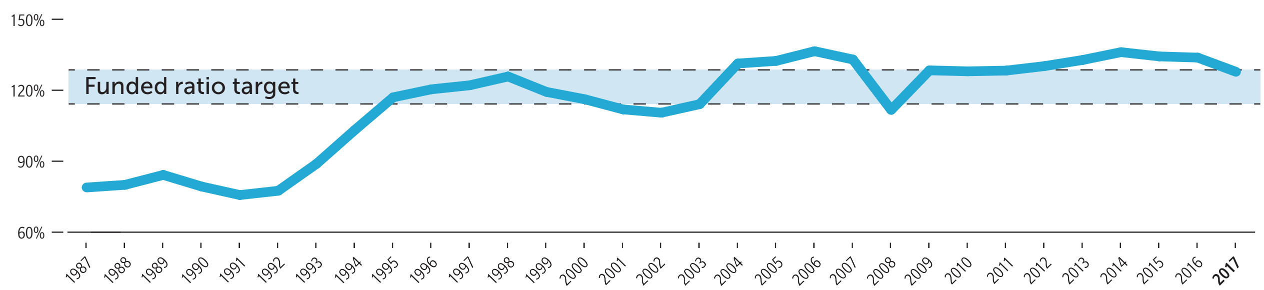
One of our key financial goals is to ensure that the premium rates we collect cover the fully funded cost of current-year injuries. Each year we forecast the cost (wage loss, medical, vocational and administrative) required to help injured workers recover and return to work. We use this forecast to set employer premium rates so that we collect enough from employers each year to cover the current and future costs for injuries that occur in the same rate setting year.

In 2017, we collected less than the cost of claims, ending the year with a deficit from customer operations of **$91.8 million**. This was driven by a combination of lower-than-expected employer premium revenues (resulting from lower insurable earnings) and higher-than-expected claim costs (resulting from higher claim volumes and costs).

Our funding level protects workers

We are required by the *Workers' Compensation Act* to be fully funded, meaning we need to have enough money to provide injured workers with the benefits and support they need for the life of their claims. To do this, we target a funded ratio range of 114% to 128%, which acts as a safeguard to ensure we have enough money to care for injured workers into the future. Our funded position remained strong in 2017, with a year-end ratio of **127.3%**, exceeding our goal of maintaining a minimum year-end target of 114%.

Our funding level, 1987–2017



Innovating toward a strong future

Achieving success requires us to understand and adapt to a world that is constantly changing. At WCB-Alberta, this means we continually challenge ourselves to improve—to get better at what we do for Albertans, their families and employers.

Building understanding

In 2017 we looked for ways to educate Albertans to help them understand their workers' compensation system. To achieve this, we launched two province-wide education campaigns to educate workers about their right to report workplace injuries and about the support they can expect if they're ever injured at work. We also adjusted our letters and developed new resources on our website to help educate workers about the benefits and services we can provide and the treatment choices they have.

Enhancing technology to improve customer service

Improving our technical tools continues to be an important focus for us, as we want to be in the best position possible to support both workers and employers. This year we enhanced our employer account system by integrating our injury prevention application and introducing a premium estimator. We also continued to do work behind the scenes to ensure our technology remains current, stable and effective for claims administration and payment.

Supporting the evolution of our system

In December 2017 the government passed Bill 30, which introduced legislative changes for the workers' compensation system. These changes will come into effect throughout 2018. To support the earliest changes, we have updated systems, policies, processes and a number of education and communication materials. Our focus in 2018 will be completing policy consultations as well as implementing each of the legislative changes.

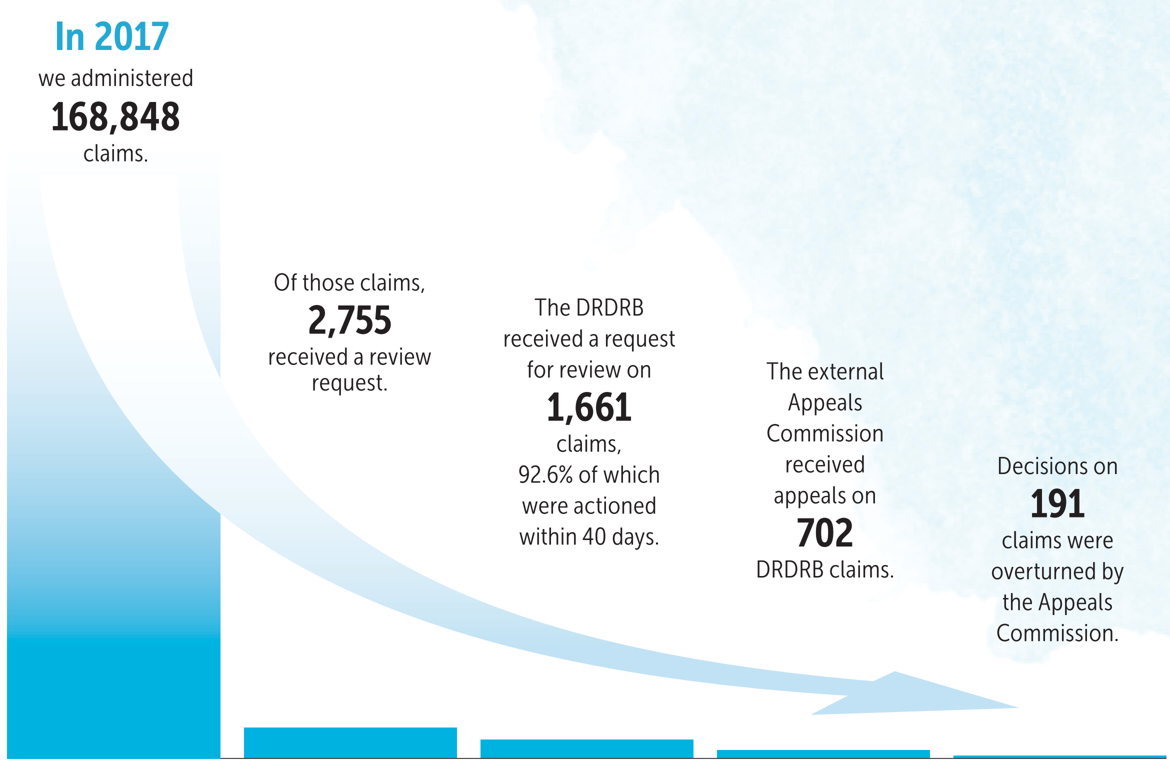
Reaching resolution

The decisions we make are important—to our customers and to us. With so much at stake, and given the uniqueness of each decision, disagreement can arise. When this happens, we want to do everything we can to resolve our customers' concerns. To do this, we focus on collaborative communication. Our customers deserve to feel heard, to understand each decision, to get answers to their questions and to know we welcome additional information that could impact a decision.

Services to support the decision review process

When we are unable to immediately resolve issues that arise, our customers have access to additional services as part of our decision review process:

- The **Office of the Appeals Advisor** (OAA) provides independent advice, assistance and advocacy for workers with the goal of resolving any issues on their claims. Appeals advisors work with WCB's Customer Service teams to try to resolve issues directly with the decision maker. If they are unable to resolve an issue, they will help workers prepare a request for review for the Dispute Resolution and Decision Review Body. They also support workers by representing them through the formal appeal process as required.
- The **Employer Appeals Consulting** (EAC) service works with Customer Service teams to help resolve employers' concerns. This service also provides employers with information about claim decisions—including relevant policy—to help resolve issues or equip employers for the appeal process should they want to pursue that avenue.
- The **Dispute Resolution and Decision Review Body** (DRDRB) assists workers and employers who have requested a formal review of a decision. Resolution specialists review the decision, discuss the issues that have been raised and check to see if there is any new information that should be considered. If the decision is incorrect, resolution specialists work with Customer Service or Employer Account Services to correct it.
- The external **Appeals Commission** for Alberta Workers' Compensation is available to workers and employers who disagree with a decision from the DRDRB and would like to appeal the decision.



Lisa Parker

“The experiences and insights I’ve been given into these people’s lives are just as special to me as what I’ve been able to give back.”

Giving back

Community is stitched into the fabric of our culture

The commitment to supporting charitable causes and giving back to the community is deeply rooted within the culture of WCB-Alberta.

"This organization is full of caring people," says Jacquie Sturko, a project coordinator in Human Resources. "They understand that our communities aren't just where we work and live; they are places where we belong. And the best way to develop a sense of belonging is to give back and participate."

Promoting social responsibility

The Community Works program was launched more than a decade ago to support grassroots initiatives of WCB employees. It supports employees who want to share fundraising and volunteer opportunities for their charities of choice. It also promotes what's happening in the community, offering suggestions for volunteer team-building activities with a host of non-profit organizations.

In addition, the Employee Giving program allows employees to donate to dozens of causes through simple monthly payroll deductions.

In 2017, WCB employees **donated over $25,000** *to a number of recognized charities by way of the Employee Giving program.*

Encouraging volunteerism

To further encourage community involvement, every year employees are entitled to a day off with pay to volunteer for a charity—three days for those who serve on a non-profit executive board.

In 2017, WCB employees logged hundreds of hours of volunteer time, individually with causes they are personally committed to and as part of team-building events. Our people understand that small things like serving meals or wrapping gifts can make a big difference in the lives of those who need it.

As an organization, we make it a priority to recognize the contributions of individuals and teams who demonstrate community spirit through award programs.

Recent award recipient Lisa Parker was nominated for her volunteers efforts on behalf of SMILE, a grassroots group that serves meals to people who are homeless.

Giving back and receiving all come full circle

"I found out about them through a Facebook group," says Lisa, who has worked at WCB for 28 years. "Basically, they serve meals to the folks who are waiting in line for a bed at Hope Mission in Edmonton."

It has become known as the weekly "Sidewalk Party," and it has fostered a tremendous sense of community among both the recipients and the volunteers. Lisa says many of her colleagues at WCB have done their part, too.

"When I started volunteering, I told my colleagues about it, and they've given me clothes and supplies and whatever else I've asked for. And my daughter's hockey team is doing a clothing drive."

She says she feels privileged to be welcomed into the lives of the people she's met through SMILE. "To have the conversations I've had with people, and to hear about the challenges they have gone through, has been eye-opening," says Lisa. "There are so many stories. The experiences and insights I've been given into these people's lives are just as special to me as what I've been able to give back."

Looking ahead

New legislation brings new benefits for workers and enhancements to the system

For over a year, the WCB Review Panel examined our business, consulted with stakeholders and asked many questions, all to ensure they had a clear picture of how the workers' compensation system operates. We welcomed the opportunity to support the panel as they explored opportunities for improvement and shared their recommendations. In 2018, in partnership with our stakeholders, we will work hard to implement the resulting legislation that passed in December 2017. Some of these changes will be quick to implement and some are more complex, but they all allow us to do what we care about most: help injured workers get back to life.

The review and legislation changes have not only allowed us to make changes that benefit our stakeholders, but to build on the relationships we have with them, which will serve us all well as we move forward. Workplace injuries are never easy to face, and if there is anything we can do to make the journey easier for Albertans, we're glad to do it.

As of January 1:

- **The cost-of-living adjustment** calculation will now be based on 100% of the change in the Alberta Consumer Price Index.
- **Enhanced retirement benefits** will help injured workers whose earnings were reduced and who were unable to contribute to a pension plan as a result.
- **A new lump-sum fatality benefit** will be provided to the spouse or dependent of a worker who passes away as a result of a workplace injury or illness.
- **Grant requirements will be enhanced** for safety associations.

As of April 1:

- **Presumptive coverage for myocardial infarction (heart attack)** will be expanded to include paramedics.
- **Presumptive coverage for post-traumatic stress disorder** will be expanded to include correctional officers and emergency dispatchers.
- **Presumptive psychological injury coverage** will be extended to workers who experience a traumatic injury at work and are diagnosed with a psychological injury.

*Every Albertan should be able to go to work and come home healthy and safe at the end of the workday. When they don't, **they deserve to have access to the medical and financial supports they need** to get healthy, care for their families and return to work. This bill would better protect hard-working Albertans and provide fair compensation to Albertans injured on the job.*

***Christina Gray**, Minister of Labour,*
introducing Bill 30 on November 27, 2017

As of September 1:

- The development of a **Code of Rights and Conduct** will articulate the rights of workers and employers and how we commit to operate in relation to those rights.
- Injured workers will receive **continued coverage** under their employers' health benefits plan.
- **We confirm that WCB will not estimate earnings capacity until all reasonable efforts have been made** to help injured workers in their job search.
- Employers will be **obligated to reinstate their workers** who are injured.
- The window to file for an **appeal to the Appeals Commission** will be extended to two years.
- There will no longer be a cap on **maximum insurable earnings**.
- **Benefits will be enhanced** for surviving spouses of workers killed at work, as well as for severely injured young workers.
- WCB will provide **interim relief during review or appeal.**

"Alberta's workers' compensation system is nearly a century old. Like almost everything in Alberta, much has changed during the past 100 years in respect of the world of work. ***Despite these many changes, one thing has continued, and that is the value Albertans place on the workers' compensation system.*** *If implemented, our Panel's recommendations [will position] Alberta's workers' compensation system to meet the expectations of stakeholders in the 21st century, and will be there for people for many years to come."*

Mia Norrie, *Chair, WCB Review Panel*
taken from Working Together: Report and Recommendations of the Alberta Workers' Compensation Board (WCB) Review Panel, June 2017

Workers' Compensation Board – Alberta

Financial Statements

2017 Annual Report

WCB-Alberta

Management Discussion and Analysis of Consolidated Financial Statements and Operating Results

For the year ended December 31, 2017

Management Discussion and Analysis of 2017 Consolidated Financial Statements and Operating Results

The Management Discussion and Analysis (MD&A) provides management's perspective on key issues that affect current and future performance of the Workers' Compensation Board–Alberta (WCB). The MD&A, prepared as of April 17, 2018, should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017.

Forward-looking statements

This report contains forward-looking statements about certain matters that are by their nature subject to many risks and uncertainties, which may cause actual results to differ materially from the statements made herein. Forward-looking statements include, but are not limited to, WCB objectives, strategies, targeted and expected financial results. They also include the outlook for WCB's business and for the Alberta and global economies. Risks and uncertainties include, but are not limited to, changing market, industry and general economic factors or conditions; changes in legislation affecting WCB policies and practices; changes in accounting standards; the ability to retain and recruit qualified personnel; and other risks, known or unknown. Some are predictable or within WCB control; many are not. The reader is hereby cautioned not to place undue reliance on these forward-looking statements.

Unless otherwise indicated, all amounts shown are in millions of Canadian dollars.

Business Overview

Corporate profile

Founded in 1918, WCB is a statutory corporation with a legislative mandate under the *Workers' Compensation Act* (the Act) to administer the workers' compensation system for the province of Alberta. While accountable to the Minister of Labour, WCB is independently funded and operated. Through the payment of premiums, over 162,000 employers fund the system, which covers more than 1.8 million workers.

WCB's mandate

In Canada, workers' compensation is a no-fault disability system that protects both employers and workers against the economic impact of work-related injuries and occupational diseases. Based on the Meredith Principles, the system covers injured workers for lost employment income and provides health care, rehabilitation and other services required due to a work-related injury, while employers are shielded from litigation. This system brings economic stability to the workplace through collective liability that minimizes the risks and expenses of injury. To achieve these objectives, the Act established the Accident Fund and imposed a statutory obligation on WCB to ensure that it be fully funded.

At the highest and simplest level, WCB is involved in two significant and complementary business activities: customer operations and financial management.

Customer operations provide disability management for workplace injuries. Key business processes include rate setting, assessment and collection of premiums from employers, payment of compensation benefits to injured workers, return-to-work services and administration.

Financial management involves an integrated risk-based approach within an Asset Liability Management (ALM) framework to manage assets and liabilities so that sufficient assets are available to pay for claim-related obligations. Key business processes within the ALM framework include strategic financial planning, investment management, claim benefit liability analysis and valuation, financial risk management and financial performance reporting. Strong financial management not only ensures security of benefits for workers and fair premiums for employers, but also provides appropriate tools for evaluating how effectively WCB is meeting its financial obligations.

WCB's vision and mission

The core principles set out in WCB's vision and mission shape the corporate beliefs and values that guide the organization's operating philosophy.

> *Vision*
>
> ***Albertans working—a safe, healthy and strong Alberta.***
>
> Mission
>
> ***WCB-Alberta, working together with our partners, will significantly and measurably reduce the impact of workplace illness and injury on Albertans.***

WCB's strategic vision is to make a positive and lasting impact on the people, society and economy of Alberta through what it does, while the mission statement describes the guidelines for how it intends to conduct business.

2017 Financial Performance

OPERATING HIGHLIGHTS

The funding model for WCB operates on the premise that in a given year, 1) rate setting activities within customer operations will generate premiums to cover the fully funded costs of current year injuries on a break-even basis, and, 2) financial management activities will generate investment returns sufficient to cover the annual interest requirement on the claim benefit liability. Given the volatile performance of local and global economies, forecasting these activities is subject to a great deal of uncertainty and risk. Consequently, actual results will likely differ significantly from even the most rigorously developed plans. Surpluses or deficits can arise when actual costs and returns are different from forecast expectations, which rely on economic and business assumptions based on available information at a point in time. Surpluses and deficits accumulate and are reflected in the funded position.

The factors contributing to surpluses or deficits are better understood when the Consolidated Statement of Comprehensive Income is reorganized to represent WCB's main business activities, as follows:

Customer operations - $91.8 million deficit as a result of higher claim costs and lower premium revenues.

