FINANCIAL REPORT

Management's Responsibility for Financial Information

The consolidated financial statements of the WCB were prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards. Financial information contained elsewhere in this annual report conforms to these financial statements.

Management believes the system of internal controls, review procedures and established policies provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. Management also believes that the WCB's operations are conducted in conformity with the law and with a high standard of business conduct. The internal auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and approved the financial statements and other financial information included in this annual report on March 19, 2015.

The Audit Committee assists the Board of Directors in its responsibilities. This Committee reviews and recommends approval of the consolidated financial statements and annual report. Internal and external auditors and actuaries have unlimited access to the Audit Committee. The Committee reviews the financial statements and other content of the annual report with management and the external auditors, and reports to the Board of Directors prior to their approval for publication.

The Chief Actuary of the WCB completed an actuarial valuation of the benefit liabilities included in the financial statements of the WCB and reported thereon in accordance with accepted actuarial practices. The firm of Eckler Ltd. has been appointed as a peer reviewer to the WCB. The Chief Actuary's opinion on the valuation of the benefit liabilities is provided on page 33. Eckler Ltd.'s actuarial review is provided on page 34.

Grant Thornton LLP, independent auditors appointed as a sub-agent to the Provincial Auditor General, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. Their Auditor's Report, on page 35, outlines the scope of this independent audit and includes their opinion expressed on the 2014 consolidated financial statements.

Winston Maharaj
President and CEO

Lorena B. Trann, CMA, FCMA
Chief Financial Officer

March 19, 2015

2014 Management Discussion and Analysis

As an integral part of the annual report, the management discussion and analysis provides further insights into the operations and financial position of the WCB and should be read in conjunction with the consolidated financial statements and supporting notes.

2014 Results

In 2014, positive results in investment returns and claim costs incurred produced an operating surplus of $110 million (budget, $17 million). After recording unbudgeted losses on the WCB pension plan, total comprehensive income was $75 million.

Investment returns were 9.9 per cent, resulting in $127 million of income ($56 million over budget). Premium revenues of $286 million were $12 million under budget due to lower revenues from self-insured employers.

The 2014 cost of claims of $222 million were $47 million under budget, largely due to cancelled actuarial projects.

Other comprehensive loss of $35 million was experienced, an outcome of recording a loss on the WCB pension plan.

The WCB's accident fund reserve increased from $416 million to $527 million, exceeding the accident fund reserve target level (calculated at $432 million for 2014). The WCB is fully funded with a funding ratio of 137.8 per cent versus the target of 130 per cent.

Revenue

The WCB's revenue is derived from two sources: premium revenue and investment income.

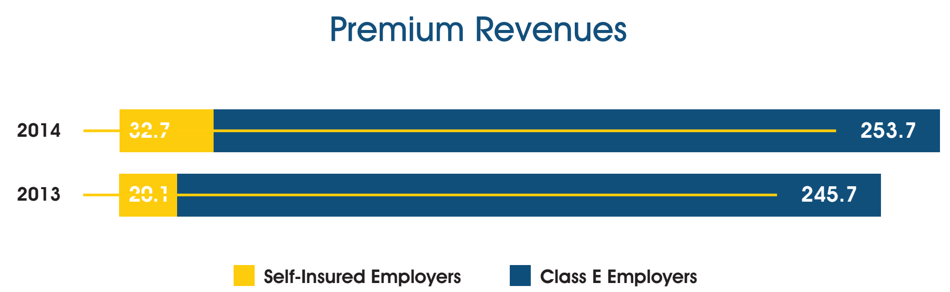
Premium Revenue

Premium revenue is the largest revenue stream for the WCB. Premium revenue was $286 million in 2014 ($266 million in 2013) versus the budget of $298 million. The final average assessment rate per $100 of assessable payroll was $1.50 (budget, $1.50).

Premiums are derived from Class E and self-insured employers:

- 2014 Class E employers' premiums were $254 million, up three per cent from 2013 due to increased assessable payrolls.
- 2014 self-insured employers' premiums, which are calculated based on claim costs incurred, were $33 million ($20 million in 2013), increasing as a result of changed claims experience in 2014.

The chart below shows the components of the 2014 premium revenue:



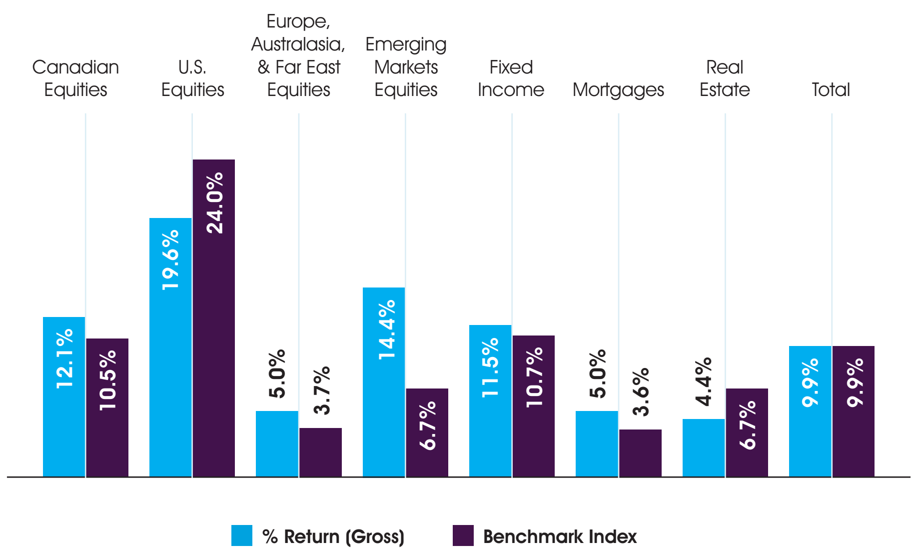
Investment Income

In 2014, the WCB experienced investment income of $127 million from its investment portfolio ($158 million in 2013). Investment income was budgeted at $72 million for 2014.

The investment portfolio is comprised of a variety of asset classes as set by policy. At December 31, 2014, the portfolio had a market value of $1.5 billion ($1.4 billion at the end of 2013) and an asset mix of 58 per cent equities and 42 per cent fixed income (59 per cent equities and 41 per cent fixed income in 2013).

The WCB has engaged a number of professional investment managers. Each of these managers has a mandate as well as a benchmark rate of return to achieve. The gross returns before expenses by manager mandate and a comparison of this result to the benchmark returns are displayed in the following chart:

2014 Returns by Manager Mandate



The investment portfolio's gross rate of return was 9.9 per cent in 2014 (benchmark 9.9 per cent) and 13.6 per cent in 2013 (benchmark 11.4 per cent). In 2014, the portfolio benefited from exposure to equity markets and longer term bonds.

Despite a number of unexpected geopolitical events and the steep decline in oil prices, 2014 saw positive returns in equity and bond markets. The U.S. stock market was the best performing, as the economy experienced significant growth during the year. The stronger U.S. dollar benefited the returns for Canadian investors on U.S. dollar assets. Bond returns were stronger than expected as interest rates declined in the U.S. and Canada.

Outlook: Continued strong economic growth is expected in the U.S. economy in 2015, leading to an optimistic outlook for the U.S. stock market. Growth in the U.S. will benefit the Canadian economy and market. The imbalance in supply and demand for oil should stabilize as high cost drilling and production projects are put on hold. There is some consensus that prices should stabilize later in 2015 at $60 to $80 per barrel. It is likely that interest rates will increase in 2015.

Claim Costs Incurred

Claim costs incurred are an estimate of the full costs for compensable injuries that occurred in 2014, together with adjustments to prior years' estimates. The estimates take into account claims that are in pay, reported but as yet unpaid claims, and unreported claims.

Claim costs incurred decreased $46 million (17 per cent) to $222 million in 2014 with the healthcare costs increasing due to inflation and the remaining increased or decreased costs arising due to actuarial adjustments.

