



# Annual Report 2000

*remembering our past...  
building a safe future*

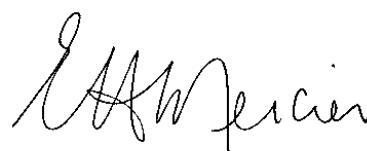
# balance sheet

as at December 31

| (\$ Millions)                               | 2000             | 1999             |
|---------------------------------------------|------------------|------------------|
| <b>ASSETS</b>                               |                  |                  |
| Cash and cash equivalents                   | \$ 52            | \$ -             |
| Receivables                                 | 410              | 320              |
| Investments (note 3)                        | 10,309           | 9,552            |
| Injured Workers' Retirement Fund (note 4)   | 388              | 332              |
| Capital and other assets (note 5)           | 236              | 275              |
|                                             | <u>\$ 11,395</u> | <u>\$ 10,479</u> |
| <b>LIABILITIES</b>                          |                  |                  |
| Payables and accruals                       | \$ 466           | \$ 470           |
| Mortgage payable (note 6)                   | 73               | 74               |
| Injured Workers' Retirement Fund (note 4)   | 388              | 332              |
| Employee future benefit liability (note 11) | 283              | 270              |
| Benefit liabilities (note 7)                | 15,860           | 15,735           |
|                                             | <u>17,070</u>    | <u>16,881</u>    |
| <b>UNFUNDED LIABILITY</b> (note 8)          | (5,675)          | (6,402)          |
|                                             | <u>\$ 11,395</u> | <u>\$ 10,479</u> |

On behalf of the Board of Directors:

  
Glen Wright, Chair  
Director

  
Eileen Mercier, Vice Chair  
Director

The accompanying notes form an integral part of the financial statements.

# statement of operations and unfunded liability

for the year ended December 31

| (\$ Millions)                                                                        | 2000            | 1999            |
|--------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>CURRENT OPERATIONS</b>                                                            |                 |                 |
| <b>REVENUES</b>                                                                      |                 |                 |
| Premiums for current year                                                            | \$ 1,760        | \$ 1,707        |
| Investments (note 3)                                                                 | 1,149           | 1,065           |
|                                                                                      | <u>2,909</u>    | <u>2,772</u>    |
| <b>EXPENSES</b>                                                                      |                 |                 |
| Benefit costs (note 7)                                                               | 2,694           | 2,338           |
| Net increase in the Injured Workers'                                                 |                 |                 |
| Retirement Fund (note 4)                                                             | 56              | 59              |
| Administrative and other expenses (note 9)                                           | 247             | 387             |
| Legislated obligations and commitments (note 10)                                     | 156             | 145             |
|                                                                                      | <u>3,153</u>    | <u>2,929</u>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENSES FROM CURRENT OPERATIONS</b>     | (244)           | (157)           |
| Premiums for unfunded liability                                                      | <u>971</u>      | <u>1,061</u>    |
| <b>EXCESS OF REVENUES OVER EXPENSES APPLIED<br/>TO REDUCE THE UNFUNDED LIABILITY</b> | 727             | 904             |
| <b>Unfunded liability</b> , beginning of year                                        | 6,402           | 7,098           |
| Change in accounting policy (note 11)                                                | —               | 208             |
| <b>Unfunded liability</b> , end of year (note 8)                                     | <u>\$ 5,675</u> | <u>\$ 6,402</u> |

The accompanying notes form an integral part of the financial statements.

