

COMPENSATION FUND (YUKON)

FINANCIAL STATEMENTS

December 31, 2013

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Management Discussion and Analysis

This segment deals with the Compensation Fund's financial performance for the year ended December 31, 2013. These audited financial statements are integral to this analysis and should be read in conjunction with it. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been derived from the Fund's annual Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS).

Forward – Looking Statements

Any forward-looking statements in this document represent the views of management. Forward looking information is subject to many risks and uncertainties and this information may contain significant assumptions about the future. They are presented to assist stakeholders understand the Fund's financial position, priorities and anticipated financial performance.

Risk and uncertainties about future assumptions include, but are not limited to, the changing financial markets, industry mix, general economy, legislation, accounting standards, appeals and court decisions, and other risks which are known or unknown. The reader is cautioned about placing reliance on forward-looking information contained herein.

Operating Results

The 2013 total comprehensive income was higher than the previous year: \$14.7 million versus \$9.3 million in 2012. The main contributor to the fund's surplus in 2013 was the increased investment revenue (\$27.8 million in 2013 versus \$13.5 million in 2012) which was above expectations mainly due to strong returns in equity markets. Assessment revenue in 2013 was \$22.6 million, which was \$3 million lower than 2012 due to a general rate decrease and slower economic activity in the mining and construction sectors. The fund's total revenue in 2013 was \$51.4 million versus \$40.3 million in 2012.

Investment revenue was double the 2012 amount. The Fund posted excellent returns in all asset classes earning an overall return of 16.2 per cent versus the benchmark return of 12.8 per cent. The overall return for the past five years has been 10.1 per cent versus the benchmark of 8.5 per cent. This has been the fifth consecutive year of positive investment returns, and the Fund's disciplined, structured, conservative approach of managing its investment portfolio continues to help the Fund maintain a very strong financial position.

Total current and future claims costs increased to \$26.3 million in 2013 versus \$20.6 million in 2012. The main factor behind the increase was the adoption of the new standard of practice requirement of the Canadian Institute of Actuaries. For valuations on or after December 31, 2014, new actuarial standards of practice (effective in 2011) require a liability provision for future occupational disease claims regardless of a jurisdiction's approach to the funding or accounting treatment of these claims. This liability provision for future occupational disease claims is optional for valuation dates prior to December 31, 2014.

Occupational disease liability reflects a portion of the expected future cost of claims resulting from exposure to a causative agent in the workplace that have not yet been filed (i.e. long latency cases).

For the current 2013 valuation, Yukon Workers' Compensation Health and Safety Board has decided to early adopt a liability for latent occupational diseases. A high-level estimate has been developed for the actuarial liability associated with two specific

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categories of latent of occupational diseases:

- certain types of cancers and heart injuries covered under the firefighter presumptive clause, and
- other latent occupational diseases that are recognized by YWCHSB such as hearing loss claims, respiratory illnesses, workplace related cancers (non-presumptive) and other types of illnesses.

The estimate of latent occupational disease liability has resulted in an increase in claims costs of \$10.6M. This amount has been partially offset by a net experience gain of approximately \$5 million.

Direct operating costs increased to \$10.3 million in 2013 from \$9.9 million in 2012. The main factor in this increase can be attributed to additional costs related to investigations for Occupational Health and Safety and training costs for mine rescue. Also, there was a general increase in salary costs as provided for in the collective bargaining agreement and management payroll policies.

The strong financial results continue to strengthen the balance sheet, bringing reserve levels well above their target range. This is comforting, as the Fund may have to adopt future International Accounting standards that may increase the value of the Benefits Liability. Also, this permitted excess of assets over liabilities helps mitigate the impact of year-to-year income fluctuations, providing rate stabilization and assurance benefit obligations will be met in the long run. Finally, the strength of the balance sheet assures stakeholders the Fund can address future financial commitments should global financial markets and economies weaken.

Outlook

Moving forward the Yukon Workers' Compensation Health and Safety Board must be able to respond to new challenges and opportunities. Through stakeholder consultation on key issues, prudent financial management, developing cost effective business processes for its clients, retention and development strategies for its staff and closely monitoring economic and operating trends the organization will be able to proactively respond to these emerging issues.

Together with its stakeholders, the Yukon Workers' Compensation Health and Safety Board will seek out innovative and effective ways to minimize workplace injuries and allow Yukon workers and employers to achieve the Board's vision of ZERO. Zero worker/injuries/illnesses – zero disabilities – zero safety violations.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Yukon Workers' Compensation Health and Safety Board (the "Board") is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced on a timely basis; Compensation Fund assets are safeguarded and controlled; transactions of the Compensation Fund are in accordance with relevant legislation, regulations and board policies; and that the Board's resources are managed efficiently and economically and the operations of the Board are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Compensation Fund. The accompanying financial statements as at December 31, 2013 include amounts based on management's best estimates as determined through experience and judgement, and are prepared in accordance with International Financial Reporting Standards. Other financial information included in the Annual Report is consistent with these financial statements.

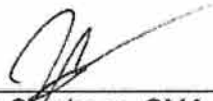
Members of the Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises its responsibilities through the Finance, Investment, and Audit Committee (the "Committee"). The Committee meets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

The Auditor General of Canada conducts an independent audit for the purpose of expressing his opinion on the financial statements. He also considers whether the transactions that come to his notice in the course of the audit are, in all significant respects, in accordance with specified legislation.

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



Joy Waters
President and Chief Executive Officer



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

April 22, 2014

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**ACTUARIAL STATEMENT OF OPINION**

I have completed the actuarial valuation of the benefits liability of the Yukon Workers' Compensation Health and Safety Board (the "Board") as at December 31, 2013 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The data on which the valuation is based were supplied by the board in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the benefits liability.
2. The actuarial assumptions adopted in computing the benefits liability are adequate and appropriate for the purpose of the valuation.
3. The methods used are appropriate for the purpose of the valuation and are in accordance with accepted actuarial practice for workers' compensation organizations in Canada. The economic assumptions are consistent with the funding and investment policies of the Board.
4. The estimate of the actuarial liabilities as at the valuation date is \$135,175,000. This includes provisions for benefits expected to be paid after the valuation date for claims that occurred on or before the valuation date. A provision for future claims arising from long latency occupational diseases is included in this valuation. This liability includes future administrative expenses for all benefits, with the exception of the Annuity benefit. It does not include any self-insured employers.
5. The liability as at the valuation date for Annuity contributions and interest already set aside by the Board up to the valuation date for purposes of providing pension benefits to injured workers was obtained from the Board's finance division and is included in item 4 above.
6. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.
7. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
8. The valuation is based on the provisions of the Workers' Compensation Act of the Yukon Territory and on the board's policies and practices in effect on the valuation date.

A handwritten signature in black ink, appearing to read 'Thane MacKay', written over a horizontal line.

Thane MacKay, F.C.I.A.

This report has been peer reviewed by Conrad Ferguson, F.C.I.A.



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Compensation Fund

Report on the Financial Statements

I have audited the accompanying financial statements of the Compensation Fund, which comprise the statement of financial position as at 31 December 2013, and the statement of operations and comprehensive income, statement of changes in funded position (equity) and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Compensation Fund as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Workers' Compensation Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied, after giving retrospective effect to the change in the method of accounting for employee benefits as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

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



Terrance DeJong, CPA, CA
Assistant Auditor General
for the Auditor General of Canada

22 April 2014
Vancouver, Canada

Financial Statements


Compensation Fund | Statement of Financial Position As at December 31 (in Canadian Dollars)

	note	2013 (\$000s)	2012 (\$000s)
ASSETS			
Cash		\$ 4,921	\$ 7,224
Accounts receivable	6	2,162	2,347
Prepaid expenses		188	172
Investments	7	202,020	174,132
Property and equipment	8	4,055	3,963
Intangible assets	9	3,763	3,941
Total assets		<u>\$ 217,109</u>	<u>\$ 191,779</u>
LIABILITIES			
Accounts payable and accrued liabilities	10	\$ 4,505	\$ 4,720
Deferred portion of government grant	11	310	352
Benefits liability	12	135,175	124,043
Employee benefits	13	2,239	2,442
Total liabilities		<u>\$ 142,229</u>	<u>\$ 131,557</u>
FUNDED POSITION (EQUITY)			
Prevention Fund	14	386	425
Reserves		74,494	59,797
Total equity		<u>74,880</u>	<u>60,222</u>
Total liabilities and equity		<u>\$ 217,109</u>	<u>\$ 191,779</u>