(in millions of dollars)	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total
2014	$ 60.5	$ 69.7	$ 20.2	$ 71.2	$ 0.5	$ 222.1
2013	84.9	121.4	10.7	62.4	(11.1)	268.3
(Decrease) increase	$ (24.4)	$ (51.7)	$ 9.5	$ 8.8	$ 11.7	$ (46.2)

Benefit Liabilities

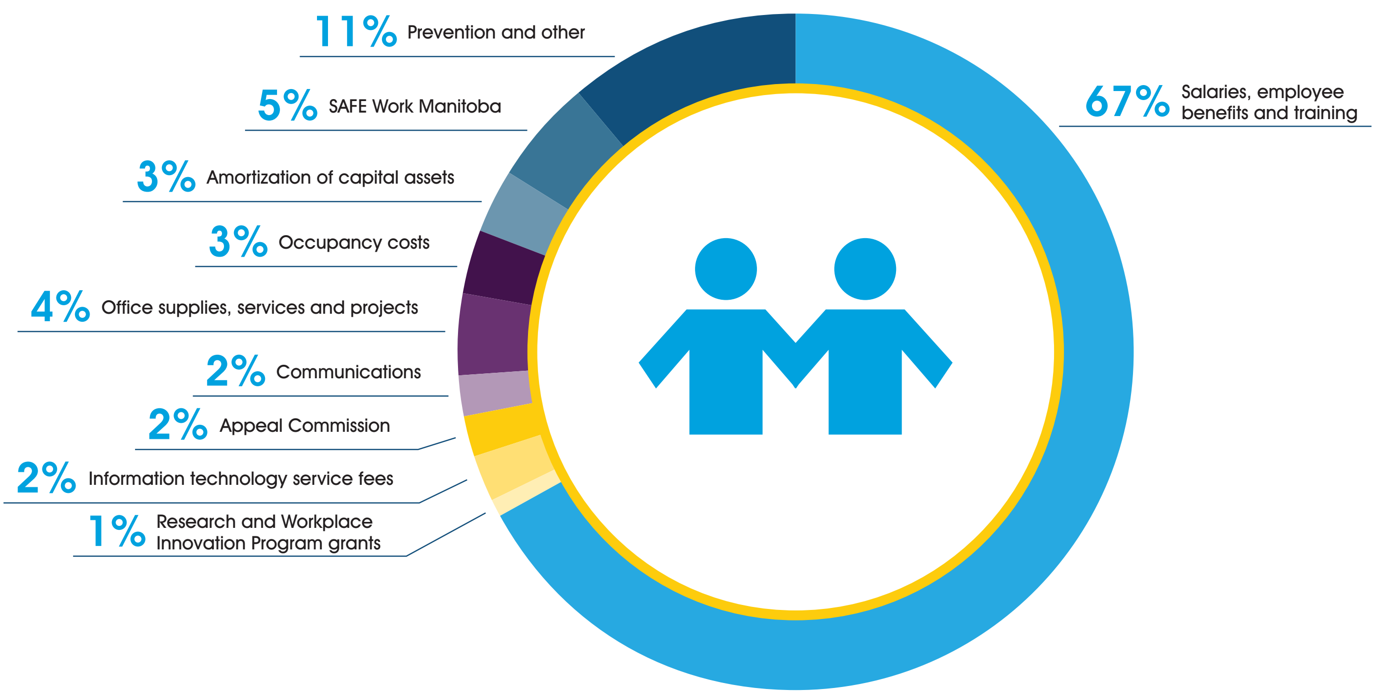
The benefit liabilities increased $44 million (four per cent) in 2014, due to actuarial adjustments affecting the long term disability and survivor benefits and inflation growth affecting the healthcare benefits.

(in millions of dollars)	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total
2014	$ 164.4	$ 478.3	$ 139.4	$ 289.9	$ 8.6	$ 1,080.6
2013	159.9	461.5	132.8	273.0	9.7	1,036.9
Increase (decrease)	$ 4.6	$ 16.8	$ 6.6	$ 16.9	$ (1.1)	$ 43.7

Operating Expenses

Operating expenses in 2014 were $3 million under budget at $81 million. Operating expenses increased $4 million from 2013 largely due to the WCB's increased investment in compliance activities and SAFE Work Manitoba.

Components of 2014 Operating Expenses



Operating Income

The operating income of $110 million increased the accident fund reserve to $527 million.

Other Comprehensive Loss and Total Comprehensive Income

The other comprehensive loss for 2014 was $35 million. This loss is the result of a decrease in the pension plan's prescribed discount rate for accounting purposes (four per cent at December 31, 2014 versus five per cent at December 31, 2013). The 2014 loss increased accumulated other comprehensive loss to $70 million as at December 31, 2014 ($35 million in 2013).

The total comprehensive income for the year was $75 million versus the budget of $17 million.

Balance Sheet

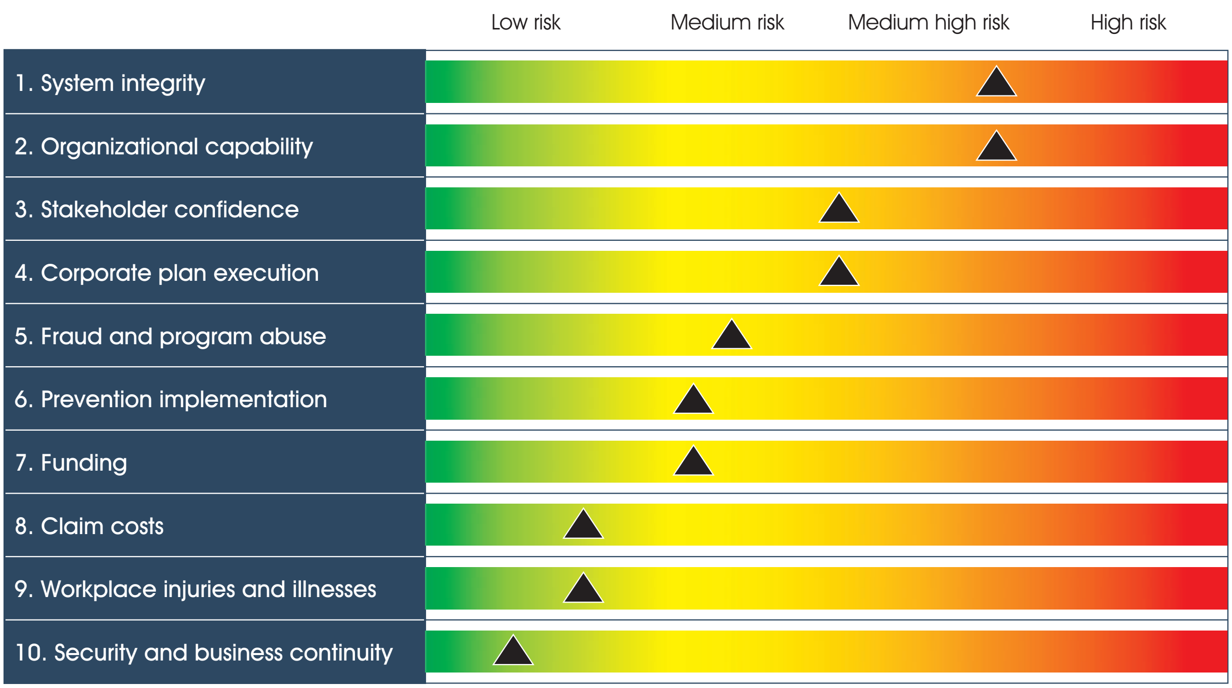
The 2014 funding ratio (ratio of total assets to total liabilities) was 137.8 per cent (134 per cent in 2013) which exceeded the target ratio of 130 per cent. This ratio is one measure of the financial strength of the WCB, as any amount over 100 per cent indicates the WCB is fully funded.

The accident fund reserve was $527 million ($416 million in 2013), which exceeded the target balance of $432 million set by the WCB's Funding Policy. The 2015 – 2019 Five Year Plan financials incorporate a reduction to the average premium rate in order to dispose of the excess reserves.

Risk Management

On an annual basis, the WCB identifies and assesses key corporate risks, and implements mitigation strategies to manage these risks, which are embedded in the strategic planning and budgeting cycles.

Corporate risks are monitored and updated on a regular basis to reflect changes in the organization's risk profile. The most significant risks identified in 2014 are shown in the corporate risk profile below.



Actuarial Opinion

with respect to Future Benefit Liabilities of the Workers Compensation Board of Manitoba
based on an actuarial valuation as at December 31, 2014

I have completed an actuarial valuation as at December 31, 2014 of the benefit liabilities for insured and self-insured employers under *The Workers Compensation Act* of Manitoba as amended to the valuation date. The purpose of this valuation was to estimate the liabilities of the WCB with respect to injuries that occurred on or before the valuation date for inclusion in the 2014 financial statements which are prepared in accordance with International Financial Reporting Standards.

My estimate of the liabilities as at December 31, 2014 is $1,080.7 million. This includes provisions for claims arising from specific long latent occupational diseases.

I reviewed the data and have performed tests to confirm their reasonableness and consistency with that used in the prior valuation.

The economic assumptions used are consistent with those of the prior valuation. The discount rate used is six per cent. The inflation assumptions are three per cent for inflation linked benefits, and four per cent for wage linked benefits and 6.5 per cent for healthcare benefits and are unchanged from the previous valuation.