- The Alberta economy showed modest improvement over 2016, however, fell short on meeting budget expectations. Despite these economic challenges, WCB customer operations teams maintained focus and commitment in their care to help injured workers through the uncertainty caused by a work injury.
- Employer insurable earnings of $100.4 billion were $4.0 billion (3.8%) below budget, and $0.6 billion (0.6%) above 2016. Premium revenue ended the year at $1,039.5 million, which was $29.3 million (2.7%) under budget and $45.0 million (4.5%) above 2016. Claims and claims management expenses of $979.1 million were $62.2 million (6.8%) over budget, and $79.4 million (8.8%) above 2016, due to higher benefit costs driven by higher claim volumes, characteristic of an economy continuing to struggle to emerge from a recession. Overall, the premium rate collected was $1.04, compared to a required rate of $1.13.
- Disabling claim volumes increased to 49,600 (9.5%) from 45,300 in 2016, and the resulting disabling injury rate per 100 covered workers increased to 2.7 from 2.4 in 2016. Lost-time claim (LTC) volume increased to 26,800 (8.1%) from 24,800 in 2016, and the resulting LTC rate per 100 covered workers increased to 1.4 from 1.3 in 2016.

Financial management - $236.7 million surplus as investment returns offset actuarial losses.

- Investment returns were up in 2017, delivering net investment income of $1,039.1 million, which was $662.1 million (175.6%) above budget, and $325.3 million (45.6%) above 2016. Foreign equities, infrastructure, and bonds produced notably better than expected returns resulting in a total rate of return of 10.5%, exceeding the benchmark return of 8.2% and the budget return expectation of 4.1%.
- Negative actuarial remeasurement adjustments of $469.8 million were driven primarily by a $297.7 million change to the claim benefits related to new legislation, with the balance due to experience losses from economic loss payment and other wage loss benefits.

Overall, strong investment returns contributed to the year-end Funded Position of $2,448.6 million and the funded ratio (total assets over total liabilities) at 127.3%, which is net of funding policy credits of $356.0 million issued against employer accounts in December 2017.

The following tables represent the operating highlights for each of our key business activities:

Operating results by business activity

($ millions)	2017 Budget	2017 Actual	2016 Actual
Customer operations			
Premiums	$ 1,068.8	$ 1,039.5	$ 994.5
Claims and claims management	(916.9)	(979.1)	(899.7)
Corporate administration and injury reduction	(151.9)	(152.2)	(159.0)
Deficit from customer operations	-	(91.8)	(64.2)
Financial management			
Investment income	417.3	1,078.0	750.8
Investment management	(40.3)	(38.9)	(37.0)
Net investment income	377.0	1,039.1	713.8
Interest expense on claim benefit liabilities	(336.3)	(328.2)	(348.9)
Remeasurement loss on claim benefit liabilities	-	(469.8)	(321.6)
Other expense items	(5.4)	(4.4)	(5.1)
Financial management expenses	(341.7)	(802.4)	(675.6)
Surplus from financial management	35.3	236.7	38.2
OPERATING SURPLUS (DEFICIT)	$ 35.3	$ 144.9	$ (26.0)

Sources of operating surplus (deficit)

($ millions)	2017 Budget	2017 Actual	2016 Actual
Deficit from customer operations			
Premiums			
Premium revenue shortfall resulting from the actual premium rate collected of $1.04 (2016 – $1.01) being lower than the required premium rate of $1.13 (2016 – $1.06), based on insurable earnings	$ -	$ (88.3)	$ (55.8)
Other revenue (expense) items	-	(3.5)	(8.4)
	-	(91.8)	(64.2)
Surplus from financial management			
Investments			
Excess of net investment income over the interest expense on claim benefit liabilities $328.2 million (2016 – $348.9 million)	40.7	710.9	364.9
Other expense items	(5.4)	(4.4)	(5.1)
	35.3	706.5	359.8
Actuarial remeasurement			
Changes in actuarial methods and assumptions	-	-	(168.5)
Changes to Act, Regulation, policies and administrative practices	-	(297.7)	(152.7)
Loss due to claims experience	-	(172.1)	(0.4)
	-	(469.8)	(321.6)
	35.3	236.7	38.2
OPERATING SURPLUS (DEFICIT)	$ 35.3	$ 144.9	$ (26.0)

Customer Operations

PREMIUMS

Insurable earnings

$4.0 billion (3.8%) under budget

$0.6 billion (0.6%) higher than prior year

The Alberta economy showed modest improvement in 2017 which resulted in insurable earnings being slightly higher than the prior year but below budget expectations. The increase over the prior year reflected a higher average hourly wage, partially offset by a slight decrease in the total number of hours worked in the province. Construction represented the largest decline against budget and prior year. Recoveries in 2017 were most notable in mining, oil and gas and municipal, government, education and health.

Insurable Earnings

Premium revenue

$29.3 million (2.7%) under budget

$45.0 million (4.5%) higher than prior year

Sectors that primarily contributed to the $29.3 million negative budget variance were construction, followed by trade, and transportation; with partial offset from municipal, government, education and health.

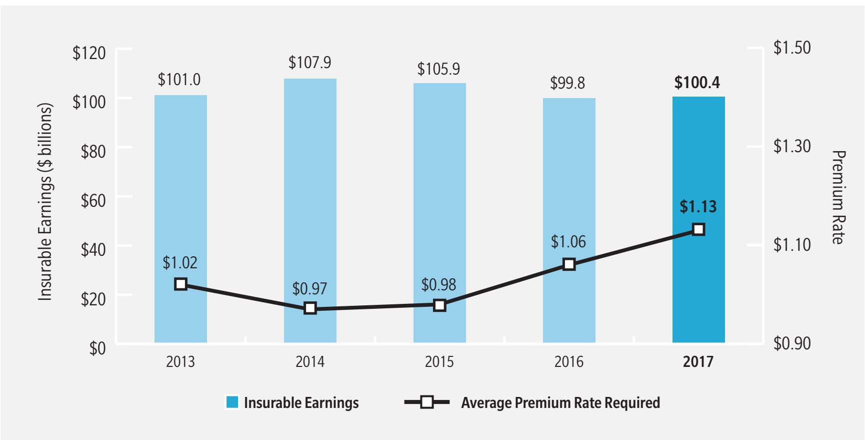
Premium revenue increased by 4.5% to $1,039.5 million in 2017, due in part to a year-over-year increase of 0.6% in employer insurable earnings and a 3.0% increase in the average collected premium rate, from $1.01 to $1.04 due to a shift in the insurable earnings mix to higher rated industries.

Premium Revenue

Premium rates and insurable earnings

The chart below presents insurable earnings versus average premium rate required (rate required) from 2013 through 2017. A declining trend in the rate required up until 2014 was experienced as growth in insurable earnings outpaced growth in claims expense. Since 2014, the rate required has been on a growth trajectory under a backdrop of declining insurable earnings and rising claims experience. While insurable earnings in 2017 saw a modest increase, claims expense continued to grow at a faster pace, resulting in a 6.6% increase in the required rate.

Insurable Earnings versus Average Premium Rate Required



CLAIMS AND CLAIMS MANAGEMENT EXPENSES

Claim expenses are an estimate of current and future costs arising from compensable injuries and exposures to occupational diseases occurring in 2017, as well as the future costs to administer these claims.

$62.2 million (6.8%) over budget

$79.4 million (8.8%) higher than prior year

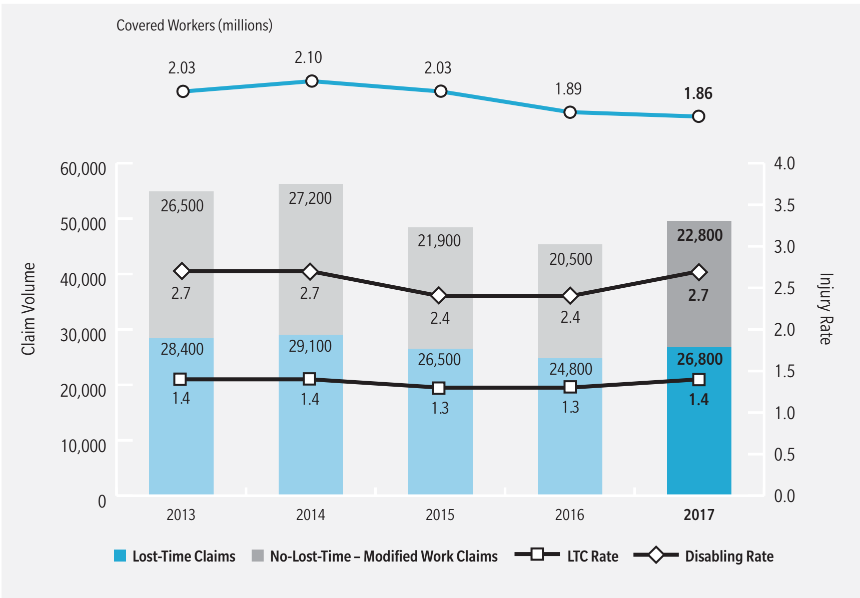
Claims and claims management expenses were higher than budget and prior year primarily due to higher disability costs resulting from higher claim volumes.

Claims and Claims Management Expenses

Claim volume and claim rates

Both components of disabling claim volume (claims resulting in lost time from work, and those resulting in no time lost due to a return to modified duties) grew in 2017 after two years of declines. The increase in claim volumes is largely attributable to a shift in the employment mix to higher risk industries. The disabling and lost-time claim rates per 100 covered workers also increased.

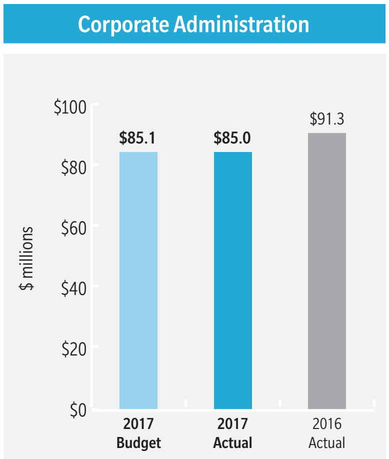
Claim Volume and Injury Rates



CORPORATE ADMINISTRATION

- **$0.1 million (0.1%) under budget**
- **$6.3 million (6.9%) lower than prior year**

Corporate administration expenses exclude costs for administering claims (2017 – $109.2 million, 2016 – $105.6 million) that are included in claims management expenses. Corporate administration is flat to budget, while year-over-year cost decreases are attributable to operational efficiencies.



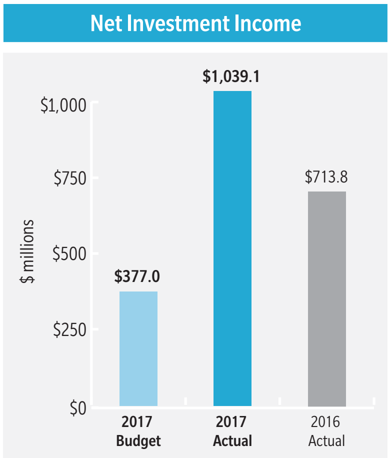
Financial Management

INVESTMENTS

Net Investment income

- **$662.1 million (175.6%) over budget**
- **$325.3 million (45.6%) higher than prior year**

Net investment income was higher than budget, primarily driven by better than expected returns in international and emerging market equities, infrastructure and bonds. Overall, the portfolio earned a total rate of return of 10.5% for 2017 (budget was 4.1%). This was also above the long-term actuarial required nominal rate of return of 4.6%.



The portfolio is prudently managed within a robust ALM framework, which involves an integrated risk-based approach to managing the fund's assets within the context of the claim benefit obligations they are expected to safeguard. ALM helps determine an appropriate investment strategy to reduce funding risk. The Act requires that the Accident Fund remain fully funded such that sufficient assets are maintained to pay for the liability obligations of the fund. It follows that the financial risks inherent in those assets and liabilities need to be fully understood and carefully managed in order to ensure that fluctuations on either side do not cause the Accident Fund to become unfunded.

Financial risks are modeled and studied on a regular basis to confirm that the portfolio can deliver on its requirement to pay for the obligations of the fund well into the future. Volatility in investment markets and the economic environment makes this a complex and challenging exercise. However, strong risk management practices supported by modeling software provide a systematic and consistent platform for monitoring the emerging risk profile of the assets and liabilities. Throughout the year, risk metrics confirmed that the Accident Fund was operating within an acceptable level of risk.

Investment returns played a key role in WCB's 2017 financial results. The following provides an overview of the economic and market forces that had a direct impact on WCB's investment portfolio and returns.

Capital markets overview

Global equity markets produced strong gains in 2017 bolstered by improving global economic growth, rising corporate profits, modest inflation and supportive monetary policy around the world—even though policy is gradually shifting to tightening. In a year of unusually low volatility, the largest gains were outside of North America with emerging market equities being the leading performer with a return of over 38%.

U.S. oil prices closed above $60 a barrel on the final trading day of the year (the first time since mid-2015) as the commodity ended 2017 with a 12% gain spurred by improving demand and declining global inventories. Unfortunately, a series of uniquely Canadian issues (mainly pipeline related) saw Canada's crude oil benchmark (Western Canada Select) slide 21% at the end of the year to finish 8.5% below the opening year price.

The overriding theme for North American fixed income markets was a flattening of the yield curve. The U.S. Federal Reserve increased rates three times, while the Bank of Canada acted twice. This pushed short-term yields higher while longer-term bond yields failed to get the same lift as inflation remained moderate, effectively flattening the yield curve.

Real assets such as real estate and infrastructure performed well in 2017. Within real estate, the multi-unit residential sector provided strong total returns, supported by immigration, high housing costs and continued low vacancy. Regional variations continue to be a theme, with British Columbia and Ontario seeing ongoing appreciation of institutional quality assets, while Alberta, and specifically the Calgary office market, has continued to feel the lingering impacts of the sharp decline in oil prices. The outlook, however, has improved. Infrastructure demand from global investors remained robust and the asset class continued to produce strong returns.

Portfolio performance

The portfolio earned a total rate of return of 10.5% for 2017 (2.3% above the policy benchmark) and 8.9% for the four-year period ending December 31, 2017 (1.9% above the policy benchmark). These returns are consistent with the expected level of risk set in the Investment Policy and by the ALM framework. The primary goal of the investment portfolio is to earn a rate of return that meets or exceeds the long-term actuarial nominal rate of return (referred to as the actuarial discount rate). On this basis, the portfolio's rate of return for 2017 of 10.5% was significantly above the long-term actuarial required nominal rate of 4.6%.

CLAIM BENEFIT LIABILITIES

At the end of each fiscal year, WCB determines its claim benefit liabilities for all injuries and illnesses that have occurred on or prior to that date, as well as for past exposures that may result in future occupational disease claims. These liabilities represent the actuarial present value of all future benefits and related administration costs, excluding costs attributable to self-insured employers. As at December 31, 2017, those future payments totaled $17,668.7 million and, when discounted using a nominal rate of return assumption of 4.6% per annum, resulted in claim benefit liabilities of $8,381.7 million—an increase of $828.7 million over 2016.

Effect of discounting

The difference between the future payments and the present value highlights the significant effect of discounting, as shown in the table below.

($ millions)	Years 1 to 5	Years 6 to 15	Years 16 & beyond	**Total**
Timing of future payments	$ 2,784.2	$ 4,370.0	$ 10,514.5	$ 17,668.7
Effect of discounting	(265.8)	(1,531.4)	(7,489.8)	(9,287.0)
Claim benefit liabilities				$ 8,381.7

Benefit obligations extend well into the future. The table above illustrates that over 84% of future payments are expected to occur in year 6 and beyond.

Significant changes in liabilities

The overall $828.7 million increase in claim benefit liabilities was attributable to the following:

($ millions)	2017 changes
Customer Operations related	
Provision for future costs of current-year injuries and exposures	$ 713.7
Benefit payments for prior years' injuries	(688.5)
Changes to Act, Regulation, policies and administrative practices	297.7
	322.9
Financial Management related	
Interest expense on the liability	328.2
Claims experience loss	172.1
Other	5.5
	505.8
	$ 828.7

Actuarial methods and assumptions

Except for the adjustments made to account for the changes to claim benefit policies brought by the new legislation, there has been no other change made to the actuarial methods and assumptions since the previous valuation.

Policies and procedures

In December 2017, the Government of Alberta concluded its review of the Workers' Compensation system with new legislation for enhancements to the workers' compensation system. These enhancements include a number of benefit changes, which resulted in an increase of $297.7 million to the claim benefit liabilities for prior year injuries and exposures:

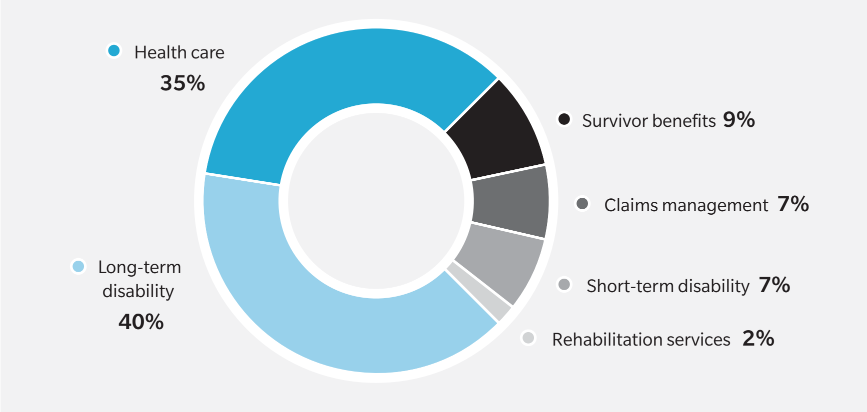
- Effective January 1, 2018, the calculation for Cost-of-Living Adjustments (COLA) is based on 100% of the change in the Alberta Consumer Price Index. The previous 0.5% reduction has been removed ($186.7 million increase).
- Enhancements were made to the survivor benefits for accidents on or after September 1, 2018 ($86.4 million increase for past exposures that may result in future occupational disease claims).
- For fatality claims with an accident date on or after January 1, 2018, a one-time lump sum payment will be paid. The lump sum payment is an amount up to the maximum non-economic loss payment (NELP) for the same calendar year as the year of the worker's death. The amount of the lump sum fatality award is offset by the cumulative amount of any NELP paid to the worker on the same claim and any previous claims with dates of accident on or after January 1, 1995 ($24.6 million increase for past exposures that may result in future occupational disease claims).