Commitments and Contingencies (Notes 16 and 19)

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

Approved by the Yukon Workers' Compensation Health and Safety Board



Mark Pike
Chair

Financial Statements

Compensation Fund | Statement of Operations and Comprehensive Income
For the year ended December 31 (in Canadian Dollars)

	note	2013 (\$000s)	2012 (\$000s) Restated (Note 3)
Revenue and Income			
Assessment revenue		\$ 22,598	\$ 25,579
Net investment income	7	27,796	13,457
Recoveries and other receipts		992	1,276
		<u>\$ 51,386</u>	<u>\$ 40,312</u>
Expenses			
Claims expenses	12	\$ 26,280	\$ 20,615
Administration	17		
General and Administration		7,165	7,017
Occupational Health and Safety		2,465	2,360
Workers' Advocate		344	379
Act Review		56	-
Yukon Chamber		92	-
Appeal Tribunal		156	183
Prevention	18	499	317
		<u>\$ 37,057</u>	<u>30,871</u>
Operating surplus		\$ 14,329	\$ 9,441
Other comprehensive income			
All items presented in other comprehensive income will not be reclassified to operating surplus in subsequent periods:			
Actuarial gain (loss) on post-employment and other employee benefits	13	<u>329</u>	<u>(186)</u>
Total comprehensive income		<u>\$ 14,658</u>	<u>\$ 9,255</u>

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

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Compensation Fund | Statement of Changes in Funded Position (Equity)
For the year ended December 31 (in Canadian Dollars)

	Stabilization Reserve (\$000s)	Adverse Events Reserve (\$000s)	Prevention Fund (\$000s)	Total (\$000s)
Balance at January 1, 2012	\$ 30,806	\$ 19,733	\$ 428	\$ 50,967
Operating surplus for 2012	9,441	-	-	9,441
Other comprehensive income (loss)	(186)	-	-	(186)
Total comprehensive income for 2012	9,255	-	-	9,255
Transfer to / from Prevention Fund	3	-	(3)	-
Transfer to / from Adverse Events Reserve	(674)	674	-	-
Balance at December 31, 2012	\$ 39,390	\$ 20,407	\$ 425	\$ 60,222
Operating surplus for 2013	14,329	-	-	14,329
Other comprehensive income (loss)	329	-	-	329
Total comprehensive income for 2013	14,658	-	-	14,658
Transfer to / from Prevention Fund	39	-	(39)	-
Transfer to / from Adverse Events Reserve	(1,321)	1,321	-	-
Balance at December 31, 2013	\$ 52,766	\$ 21,728	\$ 386	\$ 74,880

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

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Compensation Fund | Statement of Cash Flows
For the year ended December 31 (in Canadian Dollars)

	2013 (\$000s)	2012 (\$000s)
Operating activities		
Cash received from:		
Employers, for assessments	\$ 23,188	\$ 26,903
Investment revenue - interest	3,017	3,008
Investment revenue - dividends	2,872	2,325
Recoveries and other receipts	619	1,924
	<u>29,696</u>	<u>34,160</u>
Cash paid to:		
Claimants or third parties on their behalf	(15,272)	(15,852)
Employees, for salaries and benefits	(8,145)	(7,919)
Suppliers, for administrative and other goods and services	(2,412)	(2,197)
	<u>(25,829)</u>	<u>(25,968)</u>
Total cash provided by operating activities	<u>3,867</u>	<u>8,192</u>
Investing activities		
Net purchase of investments	(5,364)	(7,862)
Purchases of property and equipment	(356)	(520)
Purchases of intangible assets	(450)	(495)
Total cash used in investing activities	<u>(6,170)</u>	<u>(8,877)</u>
Net decrease in cash	(2,303)	(685)
Cash, beginning of year	<u>7,224</u>	<u>7,909</u>
Cash, end of year	<u>\$ 4,921</u>	<u>\$ 7,224</u>

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

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Compensation Fund | Notes to the Financial Statements
December 31, 2013 (in Canadian Dollars)

1. Reporting Entity

The Compensation Fund (the "Fund") was established by the *Workers' Compensation Act* of Yukon (the "Act") and is administered by the Yukon Workers' Compensation Health and Safety Board (the "Board") pursuant to the Act. In 2008, the Act was amended and received assent in the Legislative Assembly. The effective date of the new Act was July 1, 2008. The Board is exempt from income tax and the goods and services tax.

The Fund, as administered by the Board, provides compensation for injury or death by accidents arising out of and in the course of employment. Annual assessments are levied upon employers by applying their industry assessment rate to their actual or estimated payrolls for the year. The assessment and investment revenue pays for all claims, administration and prevention expenses.

Since 1992, the Board has also been responsible for the administration of the *Occupational Health and Safety Act* and regulations to advance strategies for preventing workplace injuries in the territory.

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

2. Statement of Compliance and Basis of Preparation

These financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Board of Directors approved and authorized for issue the 2013 financial statements on April 22, 2014.

Basis of Measurement

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

All financial information is presented in Canadian dollars and has been rounded to the nearest thousand dollars, unless otherwise stated.

Critical Accounting Estimates and Judgements

The Board makes estimates and judgements in respect of certain key assets and liabilities of the Fund. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting

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Compensation Fund | Notes to the Financial Statements
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estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

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

The major areas of judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are the following:

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

3. Adoption of New and Future Accounting and Reporting Standards

Adoption of New Accounting Standards

IFRS 13 Fair Value Measurement

Effective January 1, 2013 the Fund adopted IFRS 13 *Fair Value Measurement*. This standard replaced fair value measurement guidance contained in individual IFRSs, to provide a single source of fair value measurement guidance. The standard provides a framework for measuring fair value and establishing disclosure requirements to enable readers to assess the methods and inputs used to develop fair value measurements and for recurring valuations that are subject to measurement uncertainty, the effect of those measurements on the financial statements. The adoption of this standard has not had a significant effect on the Fund's financial statements as investments are measured at fair value as required under *IAS 39 Financial Instruments: Recognition and Measurement*. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

IAS 19 Employee Benefits

IAS 19 *Employee Benefits* (Revised 2011) was amended to improve the recognition, presentation and disclosure of defined benefit plans. The amendments have resulted in enhanced disclosures on defined benefit plans. The applicable amendments are effective for periods beginning on or after January 1, 2013 and are applied retrospectively. The comparative figures have been accordingly restated.

Actuarial gains and losses are now recognized in other comprehensive income instead of operating surplus. This resulted in a \$329,000 increase in General and Administration Expenses and a \$329,000 increase in Actuarial gain on post-employment and other employee benefits in 2013. In 2012, it was a \$186,000 loss.

IAS 1 *Presentation of Financial Statements* requires the Fund to group other comprehensive income items by those that will be reclassified to income and those that

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Compensation Fund | Notes to the Financial Statements
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will not. This grouping is shown in the Statement of Operations and Comprehensive Income. The Fund adopted these amendments in the current period, and they affect presentation and disclosure only and have no impact on the Funds' financial position and performance.

New and revised accounting standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. This listing is of standards and interpretations issued, which the Board reasonably expects to be applicable at a future date. The Board intends to adopt those standards when they become effective.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The effective date has not been finalized. The extent of the impact of adoption of IFRS 9 has not yet been determined.

Other changes to standards with no expected significant impact

In December 2011, the IASB issued amendments to IAS 32 *Financial Instruments: Presentation*, which is effective retrospectively for annual periods beginning on or after January 1, 2014. The amendments apply to offsetting financial assets and financial liabilities. The adoption of these amendments is not expected to have a significant effect on the Fund's financial statements.

Future accounting changes

The IASB is currently working on revisions to IFRS 4 *Insurance Contracts*. A revised exposure draft was issued in June 2013 with comments due by October 2013. The effective date of the revised standard will be around three years after the issuance of the final standard. The impact of the proposed revisions is not determinable at the present time.

4. Significant Accounting Policies

The following is a summary of the significant accounting policies:

(a) Cash

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

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(b) Assessments

Assessment revenue is calculated monthly on actual or estimated payrolls as reported by the employer, or on provisional assessments as determined by the Board. Separate rates of assessment are established for each industry classification. At year end, assessments receivable and payable are adjusted based on the difference between estimated and actual payrolls.

The Board administers the Government of Yukon employees' compensation claims related to injuries prior to January 1, 1993, when the Government was a self-insured employer. The Fund receives reimbursement for the claim costs and related administrative expenses of those employees (note 15(a)). These amounts are recorded in recoveries and other receipts in the year in which the related expenses are incurred.