The mortality assumption for disability and survivor benefits is the generational table created from the Manitoba Life Table 2009-2011 projected from 2010 using the Canadian Pension Mortality Improvement Scale B (CPM-B) projection scale. The mortality assumption for life insurance benefits is the static table created from the Manitoba Life Table 2009-2011 projected to 2015 using the CPM-B projection scale. In the prior valuation the mortality assumption for disability and survivor benefits and life insurance benefits was the Manitoba Life Table 2000-02.

The assumptions and methods used in the valuation, as described in my report, are based on the current practices and administrative procedures of the WCB and on historical claims experience.

In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

In my opinion, the assumptions are appropriate for the purpose of the valuation.

In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

In my opinion, the amount of the benefit liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.

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

Respectfully submitted,

Michael Williams, Fellow, Canadian Institute of Actuaries
Chief Actuary, WCB

February 18, 2015

Actuarial Review

with respect to the Valuation of the Future Benefit Liabilities of the Workers Compensation Board of Manitoba
as at December 31, 2014

We have reviewed the actuarial valuation as at December 31, 2014 of the benefit liabilities for insured and self-insured employers under *The Workers Compensation Act* of Manitoba as amended to the valuation date. The valuation was performed by the Chief Actuary of the Workers Compensation Board of Manitoba. The purpose of the valuation was to estimate the liabilities of the WCB with respect to injuries that occurred on or before the valuation date for inclusion in the 2014 financial statements.

We have performed such tests of the data used, the assumptions made and the calculation models underlying the valuation as we considered necessary.

The valuation determined benefit liabilities as at December 31, 2014 to be $1,080.7 million. This includes provisions for claims arising from specific long latent occupational diseases and for the future cost of administering claims. In our opinion, this amount constitutes an appropriate provision for benefit liabilities as at December 31, 2014.

Our review has been conducted, and our opinions given, in accordance with accepted actuarial practice in Canada.

Respectfully submitted,
Eckler Ltd.

Richard Border
Fellow, Canadian Institute of Actuaries

February 18, 2015

Andrew Kulyk
Fellow, Canadian Institute of Actuaries

February 18, 2015

Independent Auditor's Report

To the Workers Compensation Board of Manitoba

We have audited the accompanying consolidated financial statements of the Workers Compensation Board of Manitoba, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of operations and comprehensive income, consolidated statement of changes in funded position and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

The WCB's investment in infrastructure, through a pooled fund, was acquired during the year and is accounted for at fair value, at a value of $41,783,000 on the consolidated statement of financial position as at December 31, 2014, and WCB's change in fair value of the investment in the infrastructure pooled fund of $1,006,780 is included in WCB's consolidated comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of WCB's investment in the infrastructure pooled fund as at December 31, 2014 and WCB's change in fair value of the investment in the infrastructure pooled fund for the year because we were unable to obtain sufficient appropriate audit evidence to evaluate the relevance and reasonableness of the significant assumptions, methods and source data used by management's expert to determine whether the investment in the infrastructure pooled fund has been appropriately measured at fair value. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of WCB as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Grant Thornton LLP, Chartered Accountants
Winnipeg, Canada, March 19, 2015

Consolidated Statement of Financial Position

December 31
(in thousands of dollars)

	Note	2014	2013
Assets			
Cash	3	$ 11,275	$ 8,000
Receivables and other	4	5,982	33,663
Investment portfolio	5	1,513,426	1,365,502
Deferred assessments	7	106,273	70,136
Property, plant and equipment	8	25,913	24,914
Intangible assets	9	3,504	3,405
		$ 1,666,373	$ 1,505,620
Liabilities and funded position			
Payables and accruals	10	$ 11,776	$ 13,091
Workers' retirement annuity fund	11	27,514	24,666
Employee benefits	12	89,271	49,224
Benefit liabilities	13	1,080,682	1,036,965
Total liabilities		1,209,243	1,123,946
Accident fund reserve		526,644	416,381
Accumulated other comprehensive loss		(69,514)	(34,707)
Funded position		457,130	381,674
		$ 1,666,373	$ 1,505,620

Authorized for issue on March 19, 2015 on behalf of the Board of Directors,

Michael D. Werier
Chairperson, Board of Directors

Wendy Sol
Audit Committee of the Board of Directors

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

Consolidated Statement of Operations and Comprehensive Income

Year Ended December 31
(in thousands of dollars)

	Note	2014	2013
Revenue			
Premium revenue	15	$ 286,400	$ 265,781
Investment income	5	127,286	157,496
Total revenue		413,686	423,277
Expenses			
Claim costs incurred	13	222,100	268,255
Operating expenses	16	81,323	76,988
Total expenses		303,423	345,243
Operating surplus		110,263	78,034
Other comprehensive (loss) income			
Defined benefit plan remeasurements	12	(34,807)	21,636
Total comprehensive income		$ 75,456	$ 99,670

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

Consolidated Statement of Changes in Funded Position

Year Ended December 31
(in thousands of dollars)

	Note	2014	2013
Funded position			
Accident fund reserve			
Balance at beginning of year		$ 416,381	$ 338,347
Operating surplus		110,263	78,034
		526,644	416,381
Accumulated other comprehensive loss			
Balance at beginning of year		$ (34,707)	$ (56,343)
Other comprehensive (loss) income		(34,807)	21,636
		(69,514)	(34,707)
Funded position, end of year		$ 457,130	$ 381,674

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

Consolidated Statement of Cash Flows

Year Ended December 31
(in thousands of dollars)

	Note	2014	2013
Operating cash flows			
Premiums from employers		$ 307,575	$ 276,896
Refund of accumulated excess pension income	7	(29,632)	-
Investment income		44,586	41,726
Claim payments	13	(178,383)	(193,801)
Purchases of goods and services		(78,111)	(70,017)
Net operating cash flows		66,035	54,804
Investing cash flows			
Purchases of investments, net of sales	5	(59,116)	(51,413)
Asset acquisitions		(3,644)	(4,175)
Net investing cash flows		(62,760)	(55,588)
Net increase (decrease) in cash		3,275	(784)
Cash at beginning of year		8,000	8,784
Cash at end of year		$ 11,275	$ 8,000

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2014
($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

Reporting Entity

The Workers Compensation Board of Manitoba (the WCB) is a statutory corporation created by the Manitoba Legislature. The WCB is a government agency of the Province of Manitoba that operates at arm's-length from government.

The WCB was created in 1917 under the authority of *The Workers Compensation Act* (the *Act*) of Manitoba. In accordance with the provisions of the *Act*, the WCB is responsible for:

- prevention of workplace injuries and occupational diseases in conjunction with Workplace Safety and Health, a division of the Manitoba Government
- administering payments to injured workers and suppliers of services to injured workers
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims
- investing funds set aside for the future costs of claims as well as surplus funds.

An independent Workers Compensation Appeal Commission operates under the *Act* to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's vision is *a trusted partner, insuring today and building a safer tomorrow.* The organization's mission is to insure and support safe and healthy workplaces. We put workers and employers at the centre of all we do. We provide them with valued services for injury prevention, compensation, and return to health and work while maintaining system integrity.

The WCB has its corporate head office in Winnipeg, Manitoba.

Funding Policy

The workers compensation system is funded through premiums collected from employers. The WCB does not receive government funding or assistance. Available funds are invested and are used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claim costs. To that end, an accident fund reserve attributable to Class E employers exists.

The target balance for the accident fund reserve is calculated based on a targeted funding ratio of 130 per cent. The funding ratio of 130 per cent includes amounts to reflect potential downturns in the financial markets and other risks and uncertainties. The calculation moves in tandem with changes in the size of the WCB's assets and liabilities, thereby calculating a reserve target that reduces risk to the organization. The target balance for the reserves was $432.3 million at the end of 2014 ($371.9 million in 2013).

The WCB's Funding Policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the *Act* and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully funded basis to a level funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level manner over the workers' periods of exposure to the elements that led to the injuries or illnesses.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the WCB are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) in effect as at December 31, 2014, which have been adopted by the Accounting Standards Board of Canada (AcSB) as Canadian generally accepted accounting principles for public interest entities. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of Measurement

The consolidated financial statements of the WCB have been prepared on a historic cost basis except for investment properties and those financial assets and financial liabilities that have been measured at fair value. The WCB's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the WCB operates, which is also the presentation currency of the consolidated financial statements. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated.

Basis of Consolidation

These consolidated financial statements include the accounts of the WCB and its wholly owned real estate investment subsidiary. Intercompany balances and transactions are eliminated on consolidation.

Use of Estimates and Measurement Uncertainty

These financial statements have been prepared in accordance with IFRS, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. As a result, some of the reported amounts are subject to measurement uncertainty. Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Assumptions and estimates are reviewed on an ongoing basis, and any related revisions are recorded in the period in which they are adjusted. Consequently, actual results could differ from these estimates by significant amounts. Level 3 portfolio investments (Note 5), employee benefits (Note 12) and benefit liabilities (Note 13) are the most significant items based on accounting estimates.

