Annual Performance Report 2020

WorkplaceNL

Health | Safety | Compensation

WorkplaceNL works closely with stakeholder, safety, and community partners to improve client service and help prevent workplace injury or illness.

WorkplaceNL

Health | Safety | Compensation

This document is available in alternate formats upon request.

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Message from the Board Chair

On behalf of the Board of Directors, I hereby submit WorkplaceNL's 2020 Annual Performance Report in accordance with the **Transparency and Accountability Act** and the Guidelines for Annual Performance Reports for Category 1 Government Entities.

In this report, we present the achievements and outcomes of WorkplaceNL's 2020 objectives as outlined in the 2020-22 strategic plan. We also highlight future opportunities to support our commitment to provide services to injured workers and dependents, employers, and the public through administering the **Workplace Health, Safety and Compensation Act** (the Act).

My signature below represents the Board of Directors' acknowledgement for the accountability to prepare this report and achieve the actual results reported within.

This year brought unexpected challenges as we learned to live and work with COVID-19. We accelerated parts of our Business Modernization Program to launch new technologies so we could serve our clients and support our employees, while working from home or the office.

We ensured that injured workers received the benefits to which they are entitled and offered supports to employers, such as deferred payments and guidelines for a safe workplace during the pandemic. Our employees remain available to support workers and employers as the pandemic continues.

In 2019, the Government of Newfoundland and Labrador called the review of the workers' compensation system, as is required every five years. WorkplaceNL cooperated with the Statutory Review Committee by providing information as requested, and looks forward to receiving recommendations to improve the system.

We remain committed to ensuring that the employer-funded, no-fault workplace injury compensation system can provide benefits to injured workers for the long term. At December 31, 2020, the Injury Fund was funded at 125.5 per cent. The average assessment rate paid by employers again included a temporary $0.21 discount to reduce the surplus in the Injury Fund. The lost-time injury rate was 1.5 per 100 workers.

I thank all workers, employers, and stakeholders, along with the Board of Directors, management, and employees of WorkplaceNL for their demonstrated commitment to evolving the workplace health and safety culture in our province and embracing many new safe work practices during the COVID-19 pandemic.

John Peddle, ICD.D
Chair, Board of Directors, WorkplaceNL

At a Glance

The Annual Performance Report includes claim data where the injury or activity occurred in the current year. The exceptions are hearing loss claims and fatalities; data represents incidents accepted in the 2020 year as adjudication decisions on occupational diseases may span several years. It is important to note that data reported in other documents may be different than presented below, as the timing of decisions (i.e., acceptances or denials) may follow into future years, resulting in changes to data. In 2020, there were 4,302 new claims accepted and paid which is a decrease from 5,397 reported in 2019. While the province's prevention efforts contributed to this reduction, the decrease in overall employment as a result of the COVID-19 pandemic also likely had an impact.

	2020	2019	2018	2017	2016
Injury Rate[1]	1.5	1.6	1.5	1.5	1.5
Soft-tissue Injury Rate	1.1	1.1	1.0	1.0	1.0
Short-term Disability Claims[2]	3,106	3,720	3,522	3,386	3,601
Health Care Only Claims[2]	1,161	1,651	1,697	1,561	1,621
Hearing Loss Claims[3]	163				
Accepted Fatality Claims[4]	35	26	36	25	13
Accidents	13	10	4	5	5
Occupational Disease	22	16	32	20	8
Short-term Claims Duration[5]	54	45	40	40	39
Average Assessment Rate[6]	1.69	1.69	1.90	2.06	2.20
Registered Employer Accounts	17,680	17,931	18,402	18,660	19,011
Employer Assessments ($ million)	131.4	128.4	144.7	155.9	173.6
Claims Costs ($ million)[7]	176.5	183.1	160.9	155.7	152.7
Fund Balance ($ million)	333.6	301.8	237.5	362.5	291.1
Funded Ratio (%)	125.5	123.4	119.5	131.6	126.1

For additional details on WorkplaceNL's key financial and operational statistics, please refer to the Management Discussion and Analysis and the 2020 Financial Statements.

1. Number of lost-time claims per 100 workers employed.
2. The number of new claims reported, accepted and paid up to March 31 of the following calendar year. Health care only claims do not involve lost time from work.
3. WorkplaceNL began including this data in the 2020 Annual Performance Report. Claims accepted and paid in the calendar year.
4. The total number accepted in the calendar year.
5. The number of days for which temporary earnings loss benefits are paid for injuries that occurred in the reference year (i.e., this excludes injuries that occurred in prior years).
6. The average rate per $100 of payroll, including the $0.21 discount in 2019 and 2020. This is a provisional rate that is established prior to the beginning of the year based on estimates of costs charged to employers.
7. Includes current year payments plus expected future payments for all injuries that occurred and were accepted in the year, excluding actuarial adjustments.

Overview

WorkplaceNL administers Newfoundland and Labrador's mandatory, employer-funded, no fault workers' compensation system. More specifically, WorkplaceNL promotes safe and healthy workplaces, in addition to providing return-to-work programs and benefits to injured workers and their dependents, based on assessments collected from employers. WorkplaceNL serves approximately 17,700 employers and 213,000 workers.

The Meredith Principles are the foundation of all Canadian workplace compensation systems and include:

- No-fault compensation, which means workers are paid benefits regardless of how the injury occurred.
- Collective liability, so that the total cost of the compensation system is shared by all employers.
- Security of payment, with a fund established to guarantee that compensation will be available for injured workers when they need it.
- Exclusive jurisdiction, which means only workers' compensation organizations provide workers' compensation coverage.
- Independent Board, that is autonomous and financially independent of governments or any special interest group.

Offices are located in St. John's, Grand Falls-Windsor, and Corner Brook with 377 positions. In 2020, approximately 77 per cent of the employee complement was female and 23 per cent male.

Breakdown of WorkplaceNL Positions (2020)

Region	Number of Employees	Vacancies	Total
St. John's	307	22	**329**
Grand Falls-Windsor	16	3	**19**
Corner Brook	27	2	**29**
Total	**350**	**27**	**377**

WorkplaceNL adheres to its funding and investment policies. In 2020, WorkplaceNL's total revenue was $244.6 million. This includes $131.4 million in assessment revenue, $109.4 million in investment income, and $3.8 million in third party recoveries and administrative fees paid by self-insured employers. WorkplaceNL's total expenses were $212.5 million. Benefits for injured workers are the most significant component of WorkplaceNL's expenses, which comprises 82 per cent of expenses, while administration expenses are approximately 9 per cent. WorkplaceNL's funded ratio for 2020 was 125.5 per cent.

Please visit WorkplaceNL's website for details on its mandate and lines of business.

Board of Directors

In accordance with the Act, the Board of Directors consists of ten members appointed by the Lieutenant-Governor in Council, including the chair and representatives of employers, workers, and the public. Members continue to serve until re-appointed or replaced. The Board is also required to have two non-voting members: the Chief Executive Officer of WorkplaceNL and a Provincial Government employee, designated by the Minister responsible for WorkplaceNL.

Chair

John Peddle (three-year term, re-appointed September 24, 2020)

Members representative of workers

Greg Pretty (three-year term, re-appointed September 24, 2020)

Wayde Rowsell (three-year term, appointed July 7, 2018)

Jerry Vink (three-year term, re-appointed September 24, 2020)

Members representative of employers

Victoria Belbin (three-year term, re-appointed September 24, 2020)

David Loveys (three-year term, re-appointed September 24, 2020)

Greg Viscount (three-year term, re-appointed September 24, 2020)

Members representative of the public

Lana Collins (three-year term, appointed April 4, 2019)

Paula Corcoran – injured worker representative (three-year term, re-appointed September 24, 2020)

Anne Fagan (three-year term, appointed April 4, 2019)

Non-voting members

Dennis Hogan, Chief Executive Officer, WorkplaceNL

Gail Boland, Assistant Deputy Minister, Digital Government and Service NL

Highlights and Partnerships

On March 11, 2020, the World Health Organization declared the global outbreak of COVID-19 a pandemic. Shortly after, on March 18, 2020, the Minister of Health and Community Services, Government of Newfoundland and Labrador declared a public health emergency in the province.

As with other organizations, WorkplaceNL worked through many challenges to serve its clients and support its employees in what was an unexpected new reality, faced with rapidly changing information, business interruptions, and periods of uncertainty.

The first priority was the safety of WorkplaceNL employees, clients and the public. WorkplaceNL introduced new safety protocols and updated them as public health measures evolved – such as frequent hand washing, wearing masks in common areas, maintaining a physical distance and staying home when sick. WorkplaceNL quickly transitioned the majority of employees to working from home and, through the use of technology, maintained the critical services of the workers' compensation system – so that injured workers continued to receive their benefits; the adjudication of workplace injury claims continued; and employers accessed up-to-date materials to help them implement safe work practices and identify hazards specific to COVID-19.

WorkplaceNL continues to closely monitor the situation and quickly adjust its operations and protocols as needed.

Throughout the year, WorkplaceNL achieved many accomplishments – some as a direct result of the COVID-19 pandemic, and others as a regular course of business.

As examples, WorkplaceNL:

- Worked with the Provincial Government-appointed Statutory Review Committee to support the review of the workers' compensation system.
- Fast-tracked software solutions, such as Webex, a digital collaboration application, to ensure employees had the tools needed to work from home.
- Worked with health care providers to ensure injured workers could access virtual care.
- Implemented digital processes to allow employers to obtain clearance letters so they could continue operations.
- Deferred assessment payments and waived interest and penalties for a period of time to alleviate some of the challenges employers were experiencing as a result of the pandemic.
- Issued advisories, updated the website and directly contacted clients to keep them informed of changes as needed.
- Released new in-class instruction and virtual training guidelines for trainers and training providers, so required certification training for workers could safely resume during the pandemic.

- Extended the validity of workers' safety training certificates to August 2020, as training courses may not have been widely available during business interruptions, and safety providers needed time to implement safety protocols early in the pandemic.
- Released COVID-19 guidelines for employers, in partnership with the Occupational Health and Safety (OHS) Division, Digital Government and Service NL.
- Provided $1.5 million, over five years, to the Canadian Manufacturers and Exporters NL Division (CME NL) to create a Manufacturing and Processing Safety Sector Council (MPSCC), including a sub-committee for fish processing.
- Developed new guides and webinars to help employers prepare for changes in the OHS Regulations to address worker-on-worker violence and workplace harassment, effective January 1, 2020.
- In collaboration with Bluedrop, developed and implemented a voluntary online COVID-19 safety course which was completed by over 18,000 workers.

WorkplaceNL works closely with stakeholder, safety, and community partners to improve client service and help prevent workplace injury or illness. We are proud to collaborate with a broad range of organizations, such as:

- Association of Workers' Compensation Boards of Canada
- Canadian Centre for Occupational Health and Safety
- Canadian Federation of Independent Business
- Canadian Mental Health Association – Newfoundland and Labrador
- Canadian National Institute for the Blind
- Eastern Health
- Forestry Safety Association of Newfoundland and Labrador
- Government of Newfoundland and Labrador
- Made Safe NL
- Newfoundland and Labrador Association of Public Employees
- Newfoundland and Labrador Construction Safety Association
- Newfoundland and Labrador Employers' Council
- Newfoundland and Labrador English School District
- Newfoundland and Labrador Federation of Labour
- Newfoundland and Labrador Fish Harvesting Safety Association
- Newfoundland and Labrador Occupational Health and Safety Association
- Royal Canadian Mounted Police
- Royal Newfoundland Constabulary
- Safety NL
- Threads of Life
- Workplace Health, Safety and Compensation Review Division

Report on Performance

2020 marks the end of the first year of WorkplaceNL's 2020-22 strategic plan. When developing that plan, in keeping with the **Transparency and Accountability Act,** WorkplaceNL identified strategic issues, created three-year goals, and established objectives for each of the three years to assist the organization in reaching its multi-year goals.

WorkplaceNL's 2020-22 strategic plan identifies four priority issues:

1. **Client Service** – Business Modernization and Continuous Innovation
2. **Prevention** – Leadership in Prevention through Collaboration and Innovation
3. **Financial Sustainability** – Adherence to Funding and Investment Policies
4. **Claims Management** – Facilitating Injured Worker Recovery and Safe Return to Work

The results achieved towards the 2020 (year one) objectives for each strategic issue follows.

Strategic Issue 1: Client Service – Business Modernization and Continuous Innovation

Goal 1: By December 31, 2022, WorkplaceNL will have introduced technology to modernize service delivery.

WorkplaceNL is committed to fostering a strong client-service culture and delivering high-quality services and programs to meet the needs of clients. Service excellence and continuous innovation are key underpinnings of this culture. To meet its commitments, WorkplaceNL continuously strives to find opportunities to innovate programs and service delivery, in keeping with clients' changing needs and expectations.

2020 Objective for Goal 1

By December 31, 2020, WorkplaceNL will have developed a modernized client service framework.

