COMPENSATION FUND (YUKON)

FINANCIAL STATEMENTS

December 31, 2019

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Management's Discussion and Analysis

The Management's Discussion and Analysis provides further insight into the financial performance of the Compensation Fund (the Fund) for the year ended December 31, 2019. The audited financial statements and supporting notes are integral to this analysis and should be read in conjunction with it. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been derived from the Fund's annual financial statements prepared in accordance with International Financial Reporting Standards.

Forward-looking statements

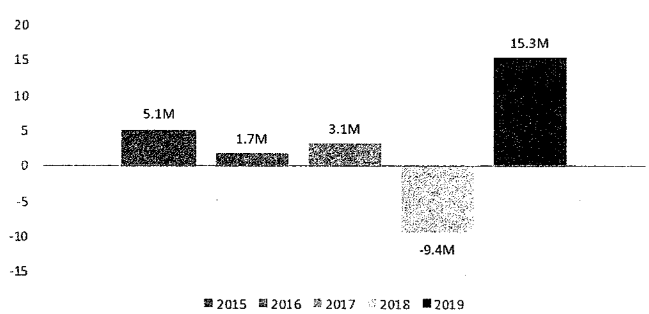
Any forward-looking statements in this document represent the views of management. Forward-looking information is subject to many risks and uncertainties, and may contain significant assumptions about the future. These statements are presented to help stakeholders understand the Fund's financial position,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

Risk and uncertainties about future assumptions include, but are not limited to the following: changing financial markets, the industry mix of the Yukon workforce, the general economy, legislation, accounting standards, appeals and court decisions, and other known or unknown risks. Readers are cautioned not to place undue reliance on forward-looking information as our actual results may differ materially from those expressed or implied.

Operating results

In 2019 the Fund incurred an operating surplus of $15.3 million versus an operating deficit of $9.4 million (prior to the funding surplus distribution of $5.0 million) in 2018.

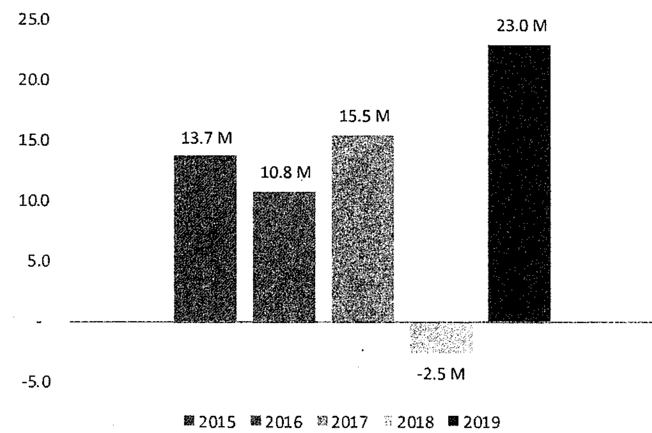
Operating Results



The total comprehensive income, which includes the funding policy surplus recoveries, surplus distributions and the actuarial loss on post-employment benefits, was $15.3 million (income) in 2019 versus $14.5 million (loss) in 2018.

The substantial increase in total comprehensive income can be mainly attributed to the $23.0 million in net investment income in 2019, compared to a net investment loss of $2.5 million in 2018.

Net Investment Income (Loss)

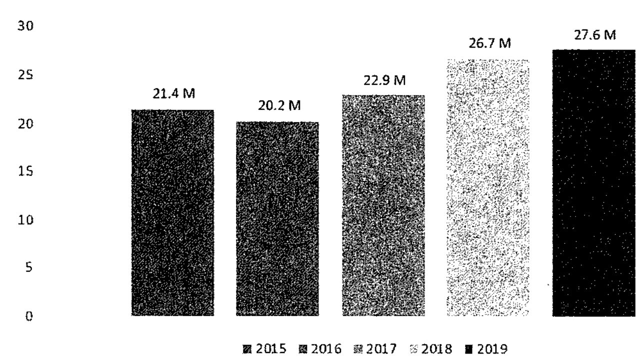


Revenues

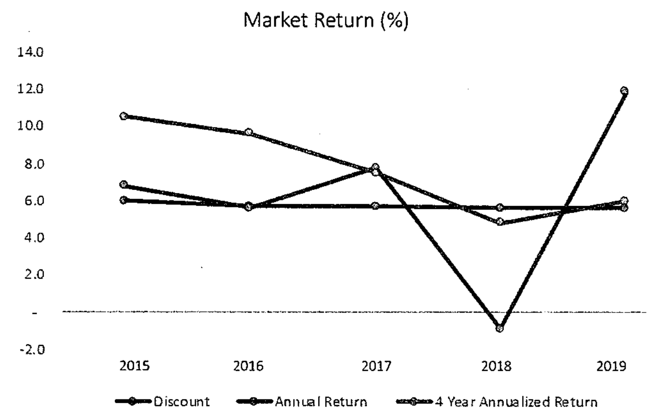
The Fund's revenue and income totalled $52.0 million in 2019 versus $25.4 million in 2018. The increase in overall revenue was mainly a result of the substantial increase in net investment income.

Assessment revenue in 2019 was $27.6 million, up 3% from $26.7 million in 2018. The increase in assessment revenue is mainly due to the overall increases in assessable payroll for most sectors, as well as a shift in the industry mix. This shift has been driven mainly by the strong economic activity in the mining and construction sectors.

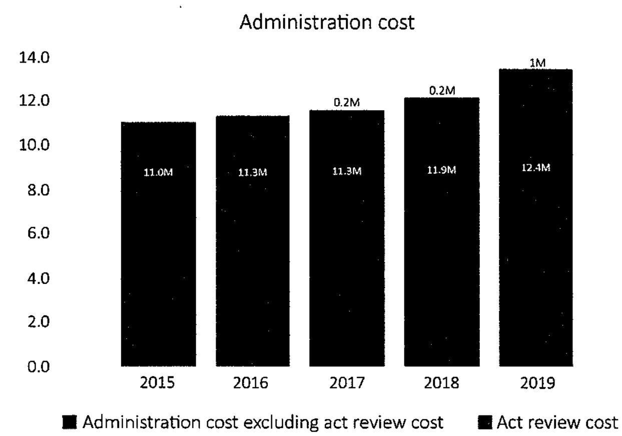
Assessment Revenue



Net investment income in 2019 was $23.0 million versus a net investment loss of $2.5 million in 2018, an increase of $25.5 million. In 2019 the Fund saw strong growth in its investment portfolio with an overall return for the year of 11.9%. The four-year annualized return in 2019 was 6.0%. The target benchmark (nominal discount rate) for the same period was 5.6%. The investment portfolio's asset mix is 44.3% fixed income and 55.7% equities. This asset mix reflects Yukon Workers' Compensation Health and Safety Board's (the Board) conservative approach to managing its investment portfolio.