(c) Recoveries from third parties

Since July 1, 2008, under section 51 of the *Workers' Compensation Act*, the Board is deemed to be an assignee of a cause of action in respect of a worker's injury that arose out of a work related injury. If settled, or as a result of a Court decision, the legal costs and costs associated with the claim create the settlement. Out of the settlement are paid the legal costs, and legal disbursements, and all past, present and future costs. Any funds remaining will be paid to the worker. The amount recovered for past, present and future costs is used to offset future claims benefits, which were previously expensed in accordance with actuarial calculations, and which were previously incorporated in the benefits liability.

Revenue received from third party recoveries is recorded in the year the settlement occurs. No provision is made in the benefits liability for possible future third party recoveries because of their contingent nature.

(d) Financial instruments

Investments

Investments are classified as held for trading because they are acquired for the purpose of selling or repurchasing in the near term and are measured at fair value through profit or loss. The fair value of publicly traded investments is the quoted market price which approximates the bid price at the end of the reporting period. Pooled fund units are valued at their year-end net asset value, as determined by the fund manager. Purchases and sales of investments are recognized on the trade date. Short-term investments held by the investment managers for investment purposes are included in Investments.

Realized gains and losses arising on the sale of investments, are recognized in net investment income in the period earned net of unrealized gains and losses. Unrealized gains and losses, arising from fluctuations in fair value, are recognized in net investment income in the period in which they arise. Net investment income arising from dividends and interest is recognized in the period earned as part of net investment income. Net investment income is presented net of investment management fees and transaction costs.

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Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Income from investments is translated at the rate in effect at the time it is earned. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are recognized in net investment income in the period in which they arise.

The Board does not enter into any financial derivative instruments as part of managing its investment portfolio.

Other financial assets and liabilities

Accounts receivable and assessments receivable are classified as loans and receivables. Accounts payable and accrued liabilities, and assessments refundable are classified as other financial liabilities. All are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of accounts receivable, assessments receivable, accounts payable and accrued liabilities, and assessments refundable, their carrying values approximate their fair values.

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of its financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Changes in valuation methods may result in transfers into or out of an instrument's assigned level. There were no such transfers between levels in 2013.

Impairment of financial assets

The carrying amount of accounts and assessment receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. The Board assesses at each reporting date whether a financial asset or group of financial assets is impaired. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition of financial assets and liabilities

A financial asset is derecognized when the contractual right to the cash flows from the asset expires or if the Board transfers the financial asset and substantially all risk and rewards of ownership to another entity.

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled, or expire.

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(e) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment. Depreciation is calculated based on the straight-line method, using rates based on the estimated useful lives of the assets as follows:

Buildings	10 – 50 years
Furniture and equipment	5 – 10 years
Computer equipment	5 – 10 years

Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for separately. The security system is considered a significant component of the Strickland building.

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

The fair value of land and the Mine Rescue Station building has been recorded as deemed cost on January 1, 2010.

(f) Intangible assets

Intangible assets are comprised of purchased software and internally developed software systems.

Research costs are expensed as incurred. Development costs of internally developed software systems are capitalized when the system is technically feasible, resources are available, costs can be measured reliably, management intends to use the asset and future economic benefits are probable. The asset is derecognized when it no longer meets these criteria. Salaries, wages and benefits directly related to internally developed software systems are included in the asset's cost. When the asset is substantially complete and is available for use, development costs capitalization ceases and the costs are transferred to the related asset category and amortized.

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment. Amortization is calculated based on the straight-line method, using rates based on the estimated useful lives of the assets as follows:

Systems and software	5 – 12 years
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The estimated useful life and amortization period is reviewed at each year end and any change in estimate is made on a prospective basis.

(g) Impairment of non-financial assets

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

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of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

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

Individual assets that may have experienced impairment due to loss, damage, obsolescence or curtailed service potential will be reviewed and the estimated useful life, depreciation method and residual value adjusted.

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's recoverable amount. As at December 31, 2013, management conducted an impairment review at the entity level, which confirmed that there were no indicators of impairment – changes in the legislative, economic or business environment – that would have a material impact on the Board's ability to generate future economic benefits from its operating (non-financial) assets.

(h) Government grants

There are two types of government grants which include government grants related to expenses and government grants related to assets. Government grants related to expenses are recognized as income when there is reasonable assurance that the conditions attached to the grant will be complied with and the grant will be received. When the grant relates to an asset, it is recognized as deferred income and is released into income in equal amounts over the expected useful life of the related asset.

In 2005, the Government of Yukon approved the reinstatement of ongoing funding for the Mine Safety Program (the "Program") through an annual grant to the Board. The Program, which was transferred to the Board in 1993, provides mine rescue training and support services as well as mine safety inspection services. The funding is to be reviewed by the Government, at a minimum, every five years. The grant is accounted for as income in the period in which the related expenses are incurred (note 11).

In 2011, the Board signed an agreement with the Government of Yukon which provides the Board with funding for the purpose of upgrading mine safety equipment. The grant is accounted for as deferred income and released into income over the expected useful life of the equipment (note 11).

(i) Benefits liability

The benefits liability is determined annually and represents the actuarial present value of all future benefit payments expected to be made for claims which have occurred in the current fiscal year or in any prior year. The benefits liability includes a provision for future payments on claims that have not been finalized to date. It also includes a provision for all benefits provided by current legislation, policies and administrative practices in respect of existing claims as well as future claims management costs. A provision has

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been made for claims related to known latent occupational diseases which may have occurred in the current or previous years, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefits liabilities (note 12).

The benefits liability is comprised of three liabilities – medical aid and compensation, pension, and annuity:

- Medical aid and compensation includes benefits for medical aid, short and long term compensation for loss of earnings and personal property, lump sum payments for permanent impairment, rehabilitation assistance, emergency transportation, traditional aboriginal healing, and death and funeral expenses.
- The pension liability includes monthly pension benefits indexed annually that are paid to spouses, dependent children and guardians of dependent children of those who die from a work-related injury.
- The annuity liability is for workers who have received compensation for the same disability for at least 24 months. An amount equal to ten percent of the total compensation payments, plus interest, is set aside to provide a retirement annuity when a worker becomes entitled to apply for Old Age Security benefits.

Many assumptions are required to calculate the benefits liability, including estimates of future inflation, interest rates, and mortality rates. The benefits liability is determined annually by an independent actuarial valuation. The Actuarial Statement of Opinion on the adequacy and appropriateness of the benefits liability is attached to these financial statements.

A portion of administration and general expenses is allocated as claims management costs to the current year's claims and the prior years' claims. The amount allocated to claims is reviewed by the independent actuary for reasonableness as part of the annual actuarial valuation of the benefits liability.

(j) Employee benefits

Short term employee benefits

Employee benefits that are expected to be settled within twelve months of the reporting date are measured on an undiscounted basis. These benefits include wages and salaries, sick leave and special leave benefits expected to be used, and annual vacation leave earned but not yet used.

Other long term employee benefits

Benefits that are expected to be settled beyond twelve months are determined based on an actuarial valuation as the best estimate of future cash flows discounted to present value with actuarial gains and losses recognized in other comprehensive income as incurred. These benefits include long service vacation leave and sick leave benefits earned but not used.

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Post employment benefits

(i) Retirement and severance benefits

Retiring or severance benefits are available to employees who have completed five years of service with the Board. Payments are made upon retirement or termination, with benefits increasing with additional length of service. The benefit obligation is determined based on an actuarial valuation using estimates of future inflation and interest rates. Actuarial gains and losses are recognized in other comprehensive income as incurred. The obligation is calculated using the projected unit credit method prorated on service.

(ii) Public Service Pension Plan

Substantially all of the employees of the Board are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Fund to cover current service cost. Pursuant to legislation currently in place, the Fund has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Fund.

(k) Leases

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

The Board has entered into operating leases for storage premises, rental accommodation for travel, and vehicles. The leases have an average life of one year.

5. Risk Management

The Fund has exposure to the following financial risks: credit risk, liquidity risk, and market risk (which also includes inflation risk, interest rate risk and currency risk). The Fund's exposure to these risks arises primarily in relation to its investment portfolio, but also in relation to its other financial assets and financial liabilities.

The Board's management is responsible for monitoring performance, recommending changes to the Investment Policy, and selecting investment managers. The Board of Directors is ultimately responsible for governance and strategic direction of the investment portfolio through its review and approval of the Investment Policy. The investment managers' compliance with this Investment Policy is monitored on a regular basis. Quarterly, independent consultants benchmark the performance of the Fund's investment managers and to advise on the appropriateness and effectiveness of the Fund's Investment Policy and practices.