Following the review of the existing client service framework, WorkplaceNL determined the development of a modernized client service framework was not required. The current framework sets a solid foundation for making the necessary changes to continually support and improve client service including the recent focus on business modernization. The following section provides details of WorkplaceNL's achievement of the indicators associated with this objective.

Indicator 1.1: Reviewed the existing client service framework.

WorkplaceNL reviewed its client service framework in 2020 to identify whether changes were needed to support its approach to service and the client-first focus.

The current framework was introduced in 2012 to enable WorkplaceNL to:

- Establish a more integrated, organization-wide approach to service delivery.
- Align to a client-first culture that primarily concentrates on the service needs of the injured workers and employers that it serves.
- Integrate program and service efforts to continue with a collaborative, client-centred focus.

The framework consisted of eight elements representing shared functions or responsibilities across all WorkplaceNL departments:

1. Leadership
2. Human resource, staffing, and development
3. Continuous planning for improvement
4. Service standards and consistency
5. Complaints resolution
6. Technology
7. Communication
8. Physical facilities and security

To complete the review, WorkplaceNL examined its strategic plans, public commitments, business modernization plans, current trends in service delivery within the Canadian public sector, past client survey results, and approaches in other workers' compensation boards. Progress against the activities identified since the program's inception in 2012 was also assessed.

The review identified that the framework helps address areas necessary to enhance our client-service culture and support business modernization efforts, including:

- Developing service improvement goals.
- Sustaining complaints resolution processes and service standards.
- Providing technology-based tools to clients and employees to help meet client expectations.

- Conducting client surveys to measure how well the organization is doing.
- Ensuring a long-term, multi-phased approach that targets all dimensions of the organization.
- Ensuring a lens of continuous improvement so the organization continues to meet changing client expectations of more modern approaches, more online services, and more modern technologies with effective safeguards for privacy and security.
- Engaging employees at all levels in identifying the changes required to meet client needs.
- Enhancing the business and technology infrastructure and defining the processes and workflows that are needed to move forward with more modern technologies and approaches.
- Enabling the organization to address skills gaps, provide coaching to support performance, and facilitate a culture of collaboration.

Indicator 1.2: Developed a plan to digitize services for clients.

WorkplaceNL developed a plan in 2020 to identify a long-term solution for expanding digital service options to address the changing needs and preferences of its clients. This included prioritizing digital options for injured workers and securing new software to improve WorkplaceNL's digital services. WorkplaceNL ensured the plan is reflective of both person- to-person and digital services while also providing clients with the flexibility to transition between services when required.

Through market research and a series of product demonstrations, WorkplaceNL identified internet-based software (i.e., cloud technology) to enable enhanced digital service options. The new platform will help modernize internal business processes, reduce paper-based forms for clients, and offer clients multiple access options including mobile devices. The multi-year plan to digitize more services is part of the journey to modernize the business and will be continuously evaluated so that WorkplaceNL meets the evolving needs of clients.

To develop the plan and determine the priorities for moving forward, WorkplaceNL considered:

1. Existing online service capabilities - WorkplaceNL has previously focused on providing online services to employers, legal firms, vendors, physiotherapists, chiropractors, trainers, training providers, and OHS Officers through its **connect** services and Certification Training Registry. Injured workers had no online service options with WorkplaceNL relating to their claims.
2. Long-term Business Modernization Program - In keeping with modern technology trends, WorkplaceNL previously decided to leverage cloud-based software in its plans to offer and expand digital service options for clients. These more modern technologies offer many benefits, including improved security, as well as faster and more cost-effective delivery.

3. Trends in clients' expectations - To focus on elements of service delivery that are important to clients, WorkplaceNL reviewed client feedback, online service options offered by other workers' compensation boards and local public sector entities, segmentation research, and literature specific to service delivery for public service entities. This research emphasized that clients expect online service offerings, and that organizations should strike a balance between human interaction and digital interaction.

Discussion of Overall Results

It takes many years and resources to facilitate a cultural shift within an organization. WorkplaceNL began its journey to create a culture of service excellence in 2012, and during 2020 paused to reflect on its chosen framework. Following the review of the existing client service framework, WorkplaceNL determined that the framework already sets a solid foundation for delivering client service, but that new means for modernizing client service delivery would be identified on an annual basis. Efforts will involve supporting clients and employees through the transition and updating the focus within the framework to support business modernization, as opposed to changing the framework itself.

By 2022, WorkplaceNL intends to have introduced technology to modernize service delivery by automating select routine transactions, improving service delivery channels and strengthening relationships with key partners.

Work on this longer-term goal has progressed, including increases in the use of online services, direct deposits, and pre-authorized debits. WorkplaceNL is developing mobile applications for training purposes and is exploring the use of podcasts as an educational delivery method. In collaboration with the Newfoundland and Labrador Employers' Council and the Canadian Federation of Independent Business, WorkplaceNL identified the need for, and developed, a new online service for employers to report changes to assessable payroll so they pay appropriate assessments. This was particularly important during business interruptions such as the COVID-19 pandemic.

Looking Forward – 2021 Client Service Objective and Indicators

2021 Objective:	By December 31, 2021, WorkplaceNL will have introduced digital service delivery options for clients.
Indicator 1.1:	Increased digital service delivery options.
Indicator 1.2:	Leveraged partnerships to enhance service delivery.
Indicator 1.3:	Implemented initiatives within the client service framework.

Strategic Issue 2: Prevention – Leadership in Prevention through Collaboration and Innovation

Goal 2: By December 31, 2022, WorkplaceNL will have enhanced occupational health and safety education in the province.

WorkplaceNL and its partners have two substantial mechanisms to influence safety cultures in workplaces: a workplace injury prevention strategy and an incentive program for employers.

The five-year injury prevention strategy, **Advancing a Strong Safety Culture in Newfoundland and Labrador, A Workplace Injury Prevention Strategy 2018-2022** (Prevention Strategy), focuses on eight injury and illness priorities: (1) musculoskeletal injury (MSI); (2) occupational disease and illness; (3) falls; (4) serious injuries; (5) young workers; (6) workplace violence; (7) traffic control; and (8) psychological health and safety.

The Prevention and Return-to-Work Insurance Management for Employers and Employees Program (PRIME) is WorkplaceNL's financial incentive system to recognize employers' claim costs as well as support compliance with certain health and safety and return-to-work practices.

WorkplaceNL supports safe and healthy workplaces by continuing to implement the Prevention Strategy; as well as advancing programs, partnerships, and tools that support compliance with the **Occupational Health and Safety Act** and Regulations.

2020 Objective for Goal 2

By December 31, 2020, WorkplaceNL will have developed new resources to enhance safety cultures.

The following section provides details of WorkplaceNL's achievement of this objective.

Indicator 2.1: Developed new safety-culture learning resources.

Nurturing a strong safety culture in Newfoundland and Labrador is one of the core aspects of the prevention strategy. Raising awareness of health and safety risks can help change safety attitudes and behaviour and advance a strong safety culture. To help raise awareness throughout 2020, WorkplaceNL, in collaboration with key stakeholders:

- Developed and delivered the following webinars to 353 participants to promote a safety culture:
    - Building Resiliency in the Workplace (39 participants)
    - Measuring Health and Safety (29 participants)
    - New Safety Climate Assessment and Audit (51 participants)
    - Creating a Respectful Workplace (151 participants)
    - Enhancing the Safety Culture of your Organization (83 participants)

- Developed the following fact sheets that introduce the components of the safety-climate assessment and audit tool (see Indicator 2.2 below), which will be finalized in 2021:
  - Essentials Climate Assessment and Audit Tool
  - Internal Responsibility System (IRS) Climate Assessment and Audit Tool

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Indicator 2.2: Implemented a safety-climate assessment tool for workplaces.

WorkplaceNL implemented a new safety-climate assessment and audit tool in 2020 which was designed as a field-based audit instrument. The tool is used by WorkplaceNL employees, as an independent third-party, to measure the current state of a workplace's health and safety culture, as well as their safety management systems. The results of the audit help employers develop relevant and practical health and safety strategies. WorkplaceNL engaged five employers in 2020 to pilot, test and evaluate the tool. In March, WorkplaceNL suspended all field work as a result of the COVID-19 pandemic. Therefore, additional planned audits were put on hold and WorkplaceNL began investigating how to deliver this new service virtually. Further delivery of the service is planned for 2021.

WorkplaceNL also completed internal training in 2020 to help employees understand how to deliver this new service to employers. As well, the New Safety Climate Assessment and Audit webinar, noted in indicator 2.1, was delivered to 51 participants to help employers understand the new service and how to avail of it.

Discussion of Overall Results

Preventing injuries is the most desirable outcome for all workplace parties, to avoid the physical, emotional or psychological impacts on employers, workers, their families and communities. In meeting its 2020 objectives, WorkplaceNL launched new resources designed to enhance the safety culture in workplaces in our province to help prevent workplace injury and illness, including webinars and a new safety-climate assessment and audit tool.

WorkplaceNL remains committed to progressing the longer-term goal of enhancing OHS education in the province. This includes work to update existing and implement new certification training standards, such as those for traffic control, powerline hazards, confined space, and first aid. WorkplaceNL will also analyze various options to modify the PRIME program and identify new tools for OHS committees.

Looking Forward – 2021 Prevention Objective and Indicators

2021 Objective:	By December 31, 2021, WorkplaceNL will have supported the development of industry-led safety programs and initiatives.
Indicator 2.1:	Developed requirements for a new OHS committee reporting system.
Indicator 2.2:	Enhanced the confined space training standard and safety education materials.
Indicator 2.3:	Identified OHS components eligible for PRIME incentives.

Strategic Issue 3: Financial Sustainability – Adherence to Funding and Investment Policies

Goal 3: By December 31, 2022, WorkplaceNL will have assessed financial management policies and practices to support financial sustainability.

The financial sustainability of the workers' compensation system is contingent upon sound financial management of the Injury Fund; prevention of workplace injuries; providing accessible, timely care to injured workers in a cost-effective manner; and working with injured workers and employers to facilitate recovery at work.

WorkplaceNL continued to support financial sustainability in 2020 by adhering to the funding policy and monitoring the financial impacts of the global pandemic. WorkplaceNL's funded position at the end of 2020 was 125.5 per cent. WorkplaceNL continued to assess the funding policy and the Injury Fund with professional advice from external financial advisors and independent actuaries to ensure factors, pressures, and patterns are considered in setting assessment rates and benefits.

2020 Objective for Goal 3

By December 31, 2020, WorkplaceNL will have initiated a review of its financial management policies and practices.

The following section provides details of WorkplaceNL's achievement of this objective.

Indicator 3.1: Monitored the financial impacts resulting from the COVID-19 pandemic.

Recognizing the impact that the COVID-19 pandemic could have on employers throughout the province, WorkplaceNL implemented the following financial relief measures in 2020:

- Deferred all assessment payment plans and waived interest charges and penalties until September 1, 2020.
- Provided clearance for ongoing work to accounts with outstanding or unarranged balances up to August 31, 2020.
- Revised the payment schedule for employers with interest-free payment plans past 2020, so employers could pay by installments from September 2020 to March 2021.
- Applied provisional estimates in mid-June instead of the end of March at 100 per cent versus 150 per cent of the prior year's reported payroll. WorkplaceNL applies provisional estimates to employer accounts where current year payroll estimates have not been provided by the employer.
- Provided employers, who reduced their workforce or experienced interruptions during the pandemic, the opportunity to revise their 2020 payroll estimates. WorkplaceNL then recalculated their assessment.

The funded ratio is fluid and impacted by several variables, such as the performance of the Injury Fund, the cost of injuries, and changes in the amount of employer assessments collected. As a result of these COVID-19 measures above, coupled with the overall financial impact of the pandemic on the organization and its investments, WorkplaceNL developed and analyzed cash flow projections and pro-forma financial statements, reflecting known and anticipated impacts of the COVID-19 pandemic on revenue and expenditures. As a result of this analysis and as part of the annual assessment rate setting process, WorkplaceNL continued the temporary $0.21 discount on the average assessment rate for 2021. This will contribute to bringing the funded ratio into the target range of 100 to 120 per cent over 15 years.

Indicator 3.2: Assessed the Funding Policy.

WorkplaceNL implemented its Long-term Financial Strategy (IF-01), known as the funding policy, in 2009. In 2020, a review was undertaken to assess modifications that would incorporate the process for setting the annual average base assessment rate to support minor adjustments or to address any gaps in general practice. The scope of the review included options to reduce the five per cent threshold for implementing a rate change to the overall assessment rate, which would support a response to gradual changes. Independent actuaries were also engaged to inform options and cost implications. The outcome was a series of options that recommended a modified threshold of two per cent.

Discussion of Overall Results

WorkplaceNL initiated the review of financial management policies and practices as planned. In 2020, this involved increased monitoring as a result of the pandemic as well as changes to the Long-term Investments Policy (IF-03) and a focused review of the policy guiding the Long-term Financial Strategy (IF-01). The Short-term Investments Policy (IF-02) was also assessed in 2020 along with several procedures. The Assessable Earnings Procedure and the Payment of Account Procedure were modified to reflect moving from cash-based transactions, to increase security and enhance modernization, as well as to provide clarity for employers and independent operators.