# statement of cash flows

## for the year ended December 31

| (\$ Millions)                                                    | 2000            | 1999            |
|------------------------------------------------------------------|-----------------|-----------------|
| <b>INVESTING CASH FLOWS</b>                                      |                 |                 |
| Investment income                                                | \$ 450          | \$ 411          |
| Sale of investments                                              | 7,455           | 4,253           |
| Purchase of investments                                          | (7,514)         | (4,543)         |
| <b>Net cash provided by investing activities</b>                 | <u>\$ 391</u>   | <u>\$ 121</u>   |
| <b>OPERATING CASH FLOWS</b>                                      |                 |                 |
| Current operations                                               |                 |                 |
| <i>Cash received from:</i>                                       |                 |                 |
| Current premiums                                                 | <u>\$ 1,714</u> | <u>\$ 1,618</u> |
| <i>Cash paid to:</i>                                             |                 |                 |
| Claimants, survivors and care providers                          | (2,342)         | (2,203)         |
| Injured Workers' Retirement Fund                                 | (56)            | (63)            |
| Employees and suppliers for<br>administrative goods and services | (446)           | (396)           |
| Others under legislated obligations & commitments                | (156)           | (143)           |
|                                                                  | <u>(3,000)</u>  | <u>(2,805)</u>  |
| <i>Net cash required by current operations</i>                   | (1,286)         | (1,187)         |
| Cash received from unfunded liability premiums                   | <u>947</u>      | <u>1,005</u>    |
| <b>CASH REQUIRED BY OPERATIONS</b>                               | <u>(339)</u>    | <u>(182)</u>    |
| <b>Increase (decrease) in cash and cash equivalents</b>          | 52              | (61)            |
| Cash and cash equivalents, beginning of year                     | —               | 61              |
| Cash and cash equivalents, end of year                           | <u>\$ 52</u>    | <u>\$ —</u>     |

The accompanying notes form an integral part of the financial statements.

# notes to the financial statements

December 31, 2000

## 1. Nature of operations

The Workplace Safety and Insurance Board (WSIB) is a statutory corporation created by an Act of the Ontario Legislature in 1914. It is responsible for administering the *Workplace Safety and Insurance Act, 1997*. The WSIB promotes the prevention of injuries and illnesses in Ontario workplaces and provides compensation to workers who sustain injuries arising out of and in the course of employment, or who contract occupational diseases.

The WSIB administers the *Workplace Safety and Insurance Act, 1997* for two groups of employers, referred to as Schedule 1 and Schedule 2. Schedule 1 relates to services and industries in which employers are insured through “collective liability” and are required to contribute to the WSIB Insurance Fund, whereas Schedule 2 relates to employers who are “self-insured” in that they are individually liable. The Federal Government, which is covered under a separate agreement with Human Resources Development Canada, is also treated as a Schedule 2 employer.

The WSIB pays the actual cost of claims for Schedule 2 workers and is reimbursed by those employers for the claims paid, as well as for the cost of prevention activities and administering the claims.

In addition, investment revenue is earned from a diversified investment portfolio held to meet future obligations on existing claims.

The WSIB does not receive government funding or other assistance and raises funds through premium rates being applied to the payrolls of Ontario’s Schedule 1 employers covered under the *Workplace Safety and Insurance Act, 1997*. This funding provides compensation to workers or survivors of the workers who are injured in the course of employment or who contract an occupational disease.

## 2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires

management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

The significant accounting policies are summarized as follows:

### Cash and cash equivalents

Cash and cash equivalents are funds consisting of cash and money market instruments with initial maturities up to three months.

### Investments

#### a) Bonds, coupons and mortgages

Bonds, coupons and mortgages are carried at amortized cost. In the case of mortgages, amortized cost is adjusted for principal repayments. Realized gains and losses on the sale of bonds, coupons and mortgages are deferred and amortized over the lesser of 20 years or the period to maturity of the security sold.

#### b) Equities and real estate

Equities and real estate are carried at cost adjusted towards fair value, using a five-year moving average market method. Realized gains and losses are deferred and amortized over a four-year period.

#### c) Short-term securities

Short-term securities consist of money market instruments with maturities between three and twelve months and are carried at cost. Gains and losses from sales are included in income in the year they occur.

#### d) Foreign currency translation

Transactions in investments denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the time of the transaction. The cash and cash equivalents are translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

### **Fair values of investments**

Fair values of investments are determined as follows:

Bonds and equities are valued at year-end quoted prices where available. Where quoted prices are not available, estimated fair values are calculated based upon the yields and values of comparable marketable securities. The fair value of bonds and equities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Short-term notes, treasury bills and term deposits maturing within a year are carried at cost, which together with accrued interest income approximates fair value given the short-term nature of these instruments.

The fair value of real estate is based on appraised values conducted on a cyclical basis.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the WSIB's proportionate share of underlying net assets at fair values determined using closing market prices.