Claims experience

Differences between actual experience and what was expected in the prior valuation result in experience gains (which decrease the liability) or losses (which increase the liability). The impact of 2017 experience resulted in an overall experience loss of $172.1 million. The primary reasons for the loss were that economic loss payments were higher than expected (increased the liability by $201.4 million), as were other benefit categories (increased the liability by $27.0 million) while actual wage growth and inflation were lower than expected (decreased the liability by $56.3 million).

The following chart shows the breakdown of the claim benefit liabilities as at December 31, 2017, by benefit type:

Claim Benefit Liabilities, December 31, 2017



Funding

FUNDING POLICY

The Funding Policy is the primary instrument through which WCB manages its capital or fund structure and provides direction for setting premium rates and optimum funding level. Details of the Funding Policy may be found in the Policy and Legislation section of WCB's website. Discussion is also included in Note 4 *Funding*, in the accompanying consolidated financial statements and notes.

Funding principles and objectives

The strategic aim of funding and investment policies is to strive for balance between financial risk (i.e., volatility), investment returns and funding sustainability. Specifically, the Funding Policy embodies these financial objectives:

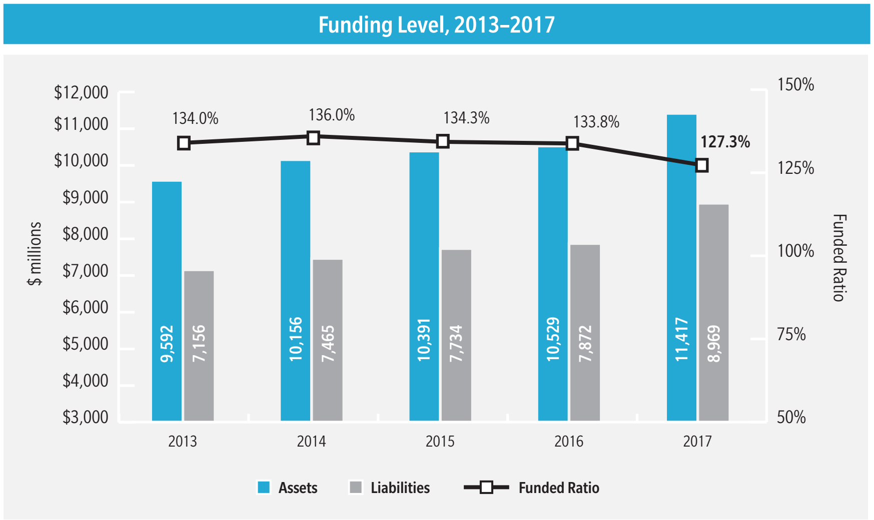
- Minimize the risk of becoming unfunded.
- Minimize cost volatility to employers.
- Charge premiums that reflect the cost of current-year injuries.

The funding mechanisms that evolve from these objectives address those risks that may affect the financial sustainability of WCB—primarily investment volatility. Funding Policy rules are in place to minimize these risks, with ongoing monitoring and evaluation to ensure they continue to respond effectively to changing economic conditions.

FUNDING LEVEL

The Funded Ratio (total assets to total liabilities), as at December 31, 2017, is 127.3%, (2016 - 133.8%), which is net of funding policy credits of $356.0 million issued against employer accounts in December 2017. Viewed from another perspective, WCB has total assets of $11.4 billion to cover the discounted present value of its total estimated liabilities of $9.0 billion. The Funded Ratio is within the target range recommended in the Funding Policy.

The chart below presents the funding level from 2013 through 2017.



Enterprise Risk Management

OVERSIGHT

Under WCB's corporate governance structure, the Board of Directors is responsible for overall risk management. The executive team, which has a mandate to identify and manage enterprise-level risk, is assisted by the Planning & Priorities Committee, composed of a group of senior managers with responsibility for risk identification, assessment and mitigation at the operating level.

RISK ASSESSMENT

WCB has three primary processes for managing risk. First, risk management is integral to the day-to-day business. Major projects and changes to business processes must go through a documented risk analysis to assess risk and identify mitigation plans and controls to lessen the likelihood or impact of these risks. The second process is to complete a systematic and comprehensive risk assessment of emerging corporate risks as they develop throughout the year. Finally, WCB also completes an annual corporate risk assessment that engages departmental management teams and senior managers to develop a comprehensive organizational risk register. The executive team prioritizes those risks with the highest potential residual impact to WCB and selects a number for comprehensive risk assessment and mitigation.

SIGNIFICANT RISKS

WCB has identified the following risk exposures that could have significant impact on the organization and its operations.

Benefit cost risk

Many of WCB's claim-related benefits are subject to external factors that have potentially significant impacts on the amount and duration of related benefit costs. These risks and uncertainties are driven largely by economic conditions such as health care inflation and utilization, and wage growth. Other factors may also arise through administrative precedents established through the appeals process, legislative changes or from new medical findings for occupational disease. All of these factors add significant uncertainty to WCB's cost structure and may impose, over time, pressures on the funding level.

Fraud-related risk

Every year, WCB collects approximately one billion dollars in premium revenue to cover current and future costs arising from compensable injuries and exposures to occupational diseases occurring in the year, as well as the future costs to administer these claims. The magnitude of these costs and the number of individuals and companies involved in these processes—over 162,000 employers, 169,000 injured workers and thousands of service providers—creates inherent risk for fraud. WCB employs an extensive audit program to monitor the organization's ability to protect against fraud and implements additional controls, as required, to strengthen WCB's management of fraud risk.

Funding risk

Managing the components of WCB's overall funding level is a complex process that involves forecasting, liability projection, investment management and operational performance. Although processes are within management's influence or control, many of the assumptions used in forecasting involve significant uncertainty regarding the future. Asset-liability management continues to be enhanced to provide better systems, tools, processes and information to enhance forecasting, financial planning and decision-making processes within WCB.

Investment risk

In its investment portfolio, WCB is exposed to financial risk, which includes market and portfolio risk, among others. Market risk is the risk that the fair value of investments and/or associated cash flows may change because of changing general economic conditions or events that broadly affect capital markets. Portfolio risk relates to specific composition and management of WCB's portfolio. Details of financial risks related to investments are discussed in Note 7 *Investment Risk Management*, in the accompanying consolidated financial statements and notes.

Premium risk

WCB has exposure to premium risk, which is the risk that premiums set for the coming fiscal period will not be sufficient to cover the operating costs in that year. This risk is largely driven by provincial economic conditions such as employment growth and wage escalation. To manage premium risk, WCB has instituted a comprehensive forecasting program that leverages widely accepted economic-forecasting sources such as the Conference Board of Canada.

Technology risk

To support its core business processes, WCB uses a number of information systems for processing transactions and maintaining injured worker and employer information. If these systems were to fail or were compromised, significant disruption to business processes and customer service could result. To mitigate technology risk, WCB maintains a business continuity plan, system controls and backup systems to address processing failures and provides extensive training to develop internal system expertise.

Implications of Accounting Policies and Estimates

Preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) requires management to make judgments, assumptions, and estimates that could materially affect the results of operations and financial condition of WCB. The following discusses those significant accounting policies that entail significant use of judgment and estimates. For further discussion of accounting impacts, please refer to the accompanying consolidated financial statements and notes.

Investments

WCB must apply judgment to determine whether it has control or significant influence with respect to the activities of its investees, which will affect whether consolidation or equity accounting for an investee is required. Additional details are found in Note 5 *Investments*, in the section *Interests in unconsolidated structured entities*.

WCB's investment assets are financial instruments measured at fair value at each reporting date. Fair value measurement, which reflects realizable market value, could lead to significant volatility in the statement of financial position during periods of economic and market instability. For those investments whose fair value is not based on observable market inputs, judgment must be applied in selecting and/or developing appropriate valuation techniques, assumptions, risk factors and input data. Due to the nature of the market for such assets, their estimated fair value may differ from their realized value depending on prevailing market conditions.

The fair value of a derivative contract is its change in value with respect to the change in the underlying security or reference index to which the contract is linked. In addition, the fair value of derivative contracts must reflect potential counterparty default risk, which is mitigated by transacting only with those counterparties whose credit risk is insignificant. Because such fair value changes are recognized in income in the periods in which they arise, investment income for those periods may be volatile. When the closing positions of derivative contracts represent material gains and losses, their settlement may result in large unanticipated cash inflows and/or outflows, respectively.

Details of investment assets and their inherent risks are in Note 5 *Investments* and Note 7 *Investment Risk Management* in the accompanying consolidated financial statements and notes.

Valuation of employee benefit liabilities

WCB has applied defined benefit accounting for employee post-employment plans, which requires an actuarial determination of employee benefit obligations extending well into the future. The actuarial valuation process projects benefit cost streams into the future and discounts them to present value using a discount rate linked to market yields on high quality corporate bonds with similar risk and cash flow characteristics as the liabilities. Measurement uncertainty is high because judgments and assumptions regarding the estimated amount, timing and duration of benefit commitments many years in the future are inherently difficult to predict reliably and also subject to external factors outside management's control. Since these judgments and assumptions may change in response to current and future economic conditions, liability remeasurement arising from changes in judgments and assumptions in any given period, may also result in material changes to the related liabilities.

Details of WCB's multi-employer and sponsored defined benefit plans are in Note 11 *Employee Benefits* in the accompanying consolidated financial statements and notes.

Valuation of claim benefit liabilities
WCB has significant obligations for benefits to injured workers extending well into the future. In order to estimate these future obligations, WCB applies the actuarial present-value methodology for its claim benefit liabilities. The actuarial process projects benefit payment streams into the future and discounts them to present value using a discount rate linked to the long-term return on investment assets funding those liabilities. Measurement uncertainty is high because the assumptions regarding the amount, timing and duration of the benefit commitments and future return on assets are difficult to forecast and are influenced by risk factors that are inherently unpredictable. Consequently, the selection of one valuation assumption or technique over another in estimating claim benefit liabilities could have a material impact on the liability valuation.

Details of the valuation, along with sensitivity of the associated risks are in Note 12 *Claim Benefit Liabilities* and Note 14 *Claim Benefit Risks* in the accompanying consolidated financial statements and notes.

Premiums
The reported premium revenue at year-end includes an estimate of premium adjustments, as well as an estimate for safety rebates earned by participating employers that have met performance criteria for workplace safety. Generation of these estimates requires use of judgment in developing the methodology as well as the relevant economic assumptions. As such, actual premiums and safety rebates may differ in periods of economic uncertainty.

Details of these estimates are in Note 15 *Premium Revenue* in the accompanying consolidated financial statements and notes.

Governance and Compliance

Legislative authority
Under the authority of the Act, WCB is a provincial board-governed organization that operates independently while reporting to the Minister of Labour.

Internal control over financial reporting
Management is responsible for establishing and maintaining adequate internal control over financial reporting (ICOFR) to provide reasonable assurance regarding the reliability of the entity's financial reporting and the preparation of its consolidated financial statements in accordance with IFRS. WCB has developed a framework and plan for the overall ICOFR program. The framework is based on best practices under the COSO[i] and COBIT[ii] frameworks. The ICOFR program is assisted by WCB's Management Audit Services group and program results are shared with the Office of the Auditor General.

Business planning
An important aspect of financial planning and budgeting is linkage to WCB's strategic plan and the resulting corporate objectives developed each year in support of the strategic plan. These objectives and the related performance indicators set the direction for the organization and identify the significant areas of focus for the coming year. The annual budget establishes the foundation for appropriate resource allocation for achieving the corporate objectives.

[i] *Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework), which developed a governance framework for internal control.*

[ii] *Control Objectives for Information and Related Technology, a collection of best practices for IT governance, control and assurance.*

Emerging Standards

WCB conducts continuous environmental scanning of the financial reporting and actuarial standard-setting landscape. Important developments in recognition and measurement of critical financial statement items may have significant implications for funded position and financial performance in the current and future reporting periods. Once the standards are officially issued, WCB analyzes their key requirements to ensure that any major impacts on the organization are well understood, thus facilitating timely planning and effective implementation of accounting processes and systems that will result in high-quality financial reporting.

The following are the major developments in professional standards that WCB is closely monitoring:

IFRS 16 LEASES

IFRS 16, issued January 2016, will require a lessee to recognize all leases (both finance and operating) in the statement of financial position as assets and corresponding liabilities, with limited exceptions. The guidance remains largely unchanged for finance leases, but recognition of operating leases could materially increase both assets and liabilities. In addition, IFRS 16 requires a supply arrangement for services to be accounted for as an in-substance lease if the customer has control over the use of the asset or assets that are critical to fulfilment of the contractual obligations. For all leases, adoption of IFRS 16 will require recognition of a right-of-use asset measured at the present value of future lease obligations, which will be amortized over the expected lease term in accordance with the depreciation requirements of IAS 16 *Property, Plant and Equipment*.

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. Implementation activities are currently underway. For further discussion on the application of IFRS 16, see the section in Note 3 *Accounting Policy Changes* for standards issued but not yet effective, in the accompanying consolidated financial statements and notes.

IFRS 17 INSURANCE CONTRACTS

IFRS 17, which replaces IFRS 4 Insurance Contracts in its entirety, was released in May 2017. To provide guidance on implementation, the Canadian Institute of Actuaries will be issuing a draft standard of practice to address the major requirements of IFRS 17. Expected impacts, which could be significant for WCB, will affect valuation methodologies, data requirements and actuarial reporting. Additionally, the general measurement model for insurance contracts will introduce important new concepts, definitions, recognition and measurement approaches for insurance liabilities and revenue, which will also drive major revisions in financial statement presentation and disclosure.

Some important changes for WCB arising from adoption of IFRS 17 include:

Discount rate
The interest rate used to discount future cash flows arising from its claim obligations could change materially. The prescribed approach involves the development of a yield curve using observable market data for an actual or a reference portfolio of fixed income assets with similar cash flow characteristics as the comparable liability portfolios. This new methodology could potentially introduce material increases or decreases in claim benefit liabilities, as well as volatility in subsequent measurements.

Risk adjustment
IFRS 17 prescribes an explicit risk margin (i.e., a standalone provision) for measurement uncertainty of the best estimate liability cash flows for non-financial risks. This approach represents a major departure from current practice, where uncertainties and risks are reflected through an implicit margin in the discount rate. The objective for consolidating all such risk adjustments into a single explicit margin is to enable greater transparency and understanding of the liability estimates. IFRS 17 does not prescribe a particular technique for quantifying the risk adjustment, but allows judgment in how it is developed and applied. Although the methodology to be used and amount of the risk margin have not been determined, it could materially affect the WCB claim benefit liabilities.

The IFRS 17 effective date will be no later than January 1, 2021, with early adoption permitted. A multi-year implementation strategy and plan, developed in 2017, will be finalized, approved and rolled out starting in the second quarter of 2018 and continuing over the next three years. For further discussion on the application of IFRS 17, see the section in Note 3 *Accounting Policy Changes* for standards issued but not yet effective, in the accompanying consolidated financial statements and notes.

Looking Ahead

Looking ahead to 2018, WCB will continue to manage its business with a solid focus on financial sustainability in the face of global and provincial economic uncertainty. WCB's business priorities are committed to building on operational and financial strategies that have contributed to its organizational success. Management closely monitors economic and operating trends to develop proactive and measured responses to emerging business issues.

BUSINESS OUTLOOK

Customer operations

WCB employees care about helping injured workers and their employers achieve positive results following a workplace incident causing injury or illness. By taking a worker-centric approach and making fair decisions, WCB employees ensure clients receive the right benefits and services to help them recover their health and independence.

A safe return to work is a partnership; it is the strength of our relationships with employers, injured workers and health care providers that creates an environment where workers are well supported in their recovery and return to work.

In 2018, WCB has clear direction from new legislation and is working through new policy to continue delivering the best care and support for a successful and positive experience for recipients of workers' compensation system assistance. Together, we will minimize the impact of work-related injury and illness.

Financial management

WCB's financial management activities are a critical component of the organization's long term financial health and the sustainability of future payments to injured workers. WCB's independent actuaries have estimated that WCB's total obligation for injured worker benefits that will be paid in the future, related to past accidents, will total approximately $17.7 billion. WCB's financial management activities are focused on ensuring that WCB's $10.8 billion investment portfolio earns sufficient investment income in order to fully pay these obligations for decades into the future.

The total investment portfolio return for 2018 is budgeted at 4.9% which is slightly above the 4.6% actuarial return required to pay for the expected 2018 escalation of the claim benefit liability. The budgeted investment return is based on rigorously developed capital market and economic forecasts that are inherently susceptible to a significant level of volatility which may create investment surpluses or deficits.

The management of WCB's $8.4 billion claim benefit liabilities is an activity that includes significant assumptions, methodologies and claim data. Annually, the claim benefit liability undergoes a thorough valuation in order to determine the present value of all future claim payments related to past injuries that have occurred. Due to the significant uncertainty regarding claim experience from year to year, WCB does not budget for claim experience gains or losses. Any actuarial experience gains or losses arising from claim experience, changes to policies during 2018 or changes to assumptions/methods during the 2018 valuation process, will be recorded in the financial statements as they arise.

The combination of investment surpluses/deficits and actuarial experience gains/losses arising during 2018 may have a material effect on WCB's funded ratio.