Progress on the goal to support financial sustainability remains in view. As of December 31, 2020, WorkplaceNL maintained the funded ratio, with the Injury Fund at 125.5 per cent. WorkplaceNL's approach to monitoring the funded ratio is outlined in the MDA section of this report. WorkplaceNL continued to monitor upcoming changes to financial accounting standards by collaborating with other workers' compensation boards in assessing options to adopt the new international standard for publicly accountable insurance companies. In addition, work continues on the financial implications for changes to the PRIME program; actuaries were engaged to develop costing models for a variety of options.

Looking Forward – 2021 Financial Sustainability Objective and Indicators

2021 Objective: By December 31, 2021, WorkplaceNL will have continued the review of its financial management policies and practices.

Indicator 3.1: Developed criteria for the new PRIME model.

Indicator 3.2: Assessed options and financial reporting impacts of new standards.

Indicator 3.3: Updated financial management policies.

Strategic Issue 4: Claims Management – Facilitating Injured Worker Recovery and Safe Return to Work

Goal 4: By December 31, 2022, WorkplaceNL will have implemented program changes that support early re-integration into the workforce.

To support earlier reintegration into the workforce following a workplace injury, in 2020, WorkplaceNL began to implement program changes and increased collaboration with employers. Moving supports for workforce reintegration earlier in the life cycle of a claim may provide options for injured workers to maintain connections with employers and enhance opportunities for them to return to employment, post-recovery. The renewed Labour Market Re-entry (LMR) Program focuses on earlier interventions and employment readiness supports for injured workers. More integration between the existing LMR program and the Early and Safe Return-to-Work (ESRTW) program results in a more proactive approach to claims management, to benefit both the worker and their employer.

Preventing injuries and expediting a workers' return-to-work when it is appropriate, can have a significant positive impact on workers' lives, claims costs for employers and the long-term sustainability of the Injury Fund.

2020 Objective for Goal 4

By December 31, 2020, WorkplaceNL will have commenced enhancements to support early re-integration into the workforce.

The following section provides details of WorkplaceNL's achievement of this objective.

Indicator 4.1: Commenced a review of existing operational resources that assist with workforce re-integration.

Procedures guide employees in making operational decisions. In 2020, WorkplaceNL reviewed procedures and position descriptions to assist with workforce re-integration.

WorkplaceNL reviewed relevant position descriptions in Worker Services to identify opportunities for enhancements. Changes resulting from this review will be implemented in 2021.

In the Fall of 2020, WorkplaceNL released a new procedure to provide guidelines for decision makers to follow when considering relocation assistance for injured workers. The guidelines ensure that injured workers are supported with successful return-to-work employment, wherever the employment opportunity is located, should they choose to relocate. This new benefit also adheres to principles that restore wages and provide work that is functionally suitable.

Indicator 4.2: Developed an approach to enhance communications between workplace parties.

WorkplaceNL developed a number of approaches throughout 2020 to enhance communications between workplace parties.

WorkplaceNL delivered a webinar each quarter throughout 2020 to address issues regarding claims management, return-to-work, and roles and responsibilities of workplace parties. In total, 135 people participated in these webinars.

A presentation was piloted with an employer, to communicate the importance of developing a trauma-informed culture in workplaces, in response to supporting psychological injuries. A trauma-informed culture creates a norm in the workplace that there are healthy, safe and supportive initiatives that assist workers who may experience trauma or psychological injuries at work. Feedback from the pilot will be used to develop and deliver further webinars in 2021. Presentations will continue to be provided to employers as the need arises.

WorkplaceNL also developed industry-specific information sheets explaining how workplace parties are to communicate throughout the disability management and return-to-work process. The sheets include tips on how to be prepared for return-to-work initiatives prior to an injury taking place. Information Sheets on Facilitating Recovery at Work – Construction and Facilitating Recovery at Work – Manufacturing are available on WorkplaceNL's website.

WorkplaceNL reviewed a sample of claims in 2020 to assess the extent of worker involvement of ESRTW, as well as supervisors' understanding of the ESRTW process. As a result of these claim reviews, WorkplaceNL provided education to employers on accommodating injured workers and the importance of communication and engagement with the worker throughout the process.

Indicator 4.3: **Commenced implementation of changes to service contracts that provide employment readiness assessments.**

WorkplaceNL enhanced contracts with LMR providers in December 2019 and implemented those enhancements throughout 2020. Changes to these contracts focused on improved practices to ensure transparency and worker engagement during the LMR assessment process. A minimum number of meetings, reformatted assessment templates, and set time for workers to review the draft LMR report for clarity, are highlights of the practices that were put in place to assist the injured worker in their workplace re-integration plan.

WorkplaceNL also developed a new online job search portal in 2020 to assist injured workers in their job search efforts. The new portal can be used by injured workers at any point in the claim, helping them to remain focused on return to work during the rehabilitation period.

Discussion of Overall Results

As planned for 2020, WorkplaceNL commenced enhancements to support workers' early re-integration in the workforce. Much work was completed in 2020 to better advance the mutual goal of proactive early and safe return to work. Policy change and training is also underway to support labour market re-entry and incorporate disability management practices within PRIME audits.

Looking Forward – 2021 Claims Management Objective and Indicators

2021 Objective: By December 31, 2021, WorkplaceNL will have continued enhancements to support early re-integration into the workforce.

Indicator 4.1: Began implementation of changes that support early re-integration into the workforce.

Indicator 4.2: Developed and delivered education for employers on psychological injuries.

Indicator 4.3: Implemented disability management practices within PRIME audits.

Opportunities and Challenges

Coping with emergencies

The COVID-19 pandemic brought many unexpected challenges to workplaces in 2020. WorkplaceNL managed risks by implementing its Business Continuity Plan and quickly implemented public health measures to help protect its employees, clients and the public to slow the spread of the COVID-19 virus.

During the provincial public health emergency that started in March, WorkplaceNL ensured that benefits were paid to injured workers and financial relief measures were available for employers (see Goal 3).

Throughout the pandemic, WorkplaceNL will continue to follow public health guidelines as well as support its clients by providing benefits to injured workers and support to workplaces to prevent injury and illness – such as tips to safely work from home.

Reducing injury and illness

In the more than 60 years since the workers' compensation system started in Newfoundland and Labrador, the injury rate has trended downwards. The injury rate was at its highest in 1989 at 5.2 lost-time incidents per 100 employees and recently reached its lowest of 1.5 in 2017. The injury rate increased slightly to 1.6 in 2019 and once again, decreased to 1.5 in 2020.

Many partners helped to lower the injury rate through a variety of measures over time including: changes to legislation, increased efforts in prevention and training, and continued support and compliance at worksites. As a result, further reductions in the lost-time injury rate may be increasingly challenging to achieve, requiring leadership and collaboration from all workplace parties and safety partners through continued implementation of the provincial prevention strategy.

Innovating service delivery

There are opportunities to make services more accessible and modern for injured workers and employers. WorkplaceNL will continue its client-first approach to service delivery and implement digital services that benefit its clients.

Managing health care costs and access to services

WorkplaceNL proactively seeks opportunities to manage the cost of health care services for injured workers and to provide them with timely access to care. To do this, WorkplaceNL negotiates agreements with major health care providers, actively manages claims, purchases medical items through the public procurement process, and adheres to the provincial generic drug-pricing policy.

Managing financial sustainability

WorkplaceNL is a responsible steward of the Injury Fund. As such, stakeholder-agreed financial policies guide WorkplaceNL in setting assessment rates to ensure sufficient funds will be available for existing injured workers for the duration of their claims. The policies also provide a mechanism for WorkplaceNL to respond to external influences, such as volatile investment market performance and general economic factors, in a controlled and responsible manner.

WorkplaceNL continues to monitor the financial sustainability of the Injury Fund, with expert external advice, and an established robust monitoring approach of a diverse investment portfolio.

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) is an integral part of the annual performance report and provides management's perspective on the operations and financial position of WorkplaceNL. This MD&A should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2020. The MD&A was prepared based on information available as of March 12, 2021. The Board has reviewed the MD&A following the recommendation of the Financial Services Committee.

Forward Looking Statements

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

Financial Highlights

($millions)	2020	2019
Investments	1,574.9	1,541.2
Benefit liabilities	1,253.2	1,249.5
Fund balance	333.6	301.8
Assessment income	131.4	128.4
Investment income (loss)	109.4	197.2
Claims costs incurred	174.2	224.0
Adminstration costs	19.9	20.6
Legislated obligations	7.3	7.6
Operating surplus (deficiency)	32.1	64.4
Average assessment rate	$1.69	$1.69
Rate of return on investments	7.2%	13.8%
Funded ratio	125.5%	123.4%

Statement of Financial Position

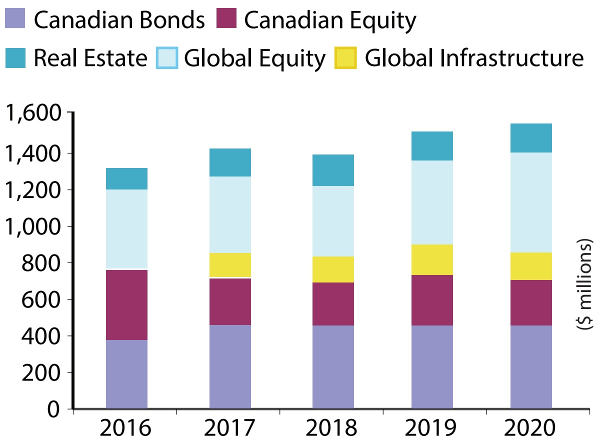
On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19), a global pandemic. As a result of the uncertainty regarding the impact this would have on employers, WorkplaceNL deferred collecting assessments and waived interest and penalties to August 31, 2020. Employers were given the option to avail of interest-free payment plans that ran from September 2020 to March 2021. WorkplaceNL, with approval from the Department of Finance, Government of Newfoundland and Labrador, increased its Line of Credit from $20 million to $80 million, effective to March 31, 2021. This provided additional working capital to bridge the period during which collecting assessments was deferred. The impact was an increase of

$17.3 million in accounts receivable, and a $20 million short-term borrowing balance at year end 2020.

Investments

WorkplaceNL's investments are held in an Injury Fund to provide for the security of benefits due to injured workers. The fair value of the Injury Fund increased $30.7 million to $1,574.8 million at December 31, 2020 from $1,544.1 million at the end of 2019, which reflects investment income of $109.4 million and withdrawals of $72.8 million to fund benefit payments and operations.

Injury Fund



Investment Strategy and Portfolio Construction

The Board is responsible to ensure that the assets of the Injury Fund, along with future investment income, are sufficient to pay benefit liabilities. The Board takes a long-term approach to the management of the Injury Fund given that payment of the majority of benefits promised to injured workers extend many years into the future.

The Statement of Investment Principles and Beliefs (SIPB) and the Long-term Investment Policy, guide WorkplaceNL's investment strategy. The SIPB outlines the governance structure for the Injury Fund; the importance of asset allocation in achieving the long-term return objectives of the fund; the importance of diversification; and the process for manager selection and performance evaluation. The Long-term Investment Policy documents the long-term asset mix target, the return objectives, acceptable investments and limits on risk concentration.

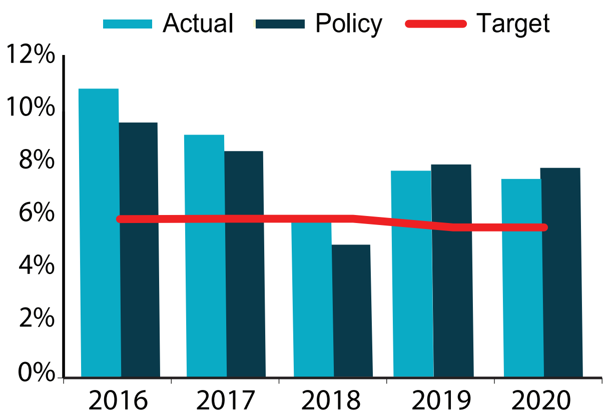
Table 1:
Asset Mix Targets as at December 31, 2020

Asset Class	Asset Mix	Tolerance Range
Bonds, Canadian	20 %	±5 %
Mortgages	5 %	±2.5 %
Return Seeking Fixed Income	5 %	±2.5 %
Equities, Canadian	15 %	±5 %
Equities, Global	35 %	±5 %
Infrastructure, Global	10 %	±5 %
Real Estate, Global	2.5 %	±2.5 %
Real Estate, Canadian	7.5 %	±2.5 %

The asset mix will vary from the targets due to differences in the relative performance of the various financial market segments. All asset classes were within their respective tolerance ranges at December 31, 2020, except for global real estate which has yet to be funded.

An objective of the Injury Fund is to exceed the return of the benchmark portfolio (i.e., the policy return) on a four-year moving average basis. The policy return is the return the Injury Fund would have earned had each asset class achieved the return of its respective passive index and was at its target weight according to the Long-term Investment Policy.