### **Fair value of other financial assets and liabilities**

The fair values of cash, receivables, and payables approximate their carrying values due to the short-term nature of these instruments.

### **Injured Workers' Retirement Fund**

Investments held in the Injured Workers' Retirement Fund are carried at fair value as defined above. Changes in fair values are taken into income of the Injured Workers' Retirement Fund in the year they occur or are realized.

### **Capital assets and depreciation**

Capital assets are stated at cost. Capital assets are depreciated using the straight-line method at rates calculated to expense the cost of assets over their estimated useful lives which, in the case of buildings, office equipment and computer equipment, are 20 years, five years and three years respectively. The cost of buildings includes development, financing and other costs capitalized prior to becoming fully operational, at which time depreciation commences.

### **Premium revenue**

Under the *Workplace Safety and Insurance Act, 1997*, the Board shall determine the total amount of the premiums to be paid by all Schedule 1 employers

with respect to each year in order to maintain the Insurance Fund under this *Act*.

Premium revenue is determined on the basis of applying the applicable premium rates to estimated and actual payrolls for employers included in Schedule 1 of the *Workplace Safety and Insurance Act, 1997*, adjusted for claim experience where relevant.

Schedule 2 employers are individually liable to pay the benefits under the *Workplace Safety and Insurance Act, 1997* with respect to the workers employed. Reimbursements for claims paid and the cost of administering the claims are included in the premiums of the WSIB.

### **Premiums for unfunded liability**

In advance of the fiscal year, the WSIB notifies Schedule 1 employers of the methods used to calculate these rates, the premiums payable and the payment schedule. Premium rates include a specified component that is applied to reduce the unfunded liability.

### **Benefit liabilities**

The benefit liabilities are determined annually through an actuarial valuation and represent a provision for future payments and the future cost of administering claims relating to claims incurred on or before December 31. The provision has been obtained by estimating future benefit payments in accordance with the adjudication practices in effect at December 31, 2000 and is based on legislation enacted January 1, 1998.

The benefit liabilities do not include any provision for payment of claims relating to Schedule 2 employers as they are a liability of Schedule 2 employers.

Benefit liabilities do not include any provision for future claims relating to occupational diseases and injuries that are not currently considered to be work related.

## **3. Investments and investment revenue**

The carrying value of investments comprises investments at cost of \$10,986 million (1999: \$10,230 million) including accrued investment income, plus adjustments towards fair value of \$653 million (1999: \$574 million), less unamortized net gains realized on the sale of investments of \$1,330 million (1999: \$1,252 million).

**Investments by category are as follows:**

| (\$ Millions)                  | 2000             |                  | 1999            |                  |
|--------------------------------|------------------|------------------|-----------------|------------------|
|                                | Carrying value   | Fair value       | Carrying value  | Fair value       |
| <b>Fixed income securities</b> |                  |                  |                 |                  |
| Bonds                          | \$ 3,548         | \$ 4,022         | \$ 3,524        | \$ 3,879         |
| Mortgages                      | -                | -                | 2               | 2                |
|                                | <u>3,548</u>     | <u>4,022</u>     | <u>3,526</u>    | <u>3,881</u>     |
| <b>Equities</b>                |                  |                  |                 |                  |
| Domestic                       | 2,828            | 3,756            | 2,964           | 3,778            |
| Foreign - U.S.                 | 712              | 992              | 562             | 1,049            |
| - Global                       | <u>2,828</u>     | <u>3,389</u>     | <u>2,185</u>    | <u>2,961</u>     |
|                                | <u>6,368</u>     | <u>8,137</u>     | <u>5,711</u>    | <u>7,788</u>     |
| <b>Real estate</b>             | 327              | 362              | 235             | 273              |
| <b>Short-term securities</b>   |                  |                  |                 |                  |
| Money market instruments       | -                | -                | 7               | 7                |
| Accrued investment income      | <u>66</u>        | <u>66</u>        | <u>73</u>       | <u>73</u>        |
|                                | <u>\$ 10,309</u> | <u>\$ 12,587</u> | <u>\$ 9,552</u> | <u>\$ 12,022</u> |

The WSIB engages in a securities lending program whereby securities are loaned to borrowers, approved by the WSIB and the custodian, for a fee, against high quality collateral. At December 31, 2000, the fair value of securities on loan was \$2,170 million (1999: \$1,816 million).