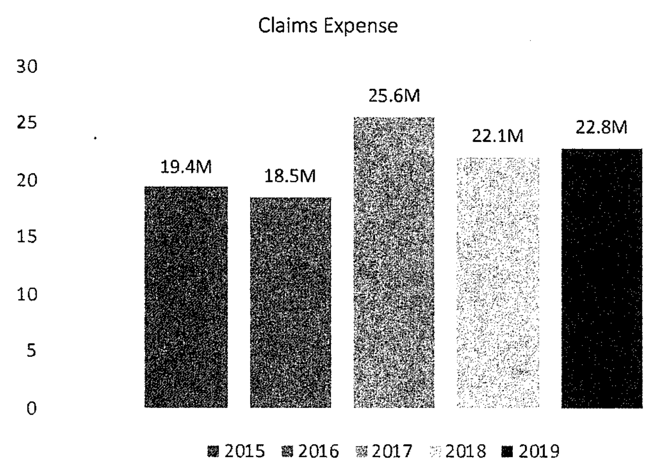


Administration costs increased to $13.3 million in 2019 from $12.1 million in 2018. This is mainly due to costs associated with consulting and professional expenses, and salaries and benefits. The increase in consulting and professional expenses can be tied directly to the costs associated with the acts modernization and the development of a new occupational health and safety regulation, which was ongoing in 2019. Another factor was the cost of living increases required by the collective bargaining agreement.



Expenses

Total claims expenses increased to $22.8 million in 2019 from $22.1 million in 2018. Claims expenses were higher in 2019 mainly due to an increase in the occupational disease liability provision and a slight decrease in the discount rate used by the actuaries to value the benefits liability. The nominal discount rate changed from 5.6% in 2018 to 5.5% in 2019.



Balance Sheet

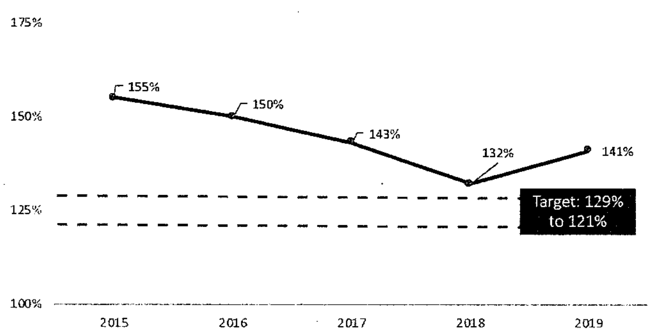
At the end of each fiscal year, the Board's actuary calculates the benefits liability for all injuries that have occurred to date. This liability represents the actuarial present value of all future benefits and related administration costs. As at December 31, 2019, this liability was $160.7 million, an increase of approximately 3.3% over the previous year. The benefits liability increased less than expected due to favourable claims experience in long-term claims in 2019.

The total assets of the Fund increased by $19.6 million or 9.0% in 2019. The increase in total assets is related mainly to the increase in the value of the investments which were driven by the solid annual returns earned during 2019.

Funded Position

The funding ratio is calculated by dividing the total assets by the total liabilities. Like a pension plan, the Fund must have adequate assets to ensure that benefits can be provided to injured workers both now and well into the future. Reserves are necessary to ensure that the Board can minimize rate volatility, protect the Fund from unforeseen catastrophic events and preserve capital during large downturns in financial markets.

Funded Position



As at December 31, 2019, the funding ratio was 141%, up from 132% in 2018. According to the Board's funding policy, when the funding ratio is outside the target range of 121% to 129%, the Fund is considered to be in a surplus position. The strong funded position at the end of 2019 will help reduce future assessment rate volatility and help cushion impacts on the rates that employers pay in the future.

Outlook

The challenge in the upcoming years will be to manage the organization through a period of unknown economic shocks as a result of the COVID-19 crisis, which came to the public's attention in December 2019. The current economic downturn due to the COVID-19 crisis is unprecedented. In addition to the death and illness this virus has created throughout the world, an economic crisis has erupted, and financial markets and industries are stressed at levels never seen before. Government stimulus actions have never been so aggressive. On an individual level, the willingness to support mass social distancing across the globe has never been experienced in our lifetime.

Our strong financial position going into the COVID-19 crisis should allow us to preserve our capital base through the current market downturn, allowing us to fully participate in the market gains when it eventually recovers. This will allow the Board to maintain affordable rates for our employers while ensuring that our future obligations to injured workers are not jeopardized. The Board is well prepared to face these current challenges and is monitoring all economic and operating trends as they develop. We are working closely with all stakeholders and the Government of Yukon to help mitigate any serious adverse financial and health-related impacts that employers and injured workers might be facing.

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

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

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

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

Kurt Dieckmann, MBA, CRSP
President and Chief Executive Officer

April 21, 2020

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

MORNEAU SHEPELL

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

Actuarial Statement of Opinion

I have completed the actuarial valuation of the benefits liability of the Yukon Workers' Compensation Health and Safety Board (the "board") as at December 31, 2019 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The data on which the valuation is based were supplied by the board in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the benefits liability.

2. The actuarial assumptions adopted in computing the benefits liability are adequate and appropriate for the purpose of the valuation. The economic assumptions are consistent with the funding and investment policies of the board.

3. The methods used are appropriate for the purpose of the valuation and are in accordance with accepted actuarial practice for workers' compensation organizations in Canada.

4. The estimate of the actuarial liabilities as at the valuation date is $160,659,000. This includes provisions for benefits expected to be paid after the valuation date for claims that occurred on or before the valuation date. A provision for future claims arising from long latency occupational diseases is included in this valuation. This liability includes future administrative expenses for all benefits, with the exception of the Annuity benefit. It does not include any accrued liability for claims arising from self-insured accounts.

5. The liability as at the valuation date for Annuity contributions and interest already set aside by the board up to the valuation date for purposes of providing pension benefits to injured workers was obtained from the board's finance division and is included in item 4 above.

6. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.

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

8. The valuation is based on the provisions of the *Workers' Compensation Act* of the Yukon Territory and on the board's policies and practices in effect on the valuation date.

Thane MacKay

Thane MacKay, F.C.I.A.

This report has been peer reviewed by Mark Simpson, FCIA.

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

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Compensation Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Compensation Fund, which comprise the statement of financial position as at 31 December 2019, and the statement of operations and comprehensive income, statement of changes in funded position (equity) and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Compensation Fund as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

David Irving

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

Edmonton, Canada
21 April 2020

Compensation Fund

Statement of Financial Position
As at December 31

(In Canadian Dollars)

	Note	2019 ($000s)	2018 ($000s)
ASSETS			
Cash		$ 1,501	$ -
Accounts receivable	6	2,858	2,053
Prepaid expenses		304	253
Investments	7	220,237	202,983
Property and equipment	8	9,542	9,677
Intangible assets	9	3,122	3,009
Total assets		**$ 237,564**	**$ 217,975**
LIABILITIES			
Bank overdraft	5	$ -	$ 1,226
Accounts payable and accrued liabilities	10	4,850	4,767
Surplus distributions payable	14	-	64
Deferred portion of government grant	11	72	109
Benefits liability	12	160,659	155,499
Employee benefits	13	3,407	3,037
Total liabilities		168,988	164,702
FUNDED POSITION (EQUITY)	14		
Reserves		68,576	53,273
Total equity		68,576	53,273
Total liabilities and equity		**$ 237,564**	**$ 217,975**

Commitments and Contingencies (notes 16 and 18)

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

Approved by the Yukon Workers' Compensation Health and Safety Board

Mark Pike
Chair

Compensation Fund

Statement of Operations and Comprehensive Income
For the year ended December 31

(In Canadian Dollars)