Changes in Accounting Policies

Accounting Standards Adopted in the Current Period

The International Accounting Standards Board (IASB) published the International Accounting Standards (IAS 19), *Defined Benefit Plans: Employee Contributions,* effective for periods beginning on or after July 1, 2014. These amendments clarify the requirements of IAS 19 relating to contributions from employees and introduce a practical expedient such that contributions that are independent of the number of years of service may be recognised as a reduction of service cost in the period in which the related service is rendered.

The WCB has adopted the practical expedient as its accounting policy. This treatment is consistent with the WCB's practice before the amendments to IAS 19. Therefore, the initial application of the amendments has no effect on the WCB's financial statements.

As described in the funding policy note above, the formula for calculating the accident fund reserve target balance was revised in 2014. The prior method was based on a formula modified from the Minimum Contributing Capital and Surplus Requirements rules set out by the Office of the Superintendent of Financial Institutions, Canada. This policy change was effective October 1, 2014 and the 2013 accident fund reserve target balance has been restated from $356.6 million. As this is a calculation of the funding target only, there is no impact on the financial statements.

Future Accounting and Reporting Changes

The IASB is working towards continual improvement through the development of new accounting standards and the annual improvements process. The IASB will issue a number of exposure drafts of new or revised standards over the next several years. The WCB monitors the IASB work plans and publications to address any developments that may impact the organization.

The IASB published a revised exposure draft, IFRS 4, *Insurance Contracts,* in 2013. This revision aims to provide a consistent basis for accounting for insurance contracts. While the final standard has not been published, the proposed standard represents a major change in accounting for insurance contracts and is expected to have a significant impact on the financial reporting of entities such as the WCB. The effective date for this standard is expected to be January 1, 2018.

The IASB published IFRS 15, *Revenue from Contracts with Customers.* IFRS 15 provides an inclusive framework for the recognition, measurement and disclosure of revenue. The effective date of this standard is for annual periods beginning on or after January 1, 2017. As the WCB derives revenue primarily from insurance contracts and IFRS 15 does not apply to insurance contracts, this new standard will have no effect on the WCB's financial statements.

Specific Accounting Policies

Cash

Cash includes cash on hand and balances with banks, net of any outstanding cheques. Cash and short term investments held by investment managers and custodians for investment purposes are included in the investment portfolio.

Receivables and other

Receivables are mainly assessed premiums due from employers, recorded at the estimated premium payable net of a provision for doubtful accounts. Sundry receivables consist of claim related overpayments, payroll related items and prepaid maintenance contracts.

Investment portfolio

The investment portfolio is managed according to the objectives and policies established by the Statement of Investment Policies and Objectives. The statement acknowledges that there is no single asset class that directly matches the obligations and objectives of the WCB, and that a portfolio diversified across a number of distinct asset classes represents the optimal means of meeting the WCB's investment objectives. The investment portfolio is comprised of:

- Portfolio investments consisting of financial assets accounted for in accordance with IFRS 9 *Financial Instruments,* and
- Investment properties consisting of real estate assets accounted for in accordance with IAS 40, *Investment Properties.*

Portfolio Investments

Classification

The WCB's investments have been designated at fair value through profit or loss (FVTPL). As such, all investments are reported at fair value. Income from interest and dividends is recognized in the period earned, and changes in fair value are presented in the period in which they arise.

Recognition and measurement

Investments are stated at fair value, which is the market value.

Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange, or as provided by the custodian from independent sources.

Pooled fund investments are valued at the most recent unit values supplied by the pooled fund administrator at year end.

Investments denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the statement of financial position date. Foreign currency exchange gains and losses are recorded in the period in which they arise.

Investment properties

The WCB owns real estate investment properties through its wholly owned real estate investment subsidiary. These properties are held to earn rentals or for capital appreciation or both, and are intended to be long term assets. The WCB views the investment properties as an integral component of the diversified investment portfolio with the same value and purpose as all other investment holdings.

The fair value of real estate investments is determined annually by management based on a combination of the most recent independent appraisals of the rental properties and market data available at year end, net of any liabilities against the properties. A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises. Income received from property managers as an income distribution is recorded as investment income, as it is presumed to be the residual of rental income net of operating expenses. It is recorded in the period received, or accrued in the period in which it is expected to be received.

Deferred assessments

Deferred assessments represent the WCB's estimate of the present value of premiums which will be received in the future from self-insured employers to fund the future costs of existing claims that have arisen from their employees. As such, the fair value for deferred assessments is not readily determinable.

The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee.

Property, plant and equipment

Property, plant and equipment are valued at cost, less accumulated amortization and any accumulated impairment loss. Amortization is calculated on a straight line basis over the estimated useful life of the asset, as follows:

Building	40 years
Land	not amortized
Building renovations and leasehold improvements	2 to 10 years
Computer equipment	3 to 5 years
Furniture, fixtures and equipment	5 years

An item of property, plant and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition is included in operating expenses.

The carrying amounts of the WCB's non-financial assets are reviewed at each reporting date to ensure that assets are not carried in excess of the recoverable amount.

Intangible assets

Acquired intangible assets, primarily computer software, are valued at cost less accumulated amortization. Amortization is calculated on a straight line basis over the estimated useful life and included in operating expenses.

Internally generated intangible assets, primarily software and systems development, including professional fees incurred to implement these assets, are valued at cost and amortized over their useful lives. Amortization is calculated on a straight line basis over the estimated useful life, as follows:

Computer software	3 years
Internally generated systems development	10 years

The carrying amounts of the WCB's non-financial assets are reviewed at each reporting date to ensure that assets are not carried in excess of the recoverable amount.

Payables and accruals

Payables and accruals are obligations to pay for goods and services acquired in the normal course of operations. The WCB records a liability and an expense for goods upon receipt or transfer of control, and for services when they are performed. Other payables include various payroll-related liabilities and deposits from self-insured employers. The timing and amount of payables and accruals are readily determinable. These amounts are normally settled before the end of the next reporting period.

Workers' retirement annuity fund

In accordance with Section 42(2) of *The Workers Compensation Act,* where wage loss benefits are paid to a worker after a qualifying period, the WCB is required to invest on a worker's behalf an amount equal to a percentage between five per cent and seven per cent, to provide an annuity for the worker at retirement. In addition, the worker may contribute an amount of not more than the amount contributed by the WCB. This annuity fund is part of the WCB investment portfolio and is intended to establish or replace lost pension entitlement resulting from a work-related injury or illness.

Employee Benefits

The WCB has several employee benefit plans:

Short term benefits

Short term employee benefits are measured on an undiscounted basis and are expensed when the services are rendered. These benefits include wages, salary, vacation entitlements and group health plans.

Other benefit plans

The WCB sick leave plan is a multi-faceted benefit plan. Sick leave credits are earned and payable in the form of sick leave in the current year. Unused sick leave credits are accumulated and carried forward to future periods, and are available to be taken as sick leave when the current year entitlement is exhausted. For employees that meet established criteria upon termination or retirement, the sick leave plan represents a post-employment benefit plan that provides for payment of sick leave credits. For accounting purposes, it is treated as a defined benefit plan and the liability is valued on the basis of discount rates and other estimates that are consistent with the estimates used for defined benefit obligations. For this unfunded plan, where the WCB funds the obligation directly from its own resources, employee contributions are not required.

The WCB Retiree Healthcare Spending Account (the RHCSA) was introduced March 1, 2014. Eligible retirees receive a predetermined annual credit amount which may be used to cover healthcare expenses not covered by other plans. The RHCSA is a defined benefit plan. The WCB funds this plan directly via the plan administrator.

Pensions

The pension plan, comprised of the WCB Retirement Plan and the Supplementary Employee Retirement Plan, is funded by employee and employer contributions. The WCB Retirement Plan is a defined benefit pension plan that provides indexed pensions (two-thirds of the Consumer Price Index for Canada) based on years of service and the best five consecutive years average earnings in the last 12 years of employment. The Supplementary Employee Retirement Plan provides that the employees of the WCB, whose pension benefits exceed the maximum pension benefit permitted under the federal *Income Tax Act,* will receive pension benefits based on their total pensionable earnings.

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year, using actuarial assumptions that are unbiased and mutually compatible. The assumptions represent management's best estimates of the variables that will determine the ultimate cost of post-employment benefits. Actuarial assumptions are comprised of demographic assumptions on matters such as mortality and employee turnover, and financial assumptions on matters such as salary and benefit levels, interest rates and return on investments. Given the long term nature of the plan and the use of these assumptions, the resulting estimates are subject to significant uncertainty.