Foreign investments are exposed to currency risk. Derivative instruments are used for the sole purpose of hedging foreign currency transactions to better manage and reduce currency risk. Such instruments are valued at year-end market prices. The notional amount of foreign currency contracts hedging investments in foreign currencies totalled \$242 million at December 31, 2000 (1999: \$73 million). Their related replacement value at year-end was \$243 million (1999: \$71 million). The contracts mature in the first three months of 2001.

**Bonds by term to maturity as at December 31:**

| (\$ Millions)           | 2000         |             |                                  |               |          | 1999     |
|-------------------------|--------------|-------------|----------------------------------|---------------|----------|----------|
|                         | Up to 1 year | 1 - 5 years | Term to maturity<br>5 - 10 years | Over 10 years | Total    | Total    |
| <b>Government bonds</b> |              |             |                                  |               |          |          |
| Carrying value          | \$ 14        | \$ 1,297    | \$ 948                           | \$ 735        | \$ 2,994 | \$ 3,188 |
| Fair value              | \$ 14        | \$ 1,314    | \$ 973                           | \$ 760        | \$ 3,061 | \$ 3,118 |
| Yield %                 | 5.6          | 5.4         | 5.5                              | 5.9           | 5.6      | 6.3      |
| <b>Corporate bonds</b>  |              |             |                                  |               |          |          |
| Carrying value          | \$ 9         | \$ 414      | \$ 262                           | \$ 272        | \$ 957   | \$ 786   |
| Fair value              | \$ 9         | \$ 417      | \$ 264                           | \$ 271        | \$ 961   | \$ 761   |
| Yield %                 | 5.6          | 5.9         | 6.3                              | 6.8           | 6.3      | 6.7      |
| Less: unamortized gain  |              |             |                                  |               | 403      | 450      |
| <b>Total</b>            |              |             |                                  |               |          |          |
| Carrying value          |              |             |                                  |               | \$ 3,548 | \$ 3,524 |
| Fair value              |              |             |                                  |               | \$ 4,022 | \$ 3,879 |
| Yield %                 |              |             |                                  |               | 5.7      | 6.4      |

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each bond equal to its fair value at December 31.

**Revenue by category of investment is as follows:**

| (\$ Millions)                    | 2000     | 1999     |
|----------------------------------|----------|----------|
| Bonds                            | \$ 285   | \$ 262   |
| Equities                         | 854      | 797      |
| Short-term securities            | 11       | 4        |
|                                  | 1,150    | 1,063    |
| Injured Workers' Retirement Fund | 21       | 23       |
| Investment expenses              | (22)     | (21)     |
| Investment revenue               | \$ 1,149 | \$ 1,065 |

In 2000, \$743 million (1999: \$706 million) of realized and unrealized net gains were amortized to investment revenue.

#### 4. Injured Workers' Retirement Fund

Under section 44 of the *Workers' Compensation Act* and *Regulations of Ontario, RSO 1990* (which continues to apply to injuries and diseases prior to January 1, 1998) the WSIB sets aside funds equal to ten per cent of every payment made to injured workers under section 43 of that *Act*. In accordance with the provisions of that *Act*, these funds are segregated from the WSIB's Insurance Fund and are invested to provide retirement income benefits for injured workers.

Under section 45 of the *Workplace Safety and Insurance Act, 1997*, effective January 1, 1998, the WSIB sets aside five per cent rather than ten per cent of workers' loss of earnings benefits for his/her retirement fund for new claims incurred after December 31, 1997. An injured worker may choose to contribute a further five per cent from his/her loss of earnings benefits. The amount is set aside only after the worker has received payments for loss of earnings for 12 continuous months. Since the *Workplace Safety and Insurance Act, 1997* took effect January 1, 1998, the five per cent set aside first occurred on January 1, 1999.

**The carrying value of the fund at December 31 is as follows:**

| (\$ Millions)             | 2000   | 1999   |
|---------------------------|--------|--------|
| Cash                      | \$ 2   | \$ 4   |
| Investment in pooled fund | 386    | -      |
| Bonds                     | -      | 117    |
| Equities - Domestic       | -      | 120    |
| - Foreign global          | -      | 61     |
| Money market instruments  | -      | 28     |
| Accrued investment income | -      | 2      |
|                           | \$ 388 | \$ 332 |

The investment in pooled fund comprises fixed income securities \$149 million, equities \$225 million and money market instruments \$12 million.