	Note	2019 ($000s)	2018 ($000s)
Revenue and Income			
Assessment revenue		$ 27,551	$ 26,742
Net investment income (loss)	7	23,019	(2,490)
Recoveries and other receipts		1,465	1,187
		52,035	25,439
Expenses			
Claims expenses	12	22,786	22,104
Administration	17		
General and Administration		9,327	9,006
Occupational Health and Safety		2,348	2,137
Act and Regulation Amendments (previously referred to as Act Amendments)		976	164
Workers' Advocate		409	496
Employer Advisor		167	153
Appeal Tribunal		143	135
Prevention		603	644
		36,759	34,839
Operating surplus (deficit)		15,276	(9,400)
Funding policy surplus recoveries (distributions)	14	18	(5,002)
Net surplus (deficit)		15,294	(14,402)
Other comprehensive loss			
All items presented in other comprehensive loss will not be reclassified to operating surplus in subsequent periods:			
Actuarial gain (loss) on post-employment benefits	13	9	(62)
Total comprehensive income (loss)		**$ 15,303**	**$ (14,464)**

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

Compensation Fund

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

(In Canadian Dollars)

	Stabilization Reserve ($000s)	Adverse Events Reserve ($000s)	Total ($000s)
Balance at January 1, 2018	**$ 44,062**	**$ 23,675**	**$ 67,737**
Net deficit for 2018	(14,402)	-	(14,402)
Other comprehensive loss	(62)	-	(62)
Total comprehensive loss for 2018	(14,464)	-	(14,464)
Transfer to / from Adverse Events Reserve	(572)	572	-
Balance at December 31, 2018	**$ 29,026**	**$ 24,247**	**$ 53,273**
Net surplus for 2019	15,294	-	15,294
Other comprehensive gain	9	-	9
Total comprehensive income for 2019	15,303	-	15,303
Transfer to / from Adverse Events Reserve	(733)	733	-
Balance at December 31, 2019	**$ 43,596**	**$ 24,980**	**$ 68,576**

Capital Management and Reserves (note 14)

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

Compensation Fund
Statement of Cash Flows
For the year ended December 31

(In Canadian Dollars)

	2019 ($000s)	2018 ($000s)
Operating activities		
Cash received from:		
Employers, for assessments	$ 27,929	$ 26,715
Investment revenue - interest	2,784	2,769
Investment revenue - dividends	3,193	2,770
Recoveries and other receipts	959	1,133
	34,865	33,387
Cash paid:		
To employers, for surplus distributions	(46)	(5,153)
For claims	(17,739)	(17,759)
To employees and suppliers, for administration and prevention	(13,706)	(11,591)
	(31,491)	(34,503)
Total cash used by operating activities	3,374	(1,116)
Investing activities		
Net sale (purchase) of investments	518	(857)
Purchases of property and equipment	(277)	(936)
Purchases of intangible assets	(887)	(551)
Total cash provided (used) by investing activities	(646)	(2,344)
Foreign exchange gain (loss) on cash held in foreign currency	(1)	2
Increase (decrease) in cash	**2,727**	**(3,458)**
Cash (bank overdraft), beginning of year	(1,226)	2,232
Cash (bank overdraft), end of year	**$ 1,501**	**$ (1,226)**

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

Compensation Fund
Notes to the Financial Statements
December 31, 2019
(In Canadian Dollars)

1. Reporting Entity

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

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

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

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

2. Statement of Compliance and Basis of Preparation

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS").

The Board of Directors approved and authorized for issue the 2019 financial statements on April 21, 2020.

Basis of Measurement

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

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

Critical Accounting Estimates and Judgements

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

Compensation Fund
Notes to the Financial Statements
December 31, 2019
(In Canadian Dollars)

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

- Note 7 Investments – Valuation of financial instruments
- Note 12 Benefits liability – Determination of discount rates and other assumptions
- Note 12 Benefits liability – Determination of latent occupational disease provision

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

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

3. Application of New and Revised IFRS

(a) New or amended standards effective for the current year

IFRS 16 Leases
In January 1, 2019, the Board, adopted IFRS 16 – *Leases*. The adoption of this standard had no significant impact on the Fund's financial statements for the year ending December 31, 2019.

The Board reviewed all other newly issued and amended standards issued for 2019 and concluded that there was no significant impact on the Fund's financial statements for the year ending December 31, 2019 and does not anticipate in the future any significant impacts to the Fund's financial statements as a result of these amendments effective January 1, 2019.

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

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Board is eligible and will be using the temporary exemption allowed for based on amendments to IFRS 4 issued in March 2020 which delays implementation of IFRS 9 to 2023.

The Board has applied the amendment effective January 1, 2018. In order to qualify for the exemption, the Board needed to have a ratio of liabilities connected with insurance compared to the total carrying amount of its liabilities greater than 90%. The Board achieved 95% as of December 31, 2019 (94% December 31, 2018) and therefore qualified for the exemption.

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

Compensation Fund
Notes to the Financial Statements
December 31, 2019
(In Canadian Dollars)

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

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

The impact of applying IFRS 9 is not expected to have a material impact.

IFRS 17 *Insurance Contracts*
IFRS 17 *Insurance Contracts* was issued in May 2017. On March 17, 2020, the IASB: agreed to defer the effective date of IFRS 17 to annual reporting periods beginning on or after January 1, 2023; agreed to extend the fixed expiry date of the temporary exemption from applying IFRS 9 for qualifying insurers (as contained in IFRS 4), so that all entities must apply IFRS 9 for annual reporting periods beginning on or after January 1, 2023. The Board continues to monitor developments and discussion related to this standard. IFRS 17 will replace IFRS 4 *Insurance Contracts* and is expected to change the way insurance contract liabilities are recognized and measured. It will also change the presentation and disclosures of the Fund's financial statements.

The Board is assessing the impact of this standard and expects that it may potentially have a significant impact on the Fund's financial statements.

The Board reviewed all other new or revised standards issued but yet not effective for 2019 and concluded that there would be no significant impact on the Fund's financial statements in the future as a result of these revisions.

4. Significant Accounting Policies

The following is a summary of the significant accounting policies:

(a) Cash

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash includes cash on hand and bank balances net of any bank overdrafts. Foreign currency transactions incurred within operating activities are translated based on the exchange rate at the time of the transaction. Any gains or losses incurred as result of translation are recorded in the Statement of Operations and Comprehensive Income. The cash balance remaining in the account at year end is translated at the exchange rate in effect as of December 31, 2019.

Cash and short-term investments held by custodians for investment purposes are not available for general use and are included in investments.

Compensation Fund
Notes to the Financial Statements
December 31, 2019
(In Canadian Dollars)

(b) Assessments and recoveries and other receipts

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

The Government of Yukon pays certain claims costs to the Compensation Fund for claims prior to 1993 and reimburses the cost of supplementary benefits pursuant to the Yukon Workers' Compensation Supplementary Benefits Ordinance. Supplementary compensation benefits are granted, pursuant to the Yukon Workers' Compensation Supplementary Benefits Ordinance, to all persons receiving compensation on or after October 1, 1973 for accidents prior to that date. Compensation is increased to the amount that would have been granted had the accident occurred after the Act came into force. The cost of these benefits is recovered from the Yukon Consolidated Revenue Fund. Effective January 1, 1993, all Government employees were covered by the Fund. The Government also reimburses the Compensation Fund for all claims costs associated with those injured workers, who are designated as workers employed by the Government under section 6 of the Act. These amounts are recorded in recoveries and other receipts in the year in which the related expenses are incurred (note 15(a)).

(c) Recoveries from third parties

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

Recoveries from third parties are recognized when their receipt is virtually certain and the amount can be reliably measured. They are recorded as a recovery in the year they are recognized. No provision is made in the benefits liability for possible future third party recoveries because of their contingent nature.