The Projected Unit Credit Method is used to calculate the defined benefit obligations and current service costs. This method reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions regarding discount rates used to determine the present value of benefits, projected rates of salary growth and long term expected rate of return on plan assets.

Discount rates are based on the market yields of high-quality corporate bonds.

In accordance with IAS 19, the net interest approach is used to disaggregate the costs of the pension plan. The change in the net defined benefit liability is disaggregated into the following components:

- Service cost, or the additional liability that arises from employees providing service during the period
- Net interest or the interest expense on the net defined benefit liability calculated using the discount rate
- Remeasurements, which are other changes in the value of the defined benefit obligation such as changes in estimates and other changes in the value of plan assets.

Service cost and net interest are recognized in operating surplus whereas remeasurements are recognized in other comprehensive income. Employee contributions, which are independent of the number of years of service, are treated as a reduction of service cost.

When past service costs arise they are recognized immediately.

Benefit Liabilities

Under the provisions of the *Act,* the WCB has a legislated obligation to accept insurance risk from employers in exchange for premiums paid for WCB coverage.

The WCB's Chief Actuary prepares a valuation of the benefit liabilities of the WCB at each year end. This valuation is conducted in accordance with accepted actuarial practice in Canada, and is subject to peer review by the WCB's consulting external actuary. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provisions for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims, plus provisions for the future expenses of administering the existing claims. Differences arising from actual claims experience and assumptions used for the previous valuation, as well as the impacts of changes in legislation, policy, administrative practice or actuarial methods and assumptions, are recognized in the period that they occur.

The benefit liabilities also include an estimated liability for certain long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information currently available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Fair Value of Other Financial Assets and Liabilities

Other financial assets and liabilities consist of cash, receivables and other, and payables and accruals. The carrying value of these items approximates their fair value, consistent with the short term nature of these items.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss is a subsection of the funded position. It is comprised of cumulative remeasurements arising from changes in the value of defined benefit obligations that in accordance with IFRS are recognized in other comprehensive income but excluded from the operating surplus.

Premium Revenue

The operations of the WCB are categorized, in accordance with the *Act,* into Class E (general employers pool) and several classes of self-insured employers.

General Employers Pool

Employers registered within Class E are subject to collective liability and premium revenue is estimated by applying applicable industry assessment rates to the employers' reported assessable payrolls for the current year. Any difference between the estimated premium revenue and the actual premium revenue is credited or charged to income in the year the determination is made.

Premium revenue is fully earned and recognized over the period that coverage is provided. Premium revenue reported in the period is recorded net of uncollectable account write-offs, interest and penalties on overdue amounts and adjustments of premiums for prior periods.

Self-Insured Employers

Self-insured employers – principally government bodies and railways and their subsidiaries – are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of self-insured employers. As such, premium revenue from self-insured employers is recognized as these costs are incurred. Current costs are collected as billed while future costs are recorded as a deferred receivable.

The Government of Canada and its agencies are self-insured based on the *Government Employees Compensation Act*. Under this *Act,* the administration of this program is delegated to the WCB which acts as agent of the Government of Canada for the payment of compensation to federal employees in this province.

Foreign Currency Translation

Transactions in foreign currency are converted to Canadian dollars at the exchange rate in effect at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date.

3. CASH AND LINES OF CREDIT

Cash reported in the consolidated statement of financial position is comprised of:

	2014	2013
Cash in transit and in banks	$ 14,717	$ 12,263
Cheques issued and outstanding	(3,442)	(4,263)
Net operating cash flows	$ 11,275	$ 8,000

In addition, the WCB has established an operating line of credit with its principal banker in the amount of $3 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured.

The WCB did not utilize the credit facilities in 2014 or 2013.

4. RECEIVABLES AND OTHER

Receivables and other reported in the consolidated statement of financial position is comprised of:

	2014	2013
Premiums - Class E employers	$ 2,446	$ 27,902
Provision for doubtful accounts	(957)	(964)
	1,489	26,938
Current assessments - Self-insured employers	2,781	4,992
Sundry	1,712	1,733
	$ 5,982	$ 33,663

5. INVESTMENT PORTFOLIO

The investment portfolio reported in the comprehensive statement of financial position is comprised of:

	2014	2013
Portfolio investments	$ 1,388,893	$ 1,241,356
Investment properties	124,533	124,146
	$ 1,513,426	$ 1,365,502

Fair Value of the Investment Portfolio

	2014	2013
Equities		
Canadian	$ 229,834	$ 208,188
Private placements	4,689	7,794
U.S.	251,949	256,525
Europe, Australasia & Far East	124,923	120,499
Emerging markets	37,372	32,669
	648,767	625,675
Real estate (see table below)		
Portfolio investments	60,725	59,906
Investment properties	124,533	124,146
	185,258	184,052
Cash and short term investments	97,969	72,500
Infrastructure	41,783	-
Fixed income	539,649	483,275
Total	$ 1,513,426	$ 1,365,502

Real Estate Portfolio

The real estate portfolio can be further broken down as follows:

	2014	2013
Rental properties and other net assets	$ 244,564	$ 239,550
Mortgages payable on investment properties	(59,306)	(55,498)
Real estate investments	$ 185,258	$ 184,052

The following information represents key facts related to mortgages payable on rental properties:

Interest rates	From 3.59% to 5.71%
Interest terms	Variable and fixed
Maturity dates	From 2015 to 2024

For 2015, scheduled principal and interest payments on these mortgages total $10.1 million. The scheduled amounts of principal repayments in each of the next five years are as follows:

2015	2016	2017	2018	2019	Thereafter	Total
$ 7,869	$ 10,390	$ 1,600	$ 1,643	$ 7,499	$ 30,305	$ 59,306

Investment Income

Investment income was derived from the following sources:

	2014	2013
Canadian equities	$ 7,164	$ 6,082
Foreign equities	8,927	7,264
Cash and short term investments	484	432
Fixed income	19,648	19,629
Infrastructure	25	-
Real estate (see table below)	4,660	13,678
Market gains:		
Realized	64,160	34,869
Unrealized	28,326	80,713
Investment income	133,394	162,667
Less:		
Portfolio management expenses	6,108	5,171
Net investment income	$ 127,286	$ 157,496

Real Estate Income

The real estate income can be further broken down as follows:

	2014	2013
Rental income, net of expenses	$ 8,101	$ 8,715
Appraisal (losses) gains	(3,441)	4,963
	$ 4,660	$ 13,678

Purchases of Investments, Net of Sales

Purchases of investments, net of sales can be further broken down as follows:

	2014	2013
Purchases of investments	$ 726,499	$ 668,578
Proceeds on disposal of investments	(667,383)	(617,165)
Net purchases of investments	$ 59,116	$ 51,413

Fair Value of Investments

For financial instruments measured at fair value in the statement of operations and accident fund reserve, disclosure on the fair value hierarchy is required.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted prices quoted in active markets for identical assets
Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly
Level 3 – Inputs that are not based on observable market data.

The following table illustrates the classification of the WCB's financial assets within the fair value hierarchy as at December 31:

2014	Level 1	Level 2	Level 3	Total
Equities				
Canadian	$ 229,834	$ -	$ -	$ 229,834
Private placements	95	-	4,594	4,689
U.S.	251,949	-	-	251,949
Europe, Australasia & Far East	124,923	-	-	124,923
Emerging markets	37,372	-	-	37,372
	644,173	-	4,594	648,767
Cash and short term investments	97,969	-	-	97,969
Fixed income	413,429	126,220	-	539,649
Infrastructure	-	-	41,783	41,783
Real estate	-	-	185,258	185,258
	$ 1,155,571	$ 126,220	$ 231,635	$ 1,513,426

2013	Level 1	Level 2	Level 3	Total
Equities				
Canadian	$ 208,188	$ -	$ -	$ 208,188
Private placements	415	-	7,379	7,794
U.S.	256,525	-	-	256,525
Europe, Australasia & Far East	120,499	-	-	120,499
Emerging markets	32,669	-	-	32,669
	618,296	-	7,379	625,675
Cash and short term investments	72,500	-	-	72,500
Fixed income	374,481	108,794	-	483,275
Real estate	-	-	184,052	184,052
	$ 1,065,277	$ 108,794	$ 191,431	$ 1,365,502

Measurement of Fair Value of Investments

Valuations are provided by investment managers for financial reporting purposes. Valuation techniques are selected based on the characteristics of the investment, with the overall objective of maximizing the use of market-based information. Management is responsible for ensuring that the chosen valuation technique is appropriate in the circumstances.

The WCB uses the following techniques to determine the fair value measurements categorized in Level 2:

- The fair value of fixed income investments is determined using an income approach, calculating the present value of the future cash flows based on observable yield curves.