In 2000, the net increase in the Injured Workers' Retirement Fund was \$56 million (1999: \$59 million).

**The change in net assets is as follows:**

| (\$ Millions)                       | 2000   | 1999   |
|-------------------------------------|--------|--------|
| Fund set aside under the <i>Act</i> | \$ 46  | \$ 44  |
| Investment income                   | 16     | 10     |
| Increase in market value            | 5      | 13     |
| Benefit costs paid                  | (11)   | (8)    |
| Increase in net assets              | 56     | 59     |
| Net assets, beginning of year       | 332    | 273    |
| Net assets, end of year             | \$ 388 | \$ 332 |

#### 5. Capital and other assets

| (\$ Millions)                        | 2000   | 1999           |
|--------------------------------------|--------|----------------|
|                                      | Cost   | Net book value |
| Buildings and leasehold improvements | \$ 217 | \$ 160         |
| Office equipment                     | 107    | 14             |
| Computer equipment                   | 75     | 28             |
|                                      | 399    | 202            |
| Other assets                         | 34     | 57             |
|                                      | \$ 433 | \$ 275         |

Depreciation expense in 2000 was \$30 million (1999: \$27 million).

#### 6. Mortgage payable

The WSIB is a 75 per cent participant in the co-ownership agreement of its head office building. To fund partially the development and construction of the building, the WSIB entered into a long-term mortgage loan agreement in 1993. The mortgage loan is secured by the building and matures in the year 2015. The interest rate is fixed at 10.25 per cent per annum, compounded semi-annually.

#### 7. Benefit liabilities and benefit costs

Benefit liabilities represent an actuarially determined provision for future benefit payments relating to incurred claims discounted to present value at the assumed net investment returns as shown below. Estimates of future benefit payments refer to both reported and unreported claims which have arisen from work-related injuries and occupational diseases that occurred on or before December 31, 2000, and are based on the level and nature of entitlement, as prescribed by legislations, and on adjudication practices in effect at December 31, 2000 and 1999.

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

The actuarial present value of future benefit payments depends on economic and actuarial assumptions and methods, which were based on past experience, modified for current trends. These assumptions may change over time to reflect underlying conditions and it is possible that such changes could cause a material change in the actuarial present value of future benefit payments.

**The following key long-term economic assumptions were used in the actuarial valuation of the benefit liabilities:**

|                                            | 2000 | 1999 |
|--------------------------------------------|------|------|
| Inflation rate                             | 3%   | 3%   |
| Rate of indexation of benefits             |      |      |
| Fully indexed                              | 3%   | 3%   |
| Partially indexed                          | 0.5% | 0.5% |
| Net Investment return                      |      |      |
| Fully indexed                              | 4%   | 4%   |
| Partially indexed                          | 6.5% | 6.5% |
| Wage and health care costs escalation rate | 4%   | 4%   |

Mortality estimates were based on the WSIB's mortality experience of 1991-1995 for injured workers and on the Ontario Life Tables adjusted to reflect the WSIB's mortality projections for survivors of deceased workers of 1990-1992. Provision has been made for the effect of future increases in the covered earnings ceiling and indexation of benefits.

Management believes the amount provided for future payments for incurred claims to be adequate. Long-term economic and actuarial assumptions and methods are reviewed annually at December 31 of each year, when independent actuarial valuations are performed. The actuarial cost of claims for reported and unreported work-related injuries that occurred in the year are recorded under benefit costs, together with adjustments, if any, resulting from the continuous review of entitlements and experience and from changes in legislation, assumptions or methods.

The benefit liabilities include a provision of \$755 million (1999: \$820 million) for the future costs of administering existing claims. Administrative and other expenses have been reduced by \$227 million relating to claim administration costs released from the provision for benefit liabilities in the current year. The comparative claim administration costs for 1999 was nil, as the provision was set up for the first time on December 31, 1999.