(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.

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Net investment income is comprised of realized gains and losses earned in the period arising on the sale of investments; unrealized gains and losses arising from fluctuations in fair value in the period; and dividends and interest earned in the period; net of investment management fees and transaction costs.

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

The Board does not enter into any financial derivative instruments as part of managing the Fund's investment portfolio.

Other financial assets and liabilities
Accounts receivable are classified as loans and receivables. Bank overdraft, accounts payable and accrued liabilities, and surplus distributions payable are classified as other financial liabilities. All are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of accounts receivable, bank overdraft, accounts payable and accrued liabilities, and surplus distributions payable, their carrying values approximate their fair values, which are classified as Level 2 in the fair value hierarchy.

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

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

Changes in valuation methods may result in transfers into or out of an instrument's assigned level. The Board's policy is to recognize transfers into or out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers between levels in 2019 (2018 – No transfers).

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

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

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

(e) Property and equipment

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

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

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

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

(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 – 25 years

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

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(g) Impairment of non-financial assets

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

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

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

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's recoverable amount. As at December 31, 2019, management conducted an impairment review at the entity level, which confirmed that there were no indicators of impairment—changes in the legislative, economic or business environment—that would have a material impact on the Board's ability to generate future economic benefits from its operating (non-financial) assets.

(h) Government grants

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

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

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

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(i) Benefits liability

The benefits liability is determined annually and represents the actuarial present value of all future benefit payments expected to be made for claims which have occurred in the current fiscal year or in any prior year. The benefits liability includes a provision for future payments on claims that have not been finalized to date. It also includes a provision for all benefits provided by current legislation, policies and administrative practices in respect of existing claims as well as future claims management costs. A provision has been made for claims related to known latent occupational diseases which may have occurred in the current or previous years, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefits liabilities (note 12).

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

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

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

- The pension liability includes monthly pension benefits indexed annually that are paid to spouses, dependent children and guardians of dependent children of those who die from a work-related injury.

- The annuity liability is for workers who have received compensation for the same disability for at least 24 months. An amount equal to ten percent of the total compensation 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.

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(j) Employee benefits

Short-term employee benefits
Employee benefits that are expected to be settled within twelve months of the reporting date are measured on an undiscounted basis. These benefits include annual vacation leave earned but not yet used.

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

Post-employment benefits

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

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

(k) Funding policy surplus distributions

The Board may issue surplus distributions in accordance with its Funding Policy. These are recorded as an expense in the period in which they are approved by the Board of Directors and issued. Surplus distributions that are approved but not issued are recorded as payable when the amount of such distributions can be reliably estimated and when it is probable a payment will be issued in the future to settle the obligation.

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5. Risk Management

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

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

The following sections present information about the Fund's exposure to each of the above risks and the Board's objectives, policies and processes for measuring and managing each risk. There were no changes to these risks or the Board's objectives, policies and process for managing them during the year ended December 31, 2019.

Credit risk

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

Fixed Income Portfolio Credit Ratings

Ratings	AAA	AA	A	BBB	**31-Dec-19** ($000's)	**31-Dec-18** ($000's)
Fixed Income Securities	$ 32,451	$ 30,758	$ 21,559	$ 7,720	$ 92,488	$ 88,744

The Fund's exposure to credit risk associated with its accounts receivable is the risk that an employer or a cost recovery customer (the "customer") will be unable to pay amounts due to the Fund. The Fund's maximum exposure to credit risk associated with its accounts receivable is $2,858,000 (2018 – $2,053,000). Allowances for doubtful accounts are provided for potential losses that have been incurred at the reporting date. The amounts disclosed on the Statement of Financial Position are net of these allowances for doubtful accounts. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer may default. At December 31, 2019, there were no accounts

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receivable that were past due but not impaired. The Board takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Board recognizes a bad debt provision when management considers that the expected recovery is less than the carrying amount receivable.

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

i. The employer base is dispersed across various industries, with government comprising a significant concentration. The non-government based employers may be affected by any downturns due to prevailing economic conditions.
ii. As at December 31, 2019, approximately 94% (2018 – 86%) of accounts receivable were outstanding for less than 90 days. The Board does not require collateral or other security from employers or customers for accounts receivable.
iii. The Board has the power and remedies to enforce payment owing to the Fund.

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

The Fund has access to the Government of Yukon's overall line of credit facility with the Government's banker. This access provides the Fund with overdraft coverage of $7,000,000 if needed. As of December 31, the Fund had used nil of the overdraft coverage ($1,226,000 - 2018). The bank overdraft is payable on demand and is interest bearing based on standard market interest rates for cash deposits.

The Fund's accounts payable and accrued liabilities had a carrying value of $4,850,000 as at December 31, 2019 (2018 – $4,767,000) and were all payable within a year.

The Fund's surplus distributions payable had a carrying value of nil as at December 31, 2019 (2018 - $64,000) (note 14).

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

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Market risk

The Fund is exposed to market risk, which is the risk that the fair value or future cash flows of its investments will fluctuate in the future because of economic conditions. Market risk is managed through diversification between different asset classes and geographic diversification and by limiting the concentration in any single entity to 15% or less of the fair value of the investment fund (note 7).

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

	Target		Actual	
	Minimum	Maximum	**31-Dec-19**	**31-Dec-18**
Equities				
Canadian	0%	25%	17.5%	18.4%
United States	0%	25%	17.4%	17.0%
International	0%	25%	20.8%	18.5%
Fixed Income				
Short-term investments	0%	10%	2.3%	2.4%
Bonds	35%	85%	42.0%	43.7%
			100.0%	100.0%

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-19 ($000's)		**31-Dec-18** ($000's)	
Percentage decrease in fair value	-10%	-20%	-10%	-20%
Equities				
Canadian	$ (3,853)	$ (7,707)	$ (3,736)	$ (7,472)
United States	(3,839)	(7,678)	(3,445)	(6,890)
International	(4,575)	(9,151)	(3,749)	(7,498)
Total impact on operating results and equity	$ (12,267)	$ (24,536)	$ (10,930)	$ (21,860)

Inflation risk

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

Interest rate risk

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

The table below presents the effects of a 50 and 100 basis point ("bp")[1] adverse change in the nominal interest rate on the fair value of the bond portfolio on operating results and equity:

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Positive bp change in nominal interest rate	31-Dec-19 ($000's) +50bp	31-Dec-19 ($000's) +100bp	31-Dec-18 ($000's) +50bp	31-Dec-18 ($000's) +100bp
Bonds	$ (3,253)	$ (6,505)	$ (2,968)	$ (5,936)
Total impact on operating results and equity	$ (3,253)	$ (6,505)	$ (2,968)	$ (5,936)

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

In the event the nominal interest rates decrease by 50 and 100 basis points, the impact will be equal and opposite to the above stated values.

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

	Remaining term to maturity (1)				31-Dec-19 ($000's)	31-Dec-18 ($000's)
	< 1 year	1 - 5 years	5 - 10 years	> 10 years	Total	Total
Bonds	$ 3,873	$ 39,473	$ 24,542	$ 24,600	$ 92,488	$ 88,744
Average effective yield	1.91%	2.19%	2.40%	2.50%	2.32%	2.88%

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

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

Currency risk

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

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

Currency	31-Dec-19 ($000's)	31-Dec-18 ($000's)
US Dollar	$ 44,818	$ 38,574
Euro	$ 14,613	$ 13,497
Pound	$ 7,538	$ 6,260
Yen	$ 5,823	$ 2,874
Swiss Franc	$ 5,745	$ 5,316

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

Currency	31-Dec-19 ($000's)	31-Dec-18 ($000's)
US Dollar	$ (4,074)	$ (3,507)
Euro	$ (1,328)	$ (1,227)
Pound	$ (685)	$ (569)
Yen	$ (529)	$ (261)
Swiss Franc	$ (522)	$ (483)

In the event there is a ten percent depreciation in the Canadian dollar, the impact will be equal and opposite to the above stated values.