The following sections present information about the Fund's exposure to each of the above risks and the Board's objectives, policies and processes for measuring and managing each risk:

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Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a fixed-term instrument fails to meet its obligations. Excess cash is held on deposit with the government's banker. Short term deposits with this bank are rated as R-1 (high). To manage this risk, the Board, as prescribed in the Investment Policy, has determined that cash and cash equivalents held in the investment portfolio and short-term investments must have a credit rating of at least R1L, and long-term investments require a rating of BBB or higher by the Dominion Bond Rating Service or the equivalent rating by Moody's, in order to be eligible for consideration as an investment. Diversification of credit risk is managed by limiting the exposure in a single private institution to 15% of the portfolio. The Board has stayed within these guidelines during the year.

Fixed Income Portfolio Credit Ratings

Ratings:					31-Dec-13	31-Dec-12
	AAA	AA	A	BBB	(\$000's)	(\$000's)
Fixed Income Securities	\$ 30,577	\$ 15,824	\$ 27,076	\$ 4,110	\$ 77,587	\$ 76,509
Totals	\$ 30,577	\$ 15,824	\$ 27,076	\$ 4,110	\$ 77,587	\$ 76,509

The Fund's exposure to credit risk associated with its accounts receivable and assessments receivable is the risk that an employer or a cost recovery customer (the "customer") will be unable to pay amounts due to the Fund. The Fund's maximum exposure to credit risk associated with its accounts receivable and assessments receivable is \$2,162,000 (December 31, 2012 – \$2,347,000). Allowances for doubtful accounts are provided for potential losses that have been incurred at the reporting date. The amounts disclosed on the statement of financial position are net of these allowances for bad debts. Accounts receivable and assessments receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer may default. There are no accounts receivable and assessments receivable that are past due but not impaired. The Board takes into consideration the customer's payment history, their credit worthiness and the then current economic environment in which the customer operates to assess impairment. The Board recognizes a bad debt provision when management considers that the expected recovery is less than the actual amount receivable.

The Board believes that the credit risk of accounts receivable and assessments receivable is mitigated by the following:

- i. The employer base is dispersed across various industries, with government comprising a significant concentration. The non-government based employers may be affected by any downturns due to prevailing economic conditions.
- ii. As at December 31, 2013, approximately 69% (December 31, 2012 – 81%) of accounts receivable and assessments receivable are outstanding for less than 90 days. The Board does not require collateral or other security from employers or customers for accounts receivable or assessments receivable.
- iii. The Board has the power and remedies to enforce payment owing to the Fund.

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Credit risk arising from securities - lending activities

To generate additional income, the Board's investment managers may lend any of its investments to eligible third parties for short periods. These loans are secured against loss with cash or readily marketable securities having a minimum fair value of 100% of the loan. Included in the investment manager's pooled fund investments at year end, the Fund's share of outstanding securities on loan amounted to nil (December 31, 2012 – nil). The amount of collateral held for the securities at year end was nil (December 31, 2012 – nil). For the year, securities-lending transactions within the Board's investment managers' pooled investment funds generated incremental income of nil (2012 – nil).

Liquidity risk

Liquidity risk is the risk that the Fund is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Board's operations are financed through a combination of the cash flows from operations and investments. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. The Fund has access to the Government of Yukon overall line of credit facility with the Government's banker. This access provides the Fund with overdraft coverage of \$7,000,000 if needed. The Fund's accounts payable, accrued liabilities, and assessments refunds had a carrying value of \$4,505,000 as at December 31, 2013 (December 31, 2012– \$4,720,000) and are all due within 60 days.

Market risk

The Fund is exposed to market risk, which is the risk that the fair value or future cash flows of its investments will fluctuate in the future because of economic conditions. Market risk is managed through diversification between different asset classes and geographic diversification and by limiting the concentration in any single entity to 15% or less of the fair value of the investment fund.

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

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	Target		Actual	
	Minimum	Maximum	31-Dec-13	31-Dec-12
Equities				
Canadian	0%	25%	16.70%	16.00%
United States	0%	25%	19.30%	18.60%
International	0%	25%	20.50%	18.20%
Fixed Income				
Short-term investments	0%	10%	5.00%	3.00%
Bonds	35%	85%	38.50%	44.20%
			<u>100.00%</u>	<u>100.00%</u>

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

	31-Dec-13		31-Dec-12	
	(\$000's)		(\$000's)	
Percentage decrease in fair value	-10%	-20%	-10%	-20%
Equities				
Canadian	\$ (3,364)	\$ (6,727)	\$ (2,779)	\$ (5,558)
United States	(3,898)	(7,796)	(3,242)	(6,485)
International	(4,134)	(8,268)	(3,179)	(6,357)
Total impact on operating results and equity	<u>\$ (11,396)</u>	<u>\$ (22,791)</u>	<u>\$ (9,200)</u>	<u>\$ (18,400)</u>

Inflation risk

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power of current monetary assets. The Board manages inflation risk through its investment allocation between equities and fixed income investments.

Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Fund's investment portfolio is exposed to interest rate risk through its holdings of short and long-term fixed income investments. Interest rate risk is minimized by actively managing the duration of the fixed income investments.

The table below presents the effects of a 50 and 100 bp's¹ adverse change in the nominal interest rate on the fair value of the bond portfolio on operating results and equity:

	31-Dec-13		31-Dec-12	
	(\$000's)		(\$000's)	
Positive bp change in nominal interest rate	+50bp	+100bp	+50bp	+100bp
Bonds	\$ (2,323)	\$ (4,646)	\$ (2,371)	\$ (4,743)
Total impact on operating results and equity	<u>\$ (2,323)</u>	<u>\$ (4,646)</u>	<u>\$ (2,371)</u>	<u>\$ (4,743)</u>

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

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The table below presents the remaining terms to maturity at fair value, along with the average effective yields for each maturity, for fixed income investments exposed to inflation and interest rate risk:

	Remaining term to maturity			31-Dec-13	31-Dec-12
	1 - 5 years	5 - 10 years	> 10 years	(\$000's) Total	(\$000's) Total
Bonds	\$ 33,673	\$ 26,887	\$ 17,027	\$ 77,587	\$ 76,509
Average effective yield	2.65%	3.24%	4.04%	3.16%	2.42%

Currency risk

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

Within its pooled investments, the Fund is exposed to exchange rate volatility that is managed by the contracted fund managers. The Board does not undertake long-term hedging strategies for the currency risk of foreign investments. The Fund's most significant exposure is to the US Dollar, the Euro, the British Pound and the Japanese Yen. At December 31, 2013, the Fund had US Dollar-denominated holdings, at fair value, of \$41,800,000 (2012 – \$34,800,000), Euro denominated holdings of \$13,600,000 (2012 – \$9,800,000), British Pound denominated holdings of \$9,300,000 (2012 – \$7,400,000) and Japanese Yen denominated holdings of \$4,700,000 (2012 – \$3,700,000).

The following table presents the effect of a 10 percent appreciation in the Canadian dollar as compared to the US Dollar, the Euro, the British Pound and the Japanese Yen on operating results and equity:

Currency	31-Dec-13 (\$000's)	31-Dec-12 (\$000's)
USD	\$ (3,805)	\$ (3,165)
EURO	\$ (1,238)	\$ (893)
POUND	\$ (842)	\$ (670)
YEN	\$ (424)	\$ (336)

Derivative financial instruments

The Fund did not have any derivative financial instruments during the year or at year end (December 31, 2012 – nil).

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6. Accounts Receivable

	31-Dec-13	31-Dec-12
	(\$000s)	(\$000s)
Assessments		
Assessed and due from employers	\$ 1,768	\$ 2,268
Allowance for doubtful accounts	(102)	(83)
	<u>\$ 1,666</u>	<u>\$ 2,185</u>
Other		
Other receivables and recoveries	\$ 755	\$ 377
Allowance for doubtful accounts	(259)	(215)
	<u>496</u>	<u>162</u>
	<u><u>\$ 2,162</u></u>	<u><u>\$ 2,347</u></u>

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

Reconciliation of allowance for doubtful accounts

	31-Dec-13	31-Dec-12
	(\$000's)	(\$000's)
Balance, beginning of year	\$ 298	\$ 169
Accounts written off	(137)	(105)
Current year provision	200	234
Balance, end of year	<u><u>\$ 361</u></u>	<u><u>\$ 298</u></u>

7. Investments

The Board of Directors has established an Investment Policy for the management of the investment process, utilizing external investment managers. The investment managers' compliance with this Investment Policy is monitored on a regular basis.