Four-year Annualized Rate of Return



The target rate of return for the investment portfolio over the long term had been 5.8 per cent or 3.5 per cent after inflation. WorkplaceNL revised its long-term return target to 5.5 per cent in 2019, maintaining a 3.5 per cent real rate of return, but with reductions in the inflation expectations to 2.25 per cent and then to 2.0 per cent.

For the four-year period ending December 31, 2020, the Injury Fund earned an annualized return of 7.3 per cent compared to the policy return of 7.6 per cent and a target of 5.5 per cent.

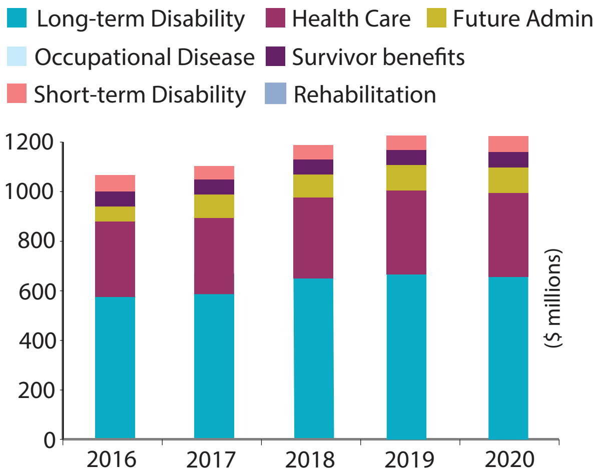
Benefit Liabilities

Benefit liabilities reflect the present value of all future payments expected to be made on behalf of injured workers for accepted claims for injuries occurring up to December 31, 2020, and the future cost of administering those claims. WorkplaceNL has also included a provision for future claims related to latent occupational disease and presumptive cancer coverage for firefighters.

The economic and actuarial assumptions used in the valuation of liabilities are reasonable estimates of future expectations for these variables over the long term. The assumptions described in Note 16 - Benefit Liabilities and Claims Costs, to the financial statements, are consistent with those used in the prior year. Current accounting and actuarial standards allow for the use of a discount rate equivalent to the long-term expected return on the benchmark asset allocation adopted through WorkplaceNL's Long-term Investment Policy, which is 5.5 per cent.

The International Accounting Standards Board (IASB) has issued a new standard, International Financial Reporting Standards (IFRS), 17 Insurance Contracts that will be applicable for fiscal years beginning on or after January 1, 2023. This standard provides for the use of a discount rate that is closer to a risk-free rate; one which is comparable to the expected rate of return earned on a hypothetical fixed income portfolio consisting of high-quality bonds of durations similar to the cash flows associated with the liability. If this accounting standard had been in effect at December 31, 2020, such a discount rate would be approximately 2.3 per cent and would result in an increase in the benefit liability of $406.7 million and a reduction in the funded ratio to 95.5 per cent.

Benefit Liabilities



WorkplaceNL's benefit liabilities include amounts set aside to pay the future cost of short and long-term disability, survivor benefits, health care, rehabilitation, and future administration costs. Benefit liabilities increased $3.7 million, or 0.3 per cent from $1,249.5 million at the end of 2019, to $1,253.2 million at the end of 2020. Both the cost and number of active short-term disability and rehabilitation claims were higher than expected in 2020. However, this was partially offset by the lower number of new injuries and lower health care costs for the year, due to the impacts of the COVID-19 pandemic on both employment and access to health care, for a small net increase overall.

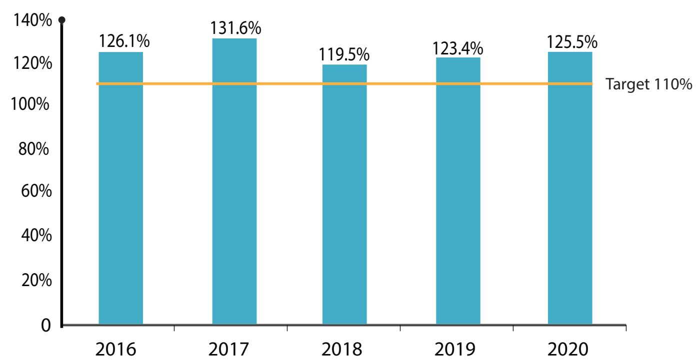
The long-term disability benefits provided under the Act are indexed to the full rate of inflation with no upper limit. WorkplaceNL calculates the annual inflation adjustment based on the year-over-year change in the Canadian Consumer Price Index at July each year and applies the adjustment January 1 of the following year. The inflation adjustment calculated in 2020 was 1.5 per cent and the inflation adjustment has averaged 1.7 per cent over the past five years.

Funding Policy

WorkplaceNL's stakeholder-agreed Funding Policy is designed to maintain a funded position that will provide for the security of injured worker benefits within employers' reasonable ability to pay assessments. The Funding Policy provides guidance to ensure WorkplaceNL responds to external factors, such as volatile investment markets, in a controlled and responsible manner.

The Injury Fund is fully-funded when the total assets equal or exceed total liabilities plus reserves. However, due to the potential volatility of investment market returns, the Board of Directors has established a funding target of total assets equal to 110 per cent of total liabilities.

Funded Ratio



The Funding Policy specifies a funding target operating range from 100 per cent to 120 per cent. If the funded status moves outside the targeted range, WorkplaceNL will adjust assessment rates paid by employers over a fifteen-year period to achieve the funding target. The average assessment rate for 2019 and 2020 reflect a $0.21 discount aimed at returning the funded ratio to 110 per cent.

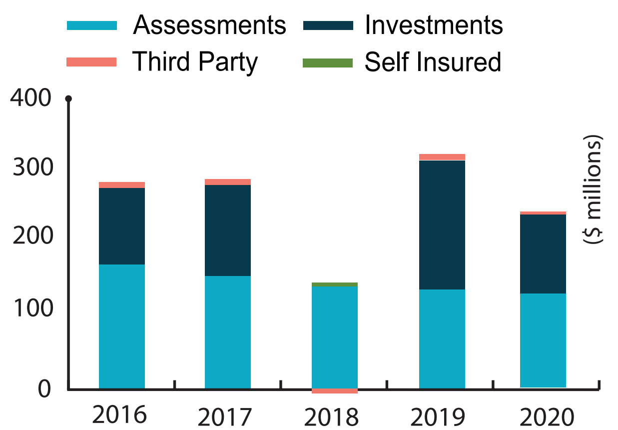
Statement of Comprehensive Income Revenue

WorkplaceNL's revenue sources are assessments paid by employers, investment income, self-insured administration fees and third-party recoveries. In 2020, revenue totaled $244.6 million, a 26 per cent decrease from 2019 revenue of $329.8 million, driven by lower investment returns.

Assessments Revenue

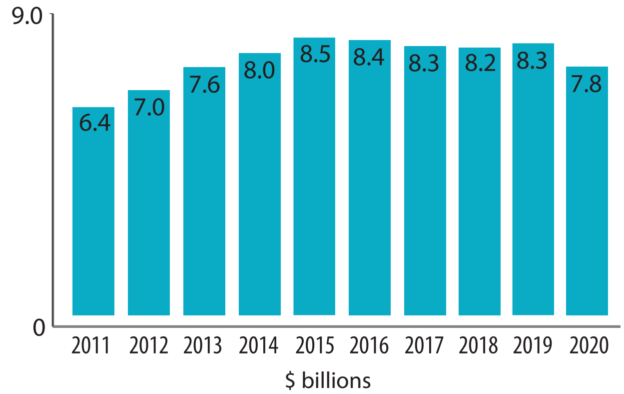
Assessment revenue from rate-based employers increased 2.3 per cent to $131.4 million from $128.4 million in 2019. Revenue from assessments consists of base assessments, as well as practice and experience incentives, refunds and charges disbursed and collected through the PRIME program.

Revenue



The average base assessment rate paid by employers in 2020 continued to be $1.69 per $100 of assessable payroll, due to the application of a temporary $0.21 discount.

Assessable Payroll



Under WorkplaceNL's PRIME program, employers can affect the assessments they pay by meeting their practice requirements under the practice incentive component and managing their claim costs under the experience incentive component. The practice component recognizes employers for good OHS and RTW practices through a five per cent refund on their average calculated base assessments. While the percentage of employers qualifying for PRIME has increased over time, the value of the refunds available has declined due to lower assessment rates. The net PRIME refunds decreased 62 per cent from $6.8 million to $2.6 million, which contributed to the modest increase in net assessments revenue even though assessable payroll declined.

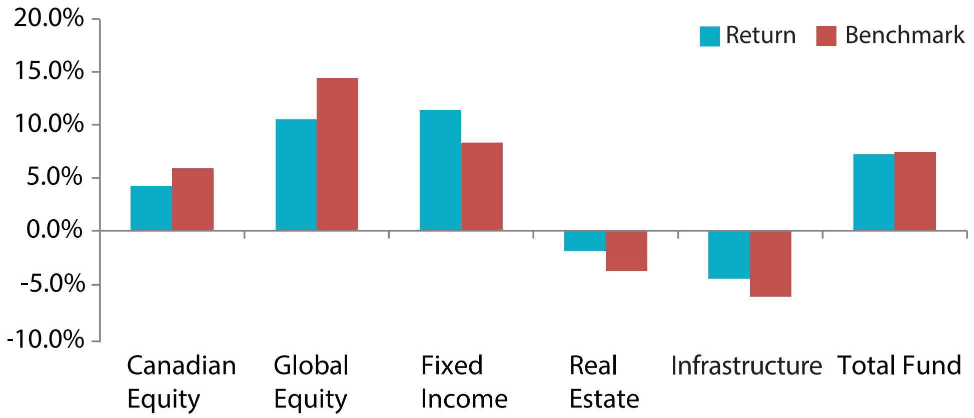
Revenue from self-insured employers consists of the administration fee for managing their claims. In 2020, revenue in this category increased by 4.8 per cent to $2.2 million (2019 - $2.1 million).

Investment Income

Investment income includes dividends and interest from the Injury Fund portfolio and short-term investments, as well as gains and losses arising from changes in the market value of investments. In accordance with IFRS, both realized and unrealized gains and losses are included in investment income.

In 2020, WorkplaceNL's investment income was $109.4 million, compared to $197.2 million in 2019. The Injury Fund had a rate of return of 7.2 per cent compared with a policy return of 7.5 per cent, and a 13.8 per cent return in the previous year.

2020 Returns by Asset Class

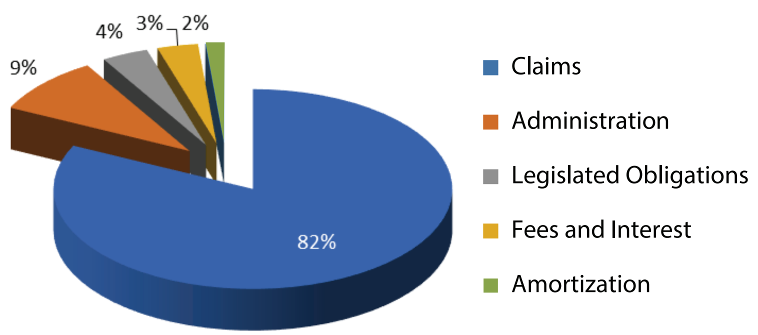


Expenses

WorkplaceNL's total expenses include benefit costs, administrative expenses, legislated obligations, fees and interest, amortization and other expenses. Benefits for injured workers are the most significant component of WorkplaceNL's expenses, which comprises 82 per cent (2019 – 82 per cent) of expenses, while administration expenses are approximately 9 per cent (2019 – 9 per cent) of the total.

Claims costs incurred (expense), as reported in the Statement of Comprehensive Income, are actuarially determined and include the full cost of providing for all injuries that occurred in the current and prior years. Claims costs incurred decreased $6.6 million (-3.6 per cent) from $183.0 million in 2019 to $176.5 million in 2020. This was primarily due to fewer injury claims and lower expected future health care payments.