6. Accounts Receivable

	31-Dec-19 ($000s)	31-Dec-18 ($000s)
Assessments		
Assessed and due from employers	$ 2,220	$ 2,116
Allowance for doubtful accounts	(67)	(262)
	$ 2,153	$ 1,854
Other		
Other receivables and recoveries	$ 751	$ 242
Allowance for doubtful accounts	(46)	(43)
	$ 705	$ 199
	$ 2,858	$ 2,053

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

The allowance for doubtful accounts is a provision for potential credit losses and amounts are subsequently written off once reasonable collection efforts have been made. The allowance details are as follows:

	31-Dec-19 ($000's)	31-Dec-18 ($000's)
Balance, beginning of year	$ 305	$ 124
Accounts written off	(118)	(18)
Recoveries and other adjustments	(201)	(57)
Current year provision	127	256
Balance, end of year	$ 113	$ 305

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7. Investments

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

	31-Dec-19 ($000s) Fair Value	31-Dec-18 ($000s) Fair Value
Fixed-term securities		
Federal bonds	$ 25,548	$ 24,146
Provincial bonds	20,202	16,637
Corporate bonds	46,738	47,961
	92,488	88,744
Equities		
Canadian	38,533	37,359
United States	38,388	34,451
International	45,755	37,489
	122,676	109,299
Other investments		
Cash on account	162	609
Short-term investments	4,484	3,830
Accrued interest receivable	515	579
	5,161	5,018
Investments, sub-total	220,325	203,061
Management fee accrual	(88)	(78)
	$ 220,237	$ 202,983

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

	2019 ($000s)	2018 ($000s)
Interest	$ 2,746	$ 2,758
Dividends	3,193	2,770
Realized gains in the year	3,300	11,244
Unrealized gain (loss) in fair value in the year	14,520	(18,555)
Investment management fees	(740)	(707)
	$ 23,019	$ (2,490)

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Fair Value Hierarchy
The Fund's investments are categorized into the fair value hierarchy based on type, frequency and visibility of pricing, source of pricing and liquidity. There are three levels of classification:

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

A Level 2 classification is used when pricing is:
a) model or matrix based (using observable inputs and/or market information);
b) based on closely-related securities;
c) derived pricing (when no public quote exists); or
d) from a broker quote on less active markets.

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

As at December 31, 2019, the Fund held the following financial instruments measured at fair value:

	Level 1 ($000s)	Level 2 ($000s)	Level 3 ($000s)	Total ($000s)
Cash and Cash Equivalents	$ 5,073	$ -	$ -	$ 5,073
Bonds	8,408	84,080	-	92,488
Equities	55,197	-	-	55,197
Pooled Funds	-	67,479	-	67,479
Total Investments	$ 68,678	$ 151,559	$ -	$ 220,237

As at December 31, 2018, the Fund held the following financial instruments measured at fair value:

	Level 1 ($000s)	Level 2 ($000s)	Level 3 ($000s)	Total ($000s)
Cash and Cash Equivalents	$ 4,940	$ -	$ -	$ 4,940
Bonds	8,511	80,233	-	88,744
Equities	50,190	-	-	50,190
Pooled Funds	-	59,109	-	59,109
Total Investments	$ 63,641	$ 139,342	$ -	$ 202,983

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8. Property and Equipment

	Land ($000s)	Buildings and Fixtures ($000s)	Furniture and Equipment ($000s)	Computer and Equipment ($000s)	Assets under construction ($000s)	Total ($000s)
Cost						
At January 1, 2018	$ 1,045	$ 9,984	$ 1,475	$ 818	$ 16	$ 13,338
Additions	-	76	86	155	700	1,017
Disposals	-	(291)	(53)	(32)	-	(376)
Transfers	-	700	-	-	(700)	-
At December 31, 2018	**$ 1,045**	**$ 10,469**	**$ 1,508**	**$ 941**	**$ 16**	**$ 13,979**
Depreciation and impairment						
At January 1, 2018	$ -	$ 2,637	$ 881	$ 603	$ -	$ 4,121
Depreciation	-	240	130	113	-	483
Disposals	-	(217)	(53)	(32)	-	(302)
Impairment	-	-	-	-	-	-
At December 31, 2018	**$ -**	**$ 2,660**	**$ 958**	**$ 684**	**$ -**	**$ 4,302**
Net book value						
At December 31, 2018	**$ 1,045**	**$ 7,809**	**$ 550**	**$ 257**	**$ 16**	**$ 9,677**
Cost						
At January 1, 2019	$ 1,045	$ 10,469	$ 1,508	$ 941	$ 16	$ 13,979
Additions	-	18	99	102	146	365
Disposals	-	-	(50)	(71)	-	(121)
Transfers	-	-	-	-	-	-
At December 31, 2019	**$ 1,045**	**$ 10,487**	**$ 1,557**	**$ 972**	**$ 162**	**$ 14,223**
Depreciation and impairment						
At January 1, 2019	$ -	$ 2,660	$ 958	$ 684	$ -	$ 4,302
Depreciation	-	237	135	110	-	482
Disposals	-	-	(32)	(71)	-	(103)
Impairment	-	-	-	-	-	-
At December 31, 2019	**$ -**	**$ 2,897**	**$ 1,061**	**$ 723**	**$ -**	**$ 4,681**
Net book value						
At December 31, 2019	**$ 1,045**	**$ 7,590**	**$ 496**	**$ 249**	**$ 162**	**$ 9,542**

During the year ended December 31, 2019 the Board reviewed all capital assets and using judgement determined if any changes in useful life were required. This review resulted in changes to the expected useful life of certain items included in buildings and fixtures. The effect of these changes on depreciation expenses was not significant.

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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, 2018	$ 9,054	$ 108	$ 1,003	$ 10,165
Additions	299	319	44	662
Disposals	-	-	(19)	(19)
Transfer systems to production	-	-	-	-
At December 31, 2018	**$ 9,353**	**$ 427**	**$ 1,028**	**$ 10,808**
Amortization and impairment				
At January 1, 2018	$ 6,369	$ -	$ 785	$ 7,154
Amortization	594	-	70	664
Disposals	-	-	(19)	(19)
Impairment	-	-	-	-
At December 31, 2018	**$ 6,963**	**$ -**	**$ 836**	**$ 7,799**
Net book value				
At December 31, 2018	**$ 2,390**	**$ 427**	**$ 192**	**$ 3,009**
Cost				
At January 1, 2019	$ 9,353	$ 427	$ 1,028	$ 10,808
Additions	275	449	129	853
Disposals	(338)	-	(50)	(388)
Transfer systems to production	258	(259)	1	-
At December 31, 2019	**$ 9,548**	**$ 617**	**$ 1,108**	**$ 11,273**
Amortization and impairment				
At January 1, 2019	$ 6,963	$ -	$ 836	$ 7,799
Amortization	636	-	68	704
Disposals	(302)	-	(50)	(352)
Impairment	-	-	-	-
At December 31, 2019	**$ 7,297**	**$ -**	**$ 854**	**$ 8,151**
Net book value				
At December 31, 2019	**$ 2,251**	**$ 617**	**$ 254**	**$ 3,122**

*(1)*Included in internal software development costs is the claims management system which has a net book value of $765,000 (2018 – $1,021,000) and a remaining amortization period of 3 years.