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	31-Dec-13	31-Dec-12
	(\$000s)	(\$000s)
	<u>Fair Value</u>	<u>Fair Value</u>
Fixed-term securities		
Federal bonds	\$ 22,049	\$ 23,291
Provincial bonds	5,844	3,005
Corporate bonds	49,115	50,213
Municipal bonds	579	-
	<u>77,587</u>	<u>76,509</u>
Equities		
Canadian	33,637	27,789
United States	38,978	32,423
International	41,338	31,785
	<u>113,953</u>	<u>91,997</u>
Other investments		
Cash on account	211	82
Short-term investments	9,587	5,070
Accrued interest receivable	770	572
	<u>10,568</u>	<u>5,724</u>
Investments, sub-total	202,108	174,230
Management fee accrual	(88)	(98)
	<u>\$ 202,020</u>	<u>\$ 174,132</u>

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As at December 31, 2013, the Fund held the following financial instruments measured at fair value:

	Quoted prices in active markets for identical assets (Level 1) (\$000s)	Significant other observable inputs (Level 2) (\$000s)	Significant other unobservable inputs (Level 3) (\$000s)	Total (\$000s)
Cash and Cash Equivalents	\$ 10,480	\$ -	\$ -	\$ 10,480
Bonds	7,056	70,531	-	77,587
Equities	54,241	-	-	54,241
Pooled Funds	-	59,712	-	59,712
Total Investments	<u>\$ 71,777</u>	<u>\$ 130,243</u>	<u>\$ -</u>	<u>\$ 202,020</u>

As at December 31, 2012, the Fund held the following financial instruments measured at fair value:

	Quoted prices in active markets for identical assets (Level 1) (\$000s)	Significant other observable inputs (Level 2) (\$000s)	Significant other unobservable inputs (Level 3) (\$000s)	Total (\$000s)
Cash and Cash Equivalents	\$ 5,626	\$ -	\$ -	\$ 5,626
Bonds	6,717	69,792	-	76,509
Equities	43,279	-	-	43,279
Pooled Funds	-	48,718	-	48,718
Total Investments	<u>\$ 55,622</u>	<u>\$ 118,510</u>	<u>\$ -</u>	<u>\$ 174,132</u>

The classification is based on type, frequency and visibility of pricing, source of pricing and liquidity. There are three levels of classification.

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

A Level 2 classification is used when pricing is:

- a) model or matrix based (using observable inputs and or market information)
- b) based on closely related securities
- c) derived pricing (when no public quote exists)
- d) from a broker quote on less active markets.

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

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

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

	2013	2012
	(\$000s)	(\$000s)
Interest	\$ 3,003	\$ 2,941
Dividends	2,863	2,345
Realized gains in the year	3,930	1,483
Unrealized gain in fair value in the year	18,608	7,215
Investment management fees	(608)	(527)
	<u>\$ 27,796</u>	<u>\$ 13,457</u>

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8. Property and Equipment

	Land	Buildings	Furniture and Equipment	Computer and Equipment	Assets under construction	Total
	(\$000s)	(\$000s)	(\$000s)	(\$000s)		(\$000s)
Cost						
At January 1, 2012	\$ 1,045	\$ 3,919	\$ 671	\$ 517	\$ -	\$ 6,152
Additions	-	22	419	82	-	523
Disposals	-	-	(30)	(12)	-	(42)
At December 31, 2012	\$ 1,045	\$ 3,941	\$ 1,060	\$ 587	\$ -	\$ 6,633
Depreciation and impairment						
At January 1, 2012	-	1,667	406	379	-	2,452
Depreciation	-	94	91	72	-	257
Disposals	-	-	(28)	(11)	-	(39)
Impairment	-	-	-	-	-	-
At December 31, 2012	\$ -	\$ 1,761	\$ 469	\$ 440	\$ -	\$ 2,670
Net Book value:						
At January 1, 2012	\$ 1,045	\$ 2,252	\$ 265	\$ 138	\$ -	\$ 3,700
At December 31, 2012	\$ 1,045	\$ 2,180	\$ 591	\$ 147	\$ -	\$ 3,963
Cost						
At January 1, 2013	\$ 1,045	\$ 3,941	\$ 1,060	\$ 587	\$ -	\$ 6,633
Additions	-	-	104	167	94	365
Disposals	-	-	(6)	(141)	-	(147)
At December 31, 2013	\$ 1,045	\$ 3,941	\$ 1,158	\$ 613	\$ 94	\$ 6,851
Depreciation and impairment						
At January 1, 2013	-	1,761	469	440	-	2,670
Depreciation	-	92	91	81	-	264
Disposals	-	-	-	(138)	-	(138)
Impairment	-	-	-	-	-	-
At December 31, 2013	\$ -	\$ 1,853	\$ 560	\$ 383	\$ -	\$ 2,796
Net Book value:						
At December 31, 2013	\$ 1,045	\$ 2,088	\$ 598	\$ 230	\$ 94	\$ 4,055

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9. Intangible Assets

	Internal Software Development Costs ⁽¹⁾ (\$000s)	Software Systems Under Development (\$000s)	Software Costs (\$000s)	Total (\$000s)
Cost				
At January 1, 2012	\$ 6,801	\$ -	\$ 725	\$ 7,526
Additions	280	41	174	495
Disposals	-	-	-	-
At December 31, 2012	<u>\$ 7,081</u>	<u>\$ 41</u>	<u>\$ 899</u>	<u>\$ 8,021</u>
Amortization and impairment				
At January 1, 2012	2,910	-	558	3,468
Amortization	570	-	42	612
Disposals	-	-	-	-
Impairment	-	-	-	-
At December 31, 2012	<u>\$ 3,480</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 4,080</u>
Net Book value:				
At January 1, 2012	<u>\$ 3,891</u>	<u>\$ -</u>	<u>\$ 167</u>	<u>\$ 4,058</u>
At December 31, 2012	<u>\$ 3,601</u>	<u>\$ 41</u>	<u>\$ 299</u>	<u>\$ 3,941</u>
Cost				
At January 1, 2013	\$ 7,081	\$ 41	\$ 899	\$ 8,021
Additions	167	288	53	508
Disposals	-	-	(58)	(58)
At December 31, 2013	<u>\$ 7,248</u>	<u>\$ 329</u>	<u>\$ 894</u>	<u>\$ 8,471</u>
Amortization and impairment				
At January 1, 2013	3,480	-	600	4,080
Amortization	585	-	43	628
Disposals	-	-	-	-
Impairment	-	-	-	-
At December 31, 2013	<u>\$ 4,065</u>	<u>\$ -</u>	<u>\$ 643</u>	<u>\$ 4,708</u>
Net Book value:				
At December 31, 2013	<u>\$ 3,183</u>	<u>\$ 329</u>	<u>\$ 251</u>	<u>\$ 3,763</u>

(1) Included in internal software development costs are the claims managements system which has a carrying value of \$1,698,000 and a remaining amortized period of 5 years and the occupational health and safety system which has a carrying value of \$580,000 and a remaining amortized period of 7 years.

\$76,000 (2012 — \$101,000) was expensed on system research and analysis costs.

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10. Accounts Payable and Accrued Liabilities

	<u>31-Dec-13</u> (\$000s)	<u>31-Dec-12</u> (\$000s)
Payable		
Assessments refundable	\$ 2,536	\$ 2,446
Other payables and accrued liabilities	<u>1,969</u>	<u>2,274</u>
	<u>\$ 4,505</u>	<u>\$ 4,720</u>

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

11. Government Grants

In 2013, the Board received \$330,000 for the Mine Safety Program Grant (2012 – \$330,000). This was accounted for as income in the period.

The Board did not receive any funds in 2013 for the purpose of upgrading mine safety equipment (2012 – \$222,000). In addition, \$42,000 (2012 – \$46,000) was expensed and released into income. The deferred portion of the government grant for 2013 is \$310,000 (2012 - \$352,000).