**Benefit liabilities provision and benefit costs paid in 2000 were as follows:**

| (\$ Millions)                    | 2000                 |                                          |                    |                       |             |                   |                            | 1999            |
|----------------------------------|----------------------|------------------------------------------|--------------------|-----------------------|-------------|-------------------|----------------------------|-----------------|
|                                  | Long-term disability | Labour market re-entry<br>Income support | External providers | Short-term disability | Health care | Survivor benefits | Claim administration costs | Total           |
| <b>Benefit liabilities,</b>      |                      |                                          |                    |                       |             |                   |                            |                 |
| Beginning of year                | \$ 11,037            | \$ 619                                   | \$ 224             | \$ 473                | \$ 1,254    | \$ 1,308          | \$ 820                     | <b>\$15,735</b> |
| <b>Benefit costs</b>             | 1,659                | (150)                                    | 79                 | 535                   | 270         | 139               | 162                        | <b>2,694</b>    |
| <b>Benefit costs paid,</b>       |                      |                                          |                    |                       |             |                   |                            |                 |
| During the year                  |                      |                                          |                    |                       |             |                   |                            |                 |
| Schedule 1                       | (1,213)              | (98)                                     | (54)               | (365)                 | (270)       | (114)             | (227)                      | <b>(2,341)</b>  |
| Schedule 2                       | (110)                | (8)                                      | (3)                | (53)                  | (30)        | (13)              | -                          | <b>(217)</b>    |
| Injured Workers' Retirement Fund | (11)                 | -                                        | -                  | -                     | -           | -                 | -                          | <b>(11)</b>     |
|                                  | (1,334)              | (106)                                    | (57)               | (418)                 | (300)       | (127)             | (227)                      | <b>(2,569)</b>  |
| <b>Benefit liabilities,</b>      |                      |                                          |                    |                       |             |                   |                            |                 |
| End of year                      | \$ 11,362            | \$ 363                                   | \$ 246             | \$ 590                | \$ 1,224    | \$ 1,320          | \$ 755                     | <b>\$15,860</b> |

**Benefit costs paid include the following:**

| (\$ Millions)                     | Schedule 1 |          | Schedule 2 |        |
|-----------------------------------|------------|----------|------------|--------|
|                                   | 2000       | 1999     | 2000       | 1999   |
| <b>Long-term disability</b>       |            |          |            |        |
| Worker pensions                   | \$ 572     | \$ 572   | \$ 61      | \$ 63  |
| Supplements                       | 242        | 245      | 18         | 19     |
| Future economic loss              | 315        | 300      | 21         | 19     |
| Non-economic loss                 | 84         | 80       | 10         | 9      |
|                                   | 1,213      | 1,197    | 110        | 110    |
| <b>Labour market re-entry</b>     |            |          |            |        |
| Income support                    | 98         | 123      | 8          | 10     |
| External provider                 | 54         | 43       | 3          | 2      |
|                                   | 152        | 166      | 11         | 12     |
| <b>Short-term disability</b>      | 365        | 286      | 53         | 47     |
| <b>Health care</b>                |            |          |            |        |
| Health care                       | 250        | 211      | 28         | 24     |
| Medical reports                   | 20         | 18       | 2          | 2      |
|                                   | 270        | 229      | 30         | 26     |
| <b>Survivor benefits</b>          | 114        | 108      | 13         | 14     |
| <b>Claim administration costs</b> | 227        | -        | -          | -      |
|                                   | \$ 2,341   | \$ 1,986 | \$ 217     | \$ 209 |

## 8. Actuarial reconciliation of the change in the unfunded liability

The actuarial reconciliation of the change in the unfunded liability is as follows:

| (\$ Millions)                                                    | 2000     | 1999     |
|------------------------------------------------------------------|----------|----------|
| Unfunded liability, beginning of year                            | \$ 6,402 | \$ 7,098 |
| Add/(deduct):                                                    |          |          |
| Investment income not earned due to shortfall in invested assets | 450      | 499      |
| Premiums allocated to reduction of unfunded liability            | (971)    | (1,061)  |
| Experience gains (losses) resulting from:                        |          |          |
| Indexation of benefits less than expected                        | (49)     | (69)     |
| Higher than expected investment returns                          | (426)    | (408)    |
| Prior and current years' claims experience                       | 234      | (16)     |
| Changes in assumptions                                           |          |          |
| Net investment returns                                           | -        | (775)    |
| Long-term loss of earnings                                       | (140)    | -        |
| Future claim administration costs                                | (80)     | 820      |
| Other changes                                                    | 150      | 106      |
| Change in personal income tax rates                              | 105      | -        |
| Change in accounting policy (note 11)                            | -        | 208      |
| Unfunded liability, end of year                                  | \$ 5,675 | \$ 6,402 |