2018 premium rate

For 2018, the average premium rate is budgeted at $1.02 per $100.00 of insurable earnings. Insurable earnings are budgeted to grow by 7.9% to $108.3 billion, representing a continuation of recovery from 2017, after a particularly deep recession. The budget rate of $1.02 does not include impacts of new legislation, which would result in an expected rate of $1.13. The difference between the rates will be absorbed by the Accident Fund (see Note 4 *Funding*). Lost-time claim volume in 2018 is expected to remain stable to 2017, while fully-funded costs (i.e., the full cost of injuries that take place in the rate setting year, which includes a provision for the future costs that are expected to be incurred for those injuries) are expected to grow by 8.1%, reflecting the impact of significant legislation changes that provide benefit enhancements to injured workers. Any change in the mix of actual growth between insurable earnings and fully funded costs will have an impact on the average premium rate that is ultimately required.

OUTLOOK FOR FINANCIAL CONDITION

At the end of 2017, WCB's funded ratio was 127.3% (assets over liabilities). Given economic uncertainty and the volatility of investment returns, it is difficult to determine, with any certainty, WCB's funding position into the future. Despite these uncertainties, WCB's broad based risk management framework is designed to mitigate, where possible, this economic and capital market volatility.

The outlook for 2018 is based on the expectation of a continuation of the recovery that began in 2017. Ongoing modest economic growth should boost wages and employment, lifting insurable earnings and therefore premium revenues. On the cost side, a continued growth trajectory in claim volume from 2017 would place upward pressure on claims costs. The relative magnitude of these changes is uncertain and will affect the size of the resulting operating surplus or deficit. Legislated changes to certain benefits will come into effect in 2018. The cost implications of these changes were excluded from the calculation of 2018 premium rates and will be absorbed by the Accident Fund.

FACING THE FUTURE

2018 is a year of transition as new legislation, policy and operational changes come into effect. Our employees and partnerships will be vital as we work to implement the changes successfully.

Collaboration and communication are the keys to delivering continued success for our stakeholders. Our collective focus is to act fairly, consistently, thoughtfully and respectfully and to ensure:

- Workers feel engaged, supported and heard to achieve a sense of ownership in their recovery and the return to work;
- Employers continue to support creative return-to-work solutions, enhance performance and increase accountability; and
- WCB employees maintain their strong commitment to compassionate, efficient and proactive care planning.

We believe our efforts will strengthen the system and give Albertans more confidence in it. We are fully committed to providing caring service and balancing the interests of workers and employers to achieve positive results.

WCB-Alberta

Consolidated Financial Statements and Notes

For the year ended December 31, 2017

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Responsibility for Financial Reporting

The consolidated financial statements of the Workers' Compensation Board - Alberta were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The effectiveness of controls over financial reporting was assessed and found to provide reasonable assurance that internal controls at December 31, 2017 operated effectively with no material weaknesses in the design or operation of the controls.

The Board of Directors is responsible for overseeing management in the performance of financial reporting responsibilities and has approved the consolidated financial statements included in the annual report.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the consolidated financial statements and meets periodically with management, internal and external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

Eckler Ltd. has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of the WCB and to report thereon in accordance with generally accepted actuarial practice.

The Office of the Auditor General, the independent auditor of the WCB, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The Independent Auditor's Report outlines the scope of this independent audit and the opinion expressed.

E. James Kindrake
Chair, Board of Directors
Workers' Compensation Board – Alberta

Guy R. Kerr
President & Chief Executive Officer
Workers' Compensation Board – Alberta

Ron J. Helmhold, FCPA, FCA
Chief Financial Officer
Workers' Compensation Board – Alberta

Independent Auditor's Report

Auditor General OF ALBERTA

To the Board of Directors of the Workers' Compensation Board – Alberta

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Workers' Compensation Board – Alberta, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of comprehensive income, changes in funded position and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board – Alberta as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

April 17, 2018

Edmonton, Alberta

Eckler
CONSULTANTS + ACTUARIES

Actuarial Statement of Opinion

on the valuation of the claim benefit liabilities of the Workers' Compensation Board – Alberta as at December 31, 2017

I have completed the actuarial valuation of the claim benefit liabilities of the Workers' Compensation Board – Alberta (WCB) for the consolidated financial statements of the WCB as at December 31, 2017 (the "valuation date").

In my opinion, the actuarial liabilities of $8,381.7 million make reasonable provision for future payments for short term disability, vocational rehabilitation, long term disability, survivor and health care benefits with respect to claims which occurred on or before the valuation date, and for all occupational disease claims expected to arise after the valuation date as a result of exposures incurred in the workplace on or before the valuation date in respect of occupational diseases with a long latency period that are recognized by the WCB. This amount provides for future claim administration costs, but does not include a provision for benefits and payments that are on a self-insured basis.

The valuation was based on the provisions of the *Workers' Compensation Act* of Alberta and on the WCB's policies and administrative practices in effect at the time of the valuation. Benefit changes resulting from amendments included in *An Act to Protect the Health & Well-Being of Working Albertans* have been considered and resulted in an increase to the claim benefit liabilities of $314.6 million.

The data on which the valuation is based were provided by the WCB; I applied such checks of reasonableness of the data as I considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities and that the data are consistent with WCB's consolidated financial statements. In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

The economic assumptions adopted for purposes of computing the liabilities are consistent with the WCB's funding and investment policies. For this valuation, a real rate of return of 2.50% per annum was used to discount expected payments subject to inflation. Other economic assumptions underlying the calculations include annual changes in the Consumer Price Index (CPI) of 2.00%, as well as health care costs and vocational rehabilitation benefits assumed to grow at annual rates of 2.50% and 1.00% respectively in excess of CPI. The annual increase for benefits subject to the cost of living adjustments (COLA) is assumed at CPI plus 0.02%, following the legislative change; previously, it was assumed at CPI minus 0.47%. In my opinion, the assumptions are appropriate for the purpose of the valuation.

The assumptions and methods employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. Projections of future claim payments and awards have been made using factors developed from the WCB's claims experience, mortality and other assumptions. In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

There has been no change made to the actuarial methods and assumptions since the previous valuation, other than the aforementioned change to the COLA assumption. Details of the data, actuarial assumptions, valuation methods and analysis of results are set out in my actuarial report as at the valuation date, of which this statement of opinion forms part.

In my opinion, the amount of the claim benefit liabilities makes appropriate provision for all personal injury compensation obligations and the consolidated financial statements fairly represent the results of the valuation. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

Richard Larouche

Richard Larouche, FSA, FCIA
Actuary
Eckler Ltd.
April 16, 2018

Workers' Compensation Board – Alberta

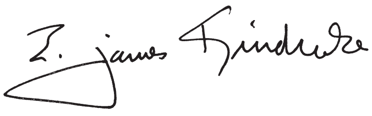
Consolidated Statement of Financial Position

As at December 31

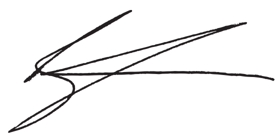
($ thousands)	Notes	**2017**	2016
ASSETS			
Cash and cash equivalents	19(a)	$ 495,210	$ 321,992
Trade and other receivables	19(b)	33,038	65,187
Investments	5	10,781,370	10,052,375
Property, plant and equipment	8	70,027	58,664
Intangible assets	9	37,472	31,079
		$ 11,417,117	$ 10,529,297
LIABILITIES			
Trade and other liabilities	19(c)	$ 64,349	$ 53,012
Investment liabilities	5	14,104	743
Employer liabilities	19(d)	303,979	64,792
Safety rebates	19(e)	79,228	78,628
Employee benefits	11	125,202	121,325
Claim benefits	12	8,381,700	7,553,000
		8,968,562	7,871,500
FUNDED POSITION			
Fund Balance	4	1,945,655	2,204,597
Occupational Disease Reserve	4	502,900	453,200
		2,448,555	2,657,797
		$ 11,417,117	$ 10,529,297

LEASE AND OTHER COMMITMENTS	10
CONTINGENCIES AND INDEMNIFICATION	18

Approved by the Board of Directors on April 17, 2018:



E. James Kindrake
Chair, Board of Directors
Workers' Compensation Board – Alberta



Guy R. Kerr
President and Chief Executive Officer
Workers' Compensation Board – Alberta

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

Workers' Compensation Board – Alberta

Consolidated Statement of Comprehensive Income

Year ended December 31

($ thousands)	Notes	2017 Budget	2017 Actual	2016 Actual
REVENUE				
Premium revenue	15	$ 1,068,793	$ 1,039,544	$ 994,527
Investment income	6(a)	417,340	1,077,966	750,760
		1,486,133	2,117,510	1,745,287
EXPENSES				
Claims expense	13	790,404	857,613	781,607
Claims management	13	126,499	121,489	118,064
Interest expense on claim benefit liabilities	12	336,300	328,200	348,900
Remeasurement of claim benefit liabilities	12	-	469,758	321,583
Corporate administration	16	85,089	85,018	91,303
Injury reduction	19(f)	66,801	67,246	67,737
Investment management expense	6(b)	40,305	38,858	36,959
Interest on employee benefit liabilities	11	5,387	4,393	5,136
		1,450,785	1,972,575	1,771,289
OPERATING SURPLUS (DEFICIT)		35,348	144,935	(26,002)
Funding policy distributions	4	-	(356,047)	9,400
NET FUNDING SURPLUS (DEFICIT)		35,348	(211,112)	(16,602)
OTHER COMPREHENSIVE INCOME				
Remeasurement of employee benefit liabilities	11	-	1,870	18,308
TOTAL COMPREHENSIVE INCOME		$ 35,348	$ (209,242)	$ 1,706

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

Workers' Compensation Board – Alberta

Consolidated Statement of Changes in Funded Position

Year ended December 31

($ thousands)	Notes	2017	2016
FUND BALANCE			
Accumulated surplus			
Balance, beginning of year		$ 2,232,896	$ 2,290,698
Net funding deficit		(211,112)	(16,602)
Transfer to Occupational Disease Reserve		(49,700)	(41,200)
		1,972,084	2,232,896
Accumulated other comprehensive income			
Balance, beginning of year		(28,299)	(46,607)
Other comprehensive gain		1,870	18,308
		(26,429)	(28,299)
Fund Balance, end of year		1,945,655	2,204,597
OCCUPATIONAL DISEASE RESERVE	4		
Balance, beginning of year		453,200	412,000
Transfer from Fund Balance		49,700	41,200
Occupational Disease Reserve, end of year		502,900	453,200
		$ 2,448,555	$ 2,657,797

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

Workers' Compensation Board – Alberta

Consolidated Statement of Cash Flows

Year ended December 31

($ thousands)	2017	2016
OPERATING ACTIVITIES		
Cash inflows (outflows) related to business operations		
Employer premiums	$ 998,409	$ 1,021,270
Benefits to claimants and/or third parties on their behalf	(817,574)	(758,602)
Administrative and other goods and services	(228,891)	(214,287)
Injury reduction program	(67,246)	(67,737)
Net cash used for operating activities	(115,302)	(19,356)
INVESTING ACTIVITIES		
Cash inflows (outflows) related to investment assets		
Interest income received	77,121	80,133
Dividend income received	53,260	51,022
Fund distributions received	215,754	166,789
Settlement of derivatives	66,410	(15,053)
Investment management expenses	(38,697)	(36,695)
Proceeds from sale of investments, net of cash purchases	205,643	516,007
Purchase of investments through reinvestment of income received	(262,036)	(236,343)
Cash outflows related to operating assets		
Purchase of property, plant and equipment	(5,207)	(11,039)
Purchase of computer software	(12,418)	(9,608)
Net cash from investing activities	299,830	505,213
FUNDING ACTIVITIES		
Cash outflows related to funding activities		
Funding policy distributions	(11,310)	(457,559)
Net cash used for funding activities	(11,310)	(457,559)
NET INCREASE IN CASH AND CASH EQUIVALENTS	173,218	28,298
Cash and cash equivalents, beginning of year	321,992	293,694
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 495,210	$ 321,992

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017 with comparatives for the year ended December 31, 2016

(thousands of dollars unless stated otherwise).

1. REPORTING ENTITY

The Workers' Compensation Board - Alberta (WCB) is a provincial board created by legislation in 1918. As a statutory corporation, WCB administers the workers' compensation system for the province of Alberta under the authority of the *Workers' Compensation Act* (the Act). WCB's corporate head office is located in Edmonton, Alberta, with operations exclusively within the province of Alberta. WCB's legislated mandate is to provide disability benefits to workers who sustain injuries in the course of employment.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied in the preparation of the consolidated financial statements for all years presented, unless otherwise indicated.

GENERAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) as set out in Part I of the *Chartered Professional Accountants of Canada Handbook* as at and applicable on December 31, 2017.

These consolidated financial statements have been prepared on an historic cost basis except for investments reported at fair value. The principal accounting policies applied in the preparation of the consolidated financial statements on an IFRS basis are set out below.

Basis of consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of WCB and its wholly owned subsidiaries, both of which are Alberta registered corporations:

- **WCB Real Assets Ltd.** – holds portfolio investments in infrastructure and timberlands.
- **WCB Global Real Assets Ltd.** – holds portfolio investments in commercial real estate.

All intercompany transactions and balances have been eliminated on consolidation.

Financial statement presentation

WCB presents its consolidated statement of financial position in order of liquidity.

A financial asset and financial liability may be offset only when an entity currently has a legally enforceable and unconditional right of set-off and intends either to settle the asset and liability on a net basis, or to realize the asset and settle the liability simultaneously. Because WCB receivables with credit balances and derivative contracts in a payable position do not satisfy the critical condition of a legally enforceable right of set-off, they are reclassified and presented as employer liabilities and investment liabilities respectively.

The consolidated statement of comprehensive income reports operating results arising from WCB's primary activities: core business operations including risk underwriting, premium assessment and collection, benefit processing, injury treatment and vocational rehabilitation, and financial management including investment portfolio management and claim benefit liability valuation. Administration expense is presented in the consolidated statement of comprehensive income by function. Other comprehensive income consists of net changes in remeasurement of post-employment defined benefit plan liabilities, which is an item that will not be subsequently reclassified to income or expenses.

In addition to performance reporting, the consolidated statement of comprehensive income also reports funding actions arising from the application of the Funding Policy as established by the Board of Directors. Such actions may include appropriations of excess surplus for distribution back to employers, or collection of special levies required to replenish funding deficits.

Critical judgements and accounting estimates

Management incorporates critical judgements and accounting estimates in developing and applying accounting policies for recognition and measurement. Such judgements and estimates, which reflect best information at a point in time, affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results in subsequent periods could differ from the judgements and estimates used by management in these consolidated financial statements. These differences, which may be material, could require adjustment in those subsequent periods.

Some accounting measurements require management's best estimates for those transactions for which sufficient information may not be available to record a precise amount. Investments (Note 5), Employee benefit liabilities (Note 11), Claim benefit liabilities (Note 12), Premium revenue and the Partnerships in Injury Reduction rebates accrual (Note 15) are the most significant items that are based on accounting estimates.

The areas where judgements affect the consolidated financial statements are described below.

Control over an investee

In preparing consolidated financial statements, WCB must apply judgement to determine whether it has control or significant influence with respect to the activities of its investees. Control arises from WCB holding voting or contractual rights to direct the activities of the investees affecting returns, and the ability to exercise its voting and/or contractual rights to affect those returns materially. Substantive voting power with respect to relevant activities confers control and results in consolidation of an investee.

For structured entities, such as limited partnerships and similar entities where control stems from contractual or other rights rather than voting power, significant use of judgement is required to evaluate the determinants of control. From its analysis, WCB has concluded that it does not control or have significant influence over its structured entities. As passive portfolio investments, such interests would apply financial instruments accounting.

For further details, see the section *Interests in unconsolidated structured entities* at the end of Note 5.

Fair value measurement

Certain externally managed investments are measured at fair value using valuation models based on discounted future cash flows, rather than directly from observable market prices. Judgement is required to design and build the valuation model(s) using appropriate quantitative methodologies and to select and/or customize the key input assumptions from observable inputs. This includes such factors as the expected yield (i.e., discount rate), revenue and expense growth rates, effect of future inflation, terminal value of assets, income taxes and estimates of the timing and amount of the relevant cash flows.

For further details, see the section *Valuation of financial instruments* in Note 5.

Foreign currency translation

WCB's consolidated financial statements are presented in Canadian dollars, which is also the functional currency. All financial information presented is rounded to the nearest thousand, unless otherwise stated. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the consolidated statement of financial position. Exchange differences arising from settlement of monetary items are included in income in the period in which they arise. Non-monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect when those transactions occurred.

Cash equivalents

Cash equivalents include short-term, liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash and short-term investments held by custodians are not available for general use, and are accordingly included in investments.

Finance expense

Finance expense comprises primarily recognition of interest (i.e., time value of money) inherent in discounted liabilities. Significant discounted liabilities include claim benefit liabilities, employee benefit plans and lease obligations.

SPECIFIC ACCOUNTING POLICIES

To facilitate a better understanding of WCB's consolidated financial statements, specific accounting policies are disclosed in the related notes:

3. ACCOUNTING POLICY CHANGES

STANDARDS, AMENDMENTS, AND INTERPRETATIONS EFFECTIVE IN THE CURRENT YEAR

IFRS 9 *Financial Instruments*

In 2017, WCB adopted IFRS 9 (2014) on a retrospective basis. IFRS 9 retains but simplifies the classification and measurement model for financial assets and financial liabilities: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through income (FVTI). In applying IFRS 9, WCB concluded that its business model for portfolio investments does not qualify for the revised amortized cost or FVOCI classifications, with FVTI remaining the appropriate designation. A new expected credit loss (ECL) model supersedes the incurred loss impairment model for financial assets measured at amortized cost. A simplified approach, rather than the multi-stage impairment model prescribed by IFRS 9, has been applied for trade receivables, resulting in recognition of a loss allowance for lifetime ECL at origination of the receivable. The revised pronouncements on hedge accounting are not applicable to hedges of WCB's foreign currency risk.