Total Expenses 2020

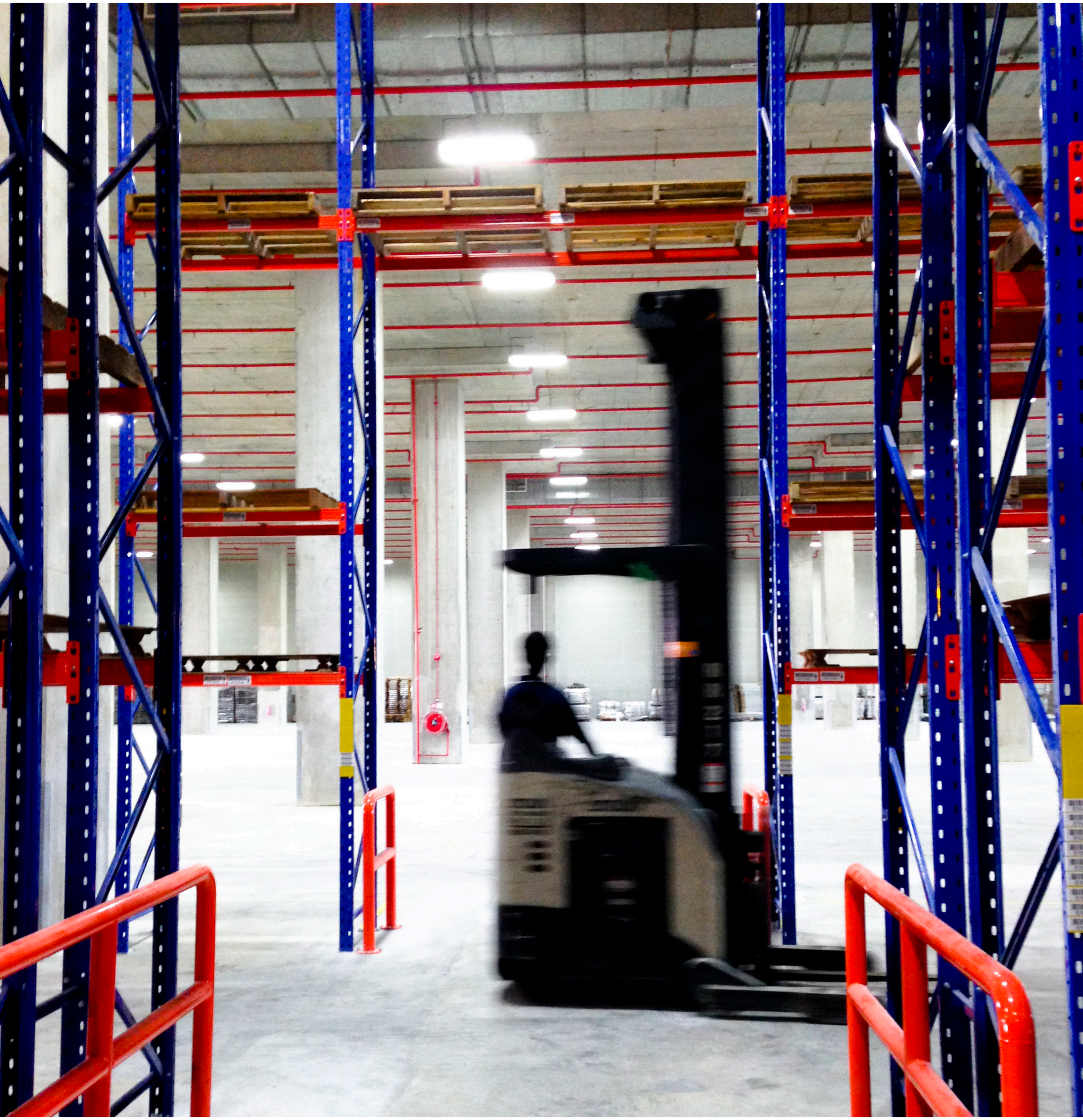


Claims costs paid includes actual cash payments to injured workers for wage loss and other benefits, payments to health care providers for services rendered to injured workers and payments to suppliers for health care goods and devices, as reported in the Statement of Cash Flows. These amounts include payments made on behalf of self-insured employers. In total, these payments increased 3.5 per cent to $170.5 million in 2020, from $164.8 million in 2019. The average rate of increase from 2015 to 2020 has been 3.9 per cent.

Outlook

WorkplaceNL maintained the average assessment rate at $1.69 for 2021, continuing the temporary $0.21 discount to enable the funded position to return to 110 per cent over 15 years.

WorkplaceNL is forecasting assessable payrolls of $7.9 billion in 2021, a slight increase from those in 2020. It is anticipated that public health measures implemented provincially, and around the world, in response to the COVID-19 pandemic are likely to continue to negatively affect employers' operations in 2021.



2020 Financial Statements

Management responsibility for financial reporting

The accompanying financial statements of WorkplaceNL have been prepared by management, who is responsible for the integrity and fairness of the information presented, including significant accounting judgments, estimates, and actuarial assumptions. This responsibility includes selecting appropriate accounting principles and actuarial assumptions consistent with International Financial Reporting Standards. Financial information contained elsewhere in this Annual Performance Report is consistent with these financial statements.

In discharging its responsibility for the integrity and reliability of the financial statements, management maintains a system of internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of WorkplaceNL's internal controls, practices, and procedures.

The Board of Directors oversees management's responsibility for financial reporting through its Financial Services Committee, which recommends approval of the financial statements. The Financial Services Committee oversees the external audit of WorkplaceNL's annual financial statements and the accounting and financial reporting and disclosure processes and policies of WorkplaceNL. The Financial Services Committee of the Board meets with management, the independent consulting actuary, and the independent auditors to discuss the results of the external audit, the adequacy of internal accounting controls, and the quality and integrity of financial reporting. WorkplaceNL's Board of Directors has approved the financial statements included in this Annual Performance Report.

Morneau Shepell Inc. has been appointed as independent consulting actuary to WorkplaceNL. Its role is to complete an independent actuarial valuation of the benefit liabilities of WorkplaceNL annually and to report thereon in accordance with accepted actuarial principles. Ernst & Young LLP, the independent auditors of WorkplaceNL, have performed an audit of the 2020 financial statements of WorkplaceNL in accordance with Canadian generally accepted auditing standards and their report follows.

Dennis Hogan
Chief Executive Officer

Andrew Vavasour
Chief Financial & Information Officer

Actuarial Statement of Opinion

We have completed the actuarial valuation of the benefit liabilities of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador (“WorkplaceNL”) as at December 31, 2020 (the “valuation date”). The valuation is based on the provisions of the Workplace Health, Safety and Compensation Act of Newfoundland and Labrador (the “Act”) and on WorkplaceNL’s policies and practices in effect on the valuation date.

The estimate of the actuarial liabilities for assessed employers as at the valuation date is $1,253,231,000. The actuarial liabilities include provisions for benefits and administration expenses expected to be paid after the valuation date for accidents that occurred on or before the valuation date. They also include a provision for potential long-latency occupational disease claims associated with exposure that occurred on or before the valuation date. Self-insured employers are not included in this valuation.

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 our opinion:

1. The data on which the valuation is based are sufficient and reliable for the purpose of the valuation. Data for the valuation were supplied by WorkplaceNL in accordance with specifications provided by us and we applied such checks of reasonableness of the data as we considered appropriate.
2. The assumptions are appropriate for the purpose of the valuation. The economic assumptions are consistent with the long-term financial strategy and long-term investment policies of WorkplaceNL.
3. The methods employed in the valuation are appropriate for the purpose of the valuation.
4. 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.
5. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

Mark Simpson

Mark Simpson, F.C.I.A.
Morneau Shepell Ltd.
March 15, 2021

This report has been peer reviewed by Thane MacKay, F.C.I.A.

Independent auditor's report

To the Board of Directors of
Workplace Health, Safety and Compensation Commission

Opinion

We have audited the financial statements of **Workplace Health, Safety and Compensation Commission** [the "Organization"], which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in funded position 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 Organization as at December 31, 2020, 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 Organization 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.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Ernst & Young LLP

Chartered Professional Accountants

St. John's, Canada
April 5, 2021

Statement of FINANCIAL POSITION
as at December 31

(thousands of dollars)	**2020**	2019
Assets		
Cash, cash equivalents and short-term investments	**$ 4,197**	$ 5,182
Accounts receivable [note 5]	**25,970**	8,632
Investments [note 6]	**1,574,864**	1,541,155
Right-of-use assets [note 9]	**1,819**	2,044
Property, plant and equipment [note 10]	**7,602**	7,489
Intangible assets [note 11]	**14,560**	14,410
	$ 1,629,012	$ 1,578,912
Liabilities		
Short-term borrowing [note 12]	**20,000**	-
Accounts payable and accrued liabilities [note 14]	**18,649**	24,192
Employee future benefits [note 17]	**1,656**	1,354
Lease liabilities [note 9]	**1,869**	2,061
Benefit liabilities [note 16]	**1,253,231**	1,249,549
	1,295,405	1,277,156
Fund balance	**333,607**	301,756
	$ 1,629,012	$ 1,578,912

Authorized for issue on March 30, 2021 on behalf of the Board of Directors

John Peddle
Chairperson

Gregory Viscount
Director

See accompanying notes.

Statement of COMPREHENSIVE INCOME
Year ended December 31

(thousands of dollars)	2020	2019
Revenue		
Assessments revenue [note 15]	**$ 131,434**	$ 128,398
Investment income [note 7]	**109,416**	197,165
Third-party recoveries	**1,552**	2,135
Self-insured employer revenue	**2,164**	2,110
	244,566	329,808
Expenses		
Claims costs incurred [note 16]		
Short-term disability	**47,318**	44,869
Long-term disability	**63,335**	68,630
Survivor benefits	**5,311**	5,128
Health care	**43,736**	47,403
Rehabilitation	**1,872**	1,709
Actuarial adjustments	**(2,332)**	40,959
Future administration costs	**14,931**	15,333
	174,171	224,031
Administration [note 18]	**19,916**	20,614
Legislated obligations [note 19]	**7,327**	7,566
Fees and interest, net [note 13]	**7,106**	7,012
Amortization and depreciation [notes 9, 10 and 11]	**3,209**	2,942
Other expenses [note 20]	**771**	3,287
	212,500	265,452
Operating surplus	**32,066**	64,356
Other comprehensive loss		
Remeasurement of employee future benefits [note 17]	**(107)**	(27)
Total comprehensive income	**$ 31,959**	$ 64,329

See accompanying notes.

Statement of CHANGES IN FUNDED POSITION
Year ended December 31

(thousands of dollars)	**2020**	2019
Accumulated operating surplus		
Balance, beginning of year	**$ 300,308**	$ 236,952
Operating surplus	**32,066**	64,356
Reserve allocation [note 21]	**(1,000)**	(1,000)
	331,374	300,308
Accumulated other comprehensive loss		
Balance, beginning of year	**(713)**	(686)
Other comprehensive loss [note 17]	**(107)**	(27)
	(820)	(713)
Reserves		
Occupational Health and Safety Research [note 21]	**3,053**	2,161
Fund balance, end of year	**$ 333,607**	$ 301,756

See accompanying notes.

Statement of CASH FLOWS
Year ended December 31

(thousands of dollars)	**2020**	2019
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 114,115**	$ 129,627
Self-Insured administration and claims cost	**11,914**	10,755
Third parties	**1,533**	2,135
	127,562	142,517
Cash paid to:		
Claimants or third parties on their behalf	**(169,611)**	(163,199)
Suppliers and employees, for administrative and other goods and services	**(44,191)**	(41,248)
Investment manager, interest & other fees	**(3,803)**	(5,317)
	(217,605)	(209,765)
Net cash used in operating activities	**(90,043)**	(67,247)
Cash flows from investing activities		
Cash received from:		
Interest	**11,622**	13,361
Dividends	**17,136**	22,673
Sale of investments	**476,793**	206,677
	505,551	242,711
Cash paid for:		
Purchase of investments	**(432,943)**	(169,753)
Purchase of property, plant and equipment	**(634)**	(510)
Purchase of intangible assets	**(2,614)**	(2,815)
	(436,191)	(173,078)
Net cash provided by investing activities	**69,360**	69,633
Cash flows from financing activities		
Cash received from:		
Short-term borrowing	**46,000**	18,000
	46,000	18,000
Cash paid for:		
Repayment of short-term borrowing	**(26,000)**	(18,000)
Interest and fees	**(302)**	(109)
	(26,302)	(18,109)
Net cash provided by (used in) financing activities	**19,698**	(109)
Net change in cash and cash equivalents	**(985)**	2,277
Cash and cash equivalents		
Beginning of year	**5,182**	2,905
End of year	**$ 4,197**	$ 5,182

See accompanying notes.

Notes to FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The Workplace Health, Safety and Compensation Commission (WorkplaceNL) was established by the Newfoundland Legislature in 1951, under the Workplace Health, Safety and Compensation Act (the Act), as amended. WorkplaceNL is a legislative incorporated entity with no share capital. The main office of WorkplaceNL is located at 146-148 Forest Road, St. John's, Newfoundland and Labrador, Canada. WorkplaceNL operates two regional offices in Newfoundland and Labrador in Grand Falls-Windsor and Corner Brook.

WorkplaceNL is responsible for, in accordance with the provisions of the Act, preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by WorkplaceNL within guidelines established under the Insurance Companies Act (Canada). An independent Workplace Health, Safety and Compensation Review Division is established under the Act to make rulings on any appeals pertaining to WorkplaceNL assessment or benefit decisions. WorkplaceNL does not receive government funding or other assistance.

The funds, investments and income of WorkplaceNL are free from taxation pursuant to Section 10(2) of the Act.

2. BASIS OF PREPARATION

Statement of Compliance

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

Going concern

WorkplaceNL has assessed the relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy to maintain a funded ratio between 100% and 120% [note 23].

Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in Canadian currency.

3. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

Significant Accounting Policies

Cash and cash equivalents and short-term investments

Cash and cash equivalents and short-term investments include cash at banks and on hand, bank overdrafts and money market instruments. Those assets with original maturity dates at time of purchase of three months or less are classified as cash equivalents, whereas those with original maturities beyond 3 months, and less the 12 months are classified as short-term investments. Cash, cash equivalents and short-term investments are measured at fair value. Cash equivalents bear interest rates of 0.75% - 2.25% [2019 - 1.70% - 2.25%].

Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls at which point revenue is recognized. The assessment levy is payable by installments within the current year. At year-end, assessment revenue is adjusted based on a review of the employers' actual payrolls, as well for the estimate of practice and experience incentive refunds which are payable to the employers under the Prevention & Return to Work Insurance Management for Employers/Employees Program (PRIME).

Self insured employer revenue

Self insured employers are assessed an administration fee which is based on the volume and cost of claims. Revenue is presented on a net basis since WorkplaceNL acts as an agent in these transactions.

Accounts receivable

A provision for accrued assessments is included in accounts receivable based on historical assessment information. Actual employers' payrolls may differ from estimates. The allowance for doubtful accounts is comprised primarily of outstanding balances older than two years.

Right-of-use assets

Right-of-use assets are recognized at the lease commencement date. They are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Office premises	10 years

If ownership of the leased asset transfers to WorkplaceNL at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are also subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Lease liabilities
At the commencement of the lease, liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments are discounted using WorkplaceNL's incremental borrowing rate.

Property, plant and equipment
Property, plant and equipment are reported at cost, less accumulated amortization. These assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years

At the end of each reporting period, the useful lives of items of property, plant and equipment are reviewed and adjusted if required, and an assessment is made whether there is any indication of impairment. If an item of property, plant and equipment is determined to be impaired, its carrying value is reduced to the net recoverable amount.

Intangible assets
Intangible assets, which include purchased software and internally developed systems including systems not available for use, are recorded at cost. Assets in service are amortized monthly on a straight-line basis over their estimated useful lives of five to ten years. The amortization method and period are reviewed at the end of each reporting period. Intangible assets are assessed for impairment whenever there is an indicator that the intangible assets may be impaired. If an asset is determined to be impaired, its carrying value is reduced to the net recoverable amount.

Benefit liabilities
The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include a provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims, as well as the estimated liability for latent occupational disease, an estimate for presumptive coverage for firefighters and a provision for the future costs of administering claims.

The benefit liabilities were valued by an independent actuary using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

3. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in WorkplaceNL's benefit liabilities.

Foreign currency translation
Assets and liabilities denominated in foreign currencies are translated into their Canadian dollar equivalent using exchange rates in effect on the reporting date. Revenues and expenses are translated using exchange rates in effect at the transaction date. Realized and unrealized exchange gains or losses are included in comprehensive income.

Investments
Investments are designated as fair value through profit or loss (FVTPL). Realized gains and losses on the sale of investments, and unrealized gains and losses arising from the change in fair value of the investments are recorded in investment income during the period in which they arise. All purchases and sales of investments are recognized on the dates the trades are executed. Income from interest and dividends are recorded as investment income in the period earned.

Financial instruments
WorkplaceNL's financial instruments consist of cash, cash equivalents and short term-investments, accounts receivable, investments, accounts payable and accrued liabilities. The carrying value of financial instruments, with the exception of investments, approximate fair value due to their immediate or short-term maturity and normal credit terms. Losses arising from impairment of accounts receivable are recognized in the statement of operations in fees and interest expense.

Financial assets and liabilities are initially recognized at fair value. Financial instruments are classified as follows for purposes of subsequent measurement:

Asset/Liability	Classification	Measurement
Cash, cash equivalents & short-term investments	FVTPL	Fair Value
Accounts receivable	Loans and receivables	Amortized cost
Investments	FVTPL	Fair value
Accounts payables and accrued liabilities	Other liabilities	Amortized cost

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

3. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Level 1 Valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities.

Level 2 Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices].

Level 3 Valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

WorkplaceNL uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Financial instruments included in level 1 of the fair value hierarchy consist of cash and cash equivalents and equities. Fixed term and real estate financial instruments are included in level 2 with infrastructure investments in level 3. WorkplaceNL determines whether transfers have occurred between levels in the hierarchy for reassessing categorization at the end of each reporting period.

The fair value of publicly traded investments is based on quoted prices from security exchanges, while that of domestic real estate investment funds and pooled fund units are valued at their year-end net asset value, based on associated net asset value transactions. There are pooled unit funds in both the fixed term and equity investments [Note 6]. For infrastructure classified as level 3, values represent WorkplaceNL's proportionate share of the underlying net assets at fair values estimated using one or more methodologies including multiples of earnings or discounted cash flows. These values are supported by periodic appraisals performed by independent qualified appraisers.

Employee future benefits

Employees participate in the Province of Newfoundland and Labrador's Public Service Pension Plan (PSPP), a multi-employer defined benefit plan. The employer's contributions are expensed as incurred. WorkplaceNL is neither obligated for any unfunded liability, nor entitled to any surplus that may arise in this plan. WorkplaceNL's share of the future contributions are dependent upon the funded position of the PSPP.

WorkplaceNL provides a payout of accumulated annual leave balances and had provided a severance payment upon retirement, resignation or termination without cause. The expected costs of providing these employee future benefits are accounted for on an accrual basis and have been determined using management's best estimate of wage inflation, and retirement ages of employees. Discount rates are based on the market yields of high quality corporate bonds. Actuarial gains and losses are recognized immediately through other comprehensive income in the period in which

3. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. These benefits are unfunded. Severance benefits were discontinued as of March 31, 2018 and the payout of accumulated entitlements is substantially complete.

<u>Third-party recoveries</u>
In certain circumstances, under Section 45 of the *Act*, WorkplaceNL is deemed to be an assignee of a cause of action in respect of a claimant disability. The amount by which settlements exceed the cost of the action, including administration and future benefit entitlement, is paid to the worker or dependents. Amounts received from third-party recoveries are recorded in the year during which the settlement occurs. No provision is made in the benefit liability for possible future third-party recoveries due to their contingent nature.

<u>Reserves</u>
In accordance with Section 20.5 (1) of the Act, WorkplaceNL maintains a special reserve fund for the purpose of health and safety research. The Act permits WorkplaceNL to allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special reserve fund.

In accordance with Section 116 (1) of the *Act*, WorkplaceNL may, at its discretion, establish reserves for the following:

- To meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- To meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- Subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of WorkplaceNL that it considers necessary.

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of WorkplaceNL's financial statements are disclosed below. WorkplaceNL intends to adopt these standards, if applicable, when they become effective.

<u>IFRS 17 Insurance Contracts</u>
In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The overall objective of IFRS 17 is to provide a consistent accounting model for insurance contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

3. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The effective date of IFRS 17 has been deferred to annual reporting periods beginning on or after 1 January 2023. WorkplaceNL will adopt IFRS 17 on the effective date. WorkplaceNL is analyzing the impact of adopting the standard and expects that it will have a significant impact on its financial statements.

4. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of WorkplaceNL's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. As the COVID-19 pandemic continues, the potential impacts, including a global, regional or other economic recession, are uncertain and difficult to assess. Management considered the impact of COVID-19 in its assessment of the organization's assets and liabilities and its ability to continue as a going concern. Management has determined that WorkplaceNL continues to have sufficient liquid resources to manage operations through the next year.

Benefit liabilities

An actuarial valuation of the benefit liabilities is prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate.

A variety of estimation techniques are used in performing the valuation. They are generally based on statistical analyses of historical experience, which assume the development pattern of the current claims will be consistent with past experience. Due to the nature of the estimated liabilities for latent occupational disease and presumptive coverage for firefighters and the extent of historical information available, these liabilities by their nature are more uncertain than other benefit liabilities.

WorkplaceNL believes that the amount provided for benefit liabilities as at December 31, 2020, is adequate, recognizing that actuarial methods and assumptions as disclosed

4. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

in note 16 may change over time to reflect underlying economic trends. Changes in assumptions could have a material impact on the benefit liabilities.

Employee future benefits
A valuation of severance and accumulated annual leave liabilities is prepared using the assumptions disclosed in note 17.

Other disclosures relating to WorkplaceNL's exposure to risks and uncertainties includes:

- Level 3 investments — Note 6
- Financial risk management — Note 8
- Sensitivity analyses disclosures — Notes 16 and 17

5. ACCOUNTS RECEIVABLE

(thousands of dollars)	**2020**	2019
Assessments	**$ 28,801**	$ 9,933
Accrued assessments	**(4,016)**	(2,058)
Less: Allowance for doubtful accounts	**(3,137)**	(2,851)
	21,648	5,024
Prepaid Expenses	**2,246**	2,224
Other	**3,114**	2,310
Less: Allowance for doubtful accounts - other	**(1,038)**	(926)
	4,322	3,608
	$25,970	$ 8,632

Aging of Assessment Receivable

(thousands of dollars)

Year	Total	Current <1 year	1-2 years
2020	**$ 21,648**	**$17,318**	**$4,330**
2019	$ 5,024	$ 3,661	$ 1,363

6. INVESTMENTS

Fair Value Hierarchy

(thousands of dollars)	2020	2019
Level 1		
Cash and cash equivalents	**$ 5,374**	$ 6,077
Domestic equities	**262,776**	304,082
Foreign equities	**653,244**	576,635
	921,394	886,794
Level 2		
Fixed term investments	**450,619**	446,178
Real Estate Funds	**145,532**	162,441
	596,151	608,619
Level 3		
Infrastructure	**57,319**	45,742
	$ 1,574,864	$ 1,541,155

There have been no transfers between levels during 2020 [2019-Nil].

Summary of changes in level 3 fair value measurements:

(thousands of dollars)	2020	2019
Balance, beginning of year	**$ 45,742**	$ 8,285
Purchases of level 3 investments	**11,179**	36,236
Interest and dividends	**1,267**	413
Expenses	**(279)**	(71)
Foreign exchange losses	**(73)**	(176)
Unrealized change in fair market value	**(517)**	1,055
Balance, end of year	**$ 57,319**	$ 45,742

The level 3 investments consist of a limited partnership interest in a closed fund investing in global infrastructure assets with a market value of $11.3 million (2019-$9.0 million) with the balance of $46.0 million in an open fund [2019-$36.7 million]. These funds have no active market and no published net asset value as of December 31, 2020, and are therefore classified as level 3 investments in the fair value hierarchy. The closed partnership will dissolve on December 31, 2032. The general partner has the option to extend the fund's life for up to three additional one-year periods.

7. INVESTMENT INCOME

Investment income is comprised of the following:

(thousands of dollars)		**2020**		2019
Interest and dividends	**$**	**28,672**	$	35,897
Realized gain on sale of investments		**17,364**		62,729
Interest on short-term investments		**86**		137
Unrealized change in fair market value		**63,294**		98,402
Investment income	**$**	**109,416**	$	197,165

8. FINANCIAL RISK MANAGEMENT

WorkplaceNL manages its investment portfolio in accordance with its long-term investment policy. The investment risk inherent in an investment portfolio is managed through diversification in both asset classes and investments within each asset class. WorkplaceNL also engages a number of different fund managers with a broad range of investment philosophies and styles.

The Board of Directors is ultimately responsible for the governance and strategic direction of WorkplaceNL's investments through its review and approval of the long-term investment policy and ensuring adherence to the policy. Management is responsible for monitoring performance, regular reporting to the Board, and recommending changes in the investment policy or fund managers. The Board and Management use the services of an external consultant to benchmark the performance of fund managers and to provide advice on investment policies and practices. The following sections describe the key financial risk exposures and management strategies to mitigate these risks.

Credit risk

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. WorkplaceNL does not anticipate that any issuers will fail to meet their obligations. The credit ratings of WorkplaceNL's fixed term investments at December 31 are listed in the following table.

8. FINANCIAL RISK MANAGEMENT (continued)

(thousands of dollars)		**2020**			2019	
Credit Rating						
Cash & Short term notes	**$**	**19,401**	**4.3%**	$	14,063	3.2%
AAA		**55,841**	**12.4%**		114,292	25.6%
AA		**118,675**	**26.4%**		181,946	40.8%
A		**73,803**	**16.4%**		70,984	15.9%
BBB		**63,484**	**14.1%**		43,649	9.8%
BB and below		**34,881**	**7.7%**		5,982	1.3%
Foreign currency		**1,881**	**0.4%**		6,531	1.4%
Mortgages		**82,654**	**18.3%**		8,731	2.0%
	$	**450,620**	**100%**	$	446,1781	100%

WorkplaceNL may also invest in short-term commercial debt or paper rated R1 in accordance with Dominion Bond Rating Service. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1. The short-term portfolio investments held with any one corporate issuer is limited to 10%, at any given time, of WorkplaceNL's estimated annual cash receipts.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates compared to the Canadian dollar. Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the reporting date. Funds significantly invested in foreign denominated fixed-term investments manage their foreign exchange exposure through forward foreign exchange and future contracts. Hedge accounting has not been applied to hedging arrangements.