## 9. Administrative and other expenses

Administrative and other expenses consist of the following:

| (\$ Millions)                          | 2000   | 1999   |
|----------------------------------------|--------|--------|
| Salaries and employee benefits         | \$ 295 | \$ 259 |
| Equipment depreciation and maintenance | 42     | 30     |
| Occupancy                              | 31     | 31     |
| Communication                          | 11     | 12     |
| Supplies and services                  | 16     | 13     |
| Travel and vehicle maintenance         | 7      | 6      |
| Other                                  | 14     | 10     |
| Year 2000 project                      | -      | 26     |
|                                        | 416    | 387    |
| Agility program                        | 58     | -      |
|                                        | 474    | 387    |
| Claim administration costs (note 7)    | (227)  | -      |
|                                        | \$ 247 | \$ 387 |

## 10. Related party transactions

### Legislated obligations and commitments

Under the *Workplace Safety and Insurance Act, 1997*, and as directed by the Lieutenant Governor through Orders in Council, the WSIB is required to reimburse the Government of Ontario for the administrative cost of the *Occupational Health and Safety Act*. In addition, the WSIB is also required to fund the operating costs of the Workplace Safety and Insurance Appeals Tribunal, the Offices of the Worker and Employer Adviser and the mine rescue stations. The amounts of reimbursements and funding are determined and approved by the Minister of Labour. The WSIB is also committed to provide funding for the Institute for Work and Health and for the Safe Workplace Associations, training centres and clinics. The total amount of funding provided under these legislated obligations and commitments in 2000 was \$156 million (1999: \$145 million).

### Investments

Included in investments are marketable fixed income securities issued by the Ontario provincial government and related corporations of \$373 million (1999: \$362 million).

### Other

In addition to the legislated obligations and injury prevention expenses, the financial statements include amounts resulting from transactions conducted in the normal course of operations, with various Ontario government-controlled ministries, agencies, and Crown corporations with which the WSIB may be considered related. Such transactions are conducted on terms and conditions similar to those transactions with unrelated parties. Account balances resulting from these transactions are not significant.

## 11. Employee future benefit liability

In 1999 WSIB changed its accounting policy for employee future benefits other than pensions based on the Canadian Institute of Chartered Accountants (CICA) accounting standards for *Employee Future Benefits*. The effect of this accounting policy change on January 1, 1999 was the recognition of an employee future benefit liability of \$208 million.

An independent actuarial valuation was performed as of December 31, 2000 in accordance with the new accounting standards, Section 3461 of the CICA handbook *Employee Future Benefits*. At year end 2000, the WSIB's employee future benefit accrued obligation other than pensions was \$283 million (1999: \$270 million).

### The significant actuarial assumptions adopted to value the WSIB's employee future benefit obligation other than pensions were as follows:

|                             | 2000 | 1999 |
|-----------------------------|------|------|
| Discount rate               | 7%   | 6%   |
| Health care cost trend rate |      |      |
| Medical                     | 5%   | 5%   |
| Dental                      | 4%   | 4%   |

## 12. Pension plans

The WSIB has two pension plans for its employees and the employees of Safe Workplace Associations, training centres and clinics: the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan.

The WSIB Employees' Pension Plan is a contributory defined benefit pension plan that provides for partially indexed pensions based on years of service and earnings rates near retirement. The investment activities and the administrative and accounting matters of the pension plan are administered by the WSIB.

An independent actuarial valuation, performed as of December 31, 2000 in accordance with the new accounting standards Section 3461 of the CICA handbook *Employee Future Benefits* has determined that the pension plan is in a surplus position. The accrued pension obligations of the contributory defined benefit plan reflect management's estimates of salary escalations, investment rate of return, mortality of members, terminations and the ages at which members will retire.