Application of IFRS 9 did not have a material impact on results of operations or financial position and no adjustments were recorded on transition.

IFRS 15 *Revenue from Contracts with Customers*

WCB early adopted IFRS 15 in 2017 rather than at its mandatorily effective date of January 1, 2018. IFRS 15 introduces new principles for revenue recognition. The core principle is that revenue reflects the expected consideration that the entity is entitled to receive in exchange for transferring goods or services to a customer. IFRS 15 requires an entity to measure and allocate contract consideration to performance obligations, and recognize revenue as performance obligations are fulfilled. WCB's primary revenue from insurance contracts is expressly scoped out of the standard, but IFRS 15 applies to service contracts for claims and disability management of self-insured plans, and industry services related to safety education, occupational and vocational rehabilitation, sale of materials, and so on.

Application of IFRS 15 to these service contracts did not have material impact on results of operations or financial position and no adjustments were recorded on transition.

STANDARDS, AMENDMENTS, AND INTERPRETATIONS ISSUED AS OF YEAR END BUT NOT YET EFFECTIVE

IFRS 16 *Leases*

IFRS 16 *Leases*, issued in January 2016, will require lessees to apply a single 'on-balance sheet' model, similar to finance leases, for all qualifying contractual arrangements except short-term leases of 12 months or less and leases of low-value assets. In addition to the single accounting model, a key principle of IFRS 16 is whether the lessee acquires control over the use of an underlying asset. Where such control exists, the requirements of the standard would apply. Absent such control, the arrangement is not a lease (i.e., the right to use the asset), but a contract for services only (i.e., delivered using an asset controlled by the vendor). If an in-scope leasing relationship has been established, at the lease commencement date, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognize interest expense on the lease liability and depreciation expense on the right-of-use asset separately.

Although implementation activities are underway, WCB has not yet determined the impact of applying IFRS 16 on its financial results. IFRS 16 is mandatorily effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB released the new insurance contracts standard, which prescribes a new measurement model for contracts that involve the transfer of insurance risk from an insured to an insurer for consideration, which would include statutory workplace injury compensation systems such as WCB.

Key features of the measurement model

For WCB, the proposed approach for valuation of insurance liabilities is expected to be based on the general measurement model (also called the building block approach) prescribed in IFRS 17:

- Expected present value of future fulfilment cash flows
- A current discount rate (i.e., updated at the end of each reporting period), which reflects the cash flows and risk characteristics of the insurance contract liability
- A risk adjustment (explicit risk margin) for measurement uncertainty of future fulfilment cash flows
- A contractual service margin that would defer any future profit recognized at inception of the contract. This margin is not expected to apply to WCB as it is not a for-profit insurer.

Changes to current actuarial practices are also expected in order to align with IFRS 17 requirements.

Financial reporting impacts

Insurance revenue will be reported using a new presentation format in the statement of comprehensive income, with separate subtotals for results from insurance underwriting and asset-liability management activities (i.e., investment returns and interest on the claim benefit liabilities). Enhanced disclosure must be provided on insurance risks, actuarial judgments, methods and assumptions, and sensitivity of key valuation inputs.

As WCB is still in the early stages of assessing the requirements and expected impacts of IFRS 17, no determination can be made of its effects on WCB's financial position and operating results.

Transition and effective date

IFRS 17 is mandatorily effective for annual reporting periods beginning on or after January 1, 2021, with early adoption permitted. The new standard must be applied on a retrospective basis subject to certain transitional relief.

4. FUNDING

Accident Fund

The Act stipulates the creation of an Accident Fund (the Fund) to support a sustainable workers' compensation system for the benefit of workers and employers. Sufficient funds must be available in the Accident Fund for the payment of present and future compensation. WCB must therefore maintain a minimum 100% Funded Ratio at all times. This Funded Ratio represents the current funding status of the Fund.

The Funded Position is maintained through two reserves within the Accident Fund: the Fund Balance and the Occupational Disease Reserve (ODR). The Fund Balance represents accumulated net operating surpluses retained against financial uncertainty. The ODR was established through an appropriation from the Fund Balance to provide for costs arising from latent occupational injury or disease where a causal link to the workplace has not been established, but may be established in the future. The ODR is maintained at 6% of claim benefit liabilities in each year through a transfer from or to the Fund Balance.

FUNDING POLICY AND CAPITAL MANAGEMENT

Since the Act does not provide for an ownership-based capital structure, WCB views its available capital resources as synonymous with its Funded Position. The primary objective in managing the Funded Position is to mitigate the risk of being unfunded, while a secondary objective is to minimize premium rate volatility caused by investment and claim benefit liability risk. WCB manages the financial status of the Accident Fund by monitoring the Funded Position and making funding decisions in accordance with the Funding Policy.

The Funding Policy sets a target zone of 114–128% for the Funded Ratio (total assets divided by total liabilities) to guide funding decisions. When the Funded Ratio falls below the target zone, special funding requirements are included in premium rates. When the Funded Ratio is above the target zone, funding policy distributions may be paid. There were no changes to the described Funding Policy or capital management practices during the year.

($ thousands)	**2017**	2016
Accident Fund		
Total assets	$ 11,417,117	$ 10,529,297
Less:		
Total liabilities	8,968,562	7,871,500
Funded Position	$ 2,448,555	$ 2,657,797
Funded Ratio	127.3%	133.8%

The funded position is net of funding policy credits of $356.0 million issued against employer accounts in December 2017.

5. INVESTMENTS

ACCOUNTING POLICY

WCB's portfolio investments are classified at fair value through income and are managed in accordance with portfolio management objectives and the Investment Policy. WCB utilizes trade-date accounting (date when transactions are entered into, rather than when they are settled) for purchases and sales of financial instruments.

Upon initial recognition, debt and equity securities, which include unit interests in pooled investments, are recognized at their fair value plus costs relating to trade settlement, if applicable. Changes in the carrying value of all portfolio investments arising from subsequent remeasurement are recognized in investment income in the period in which they occur, including the immediate expensing of transaction costs.

Derivatives are recognized at inception, and subsequently remeasured as at the reporting date, at their fair value. Gains and losses resulting from remeasurement are recognized in investment income in the respective periods in which they arise. Derivatives are not used for trading, but to manage economic and asset risk exposures. WCB does not apply hedge accounting with respect to such use of derivatives.

Cash, net receivables and payables held within the investment portfolio are carried at amortized cost.

Valuation of financial instruments

The fair value of financial instruments as at the reporting date is determined as follows:

Debt and equity securities

- Publicly traded equity securities are based on their closing prices. Debt securities traded over-the-counter are based on the average of the latest bid/ask prices provided by independent third party securities valuation companies.
- Non-publicly traded pooled funds are valued at the net asset value of the funds, which reflect the fair values of fund assets less fund liabilities.
  - The fair value of the underlying loans in the commercial mortgage fund is based on the market interest rate spread over Bank of Canada bonds with a similar term to maturity.
- Structured entities such as limited partnerships and similar private equity funds are also valued at the net asset value of the funds.
  - The fair value of the underlying real assets in real estate, infrastructure, and timberlands funds are based on independent annual appraisals in accordance with generally accepted valuation standards, net of any financing liabilities against specific fund assets.

Further discussion of the valuation of structured entities is provided in the Level 3 fair value hierarchy disclosure in the following section.

Derivative contracts

- Foreign-exchange forward contracts are valued based on the change in the foreign-exchange forward rate of the underlying currency pairing specified in the forward contract.
- Equity index futures are valued based on their closing prices on the exchange in which they trade. These prices reflect changes in the equity market index specified in the futures contract.
- Currency futures are valued based on quoted prices on the exchange in which they trade. These prices reflect changes in the foreign-exchange forward rate of the underlying currency pairing specified in the futures contract.
- Bond futures are valued based on settlement prices on the exchange in which they trade. These prices reflect changes in the bid/ask prices of the underlying bonds in dealer markets

INVESTMENT PORTFOLIO HOLDINGS

WCB's portfolio investments are all classified at fair value through income. The table in this section presents the fair value of WCB's investments as at December 31, together with their classifications under the fair value measurement hierarchy. Note 6 *Investment Income and Expense* provides a breakdown of investment income by type.

Fair value classification hierarchy

The fair value of WCB's investments recorded on the consolidated statement of financial position was determined using one of the following valuation techniques:

Level 1 The fair value is based on quoted prices in active markets for identical assets or liabilities. This level includes equity securities and derivative contracts that are traded in an active exchange market.

Level 2 The fair value is based on inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs based on observable market data. It includes pooled funds invested in traded securities, as well as derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 The fair value is based on unobservable inputs that are significant to the fair value of the assets or liabilities and have little or no market activity. This level includes financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation. The most significant inputs affecting the fair value calculations include the projected operating and capital-related cash flows and the associated discount rate. The discount rate is responsive to changes in macroeconomic factors affecting the risk profile of invested assets such as demand, market conditions, financial risks, future inflation, and so on. This level includes pooled funds invested in debt securities, private equity, real estate, infrastructure and timberlands.

The table below summarizes the basis of fair value measurements for financial assets held in WCB's investment portfolio:

($ thousands)	Fair value through income				Amortized		
	Level 1	Level 2	Level 3	Fair Value	Cost[5]	2017	2016
Fixed income							
Nominal bonds	$ 2,532	$ 1,953,678	$ 419,475	$ 2,375,685	$ 20,615	$ 2,396,300	$ 2,249,373
Mortgages [1]	-	-	442,894	442,894	-	442,894	425,593
	2,532	1,953,678	862,369	2,818,579	20,615	2,839,194	2,674,966
Equities							
Domestic	577,249	524,841	-	1,102,090	2,903	1,104,993	1,074,943
Foreign [2]	1,907,313	1,124,079	-	3,031,392	28,351	3,059,743	2,716,777
	2,484,562	1,648,920	-	4,133,482	31,254	4,164,736	3,791,720
Inflation-sensitive							
Real estate [3]	242,049	-	1,190,939	1,432,988	892	1,433,880	1,399,246
Infrastructure [4]	497,711	-	976,292	1,474,003	23,295	1,497,298	1,359,955
Timberlands	-	-	99,267	99,267	-	99,267	97,738
Real-return bonds	-	737,129	-	737,129	1,998	739,127	702,026
	739,760	737,129	2,266,498	3,743,387	26,185	3,769,572	3,558,965
	3,226,854	4,339,727	3,128,867	10,695,448	78,054	10,773,502	10,025,651
Derivative assets	-	1,046	-	1,046	6,822	7,868	26,724
Derivative liabilities [6]	(1,080)	(13,024)	-	(14,104)	-	(14,104)	(743)
Investments (net of derivatives)	$ 3,225,774	$ 4,327,749	$ 3,128,867	$ 10,682,390	$ 84,876	$ 10,767,266	$ 10,051,632
Presented as:							
Investments	$ 3,226,854	$ 4,340,773	$ 3,128,867	$ 10,696,494	$ 84,876	$ 10,781,370	$ 10,052,375
Derivative liabilities [6]	(1,080)	(13,024)	-	(14,104)	-	(14,104)	(743)
Investments (net of derivatives)	$ 3,225,774	$ 4,327,749	$ 3,128,867	$ 10,682,390	$ 84,876	$ 10,767,266	$ 10,051,632

[1] *Mortgages include commercial mortgages and multi-unit mortgages, excluding single-dwelling residential mortgages.*
[2] *Foreign equities comprise U.S., EAFE (Europe, Australasia, and Far East), and Emerging Markets mandates.*
[3] *Real estate investments consist of pooled funds invested in commercial properties.*
[4] *Infrastructure consists of pooled funds invested in infrastructure projects.*
[5] *Includes portfolio cash, receivables, and payables whose cost approximates fair value.*
[6] *Derivative liabilities are presented as investment liabilities in the consolidated statement of financial position.*

Transfers between levels

There were no material transfers between levels during 2017 or 2016.

Reconciliation of Level 3 activity

($ thousands)	Fixed Income	Equities	Real Estate	Infrastructure	Timberlands	2017 Total	2016 Total
Balance, beginning of year	$ 836,777	$ 120	$ 1,175,156	$ 904,043	$ 97,738	$ 3,013,834	$ 3,176,382
Income distributions	17,552	-	-	-	-	17,552	22,323
Fair value change	11,008	-	55,882	27,452	1,529	95,871	131,693
Purchases (capital returns) of Level 3 investments	3,176	-	14,884	49,559	-	67,619	411,901
Sale/settlement of Level 3 investments	(6,144)	(120)	(54,983)	(4,762)	-	(66,009)	(728,465)
Balance, end of year	$ 862,369	$ -	$ 1,190,939	$ 976,292	$ 99,267	$ 3,128,867	$ 3,013,834

INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Through its investment program, WCB is involved with structured entities which comprise structured vehicles (i.e., limited partnerships and structured equity) invested in operating property assets, as well as pooled funds invested in financial instruments of property-based issuers. The following discusses some unique characteristics of such entities and the nature of the risks attached to them.

Relevant activities of the structured entities that affect returns include identification, selection and/or development and operation of established properties with stable cash flows and strong capital appreciation potential. Development and execution of an exit strategy is another important activity.

Significant constraints are imposed on funds invested in structured entities, by virtue of their legal agreements, regulatory environment and the nature and economics of the underlying assets. Once committed, an investor is expected to fund the entire subscribed amount over the term of the agreement (typically over the next five to ten years), unless the investment agreement provides otherwise. Once invested, funds are no longer available to the investor, and withdrawal through sale or transfer of interests is permitted only after a certain period as stipulated in the agreement.

The primary risk to WCB, relating to these structured entities, is lack of liquidity due to the size of the positions and the limited number of qualifying investors; and, these entities are invested in specialized or long-term assets that are difficult to liquidate due to the nature of their markets. WCB is also exposed to market and operating risks based on the underlying assets held by these entities.

WCB's financial exposure is limited to the net carrying amount of the investment.

The following table provides information about WCB's interests in unconsolidated structured entities:

($ thousands)	**2017**		2016	
Structured Entity Type by Mandate	**Carrying Value**	**Undrawn Funding Commitments**	Carrying Value	Undrawn Funding Commitments
Limited partnerships				
Nominal bonds	$ 11,391	$ -	$ 18,066	$ -
Real estate	180,983	26,030	224,727	11,475
Infrastructure	976,292	194,717	904,043	293,935
Timberlands	99,267	40,327	97,738	217,500
	1,267,933	261,074	1,244,574	522,910
Structured equity				
Real estate	603,418	-	545,408	-
	$ 1,871,351	$ 261,074	$ 1,789,982	$ 522,910

6. INVESTMENT INCOME AND EXPENSE

ACCOUNTING POLICY

The primary components of investment income include:

(a) Gains and losses from investments classified at fair value through income (including gains and losses from remeasurement and from disposition of assets) recognized in income in the period in which they arise;

(b) Interest revenue accrued using the effective interest method, net of amortization of any premium or discount recognized at date of purchase;

(c) Dividend income when a right to payment has been established based on the ex-dividend date for quoted securities; and

(d) Pooled fund distributions (fund income received as cash or reinvested in the fund) when a right to distributable income has been established. Fund distributions do not attribute underlying income by nature.

Investment expense is composed primarily of investment management expenses, for both external and internal portfolio managers. Fund management expenses of pooled investments, excluding investment management fees, are netted against the revenues of those respective funds.

(a) Investment Income

($ thousands)						**2017**	2016
	Interest	Dividends	Fund Distributions[1]	Gains (Losses) on Investments[2]	Gains (Losses) on Derivatives[3]	**Total**	Total
Fixed income							
Bonds	$ 71,973	$ -	$ 6,180	$ (2,933)	$ 3,225	$ 78,445	$ 91,259
Mortgages	-	-	17,552	(251)	-	17,301	13,544
Short-term investments	4,616	-	-	-	-	4,616	3,243
	76,589	-	23,732	(3,184)	3,225	100,362	108,046
Equities							
Domestic equities	-	15,570	30,622	33,859	-	80,051	210,342
Foreign equities	-	37,829	56,008	469,191	21,741	584,769	101,846
	-	53,399	86,630	503,050	21,741	664,820	312,188
Inflation-sensitive							
Real estate	-	-	20,843	63,894	-	84,737	108,928
Infrastructure	-	-	84,576	128,221	6,993	219,790	210,265
Timberlands	-	-	6,293	1,528	436	8,257	11,333
	-	-	111,712	193,643	7,429	312,784	330,526
	$ 76,589	$ 53,399	$ 222,074	$ 693,509	$ 32,395	$1,077,966	$ 750,760

(b) Investment Management Expense

($ thousands)	**2017**	2016
Fund management fees	$ 35,255	$ 33,188
Custody fees	432	400
Investment administration[4]	3,171	3,371
	$ 38,858	$ 36,959

[1] *Fund Distributions include distributions received from fund managers, irrespective of the type of underlying income within the fund.*
[2] *Gains (Losses) on Investments include realized amounts from disposition and fair value remeasurement.*
[3] *Gains (Losses) on Derivatives include fair value measurement and settlement gains and losses, as well as adjustments for counterparty default risk, if any.*
[4] *Investment administration represents internal investment management expenses, see Note 16* Administration Expense.

7. INVESTMENT RISK MANAGEMENT

INVESTMENT GOVERNANCE

The Board of Directors is ultimately responsible for overall strategic direction and governance of the investment portfolio through its review and approval of the Investment Policy and ongoing monitoring of investment risks, performance, and compliance.

WCB management is responsible for monitoring investment performance, recommending changes to the Investment Policy, and selecting fund managers. WCB retains independent consultants to benchmark the performance of its fund managers, and to advise on the appropriateness and effectiveness of its Investment Policy and practices.