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

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12. Benefits Liability

	2013			
	(\$000s)			
	Medical Aid & Compensation	Pension	Annuity	Total
Balance, beginning of year	\$ 90,612	\$ 26,111	\$ 7,320	\$ 124,043
Add claims costs incurred:				
Current year injuries	12,494	1,621	-	14,115
Prior years' injuries	(968)	2,544	-	1,576
Latent occupational disease provision	10,589	-	-	10,589
	<u>22,115</u>	<u>4,165</u>	<u>-</u>	<u>26,280</u>
Less claims payments made:				
Current year injuries	3,559	35	-	3,594
Claims management	534	5	-	539
Prior years' injuries	7,213	2,078	330	9,621
Claims management	1,082	312	-	1,394
	<u>12,388</u>	<u>2,430</u>	<u>330</u>	<u>15,148</u>
Balance, end of year	<u>\$ 100,339</u>	<u>\$ 27,846</u>	<u>\$ 6,990</u>	<u>\$ 135,175</u>

	2012			
	(\$000s)			
	Medical Aid & Compensation	Pension	Annuity	Total
Balance, beginning of year	\$ 86,806	\$ 25,787	\$ 6,819	\$ 119,412
Add claims costs incurred:				
Current year injuries	16,146	-	-	16,146
Prior years' injuries	1,758	2,711	-	4,469
	<u>17,904</u>	<u>2,711</u>	<u>-</u>	<u>20,615</u>
Less claims payments made:				
Current year injuries	4,681	-	-	4,681
Claims management	702	-	-	702
Prior years' injuries	7,641	2,075	(501)	9,215
Claims management	1,074	312	-	1,386
	<u>14,098</u>	<u>2,387</u>	<u>(501)</u>	<u>15,984</u>
Balance, end of year	<u>\$ 90,612</u>	<u>\$ 26,111</u>	<u>\$ 7,320</u>	<u>\$ 124,043</u>

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(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Board has an objective to control insurance risk, thus reducing the volatility of operating results. In addition due to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, operating results from the Board's workers' compensation business are affected by market factors, particularly movements in asset values. Short-term variability is, to some extent, a feature of the workers' compensation business.

Key aspects of processes established to mitigate insurance risks include:

- The maintenance and use of management information systems, which provide data on the risks to which the Fund is exposed to at any point in time.
- Actuarial models, using information from the management information system, are used to monitor claims patterns and calculate assessment premiums. Past experience and statistical methods are used as part of the process.
- The asset mix of the Fund investments is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match maturity dates of assets with the expected pattern of claim payments.

(b) Terms and conditions of the Act

The terms and conditions attaching to the Act affect the level of insurance risk accepted by the Board. All workers' compensation coverage entered into is subject to substantially the same terms and conditions under the Act.

(c) Concentration of insurance risk

The Fund's exposure to insurance risk is due to workplace injury caused through an event or disaster that occurred during the reporting period, and/or occupational diseases diagnosed during the reporting period. The Fund's benefits liability includes an amount estimated to cover any such occurrences. This figure is reviewed on an annual basis. The Fund's risk is concentrated by industry as some industries have higher claims experience costs than other industries and is mitigated by higher assessments being charged to industries with proven higher experience costs.

(d) Development of claims

There is a possibility that changes may occur in the estimate of the Fund's obligations over time. The tables in part (i) of this note show the estimates of total net and gross claims outstanding for each underwriting year at successive year ends.

(e) Interest rate risk

The Fund is exposed to the risk that interest rate movements may materially impact the value of the benefits liability. The financial impact of changing interest rates on the

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benefits liability is expected to be offset in the longer term by similar changes in claims inflation.

The discount rates being applied to future claims payments in determining the valuation of the benefits liability is disclosed in part (g) of this note.

The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is set out in note 5.

(f) Liquidity risk

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

The following table estimates the expected amounts and timing of future benefit payments for the provision of outstanding claims. The expected timing of payments from the provision for outstanding claims involves considerable uncertainty. The projections presented below do not include a provision for future administration expenses or latent occupational diseases.

Expected timing of future payments for outstanding claims:

	<u>2013</u>	<u>2012</u>
Up to 1 year	4.00%	5.00%
Over 1 year and up to 5 years	15.00%	15.00%
Over 5 years and up to 10 years	19.00%	20.00%
Over 10 years	62.00%	60.00%
Total	<u>100.00%</u>	<u>100.00%</u>

(g) Actuarial assumptions and methods

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

	<u>31-Dec-13</u>	<u>31-Dec-12</u>
Discount rate for medical aid benefits - net ⁽¹⁾	1.00%	1.00%
Discount rate for compensation benefits - net ⁽²⁾	3.40%	3.40%
Discount rate for survivor and other pension benefits - net ⁽²⁾	3.40%	3.40%

(1) Net of a discount rate attributable to inflation of 5.5%

(2) Net of a discount rate attributable to inflation of 3.0%

The benefits liability was determined using accepted actuarial practice in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefits reflects management's and the actuary's best estimates of long term economic and actuarial assumptions.

The overall valuation approach is designed to reflect emerging trends without placing too much emphasis on temporary fluctuations. The factors used in the valuation have been developed on a best estimate basis, without margins for adverse deviations, by taking the Board's historical experience into consideration along with recent trends in that experience. The general philosophy is to avoid reacting too strongly to temporary

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fluctuations until there is sufficient evidence that a change in assumption is required. By waiting until a clear trend has emerged, we reduce the likelihood of larger liability adjustments than warranted, both positive and negative, and unstable financial results.

The degree to which the valuation reflects trends is partly impacted by formulas intended to place the appropriate amount of weight on observed experience for each recent year and partly impacted by professional judgment based on observation of payment and claiming trends, including discussions with the Board's staff about the underlying factors that might be causing an observed trend.

The Medical and Short Term Compensation liability represents the present value of expected future benefit payments for hospital and physician services, short-term loss of earnings payments, travel expenses, rehabilitation benefits and other eligible medical services under the Act. The Medical and Short Term Compensation liability is calculated using the loss development method also known as the "claims run-off" approach. In this method, historical paid claims data are summarized by injury year and payment year in order to observe the relationships between payments at different durations for each injury year. Historical factors, at each duration, are developed from prior injury years and are applied to injury years that are not yet fully mature in order to estimate the future timing and amount of remaining benefit payments. A provision with respect to the ten percent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Short Term Compensation liability.

The Long Term Compensation liability represents the present value of expected future long term loss of earnings payments for injury years 2007 and prior, including future inflationary adjustments, for individuals still in receipt of a long term loss of earnings award at December 31, 2013. The Long Term Compensation liability is calculated on a seriatim, or individual basis using the discounted cash flow method. Loss of earnings benefits are indexed annually in the month following the anniversary of the date of when the injured worker's loss of earnings began. Mortality rates are used to determine the future life expectancy of individuals in receipt of a long term loss of earnings award. A provision with respect to the ten percent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Long Term Compensation liability.

The Pension liability represents the present value of expected future pension payments, including future inflationary adjustments, to individuals who have been approved for a pension or survivor award at December 31, 2013. The Pension liability is calculated on a seriatim basis using the discounted cash flow method. Pension benefits are indexed annually on January 1st of each year. Mortality rates are used to determine the future life expectancy of individuals in receipt of a pension award.

The Future Long Term Compensation liability represents the present value of future long term loss of earnings awards that have not yet been approved as of December 31, 2013. These future awards are in respect of all claims arising from injuries which occurred on or before December 31, 2013. The estimated number and timing of these future awards has been developed based on the historical emergence of claims. In addition, the expected cost of each claim has been developed based on actual long term awards approved prior to December 31, 2013. A provision with respect to the ten percent annuity contribution

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required on loss of earnings benefits paid beyond 24 months is included in the Future Long Term Compensation liability.

The discount rate is used to calculate the present value of expected future payments.

The administration rate represents the present value of expected future costs required to provide administrative services for the continuation of claims management and maintenance for existing claims.

As these assumptions may change over time to reflect underlying economic or legislated conditions, it is possible that such changes could cause a material change to the actuarial present value of future benefit payments.

Significant changes in the benefits liability due to actuarial assumptions included the following:

	Increase (decrease) in benefits liability	
	2013	2012
	(\$000s)	(\$000s)
Change in runoff factors	\$ (331)	\$ (1,605)
Update of first year inflation	(682)	(150)
Impact of OAS change	-	3,632
Other changes in actuarial assumptions	(1,338)	(501)
	<u>\$ (2,351)</u>	<u>\$ 1,376</u>
Favourable claims experience during year	(2,661)	(3,027)
	<u>\$ (5,012)</u>	<u>\$ (1,651)</u>

In 2011, the Actuarial Standards Board released new standards of practice with respect to the determination of the benefits liability. Under the new standard, an appropriate allowance in the benefits liability is to be recognized for long latency occupational disease claims expected to arise after the calculation date as a result of exposures incurred in the workplace prior to the calculation date. The new provision for a long latency occupational disease liability takes effect on December 31, 2014.