As at December 31, 2020, WorkplaceNL's holdings in foreign equities and direct investments had a market value of $780.5 million [2019 - $622.4 million] representing 49.6% [2019 – 40.4%] of the market value of the total investment portfolio.

The table below presents the impact on comprehensive income of a 10% appreciation in the value of the Canadian dollar on the value of the portfolio.

(thousands of dollars)	**2020**	**2019**
CAD/US Dollar	**$ 44,310**	$ 31,645
CAD/EURO	**5,467**	4,621
CAD/Japanese Yen	**3,919**	3,900
CAD/ British Pound	**3,165**	2,994
CAD/Swiss Franc	**3,426**	2,613
CAD/Hong Kong Dollar	**667**	661

8. FINANCIAL RISK MANAGEMENT (continued)

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. WorkplaceNL is exposed to interest rate risk through investment in fixed income securities. Interest rate risk is managed through diversification of fixed income securities through sector allocation and security duration.

The table below presents the impact on comprehensive income of changes in interest rates on the fixed income portfolio:

(thousands of dollars)	**2020**		2019	
Change in nominal interest rates	+/-50bps	+/-100bps	+/-50bps	+/-100bps
Impact on comprehensive income	**$ 15,092**	**$ 29,659**	$ 17,301	$ 33,895

The table below represents the remaining term to maturity of WorkplaceNL's fixed-term investments:

(thousands of dollars)	Remaining Term to Maturity				
Fixed term Investments	Within 1 year	1 to 5 years	5 to 10 years	10+ years	Total
2020 Fair Value	**$ 33,206**	**$ 88,183**	**$ 75,539**	**$ 105,849**	**$ 302,777**
2019 Fair Value	$ 47,774	$ 171,377	$ 80,951	$146,076	$ 446,178

Liquidity risk

Liquidity risk is the risk that WorkplaceNL will be unable to meet its contractual obligations and financial liabilities. WorkplaceNL manages liquidity risk by monitoring its cash flows and by ensuring that it has sufficient cash and credit facilities available to meet its obligations and liabilities.

Equity price risk

Equity price risk is the risk that the fair value of marketable securities or long-term investments will change as a result of changes in the market price. Market prices of securities are subject to change as a result of perceived or real underlying changes in the economic condition of the issuer, the relative price of alternative investments, and general market conditions. WorkplaceNL manages market risk through adherence to an investment policy that prescribes an asset mix that provides for the diversification of risk across a broad group of securities that meet the long-term return objectives of the investments portfolio.

8. FINANCIAL RISK MANAGEMENT (continued)

The table below presents the impact on comprehensive income of a material change in the key risk variable measured as 1 or 2 standard deviations (std dev) of the sector benchmark, for each of the equity mandates in WorkplaceNL's equity portfolio.

(thousands of dollars)	**2020**		2019	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% Change in market benchmark	**13.6%**	**27.2%**	8.8%	17.7%
Canadian equity	**$ 32,279**	**$ 57,657**	$ 25,090	$ 46,412
% Change in market benchmark	**23.4%**	**46.9%**	10.3%	20.6%
All world equity	**$ 58,707**	**$ 106,313**	$ 43,872	$ 80,259

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

WorkplaceNL has entered into leases for office premises with lease terms of five years with the option to renew for additional term of five years. The carrying amounts of the right-of-use assets recognized and movements during the period:

Right-of-Use Assets		
(thousands of dollars)	**2020**	2019
Balance, beginning of year	**$ 2,044**	$ 840
Additions	**-**	1,309
Depreciation	**(225)**	(105)
Balance, end of year	**$ 1,819**	$ 2,044

The carrying amounts of lease liabilities and the movements during the period:

Lease Liabilities		
(thousands of dollars)	**2020**	2019
Balance, beginning of year	**$ 2,061**	$ 840
Additions	**-**	1,309
Interest	**79**	37
Payments	**(271)**	(125)
Balance, end of year	**$ 1,869**	$ 2,061

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The table below represents the contractual undiscounted payments of WorkplaceNL's lease liabilities:

(thousands of dollars)	Remaining Term to Maturity 1 to 5 years	Over 5 years	Total
Lease Liabilities	**$ 1,355**	**$ 837**	**$ 2,192**

10. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	2020			
	Opening Balance	**Additions/ Depreciation**	**Disposals**	**Closing Balance**
Cost				
Land	**$ 3,000**	**$ -**	**$ -**	**$ 3,000**
Buildings	**11,062**	**239**	**-**	**11,301**
Furniture & equipment	**641**	**14**	**-**	**655**
Computer equipment	**3,484**	**381**	**(341)**	**3,524**
Total	**18,187**	**634**	**(341)**	**18,480**
Accumulated Depreciation				
Buildings	**7,468**	**172**	**-**	**7,640**
Furniture & equipment	**428**	**45**	**-**	**473**
Computer equipment	**2,802**	**304**	**(341)**	**2,765**
Total	**10,698**	**521**	**(341)**	**10,878**
Net Book Value	**$ 7,489**	**$ 113**	**-**	**$ 7,602**

(thousands of dollars)	2019			
	Opening Balance	**Additions/ Depreciation**	**Disposals**	**Closing Balance**
Cost				
Land	**$ 3,000**	**$ -**	**$ -**	**$ 3,000**
Buildings	**10,880**	**212**	**(30)**	**11,062**
Furniture & equipment	**634**	**29**	**(22)**	**641**
Computer equipment	**3,540**	**272**	**(328)**	**3,484**
Total	**18,054**	**513**	**(380)**	**18,187**
Accumulated Depreciation				
Buildings	**7,271**	**207**	**(10)**	**7,468**
Furniture & equipment	**400**	**50**	**(22)**	**428**
Computer equipment	**2,664**	**354**	**(216)**	**2,802**
Total	**10,335**	**611**	**(248)**	**10,698**
Net Book Value	**$ 7,719**	**$ (98)**	**$ (132)**	**$ 7,489**

11. INTANGIBLE ASSETS

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Balance at January 1, 2019	$ 35,984	$ (21,610)	$ 14,374
Additions	2,266	-	2,266
Disposals	(3,333)	3,329	(4)
Amortization	-	(2,226)	(2,226)
Balance at December 31, 2019	**$ 34,917**	**$ (20,507)**	**$ 14,410**
Additions	**2,613**	**-**	**2,613**
Disposals	**(7)**	**7**	**-**
Amortization	**-**	**(2,463)**	**(2,463)**
Closing balance, December 31, 2020	**$ 37,523**	**$ (22,963)**	**$ 14,560**

Intangible assets include $1,837,911 [2019 - $1,930,623] related to internally developed software which is not yet available for use.

12. SHORT-TERM BORROWING

WorkplaceNL deferred its collection of assessments and waived interest and penalties to August 31, 2020 as a result of the COVID-19 pandemic. Employers were given the option to avail of interest-free payment plans that ran from September 2020 to March 2021.

Approval was granted to WorkplaceNL by the Department of Finance, under section 10(1)(c) of the Workplace Health Safety and Compensation Act, for an increase of its Line of Credit from $20 million to $80 million, effective to March 31, 2021. This was to provide additional working capital to bridge the period during which collection of assessments was deferred.

The credit facility is unsecured and was utilized during 2020 to the amount of $46 million; of which $20 million was outstanding at December 31, 2020.

13. FEES AND INTEREST

Fees and interest are comprised of the following:

(thousands of dollars)	**2020**	2019
Fund managers' investment fees	**$ 6,604**	$ 6,763
Banking fees	**388**	198
Lease liabilities	**79**	37
Interest paid to claimants	**35**	14
Fees and interest, net	**$ 7,106**	$ 7,012

13. FEES AND INTEREST (continued)

WorkplaceNL has established an operating line of credit with its banker in the amount of $80 million for 2020 ($20 million for 2019). Advances on the line of credit bear interest at the bank's prime interest rate less 50 basis points. The credit facility is unsecured and $18.0 million was utilized during 2019. $46 million was utilized in 2020, of which $20 million was outstanding at December 31, 2020.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of dollars)	**2020**	2019
Accounts payable	**$ 5,118**	$ 6,095
PRIME program	**9,825**	12,855
Amounts due to employees	**975**	1,449
Credit balances due to employers	**2,731**	3,793
	$ 18,649	$ 24,192

15. ASSESSMENTS REVENUE

(thousands of dollars)	**2020**	2019
Assessments	**$ 133,603**	$ 134,420
Assessment reporting penalties & interest	**435**	758
PRIME refunds	**(2,604)**	(6,780)
Total assessment revenue	**$ 131,434**	$ 128,398

16. BENEFIT LIABILITIES AND CLAIMS COSTS

(thousands of dollars)	2020							2019
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilit-ation	Future Admin. Cost	**Total**	Total
Balance, beginning of year	$91,533	$631,821	$50,496	352,145	$4,818	$118,736	**$1,249,549**	$1,190,355
Add:								
Claims costs incurred:								
Current–year injuries	43,348	30,211	2,696	25,210	1,623	8,790	**111,878**	117,802
Interest expense	3,970	33,124	2,615	18,526	249	6,141	**64,625**	65,269
	47,318	63,335	5,311	43,736	1,872	14,931	**176,503**	183,071
Deduct:								
Claims payments:								
Current–year injuries	12,537	261	257	6,315	1	-	**19,371**	21,707
Prior years' injuries	39,245	59,942	5,968	31,006	597	14,360	**151,118**	143,129
	51,782	60,203	6,225	37,321	598	14,360	**170,489**	164,836
Actuarial adjustments:								
Claims experience	19,479	(472)	(579)	(8,117)	(521)	(22)	**9,768**	13,659
Inflation variance	-	(3,400)	(200)	-	-	-	**(3,600)**	(1,000)
Methods & Assumptions	-	(1,100)	-	(800)	-	-	**(1,900)**	28,300
Other gains/losses	1,200	(4,500)	(500)	(2,700)	100	(200)	**(6,600)**	
Sub-total	20,679	(9,472)	(1,279)	(11,617)	(421)	(222)	**(2,332)**	40,959
Balance, end of year	$107,748	$625,481	$48,303	$346,943	$5,671	$119,085	**$1,253,231**	$1,249,549

16. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Claims Development

The table that follows presents the development of the estimated ultimate cost of claims and claim payments for accident years 2011-2020. The top part of the table illustrates how the estimate of total claims benefits for each accident year has changed with more experience over succeeding year-ends. It shows the estimated cost of claims for an accident year in the year of accident, one year after the year of accident, two years after the year of accident, and so on and compares the total estimated cost to the actual cumulative payments over the development period. Due to the extremely long duration of many WorkplaceNL benefits, significant amounts may be paid out in the distant future beyond the valuation date. The bottom part of the table reconciles the total outstanding benefits amount to the discounted amount reported in the statement of financial position.

(thousands of dollars)

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of cumulative claims:											
At end of accident year	$154,043	$144,027	$145,724	$148,559	$140,967	$141,515	$144,998	$134,992	$155,063	$146,635	
One year later	133,842	133,667	135,006	143,550	131,833	130,872	134,716	142,027	162,441		
Two years later	142,934	124,611	127,225	133,860	137,731	138,611	138,638	145,829			
Three years later	136,202	130,087	126,041	138,166	137,169	138,831	138,861				
Four years later	133,434	120,460	128,066	135,706	138,417	137,558					
Five years later	130,590	122,008	124,118	134,239	135,566						
Six years later	130,738	121,654	125,689	133,962							
Seven years later	126,590	124,662	125,258								
Eight years later	126,274	124,447									
Nine years later	128,181										
Estimate of cumulative claims	128,181	124,447	125,258	133,962	135,566	137,558	138,861	145,829	162,441	146,635	1,378,738
Cumulative payments	(73,319)	(65,867)	(66,171)	(67,570)	(64,398)	(62,161)	(58,028)	(52,125)	(46,475)	(18,518)	(574,632)
Estimate of future Payments	54,862	58,580	59,087	66,392	71,168	75,397	80,833	93,704	115,966	128,117	804,106
2010 and prior years											936,698
Effect of discounting											(730,429)
Occupational disease											90,934
Firefighter Presumptive Coverage											32,837
Claims Administration											119,085
Benefit Liabilities at December 31, 2020											**$ 1,253,231**

16. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

The table below lists the principal assumptions used in the valuation of the benefits liabilities.

	2020		2019	
	CPI-Indexed awards	**Other payments**	CPI-Indexed awards	Other payments
Gross rate of return / Discount Rate	**5.50%**	**5.50%**	5.50%	5.50%
Inflation year	**1.50%**	**2.00%**	2.10%	2.00%
Inflation later years	**2.00%**	**2.00%**	2.00%	2.00%
Net rate of return year	**4.00%**	**3.50%**	3.40%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%
Occupational disease	**9.00%**	**9.00%**	9.00%	9.00%
Presumptive firefighters coverage	**3.25%**	**3.25%**	3.25%	3.25%
Future administration	**10.50%**	**10.50%**	10.50%	10.50%

A description of the processes used to determine these assumptions is provided below:

General statement
Benefit liabilities are valued based on the primary assumption that the system will be in operation for the long term. Economic assumptions are formulated to be consistent with the funding and investment policies adopted by the Board. Demographic assumptions are chosen to reflect WorkplaceNL's underlying experience and are updated over time as enough experience is available to suggest an underlying trend, rather than statistical fluctuations.