KEY FINANCIAL RISKS

The primary financial risk for WCB is the risk that, in the long term, returns from its investments will not be sufficient to discharge all obligations arising from its claim benefit liabilities. In order to manage this funding risk, risk management for investments has been integrated with risk management of liabilities. WCB's primary risk mitigation strategy is effective execution of its Investment Policy. The Investment Policy target asset mix, and associated risk and return characteristics, have been established to provide guidelines for a broad investment strategy, as well as specific approaches to portfolio management. The Investment Policy also calls for maintaining a well-diversified portfolio, both across and within asset classes, as well as engaging fund managers who represent a broad range of investment philosophies and styles, operating within a rigorous compliance framework.

WCB has identified key areas of investment risk that directly affect the sufficiency of its investments to fund current and future claim obligations:

Market risks
- These risks include movements in equity market prices, interest rates, credit spreads, and foreign currency exchange rates.

Portfolio risks
- These risks relate to specific composition and management of WCB's portfolio and include liquidity risk, securities lending risk, counterparty default risk and derivatives risk.

The following sections describe these risks, WCB's exposures, and their respective mitigation strategies.

MARKET RISKS

Equity market risk

WCB is exposed to equity market risk, which is the risk that the fair value of its investments in publicly traded shares will fluctuate in the future because of price changes. WCB's mitigation strategy for equity market risk is to apply disciplined oversight of investment activities within a formal investment control framework that has been reviewed and validated by independent experts to ensure continuous compliance with approved policies and practices.

The table below presents the effect on WCB's equity mandates of a significant adverse change[1] in the key risk variable - the amount of portfolio volatility:

($ thousands)	**2017**		2016	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% change in portfolio	(8.0%)	(16.1%)	(8.6%)	(17.1%)
Canadian	$ (88,893)	$ (177,787)	$ (92,000)	$ (184,000)
% change in portfolio	(9.6%)	(19.2%)	(9.3%)	(18.6%)
Global	$ (234,551)	$ (469,103)	$ (210,057)	$ (420,114)
% change in portfolio	(13.5%)	(26.9%)	(14.3%)	(28.5%)
Emerging markets	$ (82,638)	$ (165,276)	$ (64,896)	$ (129,792)

[1] *A change is considered to be material when it exceeds the standard deviation (std dev), which measures the variance in a normal probability distribution. One standard deviation covers 68% of all probable outcomes; two standard deviations include 95% of outcomes. The benchmark deviations are based on 2017 data.*

Fixed income pricing risk

Fixed income pricing risk related to financial securities arises from changes in general financial market or economic conditions that may change the pricing of the entire non-government bond market, specific sectors, or individual issuers. This risk is generally manifested through changes in the security's credit spread. WCB's investment portfolio is exposed to fixed income pricing risk through participation in a Canadian mortgage pool and through direct holdings of Canadian and foreign fixed income securities.

The table below presents the effects of a change in the credit spreads of 50 and 100 bps[1] on the mortgage portfolio and non-government portion of the bond portfolio:

($ thousands)	**2017**		2016	
Change in credit spreads	**+50 bps**	**+100 bps**	+50 bps	+100 bps
Nominal bonds	$ (22,878)	$ (45,756)	$ (21,821)	$ (43,642)
Mortgages	$ (5,758)	$ (11,515)	$ (5,533)	$ (11,065)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The table below presents the effects of a nominal interest rate change of 50 and 100 bps on the respective bond and mortgage portfolios:

($ thousands)	**2017**		2016	
Change in nominal interest rate	**+50 bps**	**+100 bps**	+50 bps	+100 bps
Nominal bonds	$ (74,800)	$ (149,600)	$ (68,714)	$ (137,427)
Real return bonds	$ (57,024)	$ (114,047)	$ (54,969)	$ (109,937)
Mortgages	$ (5,758)	$ (11,515)	$ (5,533)	$ (11,065)

Foreign currency risk

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

WCB is exposed to currency risk through foreign investments in fixed income, equities, infrastructure and timberlands. The exposures are economically hedged to the Canadian dollar by utilizing futures and forward contracts. The target hedge ratio (percentage of the exposure hedged to Canadian dollars) varies by asset class and currency. The target for fixed income, infrastructure and timberlands is 100%. For foreign equities, the target is 25% for the U.S. dollar and 50% for other major currencies.

WCB's largest foreign currency exposure is to the U.S. dollar, with unhedged holdings of $1,690,113 (2016 – $1,210,018); euro exposure is next, with unhedged holdings of $209,570 (2016 – $182,868); all other currencies have unhedged holdings of $364,250 (2016 - $389,387). For the current reporting period, the net gain from the currency overlay was $34,917 (2016 – $104,596).

The table below presents the effects of a material change in the Canadian/U.S. dollar and Canadian/Euro exchange rate on the investments denominated in foreign currencies:

($ thousands)	**2017**		2016	
	CAD/USD	**CAD/EUR**	CAD/USD	CAD/EUR
December 31 spot rate	0.7981	0.6647	0.7457	0.7070
10% appreciation in the Canadian dollar	0.8779	0.7312	0.8203	0.7777
Global	$ (153,647)	$ (19,052)	$ (109,978)	$ (16,619)

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

PORTFOLIO RISKS

Derivatives risk

Derivatives represent an important component of WCB's risk management strategy and the portfolio does not contain any derivatives intended for speculative or trading purposes. An example of derivatives used for risk mitigation is the currency overlay described in the currency risk section, which is a partial economic hedge of the currency exposure. From time to time, derivatives are also utilized as a portfolio management technique to replicate a target asset mix or achieve certain asset exposures when it is not possible or cost-effective to hold or sell securities directly.

The notional value of a derivative contract used in an economic hedging arrangement, represents the exposure that is being hedged, and is the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Notional amounts are not indicative of the credit risk associated with such derivative contracts. WCB's credit exposure is represented by the replacement cost of all outstanding contracts in a receivable (positive fair value) position.

The table below summarizes the fair value of WCB's derivative portfolio of open contract positions in segregated funds as at December 31. Derivative contracts in a gain position (financial assets) have been presented separately from contracts in a loss position (financial liabilities) and are presented with their remaining terms to maturity.

($ thousands)		2017			2016		
	Term to Maturity	**Notional Principal**	**Derivative Contract Assets**	**Derivative Contract Liabilities**	Notional Principal	Derivative Contract Assets	Derivative Contract Liabilities
Asset replication contracts	Within 1 year	$ 147,384	$ -	$ (1,335)	$ 40,957	$ -	$ (238)
Foreign-exchange contracts	Within 1 year	1,976,626	1,301	(13,024)	2,236,249	26,724	(505)
		$2,124,010	$ 1,301	$ (14,359)	$2,277,206	$ 26,724	$ (743)

The table above presents gross derivative exposures by type of contract, whereas the derivative liabilities presented in the statement of financial position represent net obligations by counterparty. WCB also has indirect exposure to derivatives risk through its pooled investments.

Liquidity risk

Liquidity risk is the risk that WCB will encounter difficulty in meeting obligations associated with its liabilities, particularly claim benefit liabilities, which are funded from cash and cash equivalents, as well as investments where necessary. This risk stems from the lack of marketability of a security that cannot be bought or sold quickly enough to prevent or minimize a loss.

Through a proactive cash management process that entails continuous forecasting of expected cash flows, WCB mitigates liquidity risk by minimizing the need for forced liquidations of portfolio assets in volatile markets and by holding a number of investments in readily marketable instruments (publicly traded equity and fixed income securities). Some investments, particularly those in structured entities, are not readily marketable or liquid, as discussed in the section *Interests in unconsolidated structured entities* in Note 5.

To cover unanticipated cash requirements when market conditions are unfavourable, WCB also has an available standby line of credit of up to $20 million, which has not been drawn down as at December 31, 2017.

Counterparty default risk

Counterparty default risk arises from the possibility that the issuer of a debt security, or the counterparty to a derivatives contract, fails to discharge its contractual obligations to WCB.

To mitigate counterparty default risk, WCB requires that credit ratings for counterparties not fall below an acceptable threshold. The Investment Policy permits bond issuers to have lower than a BBB- (or equivalent) score from a recognized credit-rating agency, but such holdings may not exceed 10% of total fixed income assets in the portfolio. Counterparties for derivative contracts will have at least an A- credit rating or equivalent from a recognized credit-rating agency. Each fund is closely monitored for compliance to ensure that aggregate exposures do not exceed those specified investment constraints.

As at December 31, 2017, the aggregate amount of fixed income securities in segregated funds with counterparty ratings below BBB- was $62,651 (2016 – $120,495). WCB also has indirect exposure to counterparty default risk through its pooled investments.

Securities lending risk

WCB participates in a securities-lending program sponsored by its custodian. Under IFRS 9, securities lending arrangements are considered transfers of assets that are not derecognized because the transferor retains substantively the risks and rewards of ownership, notwithstanding the transferee's right to sell or pledge those assets. WCB is protected against loss of the transferred securities by requiring the borrower to provide collateral in the form of marketable securities having a minimum fair value of 102% of the loan. Such collateral is not recognized because it is available to the transferor only upon failure of the transferee to fulfil its commitments. In any event, the custodian is also contractually obligated to indemnify WCB for any losses resulting from inadequate collateral.

At December 31, 2017, securities on loan through the custodian totalled $2,061,199 (2016 – $1,296,229), secured by $2,242,225 (2016 – $1,391,200) of posted collateral. During 2017, the securities-lending program generated income of $3,607 (2016 – $4,705).

8. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment (PPE) are recognized as an asset if it is probable that WCB will realize future economic benefits. Items are initially measured at acquisition cost, and subsequently at amortized cost.

After initial recognition, property, plant and equipment is stated at historical cost less accumulated depreciation and impairment (if applicable) with the exception of land, which is not depreciated. Leased assets and leasehold improvements are depreciated over their lease term. All other items are depreciated over their expected useful life. Depreciation expense is recognized when an asset is ready for use.

Residual values, useful lives, and depreciation methods are reviewed at each financial year-end and adjusted if appropriate. Depreciation expense is included in claims management and corporate administration in the statement of comprehensive income (see Note 16 *Administration Expense*).

WCB applies the following annual depreciation rates and methods:

Buildings .... *2.5% straight-line*
Leasehold improvements .... *Straight-line over the expected lease term*
Equipment:
- *Computer (owned)* .... *35% declining balance*
- *Computer (leased)* .... *Straight-line over the lease term*

Furniture and other .... *15% declining balance*
Vehicles .... *20% straight-line*

WCB evaluates its property, plant and equipment for indicators of impairment such as obsolescence, redundancy, deterioration, loss or reduction in future service potential, or when there is a change in intended use. When the carrying value exceeds the amount of future economic benefit through utilization, the item of property, plant and equipment is written down to the recoverable amount and the amount recognized as an impairment loss.

($ thousands)						2017	2016
	Land/ Buildings	Leasehold Improvements	Computer Equipment	Office Furniture/ Equipment	Vehicles/ Other	**Total**	Total
Cost							
Balance, beginning of year	$ 63,774	$ 2,042	$ 19,330	$ 20,869	$ 777	$ 106,792	$ 97,810
Current period activity:							
Capitalized expenditure	3,251	200	16,815	851	94	21,211	12,192
Transfer from PPE under construction	(1,891)	(200)	(1,542)	(231)	-	(3,864)	(5,017)
Disposals	-	-	(1,246)	(598)	(101)	(1,945)	(2,057)
PPE under construction	143	-	766	667	-	1,576	3,864
Balance, end of year	$ 65,277	$ 2,042	$ 34,123	$ 21,558	$ 770	$ 123,770	$ 106,792
Accumulated depreciation and impairment							
Balance, beginning of year	$ 23,938	$1,319	$ 8,395	$ 13,816	$ 660	$ 48,128	$ 43,521
Current period activity:							
Depreciation	1,317	214	4,909	1,081	39	7,560	6,664
Disposals	-	-	(1,246)	(598)	(101)	(1,945)	(2,057)
Balance, end of year	$ 25,255	$ 1,533	$ 12,058	$ 14,299	$ 598	$ 53,743	$ 48,128
Carrying value, beginning of year	$ 39,836	$ 723	$ 10,935	$ 7,053	$ 117	$ 58,664	$ 54,289
Carrying value, end of year	$ 40,022	$ 509	$ 22,065	$ 7,259	$ 172	$ 70,027	$ 58,664

Property, plant and equipment under finance leases

Included in property, plant and equipment is computer equipment acquired through finance leases at cost of $3,925 (2016 – $3,475), accumulated depreciation of $1,846 (2016 – $1,558), and carrying value of $2,079 (2016 – $1,917).

See Note 10 *Lease and Other Commitments* for accounting policy and further details on leased property, plant and equipment.

9. INTANGIBLE ASSETS

ACCOUNTING POLICY

WCB's intangible assets are composed of computer software developed internally or acquired through third party vendors and customized as necessary. Development expenditure is capitalized only if the directly related costs (both internal and external) can be measured reliably, the product or process is technically feasible, future economic benefits are probable, and WCB has the intention and sufficient resources to complete development and to use the asset in the manner intended.

Computer software is measured at cost upon initial recognition. After initial recognition, computer software is measured at cost less accumulated amortization and impairment (if applicable). Computer software is amortized on a straight-line basis at 20% per year commencing from the date that the software is available for use.

Residual value, useful lives and amortization methods are reviewed at each financial year-end and adjusted if appropriate. Amortization expense is included in claims management and corporate administration in the statement of comprehensive income (see Note 16 *Administration Expense*).

WCB evaluates its intangible assets for indicators of impairment. When the carrying value exceeds the amount of future economic benefit through utilization, the item is written down to the recoverable amount and the amount recognized as an impairment loss.

($ thousands)			2017	2016
	In Use	Under Development	Total	Total
Cost				
Balance, beginning of year	$ 121,952	$ 12,192	$ 134,144	$ 123,902
Capitalized expenditure	-	13,572	13,572	10,242
Transfers from development	7,189	(7,189)	-	-
Disposals	(3,136)	-	(3,136)	-
Balance, end of year	$ 126,005	$ 18,575	$ 144,580	$ 134,144
Accumulated amortization and impairment				
Balance, beginning of year	$ 103,065	$ -	$ 103,065	$ 94,904
Amortization	7,179	-	7,179	8,161
Disposals	(3,136)	-	(3,136)	-
Balance, end of year	$ 107,108	$ -	$ 107,108	$ 103,065
Carrying value, beginning of year	$ 18,887	$ 12,192	$ 31,079	$ 28,998
Carrying value, end of year	$ 18,897	$ 18,575	$ 37,472	$ 31,079

10. LEASE AND OTHER COMMITMENTS

ACCOUNTING POLICY

Leases of property, plant and equipment where WCB acquires substantially all the risks and rewards of ownership are classified as finance leases. At lease commencement, finance leases are recognized in the consolidated statement of financial position as assets and corresponding obligations at the lower of the fair value of the leased property and the present value of future minimum lease payments.

Lease payments are allocated between the liability and finance charges using the effective interest method to achieve a constant rate of interest on the remaining balance of the lease. The interest portion of the payment is charged to income over the lease period, while the principal portion is applied against the lease obligation.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are charged to income over the lease term.

Lease obligations

WCB has obligations under long-term non-cancellable finance lease agreements for desktop computer equipment and copiers. The land for WCB's rehabilitation centre and office space in Edmonton and Calgary are held under operating leases. WCB's leases have remaining terms of between one and 14 years.

Undiscounted future minimum lease payments under finance leases are $2,187 (2016 – $3,095), with a carrying value of $2,130 (2016 – $2,969), the difference of $57 (2016 – $126) being the effect of discounting.

See Note 8 *Property, Plant and Equipment* for carrying values of computer equipment held under finance leases and Note 19(c) *Trade and Other Liabilities* for presentation of the current finance lease obligation.

Commitments

WCB enters into contractual commitments for purchases of goods and services as part of its regular business activities. Future undiscounted expenditure commitments are listed in the table below.

($ thousands)				**2017**	2016
	Leases				
	Finance	**Operating**	**Other Commitments**	**Total**	Total
2017	$ -	$ -	$ -	$ -	$ 24,394
2018	1,142	1,321	21,039	23,502	5,507
2019	737	1,327	11,237	13,301	2,195
2020	236	1,327	6,413	7,976	1,046
2021	48	1,395	660	2,103	392
2022 and beyond	24	8,824	21	8,869	1,594
	$ 2,187	$ 14,194	$ 39,370	$ 55,751	$ 35,128

WCB also has undrawn investment commitments for certain limited partnerships. See the section *Interests in Unconsolidated Structured Entities* in Note 5 *Investments*.

11. EMPLOYEE BENEFITS

ACCOUNTING POLICY

WCB provides active service and defined post-employment benefits to its employees. WCB also participates in certain multi-employer pension plans sponsored by the province of Alberta. An expense and a liability for benefits earned are recognized in the period that employee service has been rendered.

For defined post-employment benefit plans, current service cost represents the actuarial present value of the benefits earned in the current period. Such cost is actuarially determined using the projected unit credit actuarial method, a market interest rate and management's best estimate of projected benefit costs. The net plan liability as at the reporting date is the present value of the defined benefit obligation, which is determined by discounting the estimated future cash outflows using a discount rate based on market yields of high-quality corporate bonds having terms to maturity that approximate the duration of the related benefit liability less the fair value of plan assets. Current service cost and interest expense of pension and other post-employment benefits are estimated using different discount rates derived from the same yields, reflecting the different timing of benefit payments for past service (the defined benefit obligation) and future service (the current service cost). Current service cost, interest expense and interest income comprise the amount required in each year to build up the liability over the projected benefit period to its future value.

Remeasurement changes in plan assets and benefit liabilities, arising from actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive income.

ACTIVE SERVICE BENEFITS

WCB's short-term benefits for active employees include salary, compensated absence (sick leave, statutory holidays, and annual vacation), group life insurance, dental and medical coverage, employee family assistance program, education support and health and wellness benefits.