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System research and analysis costs expensed in 2019 were $14,000 (2018 – $103,000).

During the year ended December 31, 2019 the Board reviewed all intangible assets and using judgement determined if any changes in useful life were required. This review resulted in changes to the expected useful life of certain items included in internal software development costs. The effect of these changes was not significant.

10. Accounts Payable and Accrued Liabilities

	31-Dec-19 ($000s)	31-Dec-18 ($000s)
Payable		
Assessments refundable	$ 2,716	$ 2,012
Other payables and accrued liabilities	2,134	2,755
	$ 4,850	$ 4,767

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 2019, the Fund received $330,000 for the Mine Safety Program Grant (2018 – $330,000). This was accounted for as income in the period.

The deferred portion of the government grant as at December 31, 2019 was $72,000 (2018 – $109,500) and $37,500 (2018 – $36,500) was expensed and released into income during the year.

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

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12. Benefits Liability

2019
($000s)

	Medical Aid	Compensation	Pension	Annuity	Occupational Disease Provision	Total
Balance, beginning of year	$ 27,346	$ 70,956	$ 34,321	$ 9,062	$ 13,814	$ 155,499
Add claims costs incurred:						
Current year injuries	5,935	9,119	352	-	-	15,406
Prior years' injuries	443	1,980	2,200	1	-	4,624
Latent occupational disease provision	-	-	-	-	2,756	2,756
	6,378	11,099	2,552	1	2,756	22,786
Less claims payments made:						
Current year injuries	2,566	1,448	-	-	-	4,014
Claims management	385	217	-	-	-	602
Prior years' injuries	3,055	6,169	2,229	(84)	-	11,369
Claims management	458	849	334	-	-	1,641
	6,464	8,683	2,563	(84)	-	17,626
Balance, end of year	$ 27,260	$ 73,372	$ 34,310	$ 9,147	$ 16,570	$ 160,659

2018
($000s)

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

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

	2019 ($ 000's)	2018 ($ 000's)
Balance, beginning of year	$ 155,499	$ 151,152
Add:		
Provision for current year's claims	10,790	11,327
Interest allocated	8,028	7,823
Experience (gain) loss	(648)	(2,080)
	18,170	17,070
Deduct:		
Payments for prior years' claims	13,010	12,723
Balance, end of year	$ 160,659	$ 155,499

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

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

Key aspects of processes established to mitigate insurance risks include:

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

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(b) Terms and conditions of the Act

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

(c) Concentration of insurance risk

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

(d) Development of claims

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

(e) Interest rate risk

The Fund is exposed to the risk that interest rate movements may materially impact the value of the benefits liability. The financial impact of changing interest rates on the benefits liability is expected to be offset in the longer term by similar changes in claims inflation.

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

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

(f) Liquidity risk

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

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

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Expected timing of future payments for outstanding claims:

	2019	2018
Up to 1 year	5%	5%
Over 1 year and up to 5 years	15%	15%
Over 5 years and up to 10 years	19%	19%
Over 10 years	61%	61%
Total	100%	100%

(g) Actuarial assumptions and methods

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

	31-Dec-19	31-Dec-18
Discount rate for medical aid benefits - net (1,3,4)	0.70%	0.80%
Discount rate for compensation benefits - net (2,3,4)	3.15%	3.25%
Discount rate for survivor and other pension benefits - net (2,4)	3.15%	3.25%

(1) Net of discount rate attributable to inflation of 4.75% (2018 – 4.75%).

(2) Net of discount rate attributable to inflation of 2.25% (2018 – 2.25%).

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

(4) The nominal discount rate is 5.50% (2018 – 5.60%).

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

The overall valuation approach is designed to reflect emerging trends without placing too much emphasis on temporary fluctuations. The factors used in the valuation have been developed on a best estimate basis, without margins for adverse deviations, by taking the Board's historical experience into consideration along with recent trends in that experience. The general philosophy is to avoid reacting too strongly to temporary fluctuations until there is sufficient evidence that a change in assumption is required. By waiting until a clear trend has emerged, this reduces the likelihood of larger liability adjustments than warranted, both positive and negative, and unstable financial results.

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

The Medical Aid liability represents the present value of expected future benefit payments for medical services in respect of all claims arising from injuries that occurred on or before December

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31, 2019. Medical services include hospital and physician services, prescription drugs, travel expenses, and other eligible medical services under the Act.

The Short Term Compensation liability represents the present value of expected future short-term loss of earnings payments in the first seven years of a claim for injuries that occurred on or before December 31, 2019. The Short Term Compensation liability is included in the Compensation liability category for financial reporting purposes.

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

The Long Term Compensation liability represents the present value of expected future long-term loss of earnings payments for injury years 2013 and prior, including future inflationary adjustments, for individuals still in receipt of a long-term loss of earnings award at December 31, 2019. The Long Term Compensation liability is calculated on a seriatim, or individual basis using the discounted cash flow method. Loss of earnings benefits are indexed annually in the month following the anniversary of the date of when the injured worker's loss of earnings began. Mortality rates are used to determine the future life expectancy of individuals in receipt of a long-term loss of earnings award. A provision with respect to the ten percent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Long Term Compensation liability. The Long Term Compensation is included in the Compensation liability for financial reporting purposes.

The Pension liability represents the present value of expected future pension payments, including future inflationary adjustments, to individuals who have been approved for a pension or survivor award at December 31, 2019. The Pension liability is calculated on a seriatim basis using the discounted cash flow method. Pension benefits are indexed annually on January 1st of each year. Mortality rates are used to determine the future life expectancy of individuals in receipt of a pension award.

The Future Long Term Compensation liability represents the present value of future long-term loss of earnings awards that have not yet reached long-term status as of December 31, 2019. These future awards are in respect of all claims arising from injuries which occurred on or before December 31, 2019. 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, 2019. A provision with respect to the ten percent annuity contribution required on future loss of earnings benefits paid beyond 24 months following injury is included in the Future Long Term Compensation liability. The Future Long Term Compensation liability is included in the Compensation liability category for financial reporting purposes.

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

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

The administration rate represents the present value of the expected future costs required to provide administrative services for the continuation of claims management and maintenance of existing claims. The administration rate applied at December 31, 2019 is 15% (15% for December 31, 2018), and is applied to all liability components with the exception of the Annuity liability.