Occupational diseases differ from occupational injuries in that there can be a considerable time lag between the exposure, the manifestation of the disease and the identification of the ensuing disability as a workers' compensation claim. Furthermore, while the circumstances of an injury usually make it clear whether it is work related or not, the link between an occupational disease and the workplace may be difficult to establish. Only a portion of the total liability is held based on the accumulated exposure up to the valuation date relative to total exposure before an occupational disease manifests itself.

The Board has elected to adopt the liability which is included in the benefits liability. The effect of this standard has resulted in a long latency occupational disease liability of \$10,589,000 which is fully recognized in the current year.

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On March 29, 2012 in the budget speech the Government of Canada introduced amendments to the Old Age Security (OAS) regulations which included an increase in the eligibility age for OAS pension benefits from age 65 to 67. The change to the Federal OAS program results in loss of earnings benefits continuing to be paid beyond age 65 for certain individuals. This resulted in a \$3,632,000 increase in 2012 to the benefits liability and \$300,000 in new injury costs.

(h) Liability sensitivity

The most significant assumption in the determination of the benefits liability is the net discount rate. The net discount rate is the assumed rate of return in excess of the assumed inflation rate. A reduction in the net discount rate would increase the actuarial present value of the benefits liability resulting in an increase in claims expense and benefits liability. An increase in the discount rate would decrease the actuarial present value, resulting in a decrease in claims expense and benefits liability.

Medical benefits represent approximately 20% of the benefits liability. An increase in the assumed excess medical inflation rate (above the assumed inflation rate) would result in an increase in claims expense and the benefits liability for medical benefits.

	31-Dec-13		31-Dec-12	
	(\$000s)		(\$000s)	
Percentage change in assumed rates	+1%	-1%	+1%	-1%
Increase (decrease) in claims expense and benefits liability from change in net discount rate	\$ (10,984)	\$ 13,461	\$ (9,413)	\$ 10,881
Increase (decrease) in claims expense and benefits liability from change in excess medical inflation rate	3,322	(2,291)	2,120	(1,465)

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(i) Claims Development

The following table shows the development of claims cost estimates for the seven most recent injury years:

Claims	2006 and Prior (\$000s)	2007 (\$000s)	2008 (\$000s)	2009 (\$000s)	2010 (\$000s)	2011 (\$000s)	2012 (\$000s)	2013 (\$000s)	Total (\$000s)
At end of accident year	348,034	25,247	24,593	21,560	26,001	28,402	24,192	24,513	
One year later	343,169	26,069	19,487	18,820	23,288	26,111	25,187		
Two years later	338,069	23,205	17,116	18,092	23,006	25,087			
Three years later	327,428	21,047	16,422	17,895	21,645				
Four years later	314,075	20,422	15,667	17,497					
Five years later	307,992	21,102	15,248						
Six years later	314,185	19,137							
Seven years later	313,491								
Cumulative Payments									
At end of accident year	124,835	3,288	3,082	2,454	3,182	3,721	4,433	3,438	
One year later	136,388	6,572	4,707	3,963	4,787	5,618	7,404		
Two years later	145,120	7,607	5,198	4,500	5,394	6,222			
Three years later	152,350	8,013	5,371	4,880	5,635				
Four years later	158,990	8,304	5,469	5,067					
Five years later	164,667	8,528	5,653						
Six years later	170,717	8,736							
Seven years later	176,029								
Estimate of Cumulative Claims									
Claims	313,491	19,137	15,248	17,497	21,645	25,087	25,187	24,513	461,805
Cumulative Payments	176,029	8,736	5,653	5,067	5,635	6,222	7,404	3,438	218,184
Estimate of Future Payments									
Payments	137,462	10,401	9,595	12,430	16,010	18,865	17,783	21,075	243,621
Effect of Discounting	(70,485)	(5,661)	(5,253)	(7,213)	(10,393)	(11,831)	(10,488)	(12,346)	(133,670)
Effect of Admin Expenses	8,630	635	597	720	783	990	1,028	1,252	14,635
Effect of Occupational Disease Liability	6,427	457	420	504	544	682	707	848	10,589
Amount recognized on Statement of Financial Position									
Position	82,034	5,832	5,359	6,441	6,944	8,706	9,030	10,829	135,175

As at December 31, 2013 the investigations unit has been conducting on going investigations. The outcome of the investigations is not determinable at this time and therefore, the potential future effect of these claims is not reflected in the benefits liability.

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13. Employee Benefits

	31-Dec-13	31-Dec-12
	(\$000s)	(\$000s)
Short term employee benefits	\$ 723	\$ 724
Other long-term employee benefits (a)	476	560
Post-employment benefits (b)	1,040	1,158
	<u>\$ 2,239</u>	<u>\$ 2,442</u>

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

(a) Other Long-term Employee Benefits

Long service vacation leave is an additional five days of vacation leave available to employees who have completed five years of continuous service with the Board and on each five year anniversary date thereafter.

Unused sick leave credits accumulate and are carried forward up to a maximum. A retiring employee may convert up to one third, to a maximum of 180 days, as pre-retirement leave.

The balance in the liability accrual for accumulating sick leave benefits and long service vacation for the year was:

	31-Dec-13	31-Dec-12
	(\$000s)	(\$000s)
Long service vacation benefits	\$ 30	\$ 48
Accumulating sick leave benefits	446	512
Total	<u>\$ 476</u>	<u>\$ 560</u>

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

	2013	2012
	(\$000s)	(\$000s)
Benefits, beginning of the year	\$ 560	\$ 466
Payments made during the year	(50)	(47)
Current service cost	41	39
Interest cost	21	20
Actuarial (gains)/losses and other changes	(96)	82
Benefits, end of the year	<u>\$ 476</u>	<u>\$ 560</u>

Actuarial (gain) loss remeasurements:

	2013	2012
	(\$000s)	(\$000s)
Effect of changes in financial assumptions	\$ (89)	\$ 19
Effect of changes in demographic assumptions	(7)	63
Remeasurements (gains) losses in other comprehensive income	<u>\$ (96)</u>	<u>\$ 82</u>

(b) Post-employment Benefits

(i) Retirement and Severance Benefit

Retiring or severance benefits are available to employees who have completed five years of service with the Board. Payments are made upon retirement or termination, with benefits increasing with additional length of service.

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

	2013	2012
	(\$000s)	(\$000s)
Benefits, beginning of the year	\$ 1,158	\$ 949
Payments made during the year	(18)	(17)
Current service cost	84	75
Interest cost	49	47
Actuarial (gains)/losses and other changes	(233)	104
Benefits, end of the year	<u>\$ 1,040</u>	<u>\$ 1,158</u>

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Actuarial (gain) loss remeasurements:

	2013 (\$000s)	2012 (\$000s)
Effect of changes in financial assumptions	\$ (194)	\$ 40
Effect of changes in demographic assumptions	(39)	64
Remeasurements (gains) losses in other comprehensive income	<u>\$ (233)</u>	<u>\$ 104</u>

The plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. The risk of default is low as the Fund is in a strong financial position.

The key assumptions used to calculate post employment benefits are a liability discount rate of 4.75% (December 31, 2012 – 4.0%) and an annual rate of general escalation in wages of 2.0% in 2014, 1.75% in 2015 and 2.0% in 2016 and beyond

The expected fund contributions for retirement and severance for the next year is \$83,000.

(ii) Public Service Pension Plan

Substantially all of the employees of the Board are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Fund. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 15.088% (14.964% for the prior year). The Fund contributions are outlined in the table below.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. For employees joining the plan after January 1, 2013 the normal retirement age has been raised from age 60 to age 65.

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

	2013 (\$000s)	2012 (\$000s)
Employees' contributions	\$ 486	\$ 421
Fund contributions	\$ 788	\$ 725

The expected contributions to the Plan for the next year are \$492,000 employee contributions and \$714,000 Fund contributions.