Termination benefits are provided for through employment contracts, statutory requirements or constructive obligations. As at December 31, 2017 and 2016, there were no material expenditures or provisions relating to termination benefits.

POST-EMPLOYMENT BENEFITS

Pension plans

Employee post-retirement benefits are provided through contributory multi-employer defined benefit pension plans sponsored by the province of Alberta, namely the Public Service Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). Under defined benefit plan accounting, WCB must recognize its proportionate share, determined on an actuarial basis, of plan assets, obligations, remeasurement amounts, service cost, interest expense and interest income prorated on WCB's share of total contributions.

Both plans have funding deficiencies that have statutory funding requirements by employers and employees to eliminate any plan deficiencies over a specific time horizon. The information in this note reflects the annual actuarial valuation of WCB's share of the plans' assets, benefit obligations, remeasurement amounts, service cost, interest expense and interest income.

Supplemental executive retirement plan

WCB sponsors a non-contributory supplemental executive retirement plan (SERP). Earnings of senior management generally exceed the threshold earnings for the maximum pension benefit permitted under the federal Income Tax Act. Under the terms of the SERP, senior management is entitled to receive supplemental retirement payments that bring their total pension benefits to a level consistent with their total earnings for service since the inception of the SERP or appointment to a senior management position, whichever is later. Future pension benefits are based on the participants' years of service and earnings.

See Note 17 *Related Party Transactions* for a breakdown of SERP costs by executive position.

Post-retirement benefit plan

WCB provides a contributory benefit plan that provides dental and health care benefits to retirees on pensions between the ages of 55 to 65. As plan participants pay part of the benefit cost, the benefit obligation represents the difference between actual costs and contributions subsidized by WCB.

OTHER BENEFIT PLANS

Long-term disability plan

WCB administers a self-insured non-contributory long-term disability (LTD) income continuance plan for its employees. The LTD liability represents the present value of all future obligations arising from disability claims incurred up to and including the reporting date.

EMPLOYEE BENEFIT PLAN ASSUMPTIONS

The table below presents key assumptions applicable to WCB's employee future benefit plans.

	2017					2016				
	PSPP	MEPP	SERP	Post Retirement	LTD	PSPP	MEPP	SERP	Post Retirement	LTD
Date of most recent actuarial valuation	12/31/2017	12/31/2017	12/31/2017	12/31/2017	12/31/2017	12/31/2016	12/31/2016	12/31/2016	12/31/2016	12/31/2016
Economic assumptions										
Discount rate (nominal) for benefit obligation	3.6%	3.6%	3.6%	3.4%	3.2%	4.0%	3.9%	4.0%	3.7%	3.3%
Alberta inflation rate (long-term)	2.0%	2.0%	2.0%	n/a	n/a	2.0%	2.0%	2.0%	n/a	n/a
Salary escalation rate	1.1% for 2 yrs starting 4/1/17; 3.3% thereafter	0% for 1 yr; 2.8% thereafter	0.0%	n/a	2.0%	3.0%	0% for 2 yrs; 2.8% thereafter	0.0%	n/a	2.0%
Multi-employer plan funding assumptions										
WCB share of plan contributory payroll	4.4%	1.2%				4.1%	1.2%			
Current service cost rate on contributory payroll	18.3%	24.0%				17.1%	23.3%			
WCB's contributions for the current period ($ thousands)	$ 15,510	$ 1,282				$ 14,615	$ 1,547			
WCB's expected contributions for the following period ($ thousands)	$ 14,190	$ 1,140				$ 15,053	$ 1,254			

DEFINED BENEFIT PLAN LIABILITIES

($ thousands)	Pension Liabilities [1]	Other Retirement Liabilities [2]	LTD	2017	2016
Change in defined benefit obligation					
Defined benefit obligation, beginning of year	$ 368,902	$ 11,083	$ 13,603	$ 393,588	$ 400,005
Current service cost [3]	15,411	958	4,007	20,376	19,315
Interest expense [4]	14,490	436	423	15,349	16,401
Remeasurement (gains) losses [5]	34,386	1,079	(867)	34,598	(27,585)
Benefit payments	(11,344)	(211)	(2,019)	(13,574)	(14,548)
Defined benefit obligation, end of year	$ 421,845	$ 13,345	$ 15,147	$ 450,337	$ 393,588
Change in fair value of plan assets					
Fair value of plan assets, beginning of year	$ 272,263	$ -	$ -	$ 272,263	$ 266,340
Employer contributions	16,792	211	2,019	19,022	18,483
Interest income [4]	10,956	-	-	10,956	11,265
Remeasurement gains (losses) [5]	36,468	-	-	36,468	(9,277)
Benefit payments	(11,344)	(211)	(2,019)	(13,574)	(14,548)
Fair value of plan assets, end of year	$ 325,135	$ -	$ -	$ 325,135	$ 272,263
Net plan liability					
Defined benefit obligation	$ 421,845	$ 13,345	$ 15,147	$ 450,337	$ 393,588
Fair value of plan assets	325,135	-	-	325,135	272,263
	$ 96,710	$ 13,345	$ 15,147	$ 125,202	$ 121,325

[1] *Pension liabilities include WCB's proportionate share of the PSPP and MEPP net unfunded liabilities.*
[2] *Other retirement liabilities include SERP and the post-retirement benefit plan.*
[3] *Current service costs are presented within corporate administration and claims management in the consolidated statement of comprehensive income.*
[4] *Interest expense is presented net of interest income in the consolidated statement of comprehensive income.*
[5] *Remeasurement gains and losses on plan obligations due to discount rate changes and experience are presented net of gains and losses on plan assets in the consolidated statement of comprehensive income.*

RISKS ARISING FROM DEFINED BENEFIT PLANS

Economic risks

Defined benefit plans are directly exposed to economic risks from plan assets invested in capital markets and indirectly with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to the extremely long tails of post-employment benefits and health care escalation due to increasingly higher costs of treatment and prescription drugs.

Demographic risks

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates, mortality and morbidity rates, etc.

Multi-employer plan funding risk

In addition to economic and demographic risk factors, WCB is exposed to funding risk in the multi-employer plans arising from:

- Legislative changes affecting eligibility for and amount of pension and related benefits; and
- Performance of plan assets affected by investment policies set by the pension boards or changes in the assumptions used to value liabilities.

Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind-up or amendments and mandatory funding requirements.

Sensitivity analysis

The following table shows the effect of a 25 basis point change in the assumed discount rate, inflation rate and wage inflation rate on WCB's proportionate share of the accrued benefit obligations of PSPP and MEPP. The impacts of the assumption changes on WCB's other employee benefit plans, individually and in aggregate, are immaterial.

($ thousands)	**2017**		2016	
+/- % change on assumed rates	**+0.25%**	**-0.25%**	+0.25%	-0.25%
Discount rate based on market yields on high-quality corporate bonds	$ (15,022)	$ 15,022	$ (14,464)	$ 14,464
General inflation rate	$ 8,019	$ (8,019)	$ 6,183	$ (6,183)
Wage inflation rate	$ 2,276	$ (2,276)	$ 2,380	$ (2,380)

12. CLAIM BENEFIT LIABILITIES

ACCOUNTING POLICY

The claim benefit liability represents the actuarial present value of all expected future benefit payments for claims and for workplace exposures that have occurred before the valuation date that may result in recognized occupational disease claims after the valuation date. The liability includes a provision for future costs of managing claims but does not include claims and payments that are on a self-insured basis. Valuation of claim benefit liabilities complies with Standards of Practice issued by the Actuarial Standards Board (ASB) of the Canadian Institute of Actuaries.

Gains and losses resulting from the valuation of the liability arise from differences between actual claims experience and that expected based on the previous valuation, changes to actuarial methods and assumptions as well as changes in legislation, policies and administrative practices. Such gains and losses are recognized in income in the period that they occur.

ACTUARIAL METHODOLOGY AND BASIS OF VALUATION

Claim benefit liabilities are independently valued annually at year end by WCB's external actuary. Claim benefit liabilities include a provision for all covered benefits and for the future expenses of administering those benefits, including funding obligations to the Appeals Commission and the Medical Panel Office.

Estimated future expenditures are expressed in constant dollars increased to consider expected future escalation, and then discounted at the assumed long-term rate of return on investments.

The valuation is based on WCB legislation, policies and administrative practices in effect as at the valuation date. This valuation also takes into consideration the claim benefit changes resulting from new legislation passed by the Alberta Government in December 2017. Estimation of the liability requires the use of actuarial methods and assumptions that are periodically assessed and adjusted based on frequent monitoring of actual claims experience, the economy and other relevant factors throughout the year.

Since the claim benefit liabilities are of a long-term nature, the actuarial assumptions and methods used to calculate the reported claim benefit liabilities are based on considerations of future expenditures over the long term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, but which are based on best information as at the valuation date, a significant degree of professional judgement must be exercised in developing these assumptions. Accordingly, changes in conditions within one year of the consolidated financial statement date could require material change in recognized amounts in a subsequent period or periods.

See Note 14 *Claim Benefit Risks* for further discussion of measurement uncertainty with respect to valuation of WCB's claim benefit liabilities.

ACTUARIAL ASSUMPTIONS

The most significant economic assumptions for the determination of claim benefit liabilities are the assumed rate of return on invested assets used for discounting expected future benefit payments and the escalation rates for benefit costs into the future. All actuarial assumptions are determined on a "best estimate" basis, except for the real rate of return on investments (i.e., the difference between the expected long-term investment return and the expected long-term general inflation rate). The expected long-term investment return assumption is targeted at about 70% probability level, which provides a margin for adverse deviation in the liability.

Long-term economic assumptions for general inflation and wage escalation are developed by using historical statistics and other economic indicators. As a result of new legislation, the cost-of-living adjustment assumption has been changed from the previous 1.53% to 2.02%. Health care escalation is developed from analysis of WCB health care cost experience, taking into consideration the results of external studies. This escalation rate represents general inflation plus excess inflation of 2.5%, covering both the increases in the costs per treatment and in utilization.

The table below presents key long-term economic assumptions used to determine the claim benefit liabilities:

	2017	2016
Nominal rate of return	4.55%	4.55%
General inflation rate	2.00%	2.00%
Real rate of return	2.50%	2.50%
Cost-of-living adjustment	2.02%	1.53%
Wage escalation	3.00%	3.00%
Health care escalation	4.50%	4.50%

RECONCILIATION OF CLAIM BENEFIT LIABILITIES

The table below is a reconciliation of the movement in claim benefit liabilities, highlighting the significant changes for each major benefit category.

($ thousands)	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Rehabilitation	Claims Management	2017	2016
Claim benefit liabilities, beginning of year	$ 520,200	$ 2,920,100	$ 600,400	$ 2,769,700	$ 191,400	$ 551,200	$ 7,553,000	$ 6,867,300
Claim costs recognized during the year								
Provision for future costs of current year injuries and exposures	112,500	198,600	35,200	245,600	49,900	71,900	713,700	653,700
Claim benefits processed in the year	81,355	3,344	1,259	123,817	4,290	51,337	265,402	245,971
Total claim costs recognized during the year	193,855	201,944	36,459	369,417	54,190	123,237	979,102	899,671
Claim payments processed during the year								
Payments for current year injuries	(81,355)	(3,344)	(1,259)	(123,817)	(4,290)	(51,337)	(265,402)	(245,971)
Payments for prior years' injuries	(118,804)	(212,093)	(45,350)	(178,279)	(63,809)	(70,152)	(688,487)	(638,483)
	(200,159)	(215,437)	(46,609)	(302,096)	(68,099)	(121,489)	(953,889)	(884,454)
Interest expense on the liability	21,100	128,000	26,500	121,400	7,700	23,500	328,200	348,900
Commutation of Deposit Account	-	744	-	4,785	-	-	5,529	-
Remeasurement of the liability								
Changes in valuation methods and assumptions								
Economic assumptions	-	-	-	-	-	-	-	219,400
Latent occupational diseases valuation	-	-	-	-	-	-	-	(88,400)
Long term health care benefits	-	-	-	-	-	-	-	37,500
Changes to Act, Regulation, policies and administrative practices								
Personal care and housekeeping allowances	-	-	-	-	-	-	-	152,700
COLA indexation	1,500	152,100	33,100	-	-	-	186,700	-
Enhancements to fatality and survivor benefits	-	-	108,200	-	-	2,800	111,000	-
Changes in claims experience								
Inflation and wage growth different than expected	(5,500)	(32,000)	(4,800)	(11,200)	(2,800)	-	(56,300)	(132,400)
Economic loss payments higher than expected	-	201,400	-	-	-	-	201,400	118,700
Other experience (gains) losses	20,704	14,149	(4,450)	(29,006)	20,509	5,052	26,958	14,083
	16,704	335,649	132,050	(40,206)	17,709	7,852	469,758	321,583
Claim benefit liabilities, end of year	$ 551,700	$ 3,371,000	$ 748,800	$ 2,923,000	$ 202,900	$ 584,300	$ 8,381,700	$ 7,553,000

See Note 13 *Claims and Claims Management Expenses* for details of the amounts recognized in income for the reporting period.

CLAIMS DEVELOPMENT

The table that follows presents the development of the estimated ultimate cost of claims and claim payments for accident years 2008–2017. The top part of the table illustrates how the estimate of total claim benefits for each accident year has changed with more experience over succeeding year-ends. The shaded claims triangle shows the estimated cost of claims for an accident year in the year of the accident, one year after the year of the accident, two years after the year of the accident and so on and compares the total estimated cost to the actual cumulative payments over the development period. Due to the extremely long duration of many WCB benefit types, significant amounts may be paid out in the distant future beyond the valuation date. The bottom part of the table reconciles the total outstanding benefits amount to the discounted amount reported in the consolidated statement of financial position.

	Accident Year										
($ millions)	Prior Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	**Total**
Estimate of cumulative claims benefits												
At end of accident year		1,407.8	1,301.8	1,333.5	1,444.3	1,320.8	1,423.6	1,438.2	1,421.3	1,323.9	*1,471.6*	
One year later		1,308.5	1,250.4	1,299.4	1,250.4	1,305.7	1,383.6	1,414.3	1,353.1	*1,427.1*		
Two years later		1,276.4	1,239.5	1,118.5	1,220.9	1,256.9	1,394.3	1,407.1	*1,516.5*			
Three years later		1,271.1	1,095.7	1,080.8	1,175.3	1,258.0	1,343.6	*1,538.0*				
Four years later		1,135.9	1,074.7	1,047.6	1,160.0	1,212.5	*1,444.5*					
Five years later		1,113.1	1,048.4	1,042.8	1,119.5	*1,270.1*						
Six years later		1,094.4	1,031.8	999.3	*1,156.9*							
Seven years later		1,077.6	991.9	*1,027.5*								
Eight years later		1,043.4	*1,020.6*									
Nine years later		*1,072.4*										
Current estimate of cumulative claim benefits		1,072.4	1,020.6	1,027.5	1,156.9	1,270.1	1,444.5	1,538.0	1,516.5	1,427.1	1,471.6	
Cumulative payments		(507.1)	(453.3)	(437.2)	(476.8)	(470.2)	(507.3)	(491.0)	(429.2)	(343.1)	(214.1)	
Outstanding benefits												
Undiscounted	$5,613.7	$ 565.3	$ 567.3	$ 590.3	$ 680.1	$ 799.9	$ 937.2	$1,047.0	$1,087.3	$1,084.0	$1,257.5	$ 14,229.6
Effect of discounting	(2,620.8)	(303.7)	(308.7)	(319.9)	(370.6)	(444.6)	(517.6)	(576.1)	(587.6)	(572.1)	(610.5)	(7,232.2)
	2,992.9	261.6	258.6	270.4	309.5	355.3	419.6	470.9	499.7	511.9	647.0	6,997.4
Claims management												
Undiscounted												1,123.5
Effect of discounting												(539.2)
												584.3
Latent occupational diseases												
Undiscounted												2,315.6
Effect of discounting												(1,515.6)
												800.0
Total claim benefits												
Undiscounted												17,668.7
Effect of discounting												(9,287.0)
Claim benefit liabilities												$ 8,381.7

LIQUIDITY OF CLAIM BENEFIT LIABILITIES

The following table presents the expected timing of future payments of the claim benefit liability as at December 31. As these payments extend well out into the future, any such estimates involve considerable uncertainty.

	2017	2016
Expected timing of future payments		
Up to 1 year	4%	4%
Over 1 year and up to 5 years	12%	12%
Over 5 years and up to 10 years	13%	14%
Over 10 years and up to 15 years	12%	12%
Over 15 years	59%	58%
Total	100%	100%

13. CLAIMS AND CLAIMS MANAGEMENT EXPENSES

The table below presents details of claims and claims management expenses reported in the consolidated statement of comprehensive income.

($ thousands)	**2017**			2016
	Current Year Injuries	**Prior Years' Injuries**	**Total**	Total
Claims expense				
Provision for future costs of current year injuries and exposures [1]	$ 713,700	$ -	$ 713,700	$ 653,700
Claim payments processed in the year				
Short-term disability	81,355	118,804	200,159	185,185
Long-term disability	3,344	212,093	215,437	186,943
Survivor benefits	1,259	45,350	46,609	44,333
Health care	123,817	178,279	302,096	289,611
Rehabilitation	4,290	63,809	68,099	60,318
	214,065	618,335	832,400	766,390
Claim payments related to prior years [2]	-	(688,487)	(688,487)	(638,483)
	214,065	(70,152)	143,913	127,907
	$ 927,765	$ (70,152)	$ 857,613	$ 781,607
Claims management [3]				
Claims-related administration	51,325	57,876	109,201	105,560
Appeals Commission	12	11,942	11,954	12,166
Medical Panel Office	-	334	334	338
	$ 51,337	$ 70,152	$ 121,489	$ 118,064
	$ 979,102	$ -	$ 979,102	$ 899,671

[1] *Provision for future costs of current year injuries represents the present value of all future obligations for benefit payments arising from current year injuries and occupational disease exposures.*

[2] *Although claim payments relating to prior years injuries are processed in the reporting period, they are not expensed in the current year but are charged to the liabilities established for prior accident years.*

[3] *Claims management represents WCB's internal functional costs related to claims processing as well as funding of the external decision review bodies. Claims management expenses are included in claim benefit liabilities for valuation purposes but are presented separately in the consolidated statement of comprehensive income, see Note 16* Administration Expense, *for Claims-related administration.*

14. CLAIM BENEFIT RISKS

Because there is no statutory limit on the benefit amount payable or the duration of the risk exposure related to work-related injuries, WCB bears risk with respect to its future claim costs, which could have material implications for liability estimation. In determining WCB's claim benefit liabilities, a primary risk is that the actual benefit payments may exceed the amount estimated in determining 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 run-off periods, inflation is also a factor because future costs could escalate at a faster rate than expected.