Gross rate of return / Discount rate
The gross rate of return represents the best estimate of the long term average rate of return that can be expected based on the benchmark asset allocation adopted WorkplaceNL through its long term investments policy. The weighted average real rate of return is compounded by the long-term expected average inflation rate to obtain the gross rate of return.

Inflation
The indexation rate for year one is known at the time of the valuation. WorkplaceNL calculates the change in the Consumer Price Index (CPI) for the 12 month period July – June, over the previous 12-month period July – June, and any resulting increase is applied beginning in January of the following year to dependency benefits, extended

16. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

earnings loss benefits and maximum compensable earnings and assessable earnings, pursuant to the Act. The inflation rate assumption for later years is management best estimate, consistent with the range of accepted actuarial practice for workers' compensation organizations in Canada.

Net rate of return
The net rate of return is the result of removing the inflation assumption from the gross rate of return.

Mortality
The mortality rates used in the valuation of the benefit liabilities are based on general population experience, since actual injured worker mortality data is inadequate to develop a reliable assumption. The current valuation is based on the Newfoundland Life Table 2014-16 from Statistics Canada.

Occupational disease
The liability for occupational disease is intended to provide a reasonable allowance for future claims for known occupational diseases which arise from past workplace exposures. An actuarial study of WorkplaceNL's occupational disease exposure is conducted periodically, focussing on long latency claims related to cancers, respiratory illnesses and hearing loss. These categories comprise the majority of long latency occupational disease claims accepted by WorkplaceNL. The most recent study was conducted in 2019 and concluded that reasonable range would be 8.3%-10.5% of the benefit liability. WorkplaceNL has included a provision of 9.0% of the benefit liability for latent occupational disease [2019 – 9%].

Presumptive coverage for firefighters
The Government of Newfoundland and Labrador enacted legislation to provide presumptive coverage for certain cancers for the province's career and volunteer firefighters. An actuarial study conducted in 2016 concluded a reasonable estimate would be 3.25% of the benefit liability.

Future administration
The future administration liability is intended to provide a reasonable allowance for the management of claims, including compensation for lost wages and paying for health care services over the life of the claim. A detailed analysis of administration costs is performed periodically and an estimate made of the proportion attributable to the management of claims, including a proportionate share of overhead costs. WorkplaceNL updated its analysis in 2017 and concluded that an allowance of 10.5% of the benefit liability was reasonable (2019 – 10.5%).

Sensitivity of insurance risk
In determining WorkplaceNL's benefit liabilities, a primary risk is that the actual benefit payments may exceed the amount estimated in determining the liabilities, particularly with

16. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

potentially long claims run-off periods. The table below shows the sensitivity of benefit liabilities and claims costs to changes in the key economic assumptions.

(millions of dollars)

1% Change in assumption	Impact	Benefit Liabilities	Claims Costs
Decrease discount rate	Increase	**$ 96.2**	**$ 5.5**
Increase inflation rate	Increase	**$ 35.7**	**$ 2.6**
Increase health care inflation	Increase	**$ 48.6**	**$ 1.8**

Claims risk
WorkplaceNL has an objective to manage claims risk, which can lead to significant variability in the loss experience due to its inherent uncertainty. Performance from operations is also significantly affected by external factors.

Insurance risk associated with the volume and cost of claims is addressed through prevention and proactive claims management. The Prevention Strategy focuses attention on workplace risks that lead to the highest frequency of claims. WorkplaceNL provides a Priority Employer Program to assist employers with high claims and costs, and invests in educating young workers, developing safety associations at the industry level, and delivering safety education to employers and workers to control workplace risks. The Early and Safe Return-to-Work process facilitates recovery at work and helps manage claim costs. In addition, the rate setting model provides incentives to employers through the PRIME program to manage injuries and work to prevent future injuries.

17. EMPLOYEE FUTURE BENEFITS

Public Service Pension Plan
WorkplaceNL's contributions to the PSPP of $2,384,900 [2019 - $2,427,600] are included in administration expenses and have been expensed as incurred. The expected contributions to the PSPP in 2021 are $2,450,000.

Severance payments and annual leave
Cash payments for severance and annual leave were $92,000 [2019 - $746,000]. The weighted average time to expected benefit payment is 11.0 years (2019 – 12.0).

17. EMPLOYEE FUTURE BENEFITS (continued)

(thousands of dollars)	2020	2019
Accrued benefit obligation, beginning of year	**$ 1,354**	$ 1,782
Current service cost	**258**	256
Past service cost	**-**	(1)
Interest cost	**29**	36
Benefit expense	**287**	291
Actuarial loss (gain)	**107**	27
Benefits paid	**(92)**	(746)
Accrued benefit obligation, end of year	**$ 1,656**	$ 1,354

The significant actuarial assumptions used in measuring the accrued benefit obligation and benefit expense are as follows:

	2020	2019
Discount rate – benefit cost	**3.00%**	3.30%
Discount rate – accrued benefit obligation	**2.20%**	3.00%
Rate of compensation increase	**3.00%**	3.00%

The table below shows the sensitivities of the accrued benefit obligation to a 25 basis point change in the key assumptions:

(thousands of dollars)	Increase	Decrease
Discount Rate	**$ (33)**	**$ 34**
Rate of compensation increase	**$ 34**	**$ (33)**

18. ADMINISTRATION

(thousands of dollars)	2020	2019
Salaries and employee benefits	**$ 29,625**	$ 28,062
Office and communications	**2,425**	2,914
Professional fees	**1,426**	1,879
Building operations	**701**	916
Travel and vehicle operating	**99**	443
	34,276	34,214
Less: Claims administration [note 16]	**14,360**	13,600
	$ 19,916	$ 20,614

19. LEGISLATED AND OTHER OBLIGATIONS

WorkplaceNL is required by legislation to fund the operating costs of the Occupational, Health and Safety Division of ServiceNL in delivering their occupational health and safety mandate, and all of the costs of the Workplace Health, Safety and Compensation Review Division and Statutory Reviews that take place approximately every five years. WorkplaceNL is required to fund the operating costs of the employer and worker advisors. Total expenses incurred by WorkplaceNL for legislated obligations are detailed below:

(thousands of dollars)	**2020**	2019
Service NL	**$ 4,733**	$ 5,121
Workplace Health, Safety and Compensation Review Division	**1,499**	1,425
Employer and Worker Advisors	**1,020**	1,020
Statutory Review	**75**	-
	$ 7,327	$ 7,566

20. OTHER EXPENSES

(thousands of dollars)	**2020**	2019
Sector advisors and grants	**$ 780**	$ 612
Bad debt (recovery)	**(37)**	1,344
Business improvement projects	**28**	1,331
	$ 771	$ 3,287

21. RESERVES

As provided by legislation, WorkplaceNL maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2020, $108,110 was charged to the reserve [2019 - $88,278] and $1,000,000 was allocated to the reserve in accordance with Section 116 of the *Act*.

22. RELATED PARTY TRANSACTIONS

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and Crown corporations with which WorkplaceNL may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

22. RELATED PARTY TRANSACTIONS (continued)

The amounts included on the statements of operations and cashflows for the Province of Newfoundland and Labrador are as follows:

(thousands of dollars)	**2020**	2019
Claims costs	**$3,650**	$ 3,608
Administration charges	**735**	651
	$4,385	$ 4,259

WorkplaceNL has identified the Board of Directors and Senior Management team as related parties. The Senior Management team includes the Chief Executive Officer, Chief Financial and Information Officer, Executive Directors and four other Senior Staff members. Compensation related to these parties is shown below:

(thousands of dollars)		**2020**		2019
	Number	**Total**	Number	Total
Board of Directors				
Salary and Benefits	**10**	**$ 82**	10	$ 89
Senior Management				
Salary and Benefits	**9**	**$ 1,600**	9	$ 1,266
Severance and annual leave		**$ 78**		$ 14

23. CAPITAL MANAGEMENT

The objective of WorkplaceNL's long-term financial strategy is to maintain a funded position that will provide for the security of benefits promised to injured workers within employers' reasonable ability to pay assessments. WorkplaceNL's funded position is defined by the relationship of total assets to total liabilities and reserves. At December 31, 2020 the funded ratio was 125.5% [2019 – 123.6%]. The Fund balance consists of accumulated net operating surplus, accumulated other comprehensive income and the occupational health, safety and research reserve.

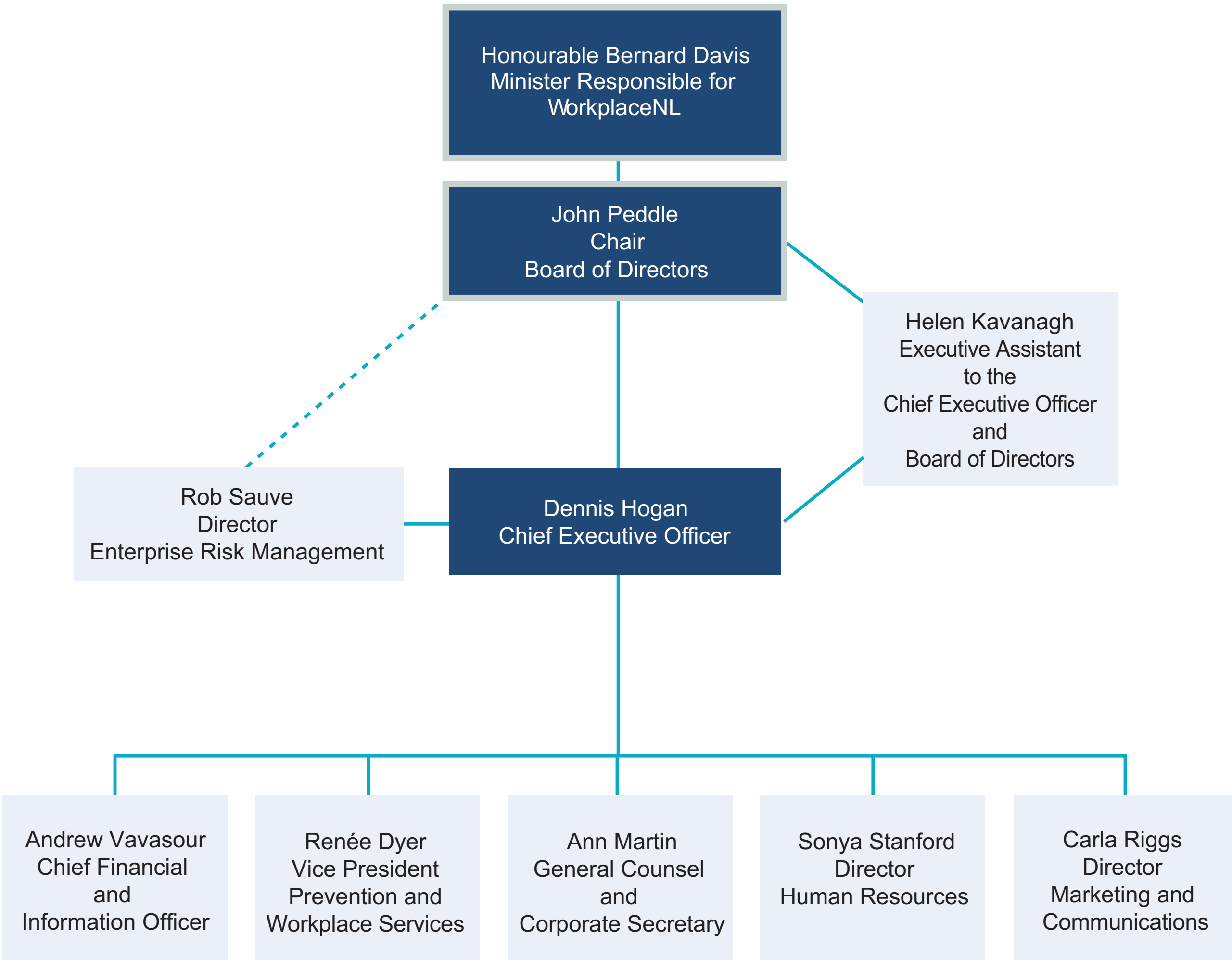
The Board of Directors has established a funding target of total assets equal to 110% of total liabilities. When the funded ratio is less than 100% or more than 120%, WorkplaceNL will adjust subsequent years assessment rates paid by employers to achieve the funding target over a fifteen-year period. A 21 cent rate discount has been in place since 2019.

23. CAPITAL MANAGEMENT (continued)

Funded Position

(thousands of dollars)	**2020**	2019
Total assets	**$1,629,012**	$ 1,578,912
Less: Total liabilities	**1,295,405**	1,277,156
Funded position	**$ 333,607**	$ 301,756
Reserves	**$ 3,053**	$ 2,161
Funded ratio	**125.5%**	123.4%

Organizational Chart



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