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

The significant changes in the benefits liability for experience gains or losses as at December 31 were:

	Increase (decrease) in benefits liability	
	2019 ($000s)	2018 ($000s)
Change in runoff factors	$ (880)	$ 10
Update of first year inflation	(210)	89
Other changes in actuarial assumptions	3,321	1,289
	$ 2,231	$ 1,388
Favourable claims experience during year	(3,275)	(4,241)
	$ (1,044)	$ (2,853)
Actual versus expected claims paid on prior years' injuries	396	773
	$ (648)	$ (2,080)

(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

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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 19% (2018 – 19%) of the benefits liability. A change in the assumed excess medical inflation rate (above the assumed inflation rate) and the net discount rate would result in a change in claims expense and the benefits liability as follows:

	31-Dec-19 ($000s)		**31-Dec-18** ($000s)	
Percentage change in assumed rates	+1%	-1%	+1%	-1%
Increase (decrease) in claims expense and benefits liability from change in net discount rate	$ (13,269)	$ 14,874	$ (12,522)	$ 14,785
Increase (decrease) in claims expense and benefits liability from change in excess medical inflation rate	3,512	(2,970)	3,491	(2,898)

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(i) Claims Development

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

Estimate of Ultimate Claim Payments	**2010 ($000s)**	**2011 ($000s)**	**2012 ($000s)**	**2013 ($000s)**	**2014 ($000s)**	**2015 ($000s)**	**2016 ($000s)**	**2017 ($000s)**	**2018 ($000s)**	**2019 ($000s)**	**Total ($000s)**
At end of accident year	26,001	28,402	24,192	24,513	24,789	19,067	18,600	21,347	25,921	21,877	
One year later	23,288	26,111	25,187	20,973	25,327	19,126	25,298	21,507	26,159		
Two years later	23,006	25,087	22,366	20,821	25,644	20,206	25,960	21,396			
Three years later	21,645	21,837	22,418	20,327	25,866	17,997	25,536				
Four years later	17,971	20,488	22,386	20,675	29,726	17,221					
Five years later	16,857	20,024	23,706	18,187	30,928						
Six years later	14,205	21,596	20,158	16,250							
Seven years later	14,410	19,390	19,654								
Eight years later	14,491	19,214									
Nine years later	14,158										
Cumulative Payments											
At end of accident year	3,182	3,721	4,433	3,438	3,757	3,801	3,879	4,129	4,094	3,821	
One year later	4,787	5,618	7,404	5,113	6,590	6,081	6,673	6,654	6,662		
Two years later	5,394	6,222	8,277	5,910	7,890	6,773	7,856	7,717			
Three years later	5,635	6,648	8,999	6,394	9,018	7,225	8,478				
Four years later	5,833	6,910	9,540	6,719	9,870	7,590					
Five years later	6,085	7,211	10,073	6,840	10,623						
Six years later	6,318	7,450	10,359	7,055							
Seven years later	6,462	7,721	10,685								
Eight years later	6,545	7,988									
Nive years later	6,654										
Estimate of Future Payments	7,504	11,226	8,969	9,195	20,305	9,631	17,058	13,679	19,497	18,056	135,120
2009 and prior claims											104,481
Effect of Discounting											(112,363)
Effect of Admin Expenses											16,851
Occupational Disease											16,570
Balance Sheet Liability											160,659

During the year ended December 31, 2019, the investigations unit continued to monitor ongoing investigations. The outcome of the investigations is not determinable at this time and therefore, the potential future effect of these claims is not reflected in the benefits liability.

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13. Employee Benefits

	31-Dec-19 ($000s)	31-Dec-18 ($000s)
Short-term employee benefits	$ 583	$ 474
Other long-term employee benefits (a)	1,081	992
Post-employment benefits (b)	1,743	1,571
	$ 3,407	$ 3,037

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

(a) Other Long-term Employee Benefits

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

Employees receive six days of special leave credits for each year of service up to a maximum of 30 days. Unused special leave is not payable upon termination or retirement.

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

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

	31-Dec-19 ($000s)	31-Dec-18 ($000s)
Long service vacation benefits	$ 50	$ 66
Accumulating sick and special leave benefits	1,031	926
Total	$ 1,081	$ 992

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

	2019 ($000s)	2018 ($000s)
Benefits, beginning of the year	$ 992	$ 883
Current service cost	76	65
Payments made during the year	(135)	(92)
Interest cost	33	26
Other changes	60	72
Actuarial loss	55	38
Benefits, end of the year	$ 1,081	$ 992

Actuarial loss remeasurements:

	2019 ($000s)	2018 ($000s)
Effect of changes in financial assumptions	$ 33	$ 36
Effect of changes in demographic assumptions	22	2
Remeasurements loss in profit or loss	$ 55	$ 38

(b) Post-employment Benefits

(i) Retirement and Severance Benefit

Retirement or severance benefits are available to employees who have completed five years of service with the Board. Retirement benefits are one week of pay for each year of service. Severance benefits are half a week of pay for each year of service to a maximum of twenty-eight weeks.

Management employees have a graded retirement and severance benefits per service year arrangement with no maximum payout limit. From January 1, 2020, going forward, there will be no further accruals related to severance payable on resignation or retirement. Severance entitlements accrued up to December 31, 2019, will remain payable upon resignation or retirement.

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

	2019 ($000s)	2018 ($000s)
Benefits, beginning of the year	$ 1,571	$ 1,407
Current service cost	105	92
Payments made during the year	(55)	(121)
Interest cost	58	45
Other changes	73	86
Actuarial (gain) loss	(9)	62
Benefits, end of the year	$ 1,743	$ 1,571

Actuarial (gain) loss remeasurements:

	2019 ($000s)	2018 ($000s)
Effect of changes in financial assumptions	$ 64	$ 57
Effect of changes in demographic assumptions	(27)	5
Effect of changes in the management benefits plan	(46)	-
Remeasurements (gain) loss in other comprehensive income	$ (9)	$ 62

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

The key assumptions used to calculate the retirement and severance benefit are the discount rate and the wage inflation rate. The discount rate of 2.80% (2018 – 3.50%) is selected by reference to a spot curve at the valuation date of high-quality corporate and provincial debt instruments with cash flows that match the timing and amount of the expected benefit payments. The annual rate of general escalation in wages is 1.75% for 2020 and 2021, and 2.0% for 2022 and beyond based on negotiated wage increases (2018 – 2.2% in 2019 onwards) based on management's best estimate.

The expected Fund contributions for retirement and severance for the next year are $281,000 (2019 – $251,000). The weighted average duration of the retirement and severance benefit is 6.5 years (2018 – 6.7 years).

(ii) Retirement and Severance Benefit Risks and Sensitivity

The retirement and severance benefit is indirectly exposed to measurement risk from assumptions based on economic factors and uncertainty of future economic conditions, such as discount rates affected by volatile bond markets and inflation risk due to payment timing uncertainty. Demographic factors such as workforce average age and earnings levels, attrition and

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retirement rates affect current and future benefit costs due to the amount and timing of expected payments.

A change in the key assumptions used to calculate these benefits would result in a change in the obligation and benefit expense as follows:

	31-Dec-19 ($000s)				31-Dec-18 ($000s)			
Percentage change in assumed rates	+1%		-1%		+1%		-1%	
Discount rate	$	(117)	$	132	$	(97)	$	107
Wage Inflation rate	$	132	$	(119)	$	108	$	(99)

The above sensitivity analysis is based on a change in an assumption while keeping all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. The same method of calculation has been applied to the sensitivity analysis as to the calculation of the retirement and severance benefit obligation, the projected unit credit method, and did not change compared to the prior year.

(iii) Public Service Pension Plan
Substantially all of the employees of the Board are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Fund. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution.

The employer contribution rates effective for the year were as follows:

	2019		2018	
Contribution rate for the year	Up to Maximum	Above Maximum	Up to Maximum	Above Maximum
For employees eligible before January 1, 2013	1.01	3.79	1.01	3.20
For employees eligible after January 1, 2013	1.00	3.79	1.00	3.20
Maximum salary limit	$ 169,300	No limit	$ 164,700	No limit

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

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

	2019 ($000s)	2018 ($000s)
Employees' contributions	$ 741	$ 708
Fund contributions	$ 747	$ 721

The expected contributions to the Plan for the next year are $723,000 (2019 – $691,000) employee contributions and $741,000 (2019 – $704,000) Fund contributions.