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(c) Benefit Expense

The following table summarizes the components of the benefit expense recognized in salaries and benefits within administration expenses in the statement of operations and comprehensive income for the respective plans:

Net benefit expense 2013	Other long-term benefits (\$000s)	Severance & retirement benefits (\$000s)	Public service pension plan (\$000s)	Total (\$000s)
Current service cost	\$ 41	\$ 84	\$ 788	\$ 913
Interest cost	21	49		70
Actuarial (gains)/losses and other changes	(96)	(233)		(329)
	<u>\$ (34)</u>	<u>\$ (100)</u>	<u>\$ 788</u>	<u>\$ 654</u>

Net benefit expense 2012	Other long-term benefits (\$000s)	Severance & retirement benefits (\$000s)	Public service pension plan (\$000s)	Total (\$000s)
Current service cost	\$ 39	\$ 75	\$ 725	\$ 839
Interest cost	20	47	-	67
Actuarial (gains)/losses and other changes	82	104	-	186
	<u>\$ 141</u>	<u>\$ 226</u>	<u>\$ 725</u>	<u>\$ 1,092</u>

14. Capital Management and Reserves

The *Workers' Compensation Act* establishes that one of the purposes of the Act is to maintain a solvent Compensation Fund managed in the interest of workers and employers. To ensure that the Fund is able to meet its financial obligations, premiums charged to employers over time must be sufficient to cover current and future costs of all claims incurred by injured workers. These assessment revenues combined with investment returns from the Fund's assets are designed to provide the foundation for the Fund to meet all current and future obligations for injured workers.

The Board of Directors considers that capital is the net difference between assets and liabilities. There have been no changes in the objectives and definition of capital from the previous period. The Fund does not have any external capital requirements. The reserves are established to protect the fully funded position of the Fund and to stabilize the effect of fluctuations in the employer assessment rates and investment returns. The Fund is considered fully funded when there are sufficient funds for the payment of all present and future compensation, including the cost of administration. At the end of the fiscal year, once the benefits liability is determined, the net difference between the Fund's assets and liabilities is allocated to reserves.

The Board of Directors uses the Funding Ratio (Assets/Liabilities) to manage capital. At December 31, 2013, the Funding Ratio is 153% (December 31, 2012 – 146%).

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Under the current Funding Policy, the Prevention Fund and two reserves are established as follows:

Prevention Fund:

The Prevention Fund serves to provide funding for the start up costs of pre-selected accident prevention and workplace safety initiatives. The Board of Directors decided to wind down the Prevention Fund in 2009. The remaining balance in the Prevention Fund will be used to cover future commitments from current funding agreements that were in place prior to this decision. In 2013, a total of \$39,000 (2012 – \$3,000) was incurred on accident prevention and workplace safety initiatives. At December 31, 2013, the Prevention Fund has a balance of \$386,000 (December 31, 2012 – \$425,000).

Reserves:

(i) Stabilization Reserve

The Stabilization Reserve is to protect the fully funded position of the Fund and to stabilize the effect of fluctuations on employer assessment rates. The target level for this reserve is equal to ten percent of the benefits liability, which was \$13,518,000 as at December 31, 2013 (December 31, 2012 – \$12,404,000). The operating range for this reserve is determined as the target level balance plus or minus three and a half percent of the benefits liability. At December 31, 2013, the Stabilization Reserve has a balance of \$52,766,000 (December 31, 2012 – \$39,390,000).

This reserve is considered to have a surplus when its balance exceeds the top of the operating range and a deficit if the reserve balance is below its target level. The funding policy requires that any deficiency or surplus at the end of a fiscal year be amortized over a period not exceeding ten years from the year in which the deficiency or surplus arose.

A rebate in 2013 was included in the assessment rates as required by the Funding Policy based on the 2012 funded position.

(ii) Adverse Events Reserve

The Adverse Events Reserve is to provide funding for infrequent, unexpected adverse claims experience and catastrophic events to protect employers from the sudden impact of the costs of these types of events. The target level for this reserve is \$21,728,000 (2012 – \$20,407,000), which has been set at 100 times the maximum wage rate plus ten percent of the benefits liability and is calculated annually upon completion of the actuarial valuation of the benefits liability. Costs related to catastrophic and adverse events and latent occupational diseases are charged to this reserve, resulting in a charge of nil for 2013 (2012 – nil). This reserve is limited to its target level. Funds in excess of the target level are transferred to the Stabilization Reserve, with nil funds transferred in 2013 (2012 – nil). At December 31, 2013, the Adverse Events Reserve has a balance of \$21,728,000 (December 31, 2012 – \$20,407,000).

Transfers cannot be made from this reserve to any other temporary fund or reserve if the transfer will reduce this reserve below its target level.

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15. Related Party Transactions

(a) Government of Yukon

The Board is a territorial entity with delegated powers on behalf of the Government of Yukon (the "Government"), and is related to all Government departments, agencies and Government corporations.

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

During 2013, the Compensation Fund paid the Government \$425,000 (2012 – \$460,000) for building maintenance, computer, office supplies, payroll processing, recruitment, and vehicle services. The Fund reimbursed the Government \$344,000 (2012 - \$379,000) for the Worker's Advocate Office. The Fund also reimbursed the Government for payroll costs of \$8,084,000 (2012 – \$7,821,000).

The Government pays certain claims costs to the Compensation Fund for claims prior to 1993 (note 4(b)) and also reimburses the cost of supplementary benefits pursuant to the Yukon Workers' Compensation Supplementary Benefits Ordinance. Supplementary compensation benefits are granted, pursuant to the Yukon Workers' Compensation Supplementary Benefits Ordinance, to all persons receiving compensation on or after October 1, 1973 for accidents prior to that date. Compensation is increased to the amount that would have been granted had the accident occurred after the Act came into force. The cost of these benefits is recovered from the Yukon Consolidated Revenue Fund. Effective January 1, 1993, all Government employees were covered by the Fund.

Reimbursements for claims expenses received from the Government was \$491,000 in 2013 (2012 – \$506,000).

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

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Revenues and recoveries from the Government of Yukon for the year ended December 31, 2013 totalled \$5,726,000 (2012 – \$5,926,000).

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

	31-Dec-13	31-Dec-12
	(\$000s)	(\$000s)
Due to the Government of Yukon	\$ (1,444)	\$ (1,597)
Due from the Government of Yukon - Recoveries	80	116
Due from the Government of Yukon - Assessments	249	243
Net amount due	<u>\$ (1,115)</u>	<u>\$ (1,238)</u>

(b) Key Management Personnel

The remuneration of key management personnel, which includes the members of the Board of Directors and senior management team, are as follows:

	2013	2012
	(\$000s)	(\$000s)
Short term employee benefits	\$ 1,263	\$ 1,213
Post employment benefits	112	223
Other long-term employee benefits	(27)	44
Total remuneration	<u>\$ 1,348</u>	<u>\$ 1,480</u>

Contributions made to the Public Service Pension Plan by the Fund for key management personnel was \$115,000 (2012 – \$125,000).

A member of the Board of Directors, who resigned in 2012, was the acting president of the Yukon Federation of Labour which had entered into a Return to Work Agreement with the Board to train workers and employers on how to safely return injured workers to the workplace. This agreement was awarded based on a competitive bidding process. In 2012 a total of \$8,000 (2013 – nil) was expended.

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

16. Commitments

The Board has commitments for professional services contracts, contribution agreements, Prevention Fund agreements, storage facilities and travel accommodation for the next five years, in thousands of dollars, as follows:

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	Computer software	Professional services contracts	Contribution agreements	Prevention fund agreements	Travel and storage	Building addition	Total
2014	44	1,283	610	-	28	2,760	4,725
2015	30	625	229	-	-	2,761	3,645
2016	30	136	-	-	-	-	166
2017	15	5	-	-	-	-	20
2018	-	5	-	-	-	-	5
	\$ 119	\$ 2,054	\$ 839	\$ -	\$ 28	\$ 5,521	\$ 8,561

17. Administration Expenses

	2013 (\$000s)	2012 (\$000s)
Salaries and benefits	\$ 8,271	\$ 8,122
Consulting and professional	1,063	994
Amortization - intangible assets	628	612
Buildings	348	352
Computer systems	284	277
Depreciation - property and equipment	264	258
Automobile and travel	212	239
Communications	239	221
Staffing and recruitment	182	215
General administration	237	213
Board expenses	157	125
Lease expense	115	120
Printing and publications	49	114
System development analysis expense	76	101
Supplies and stationery	63	47
Furniture and equipment	23	17
	\$ 12,211	\$ 12,027
Less: claims administration expense transferred to claims expenses (note 12)	(1,933)	(2,088)
	\$ 10,278	\$ 9,939

18. Prevention Expenses

	2013 (\$000s)	2012 (\$000s)
Contribution Agreements - funded through the Prevention Fund	\$ 39	\$ 3
Contribution Agreements - funded through Operations	460	314
	\$ 499	\$ 317

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19. Contingencies

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