The WCB uses the following techniques to determine the fair value measurements categorized as Level 3:

- The fair value of private placement equity investments is determined by management based on financial information provided by individual capital fund managers, adjusted if deemed appropriate.
- The fair value of infrastructure is determined based on the underlying assets in the pooled fund using the most up-to-date information available provided by the pooled fund manager and adjusted by management for any other information available.
- The fair value of real estate investments is determined using an income approach based on estimated rental income of the properties. Properties are valued annually by independent appraisals. The most significant assumptions, all of which are unobservable, are estimated rental income, capitalization rates, discount rates and estimated vacancy rates. The estimated fair value of the real estate portfolio is sensitive to changes in these assumptions, and the fair value increases if estimated rental income increases, or the capitalization rate decreases. As the WCB is invested in a diversified real estate portfolio, assumptions are appropriate to the underlying asset, asset type and location. The following table illustrates the significant inputs and range of assumptions used in the valuation of real estate investments:

Estimated rental income	From $5.00/ sq. ft. to $25.00 / sq. ft.
Capitalization rates	From 5.88% to 7.75%

The following table reconciles the changes in the WCB's Level 3 fair value measurements to December 31:

	2014	2013
Balance at January 1	$ 191,431	$ 8,411
Reclassification from Level 2		168,204
Market (losses) gains:		
Unrealized	(4,663)	6,456
Purchases	51,613	14,593
Sales	(6,746)	(6,233)
Balance at December 31	$ 231,635	$ 191,431

Commitments

The WCB has contractual agreements to contribute further funding to a maximum of $42.6 million ($81 million in 2013) to specific investment projects to be financed from the existing portfolio or from available cash.

6. INVESTMENT RISK MANAGEMENT

In accordance with the Statement of Investment Policy and Objectives, the investment objective of the WCB is to generate a consistent, positive, real rate of return on invested assets. Recognizing the need to achieve a balance between risk and return, investment risk is managed through a portfolio that is diversified across a number of distinct asset classes, as well as geographic region and investment style.

The following sections describe the nature and extent of financial risk exposure and the related risk mitigation strategies.

Market Risk

The WCB invests in publicly and privately traded equities and fixed income instruments available on domestic and foreign exchanges. As these securities are affected by market changes and fluctuations, the WCB is exposed to market risk as a result of price changes due to economic fluctuations in capital markets.

The following table presents the effect of a material change in the key risk variable – the sector benchmark – for each of the equity mandates in the WCB investment portfolio:

	2014		2013	
	5 year annualized		5 year annualized	
Equities	+/- 1 standard deviation	+/- 2 standard deviations	+/- 1 standard deviation	+/- 2 standard deviations
% change in benchmark	11.9%	23.8%	14.2%	28.4%
Canadian	$27.7 million	$55.4 million	$29.5 million	$59.0 million
% change in benchmark	11.6%	23.2%	12.5%	25.0%
U.S.	$31.3 million	$62.6 million	$33.1 million	$66.2 million
% change in benchmark	13.0%	26.0%	15.6%	31.2%
Europe, Australasia & Far East	$16.2 million	$32.5 million	$18.8 million	$37.6 million
% change in benchmark	13.4%	26.8%	16.9%	33.8%
Emerging markets	$5.0 million	$10.0 million	$5.5 million	$11.0 million

Credit Risk Management

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. To mitigate the risk of credit default, the minimum quality standard for individual bonds and debentures at time of purchase is BBB, as rated by an established bond rating service. To further mitigate this risk, bonds with a BBB rating are limited to a maximum of 15 per cent of the bond portfolio. The balance of the portfolio should be invested in bonds with a minimum rating of A or higher.

Of the fixed income assets in the investment portfolio, 89 per cent (90 per cent in 2013) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105 per cent of the market amount of the asset borrowed. As at December 31, 2014, these loans amounted to $100.2 million ($103.5 million in 2013). As at December 31, 2014, total collateral pledged to the WCB amounted to $105.2 million ($108.7 million in 2013).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies, which exposes the WCB to foreign currency risk. During 2014, the WCB did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influenced short term returns, these fluctuations are not expected to affect the long term position of the investment portfolio.

WCB has exposure to the U.S. dollar, with USD-denominated holdings of $348.9 million CAD ($297.5 million CAD in 2013) or 23.1 per cent of the portfolio (21.8 per cent in 2013).

The table below presents the effects of a material change in the Canadian/U.S. dollar exchange rates:

	CAD/USD	
	2014	2013
10% appreciation in the Canadian dollar	$ (31.7 million)	$ (27.0 million)

Interest Rate Risk Management

The WCB is exposed to interest rate risk to the extent that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. These fluctuations are managed by actively controlling the duration of the fixed income portfolio. As at December 31, 2014, the duration of the WCB's bond portfolio was 8.7 years (7.9 years in 2013).

The following table shows the effects of a negative 50 and 100 basis point (where one basis point equals 1/100 of one per cent and 50 basis points equals 0.5 per cent) change in interest rates on the bond portfolio:

	2014		2013	
+/- basis point change	50 basis points	100 basis points	50 basis points	100 basis points
Bonds	$18.1 million	$36.2 million	$14.9 million	$29.8 million

Liquidity Risk Management

Liquidity risk is the risk that the WCB will be unable to meet its financial obligations. To manage this risk, and avoid liquidation of portfolio assets under unfavourable conditions, the WCB maintains two credit facilities as discussed in Note 3.

7. DEFERRED ASSESSMENTS

The changes in deferred assessments were as follows:

	2014	2013
Balance at beginning of year	$ 70,136	$ 77,379
Increase (decrease) in future cost liability	6,596	(1,061)
Increase (decrease) in pension related transactions	1,941	(3,031)
Interest allocation	(1,083)	(3,151)
Net change in deferred assessments (Note 15)	7,454	(7,243)
Refund of accumulated excess pension income	29,632	-
Current pension deficit included in receivables and other	(949)	-
Balance at end of year	$ 106,273	$ 70,136

Due to a change in practice effective January 1, 2014, $29.6 million of accumulated excess pension income was returned to the self-insured employers in March 2014. This amount was previously included on a net basis with the deferred assessment balance.

8. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment were as follows:

	2014					2013
	Building and land	Building renovations and leaseholds	Computer equipment	Furniture, fixtures and equipment	Total	Total
Cost						
As at January 1	$ 23,574	$ 3,262	$ 5,985	$ 2,707	$ 35,528	$ 34,892
Additions	-	1,451	885	396	2,732	2,782
Disposals	-	-	(313)	-	(313)	(2,146)
As at December 31	23,574	4,713	6,557	3,103	37,947	35,528
Amortization						
As at January 1	(1,124)	(2,085)	(4,977)	(2,428)	(10,614)	(11,401)
Amortization charge	(667)	(377)	(576)	(113)	(1,733)	(1,359)
Disposals	-	-	313	-	313	2,146
As at December 31	(1,791)	(2,462)	(5,240)	(2,541)	(12,034)	(10,614)
Net book value, as at December 31	$ 21,783	$ 2,251	$ 1,317	$ 562	$ 25,913	$ 24,914

9. INTANGIBLE ASSETS

The changes in intangible assets were as follows:

	2014			2013
	Computer software	**Internally developed systems and software**	**Total**	**Total**
Cost				
As at January 1	$ 3,671	$ 15,575	$ 19,246	$ 17,857
Additions	333	580	913	1,393
Disposals	(59)	(1,744)	(1,803)	(4)
As at December 31	3,945	14,411	18,356	19,246
Amortization				
As at January 1	(3,481)	(12,360)	(15,841)	(14,558)
Amortization charge	(157)	(657)	(814)	(1,287)
Disposals	59	1,744	1,803	4
As at December 31	(3,579)	(11,273)	(14,852)	(15,841)
Net book value, as at December 31	$ 366	$ 3,138	$ 3,504	$ 3,405

10. PAYABLES AND ACCRUALS

Payables and accruals are comprised of:

	2014	2013
Accounts payable and accrued liabilities	$ 3,538	$ 3,735
Research and Workplace Innovation Program	1,972	2,296
Deposits from self-insured employers	4,932	5,925
Other payables	1,334	1,135
Balance at end of year	$ 11,776	$ 13,091

11. WORKERS' RETIREMENT ANNUITY FUND

The changes in the workers' retirement annuity fund were as follows:

	2014	2013
Balance as at January 1	$ 24,666	$ 21,000
Investment income	2,344	2,826
WCB contributions	1,450	1,480
Workers' contributions	426	435
Benefits paid	(1,372)	(1,075)
Balance as at December 31	$ 27,514	$ 24,666

12. EMPLOYEE BENEFITS

Components of the employee benefits liability are as follows:

	2014	2013
Employee pension plan	$ 71,642	$ 34,355
Sick leave plan	11,331	9,910
Employee vacation entitlements	3,983	3,843
Retiree healthcare spending account	1,853	736
Other	462	380
As at December 31	$ 89,271	$ 49,224

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Retirement Plan for funding purposes, which was filed with the pension regulators, was as at December 31, 2013. This funding valuation showed a funding surplus of $0.5 million (2012 valuation, deficit of $14.7 million). The solvency deficit as at December 31, 2013 was $22.6 million (2012 valuation, deficit of $40.3 million). The WCB is not required to fund this deficiency as the WCB is exempt from the solvency and transfer deficiency provisions of the *Pension Benefits Act*.