(c) Benefit Expense

Benefit expense recognized in salaries and benefits within administration expenses in the Statement of Operations and Comprehensive Income for other long-term employee benefits and post-employment benefits was $1,207,000 in 2019 (2018 - $1,145,000).

14. Capital Management, Surplus Distributions and Reserves

(a) Capital Management

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

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

The Board of Directors uses the Funding Ratio (Assets/Liabilities) to manage capital. At December 31, 2019, the Funding Ratio was 141% (2018 – 132%). Management's funding target ratio is between 121% and 129%, which ensures that the Fund remains fully funded plus sustains the Adverse Events and Stabilization Reserves' target funding levels. The Fund is considered fully funded when there are sufficient funds for the payment of all present and future compensation, and other liabilities, including the cost of administration.

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(b) Surplus Distributions

In 2019, no surplus distribution was issued. (2018 - $5,031,000)

Reconciliation of funding policy surplus distributions:

	31-Dec-19 ($000s)	31-Dec-18 ($000s)
Current year surplus distributions released	$ -	$ 4,963
Current year surplus distributions withheld	-	68
	-	5,031
Prior year surplus distribution adjustments	(18)	(25)
Current year surplus distribution adjustment	-	(4)
Funding policy surplus distributions (recoveries)	$ (18)	$ 5,002

In 2019, an amount of $18,000 was recovered relating to the 2018 approved surplus distribution (In 2018 – $4,963,000 was paid out). Distributions paid are conditional upon employers being compliant with the *Workers' Compensation Act* and *Occupational Health and Safety Act*. At December 31, 2019, nil (2018 - $68,000) in surplus distributions were withheld due to non-compliance by employers.

Reconciliation of surplus distributions payable:

	31-Dec-19 ($000s)	31-Dec-18 ($000s)
Surplus distributions payable, beginning of year	$ 64	$ 215
Amounts paid for prior year surplus distributions	(46)	(190)
Prior year surplus distribution adjustments	(18)	(25)
Current year surplus distributions withheld	-	68
Current year surplus distribution adjustment	-	(4)
Surplus distributions payable, end of year	$ -	$ 64

(c) Reserves

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

(i) Stabilization Reserve

The Stabilization Reserve is to protect the fully funded position of the Fund and to stabilize the effect of fluctuations on employer assessment rates. The target level for this reserve is equal to ten percent of the benefits liability. In 2019 the benefits liability was $160,659,000 (2018 – $155,499,000). The target was $16,066,000 as at December 31, 2019 (2018 – $15,550,000). The operating range for this reserve is determined as the target level balance plus or minus three and

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a half percent of the benefits liability. At December 31, 2019, the Stabilization Reserve has a balance of $43,596,000 (2018 – $29,026,000).

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 2019 was included in the assessment rates as required by the Funding Policy based on the 2018 funded position.

(ii) Adverse Events Reserve

The Adverse Events Reserve is to provide funding for infrequent, unexpected adverse claims experience and catastrophic events to protect employers from the sudden impact of the costs of these types of events. The target level for this reserve is $24,980,000 (2018 – $24,247,000), 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 2019 (2018 – 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 2019 (2018 – nil). At December 31, 2019, the Adverse Events Reserve has a balance of $24,980,000 (2018 – $24,247,000).

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

15. Related Party Transactions

(a) Government of Yukon

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

During 2019, the Compensation Fund paid the Government $254,000 (2018 – $209,000) for computer, office supplies, payroll processing, recruitment, and vehicle services. The Fund also reimbursed the Government for payroll costs of $9,989,000 (2018 – $9,208,000).

Reimbursements for claims costs received from the Government were $303,000 in 2019 (2018 – $327,000) (note 4(b)).

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

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Revenues and recoveries from the Government for the year ended December 31, 2019 totalled $7,250,000 (2018 – $6,956,000), including the Mine Safety Program Grant (note 11).

During 2019, the Board issued nil (2018 – $1,253,000) surplus distribution to the Government.

Included in the Fund's accounts receivable and accounts payable as of December 31, 2019 are amounts owing to and from the Government of Yukon as follows:

	31-Dec-19 ($000s)	31-Dec-18 ($000s)
Due to the Government of Yukon	$ (1,274)	$ (1,897)
Due from the Government of Yukon	698	389
Net amount due	$ (576)	$ (1,508)

The Workers' Advocate Office operates independently from the Board and assists workers or dependants of workers in respect of claims for compensation. The approved budget of the Workers' Advocate shall be paid out of the compensation fund. In 2019, the Fund reimbursed the Government $409,000 (2018 – $496,000) for the Workers' Advocate Office expenses.

(b) Key Management Personnel

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

	2019 ($000s)	2018 ($000s)
Short-term employee compensation and benefits	$ 1,253	$ 1,226
Other long-term employee benefits	20	15
Post employment benefits	186	182
Total remuneration	$ 1,459	$ 1,423

Contributions made to the Public Service Pension Plan by the Fund for key management personnel was $134,000 (2018 – $121,000) and are included in post employment benefits.

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

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16. Commitments

As of December 31, 2019, the Fund had entered into the following contractual commitments for the next five years:

	Contribution agreements ($000s)	Computer systems support ($000s)	Professional services ($000s)	Building maintenance ($000s)	Other ($000s)	Total ($000s)
2020	$ 741	$ 45	$ 613	$ 47	$ 36	$ 1,482
2021	581	45	333	33	6	998
2022	593	45	-	-	-	638
2023	-	45	-	-	-	45
2024	-	-	-	-	-	-
	$ 1,915	$ 180	$ 946	$ 80	$ 42	$ 3,163

17. Administration Expenses

	2019 ($000s)	2018 ($000s)
Salaries and benefits	$ 9,741	$ 9,090
Consulting and professional	1,890	1,131
Amortization - intangible assets	704	664
Statutory funding obligations	552	631
Computer systems	543	446
Depreciation - property and equipment	482	483
Buildings	419	397
General administration	429	590
Communications	235	220
Automobile and travel	222	212
Staffing and recruitment	166	148
Board expenses	82	100
Printing and publications	71	85
Supplies and stationery	46	43
Furniture and equipment	17	42
System development analysis expense	14	103
	$ 15,613	$ 14,385
Less: claims administration expense transferred to claims expenses (note 12)	(2,243)	(2,294)
	$ 13,370	$ 12,091

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18. Contingencies

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

19. Subsequent Events

Due to the COVID-19 pandemic, there was a steep sell off in global markets in early 2020. The fair value of the Fund's investment balance was significantly impacted. A decrease in the Fund's investment balance has an adverse impact on the funding ratio.

The Government of Yukon announced on March 16, 2020 its economic stimulus package that is designed to support local workers and businesses impacted by COVID-19. As part of the Government of Yukon's stimulus package, the Board is offering two types of relief to businesses experiencing serious adverse financial impacts from COVID-19:

1. The opportunity to revise 2020 annual payroll estimates.
2. The opportunity to defer 2020 assessment premiums without penalty or interest charges to a date that is business appropriate.

As of April 21, 2020, the duration and extent of the COVID-19 impact is uncertain. The Board is unable to estimate the impact that the virus and related stimulus efforts will have on its funded position going forward.