The uncertainties associated with WCB claim benefit liabilities are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The most significant assumption in the determination of the claim benefit liabilities is the real rate of return. A reduction in the assumed real rate of return would increase the actuarial present value of the claim benefit liabilities. Wage inflation affects the liabilities through benefits such as vocational rehabilitation and home maintenance allowances. An increase in assumed wage growth would increase the respective liabilities. Health care benefits represent approximately 35% of the claim benefit liabilities. An increase in the assumed health care escalation rate would result in an increase in the liability for health care.

EFFECT OF ASSUMPTION CHANGES ON CLAIM BENEFIT LIABILITIES

The table below shows the sensitivity of the claim benefit liabilities to an immediate 0.25% increase or decrease in the assumed rates:

($ thousands)	**2017**		2016	
+/- % change on assumed rates	**+0.25%**	**-0.25%**	+0.25%	-0.25%
Real rate of return	$ (263,100)	$ 279,000	$ (231,600)	$ 245,400
Wage inflation rate	$ 56,400	$ (54,000)	$ 49,900	$ (47,800)
Health care escalation rate	$ 92,400	$ (87,500)	$ 87,500	$ (82,900)

15. PREMIUM REVENUE

ACCOUNTING POLICY

Premiums are assessed and due when employers report their insurable earnings for the current year. For employers who have not reported, premiums are estimated and included in the amount receivable. Premium revenue includes estimates for Partnerships in Injury Reduction (PIR) rebates and other items.

Premium revenue is fully earned and recognized over the annual coverage period. Any difference between actual and estimated premiums and rebates is adjusted in the following year.

($ thousands)	**2017**	2016
Premiums		
Assessed premium revenue for current year	$ 1,104,048	$ 1,057,620
Other premium-related revenue	7,779	9,654
	1,111,827	1,067,274
Deduct: Partnerships in Injury Reduction rebates	72,283	72,747
	$ 1,039,544	$ 994,527

Assessed premium revenue includes an accrual of $16,379 payable (2016 – $40,869 payable) for amounts related to yet to be reported insurable earnings for the current period. The accrual has been determined using an internally developed statistical model to estimate the amount of unreported earnings based on actual returns processed to date and historical patterns of processed to unprocessed returns at a specified point in time.

PIR is a voluntary program that pays rebates to registered employers that have met the eligibility requirements in achieving certain workplace safety targets as specified under the program. Earned rebates are payable in the following year. The estimated rebate amount is based on several factors, including premiums paid, year-over-year improvement in claims experience and safety performance relative to industry benchmarks, among others. See Note 19(e) *Safety rebates* for supplemental information on the Partnerships in Injury Reduction rebates.

16. ADMINISTRATION EXPENSE

WCB's primary administrative functions include:

- **Claims-related administration** – responsible for adjudicating claims, processing benefit payments and the provision of return-to-work services to injured workers.
- **Corporate administration** – provides general management and administrative support.

The table below presents administration expenses broken down by nature of expense and by function:

($ thousands)	Corporate	Claims-related	**2017**	2016
Administration expenses				
Salaries and employee benefits	$ 58,440	$ 124,233	$ 182,673	$ 181,795
Technology	12,803	5,782	18,585	19,241
Office	4,742	1,207	5,949	5,333
Occupancy	2,687	6,505	9,192	9,003
Professional fees	1,353	2,519	3,872	3,963
Travel	555	401	956	950
Other	1,198	600	1,798	1,937
	81,778	141,247	223,025	222,222
Depreciation and amortization	6,464	8,261	14,725	14,822
	88,242	149,508	237,750	237,044
Less:				
Cost recoveries	53	9,186	9,239	7,552
Reclassifications to:				
Claims expense – rehabilitation services	-	31,121	31,121	29,258
Investment management expense [1]	3,171	-	3,171	3,371
	3,224	40,307	43,531	40,181
	$ 85,018	$ 109,201	$ 194,219	$ 196,863

[1] *Investment management expense represents internal expenses, see Note 6* Investment Income and Expense.

17. RELATED PARTY TRANSACTIONS

GOVERNMENT OF ALBERTA AND RELATED ENTITIES

WCB has transactions with various Alberta Crown corporations, departments, agencies, boards, educational institutions and commissions in the ordinary course of operations. Such transactions include premiums from the organizations and certain funding obligations relating to Occupational Health and Safety, the Appeals Commission and the Medical Panel Office that are in accordance with the applicable legislation and/or regulations. WCB is related to these entities by virtue of common influence by the Government of Alberta. WCB is considered a government-related entity and as such, is not required to disclose these transactions under IAS 24 *Related Party Disclosures*.

KEY MANAGEMENT COMPENSATION

Key management personnel of WCB, comprising the Board of Directors and the executive and their close family members, are also related parties in accordance with IAS 24. As at the reporting date, there were no business relationships, outstanding amounts or transactions other than compensation, between WCB and its key management personnel.

The tables below present total compensation of the board members and executive of WCB.

($ thousands)	2017				
	Base Salary [1]	Other Cash Benefits [2]	Non-Cash Benefits [3]	SERP [4]	Total
Chair, Board of Directors [5]	$ -	$ 40	$ 2	$ -	$ 42
Board Members [5]	-	92	7	-	99
President & Chief Executive Officer	475	250	46	133	904
Vice-President, Operations & Chief Information Officer	367	109	38	69	583
Chief Financial Officer	347	103	41	65	556
Vice-President, Employee & Corporate Services	285	75	40	51	451
Vice-President, Operations	245	75	40	33	393
Secretary & General Counsel	211	57	44	19	331

	2016				
Chair, Board of Directors [5]	$ -	$ 47	$ 2	$ -	$ 49
Board Members [5]	-	90	5	-	95
President & Chief Executive Officer	475	235	49	127	886
Vice-President, Operations & Chief Information Officer	367	124	42	83	616
Chief Financial Officer	347	120	45	69	581
Vice-President, Employee & Corporate Services	285	81	44	49	459
Vice-President, Operations [6]	225	75	39	18	357
Secretary & General Counsel [7]	106	34	23	8	171
Secretary & General Counsel [8]	139	3	25	51	218
Vice-President, Operations & Disability Management [8]	77	18	15	45	155

[1] *Base salary is pensionable base pay.*
[2] *Other cash benefits include a transition payment due to the elimination of the long standing pay at risk program. For 2016, other cash benefits included a component of base compensation that was paid out upon achievement of corporate objectives determined at the beginning of the fiscal year. Other cash benefits for Board Members comprise honoraria pay for meetings attended.*
[3] *Non-cash benefits include employer's share of all employee benefits and payments made to or on behalf of employees including statutory contributions, pension plans, extended health care benefits, group life insurance and professional memberships.*
[4] *SERP represents employer's current service cost for benefits accrued under a supplemental executive retirement plan. See Note 11* Employee Benefits *for details of the plan, and the following table for the costs and obligations related to each named key management position.*
[5] *The Chair of the Board of Directors and the Board members are part-time positions. One term ended during 2017, five terms began in 2017, and two positions remain vacant.*
[6] *Incumbent took office on February 1, 2016.*
[7] *Incumbent took office on July 1, 2016.*
[8] *Incumbent retired in 2016.*

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

($ thousands)	2017				2016	
	Current Service Cost [1]	Other Costs [2]	**Net Cost**	**Accrued Obligation**	Net Cost	Accrued Obligation
President & Chief Executive Officer	$ 133	$ 218	$ 351	$ 2,306	$ 244	$ 1,955
Vice-President, Operations & Chief Information Officer	69	147	216	1,137	(81)	921
Chief Financial Officer	65	104	169	897	47	728
Vice-President, Employee & Corporate Services	51	77	128	801	89	673
Vice-President, Operations [3]	33	11	44	75	31	31
Secretary & General Counsel [4]	19	6	25	35	10	10
Secretary & General Counsel [5]	-	32	32	695	52	663
Vice-President, Operations & Disability Management [5]	-	3	3	99	(10)	96

[1] *Current service cost represents the actuarial present value of future benefit obligations arising from employee service in the current period. current period.*
[2] *Other costs include interest on the liability and actuarial gains and losses arising from assumption changes and/or experience: less any benefit payments.*
[3] *Incumbent took office on February 1, 2016.*
[4] *Incumbent took office on July 1, 2016.*
[5] *Incumbent retired in 2016.*

18. CONTINGENCIES AND INDEMNIFICATION

LEGAL PROCEEDINGS

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. Based on the total amount of all such actions, WCB has concluded that the outcomes will not have a material effect on the results of operations or financial position.

INDEMNIFICATION AGREEMENTS

In the normal course of operations, WCB enters into contractual agreements that contain standard contract terms that indemnify certain parties against loss. The terms of these indemnification clauses will vary based upon the contract, and/or the occurrence of contingent or future events, the nature of which prevents WCB from making a reasonable estimate of the potential amount that may be payable to those contractual parties. Such indemnifications are not significant, nor has WCB made any payments or accrued any amounts in the consolidated financial statements in respect of these indemnifications.

19. SUPPLEMENTAL INFORMATION

(a) Cash and cash equivalents

($ thousands)	2017	2016
Cash in transit and in banks	$ 20,817	$ 13,409
Cash equivalents	474,393	308,583
	$ 495,210	$ 321,992

Cash equivalents are invested in a portfolio of high-quality, short- to mid-term, highly liquid fixed-income securities that generated an average annual return of 1.0% (2016 – 0.9%).

(b) Trade and other receivables

($ thousands)	2017	2016
Premium receivable	$ (272,807)	$ 31,171
Reclassified to employer liabilities - Note 19(d)	287,600	23,923
Employer accounts receivable	14,793	55,094
Other	18,245	10,093
	$ 33,038	$ 65,187

Included in the employer accounts receivable total above is an allowance for expected credit losses of $3.0 million (2016 – $3.5 million). Substantially all receivables are collected within one year.

(c) Trade and other liabilities

($ thousands)	Trade	Other	2017	2016
Trade payables	$ 42,782	$ -	$ 42,782	$ 44,789
Lease obligations	-	2,130	2,130	2,969
Other liabilities	-	19,437	19,437	5,254
	$ 42,782	$ 21,567	$ 64,349	$ 53,012
Current portion	$ 42,782	$ 5,773	$ 48,555	$ 47,040
Non-current portion	-	15,794	15,794	5,972
	$ 42,782	$ 21,567	$ 64,349	$ 53,012

See Note 10 *Lease and Other Commitments* for details of the lease obligations.

(d) Employer liabilities

($ thousands)	2017	2016
Reclassified from premium receivable - Note 19(b)	$ 287,600	$ 23,923
Accrued premiums payable	16,379	40,869
	$ 303,979	$ 64,792

The amount in employer liabilities represents the reclassification from trade receivables of all outstanding employer accounts with credit balances, arising primarily from funding distributions exceeding premiums due, as at December 31, 2017.

(e) Safety rebates

($ thousands)	2017	2016
Safety rebates payable, beginning of year	$ 78,628	$ 85,664
Payment of prior years' rebates	(68,892)	(76,155)
	9,736	9,509
Adjustment of prior years' accruals	(2,791)	(3,628)
Outstanding balance from prior years	6,945	5,881
Rebates for the year	72,283	72,747
Safety rebates payable, end of year	$ 79,228	$ 78,628

Safety rebates represent amounts recognized under the PIR program. See Note 15 *Premium Revenue* for further details of the PIR program.

(f) Injury reduction

($ thousands)	2017	2016
Occupational Health and Safety	$ 48,000	$ 46,808
Industry safety associations	19,246	20,929
	$ 67,426	$ 67,737

Injury reduction is composed of statutory funding of Occupational Health and Safety and voluntary premium levies to fund industry-sponsored safety associations.

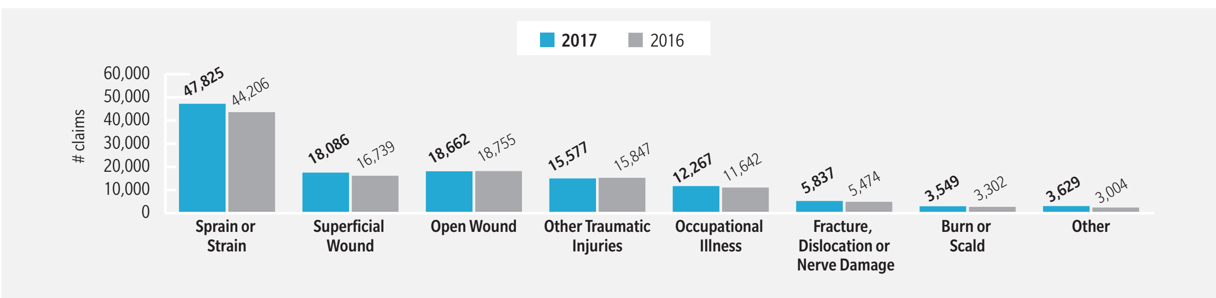
2017 summary of claims administered

	2017		2016	
Active claims as of January 1		29,047		28,733
New lost-time claims	25,858		24,007	
New medical-aid-only claims	99,574		94,962	
Total new claims reported	**125,432**		**118,969**	
Recurrent claims[1]	14,369		16,016	
	139,801	139,801	134,985	134,985
Total claims administered		**168,848**		**163,718**

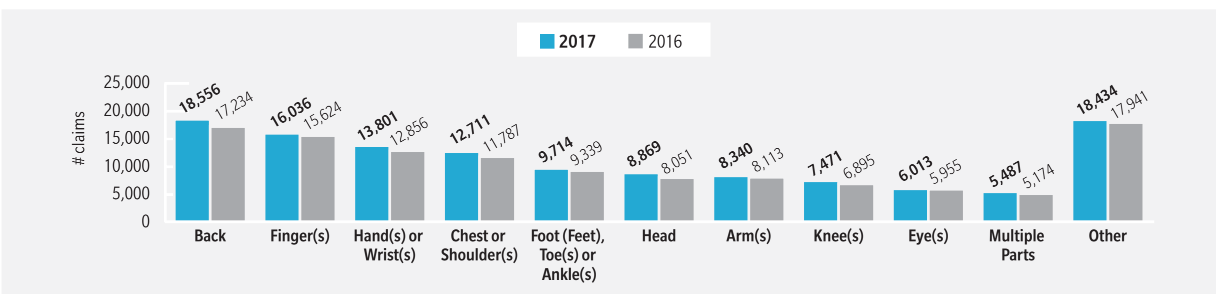
[1] *Previously inactive claims that required further adjudication or case management. Claims may reopen for a number of reasons, such as payments for medical aid or requests for further compensation benefits.*

Ineligible claims	**2017**	2016
LOST-TIME CLAIMS		
Insufficient information available to process claim	147	161
Not covered under *Workers' Compensation Act*	294	224
Injury or illness not arising out of / in course of employment (Policy 02-01)	1,956	1,802
MEDICAL-AID-ONLY CLAIMS		
Insufficient information available to process claim	4,023	3,876
Not covered under *Workers' Compensation Act*	2,694	2,447
Injury or illness not arising out of / in course of employment (Policy 02-01)	4,908	4,532

New claims by nature of injury



New claims by part of body



2017 year at a glance

	2017	2016
Number of workers covered	1,862,169	1,885,552
Registered employers	162,531	162,334
Lost-time claim rate (per 100 workers) [1]	1.4	1.3
Disabling-injury rate (per 100 workers) [1]	2.7	2.4
Number of new claims reported	125,432	118,969
Number of lost-time claims [1]	26,800	24,800
Fatality claims accepted	166	144
Ineligible lost-time claims (% of all lost-time claims)	9.3%	9.1%
Number of new requests for review to the DRDRB	2,343	2,539
Return to work with accident employer	92.8%	93.7%
Return to work with new employer	1.6%	1.2%
Return to work overall	94.4%	94.9%
Estimated average claim duration (TTD days)	40.6	37.1
Cost-of-living adjustment on long-term benefits	0.84%	0.81%
Claims and claims management expenses (thousands)	$979,102	$899,671
New non-economic loss and permanent disability awards	3,468	3,235
New economic loss awards	979	944
Maximum insurable earnings	$98,700	$98,700
Premium revenue (thousands)	$1,039,544	$994,527
Average collected premium rate (per $100 of insurable earnings)	$1.04	$1.01
Investment income (thousands)	$1,077,966	$750,760
Funded ratio (per cent funded)	127.3%	133.8%
Number of Freedom of Information requests	55	60
Compliance of FOIP requests within legislated time frames	100%	100%
Public Interest Disclosure (Whistleblower Protection) Act disclosures	0	0

[1] *Lost-time claims and the lost-time claim and disabling-injury rates are projected. This approach is taken to ensure claims for accidents occurring in 2017 but not reported by year-end are considered.*

"It has been such a long road. It's hard to believe where I was, and where I am now."

Mikelle Hawryschuk

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