Total cash payments for employee future benefits for 2014, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for unfunded plans, were $4.5 million ($5.4 million in 2013). Based on historical experience and expected salary expense, the WCB expects to fund $4.4 million in 2015.

The key actuarial assumptions used to value the employee benefit liabilities for accounting purposes are as follows:

	Pension Plan		Sick Leave Plan	
	2014	**2013**	**2014**	**2013**
Discount rate	4.00%	5.00%	4.00%	5.00%
Rate of compensation increase	3.75%	3.75%	3.75%	3.75%

The rates shown in the 2014 column were effective as of December 31, 2014. The rates were applied in determining the benefit plan balances at December 31, 2014. The rates shown in the 2013 column were effective at December 31, 2013 and were applied in determining the 2014 benefit plan expense.

The actuarial present value of the defined benefit obligation is sensitive to changes in actuarial assumptions, the most significant assumption being the discount rate. The following table illustrates the sensitivity of the defined benefit obligations to a one per cent change in the discount rate:

	2014		**2013**	
	+1.0%	**-1.0%**	**+1.0%**	**-1.0%**
Pension plan	$ (39,196)	$ 52,186	$ (35,679)	$ 35,693
Sick leave plan	(953)	2,060	(810)	938

The WCB's defined benefit plan expenses are as follows:

	Pension Plan		Sick Leave Plan	
	2014	**2013**	**2014**	**2013**
Current service cost	$ 6,027	$ 6,209	$ 462	$ 448
Net interest expense	1,550	2,170	487	447
Remeasurements	33,814	(20,793)	829	(843)
Total benefit plan expenses	$ 41,391	$ (12,414)	$ 1,778	$ 52

As at December 31, the funding status of the defined benefit plans is as follows:

	Pension Plan		Sick Leave Plan	
	2014	**2013**	**2014**	**2013**
Fair value of plan assets	$ 163,454	$ 147,202	$ -	$ -
Defined benefit obligation	(235,096)	(181,557)	(11,331)	(9,910)
Net defined benefit liability	$ (71,642)	$ (34,355)	$ (11,331)	$ (9,910)

Details of the WCB's net defined benefit liability are as follows:

	Pension Plan 2014	Pension Plan 2013	Sick Leave Plan 2014	Sick Leave Plan 2013
Balance at January 1	$ (34,355)	$ (52,059)	$ (9,910)	$ (10,006)
Benefit cost recognized in income	(7,577)	(8,379)	(949)	(895)
Remeasurements recognized in other comprehensive (loss) income	(33,814)	20,793	(829)	843
Employer contributions	4,104	5,290	357	148
Net change in net defined benefit liability	(37,287)	17,704	(1,421)	96
Net defined benefit liability at December 31	$ (71,642)	$ (34,355)	$ (11,331)	$ (9,910)

Details of the WCB's defined benefit obligations are as follows:

	Pension Plan 2014	Pension Plan 2013	Sick Leave Plan 2014	Sick Leave Plan 2013
Balance at January 1	$ (181,557)	$ (173,077)	$ (9,910)	$ (10,006)
Current service cost	(8,627)	(8,604)	(462)	(448)
Interest expense	(8,994)	(7,723)	(487)	(447)
Transfers to the plan	(122)	(248)	-	-
Remeasurements consisting of:				
Actuarial (losses) gains	(39,253)	4,911	(829)	843
Benefits paid	3,457	3,184	357	148
Net change in defined benefit obligation	(53,539)	(8,480)	(1,421)	96
Defined benefit obligation at December 31	$ (235,096)	$ (181,557)	$ (11,331)	$ (9,910)

Details of the WCB's defined benefit plan assets are as follows:

	Pension Plan	
	2014	2013
Balance at January 1	$ 147,202	$ 121,018
Interest income	7,444	5,553
Employer contributions	4,104	5,290
Employee contributions	2,600	2,395
Transfers to the plan	122	248
Remeasurements consisting of:		
Actuarial gains	5,439	15,882
Benefits paid	(3,457)	(3,184)
Net change in plan assets	16,252	26,184
Plan assets at December 31	$ 163,454	$ 147,202

The fair value of the pension plan assets as at December 31 is:

	Pension Plan	
	2014	2013
Equity		
Canadian	$ 51,167	$ 47,370
Foreign (including U.S.)	44,648	46,351
	95,815	93,721
Fixed income	59,261	52,122
Cash and short term	8,378	1,359
Plan assets at December 31	$ 163,454	$ 147,202

The Plan assets are wholly invested in pooled funds. Therefore, at December 31, 2014 and 2013 the Plan held financial instruments valued using inputs that are observable for the asset either directly or indirectly (Level 2).

WCB Retiree Healthcare Spending Account (RHCSA)
Details of the WCB RHCSA are as follows:

	2014	2013
Balance at January 1	$ (736)	$ -
Benefit cost recognized in income	(953)	(736)
Remeasurements recognized in other comprehensive income	(164)	-
Employer contributions	-	-
Net change in net defined benefit liability	(1,117)	(736)
Defined benefit liability at December 31	$ (1,853)	$ (736)

Related Party Transactions – Pension Plan
By definition, the WCB pension plan is a related party to the WCB. Transactions between the related parties are detailed below:

	2014	2013
Transactions:		
Contributions from employees	$ 2,600	$ 2,395
Contributions from employer	4,104	5,290

There were no amounts outstanding as at December 31, 2014 or December 31, 2013.

13. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities as at December 31 are as follows:

	2014	2013
Discount rate	6.0%	6.0%
Inflation for CPI-indexed benefits	3.0%	3.0%
Inflation for wage-related benefits	4.0%	4.0%
Inflation for healthcare benefits	6.5%	6.5%

An analysis of the components of and changes in benefit liabilities is as follows:

	2014						2013
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 159,872	$ 461,531	$ 132,816	$ 273,015	$ 9,731	$ 1,036,965	$ 962,511
Add: Claim costs incurred							
Current year	104,290	16,389	3,595	57,658	1,680	183,612	175,953
Prior years	(43,788)	53,288	16,674	13,516	(1,202)	38,488	92,302
	60,502	69,677	20,269	71,174	478	222,100	268,255
Less: Claim payments made							
Current year	27,004	720	190	20,491	3	48,408	48,995
Prior years	28,932	52,137	13,494	33,810	1,602	129,975	144,806
	55,936	52,857	13,684	54,301	1,605	178,383	193,801
Balance at end of year	$ 164,438	$ 478,351	$ 139,401	$ 289,888	$ 8,604	$ 1,080,682	$ 1,036,965

The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, estimated future pension payments, and estimated future cost of claims relating to certain long latent occupational diseases. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are externally supplied to the WCB.

Included in the benefit liabilities balance is $55.1 million ($49.6 million in 2013) for the estimated long latent occupational disease liability. *The Workers Compensation Act* of Manitoba lists specific illnesses and injuries presumed to be caused by firefighting, unless the contrary is proven. In 2011, the *Act* was amended to add four cancers to the list and to extend the presumptions to certain personnel of the fire commissioner's office. Consistent with actuarial standards, a liability has been recorded with respect to the new cancers as at December 31, 2014.

Also included in the benefit liability is $90.9 million ($81.6 million in 2013) for the future cost of administering existing claims.

Sensitivity of Actuarial Assumptions

The most significant assumption in the determination of the benefit liabilities is the discount rate.

The following table shows the sensitivity of the benefit liabilities to an immediate one per cent increase or decrease in the key assumptions used to determine the liabilities:

Change in liability in millions

	2014		2013	
+/- % change on assumed rates	**+1%**	**-1%**	**+1%**	**-1%**
Discount rate	$ (78)	$ 92	$ (73)	$ 86
Wage inflation rate	41	(36)	38	(35)
General inflation rate	14	(12)	15	(13)
Healthcare inflation rate	35	(28)	31	(26)

An increase in the discount rate results in a decrease to the benefit liabilities and vice versa.

An increase to any of the inflation rates results in an increase to the benefit liabilities. Each inflation rate affects only those benefits that are directly impacted by that type of inflation. For example, healthcare inflation only affects healthcare liabilities.

Liability Adequacy Test

IFRS 4 *Insurance Contracts* requires an insurer to apply a liability adequacy test that meets specified minimum requirements, as follows:

a. the test considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees; and

b. if the test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

If these minimum requirements are met, there are no further requirements.

The current claim benefit liability valuation meets the liability adequacy testing requirements of IFRS 4. Accordingly, a separate annual liability adequacy test is not required.

Claims Development

The table below compares actual claim liabilities to previous estimates back to the earliest period for which there is material uncertainty about the estimate and timing of claim payments.

	Injury Year								
Estimate of ultimate claims	**2006 & Prior**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
End of injury year	$ 1,458,654	182,168	203,916	184,494	181,728	196,690	202,359	211,487	219,081
1 year later	1,516,628	191,645	187,514	165,260	171,672	182,934	204,976	203,221	-
2 years later	1,531,656	189,544	175,901	172,820	170,445	193,678	200,459	-	-
3 years later	1,540,794	187,199	185,187	173,058	183,276	190,184	-	-	-
4 years later	1,591,397	190,159	184,284	184,782	181,488	-	-	-	-
5 years later	1,672,185	190,595	199,761	183,809	-	-	-	-	-
6 years later	1,692,401	198,086	198,546	-	-	-	-	-	-
7 years later	1,786,175	197,405	-	-	-	-	-	-	-
8 years later	1,848,853	-	-	-	-	-	-	-	-

	Injury Year								
Cumulative claims paid	**2006 & Prior**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
End of injury year	$ 158,624	46,859	50,599	48,096	46,249	47,401	47,263	47,333	47,500
1 year later	285,510	82,221	84,294	77,860	74,123	76,708	78,400	74,773	-
2 years later	383,157	96,974	96,378	87,285	84,207	86,321	88,071	-	-
3 years later	467,653	106,870	104,554	94,078	90,830	92,230	-	-	-
4 years later	547,097	113,748	110,788	99,426	95,642	-	-	-	-
5 years later	620,003	119,384	115,963	103,890	-	-	-	-	-
6 years later	688,743	123,961	120,129	-	-	-	-	-	-
7 years later	752,415	127,565	-	-	-	-	-	-	-
8 years later	811,184	-	-	-	-	-	-	-	-

	Injury Year									
	2006 & Prior	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
Cumulative estimate of ultimate claims	$ 1,848,853	197,405	198,546	183,809	181,488	190,184	200,459	203,221	219,081	$ 3,423,045
Less: Cumulative claims paid	811,184	127,565	120,129	103,890	95,642	92,230	88,071	74,773	47,500	1,560,984
Current year unpaid and unreported claims	1,037,669	69,840	78,416	79,920	85,846	97,954	112,387	128,449	171,581	1,862,062
Effect of discounting										(909,446)
Administration cost within benefit liability										90,858
Future dated long latency liability										37,208
Total benefit liabilities										$ 1,080,682

14. BENEFIT LIABILITIES FOR SELF-INSURED EMPLOYERS

Note 13 contains a complete description of the components of the benefit liabilities for all employers. An analysis of the portion relating to self-insured employers is as follows:

	2014						2013
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 15,183	$ 50,765	$ 23,316	$ 42,507	$ 723	$ 132,494	$ 138,524
Add: Claim costs incurred							
Current year	9,428	3,945	788	7,322	95	21,578	23,791
Prior years	(1,882)	5,185	3,268	2,415	(143)	8,843	(2,247)
	7,546	9,130	4,056	9,737	(48)	30,421	21,544
Less: Claim payments made							
Current year	3,777	214	87	2,310	-	6,388	6,226
Prior years	3,703	4,573	3,225	5,340	55	16,896	21,348
	7,480	4,787	3,312	7,650	55	23,284	27,574
Balance at end of year	$ 15,249	$ 55,108	$ 24,060	$ 44,594	$ 620	$ 139,631	$ 132,494

Included in premiums and claim costs for self-insured employers are payments in the amount of $3.5 million ($3.8 million in 2013) made by self-insured employers directly to injured workers on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $20.4 million ($16.3 million in 2013) for self-insured employers' share of the long latent occupational disease liability and $10 million ($9.2 million in 2013) for the future cost of administering existing claims.

15. PREMIUM REVENUE

	2014	2013
Premiums - Class E employers	$ 253,733	$ 245,697
Assessments - Self-insured employers	25,213	27,327
Increase(decrease) in deferred assessments (Note 7)	7,454	(7,243)
Total premium revenue	$ 286,400	$ 265,781

16. OPERATING EXPENSES

	2014	2013
Salaries, employee benefits and training	$ 54,689	$ 53,547
Information technology service fees	1,600	1,729
Occupancy costs	2,792	2,143
Office supplies, services and projects	1,533	1,166
Communications	1,369	1,232
Professional fees	3,158	2,019
Donations	102	100
Amortization of capital assets	2,546	2,647
	67,789	64,583
Appeal Commission	1,307	1,311
Research and Workplace Innovation Program grants	974	948
Recoveries from the Government of Canada	(1,651)	(1,548)
SAFE Work Manitoba	3,938	-
Prevention and other (Note 17)	8,966	11,694
Total operating expenses	$ 81,323	$ 76,988

Of the total operating expenses, $6.3 million ($6.2 million in 2013) was allocated to self-insured employers based on the current year's transaction volumes.

The WCB administers the *Government Employees Compensation Act* program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of operating expenses.

17. RELATED PARTY TRANSACTIONS

The WCB is a statutory corporation created by the Manitoba Legislature. The WCB is a government agency of the Province of Manitoba that operates at arm's-length from government. As an agency of the Province of Manitoba, the WCB applies the exemption for government-related entities in IAS 24, *Related Party Disclosures.*

Pursuant to *The Workplace Safety and Health Act* of Manitoba, the Province may pay the expenses incurred in the administration of that *Act* out of the consolidated fund and may, subsequently, recover such portion as it may determine from the WCB under *The Workers Compensation Act* of Manitoba. For 2014, the amount charged to operations under this provision was $9.1 million ($9.3 million in 2013).

Also, under Section 84.(1) of *The Workers Compensation Act* of Manitoba, the Province may pay the costs incurred in respect of worker advisors and may recover them from the WCB. For 2014, the amount charged to operations under this provision was $0.8 million ($0.7 million in 2013).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under *The Workers Compensation Act* of Manitoba. Accordingly, the Province of Manitoba was allocated $2.4 million ($2.4 million in 2013) of the total operating expenses (Note 16) based on their transaction volume. Balances resulting from transactions with the Province of Manitoba are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio as at December 31, 2014 are guaranteed debentures issued by the Province of Manitoba in the amount of $3.5 million ($2.1 million in 2013).

Other Related Party Disclosures

In addition to the related government entities above, the key management personnel of the WCB (comprised of the WCB executive personnel and the Board of Directors) are deemed related parties. By definition, close family members of the key management personnel are also related parties of the WCB. Any transactions or business relationships are incidental, and carried out at normal trade terms.

The WCB has a pension plan for the benefit of WCB employees, which is a related party by definition of IAS 24, *Related Party Disclosure.* Detailed information on transactions with the pension plan can be found in Note 12.

Key Management Compensation

The following table shows total compensation for the executive personnel of the WCB:

	2014	2013
Short term employee benefits	$ 1,498	$ 1,307
Post-employment benefits	322	297
	$ 1,820	$ 1,604

Short term employee benefits include salary, vacation, car allowances, group health and dental benefits, group life insurance, and the employer's share of contributions to the Canada Pension Plan and employment insurance. Post-employment benefits include the estimated current service cost accrued for pension and other post-employment benefits.

The following table shows the total compensation for the Board of Directors of the WCB:

	2014	2013
Fees	$ 160	$ 151
Benefits	2	2
	$ 162	$ 153

The Board of Directors is comprised of 10 members appointed by the Government of Manitoba. Members' remuneration is set out in Order in Council passed by Lieutenant Governor in Council.

18. COMMITMENTS

The WCB has signed operating leases for office premises and office equipment expiring at various times until December 31, 2023. The minimum lease obligations over the next five years are:

2015	2016	2017	2018	2019	Thereafter	Total
$ 1,207	$ 953	$ 927	$ 881	$ 559	$ 1,471	$ 5,998

19. CONTINGENCIES

The WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcome of such claims and lawsuits are not determinable. However, based on the total amount of all such actions, WCB has concluded that their outcomes, either individually or in aggregate, will not have a material effect on the results of operations or financial position.

20. AUDITOR INDEPENDENCE

Grant Thornton LLP did not provide non-audit services to the WCB in 2014 or 2013.

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