The WSIB's Employees' Supplementary Pension Plan is a contributory defined benefit plan and was created to ensure that employees of the WSIB whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the *Income Tax Act (Canada)* will receive pension benefits based on their total earnings. The investment activities and the administrative and accounting matters of the supplementary pension plan are administered by the WSIB.

**As at December 31, the plans' status was as follows:**

| <b>(\$ Millions)</b>                                        | <b>Employees'<br/>Pension Plan</b> | <b>Supplementary<br/>Pension Plan</b> |
|-------------------------------------------------------------|------------------------------------|---------------------------------------|
| Fair value of plan assets                                   | \$ 1,186.8                         | \$ 0.8                                |
| Accrued pension benefits obligation                         | 977.2                              | 8.9                                   |
| Plan surplus (deficit)                                      | <u>\$ 209.6</u>                    | <u>\$ (8.1)</u>                       |
| Accrued pension benefits assets<br>(liabilities) recognized | \$ 22.6                            | \$ (2.7)                              |
| Plan expense for the year                                   | \$ 24.2                            | \$ 2.7                                |
| Employer contributions                                      | -                                  | \$ 0.2                                |
| Employee contributions                                      | -                                  | \$ 0.2                                |
| Pension benefits paid                                       | \$ 36.0                            | -                                     |

**The significant actuarial assumptions adopted as at December 31, 2000 to value the WSIB's pension plans were as follows:**

|                                                     | <b>Employees'<br/>Pension Plan</b> | <b>Supplementary<br/>Pension Plan</b> |
|-----------------------------------------------------|------------------------------------|---------------------------------------|
| Discount rate                                       | 7.00%                              | 7.00%                                 |
| Expected long-term rate of return<br>on plan assets | 7.50%                              | 3.75%                                 |
| Rate of compensation increase                       | 5.50%                              | 5.50%                                 |

## **13. Commitments and contingencies**

### **Operating leases**

At December 31, 2000, the WSIB was committed under non-cancellable operating leases requiring future minimum payments of approximately \$17 million per year over the next five years and \$32 million in aggregate thereafter.

### **Legal actions**

The WSIB is party to various claims and lawsuits that are being contested. In the opinion of management, the outcome of such claims and lawsuits will not have a material effect on the WSIB.

### **Bank line of credit**

The WSIB maintains an unsecured \$150 million line of credit with a commercial bank. The credit line was not utilized in 2000.

## **14. Comparative figures**

Certain of the comparative amounts have been reclassified to conform with the presentations adopted in the current year.

# responsibility for financial reporting

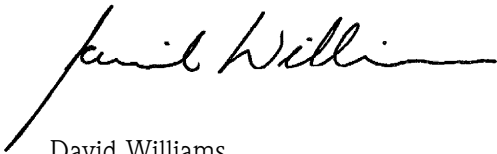
The accompanying financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied, and include some amounts based upon management's best estimates and judgements. Any financial information contained elsewhere in the Annual Report is consistent with these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss. The Board of Directors has established an Audit Committee, to ensure that management fulfils these responsibilities. The Audit Committee meets periodically with management, internal auditors and external auditors to ensure that their responsibilities are properly discharged with respect to financial statement presentation, disclosure and recommendations on internal control.

The Internal Audit Branch performs audits designed to test the adequacy and consistency of the WSIB's internal controls, practices and procedures.

The external auditors, KPMG LLP, working under the direction of the Provincial Auditor, have performed an independent audit of the financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of this independent audit and their opinion on the financial statements of the WSIB.

Eckler Partners Ltd., the independent consulting actuaries to the WSIB, express an opinion on the adequacy and appropriateness of the valuation of the WSIB's benefits liability.

A handwritten signature in black ink, appearing to read "David Williams", with a long horizontal line extending to the left.

David Williams  
President and  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Thomas Chan", with a long horizontal line extending to the right.

Thomas Chan  
Vice-President,  
Finance and Corporate Services  
and Chief Financial Officer

March 7, 2001

# public sector salary disclosure 2000

| Name                       | Position                     | Earnings     | Taxable Benefits | Total Earnings |
|----------------------------|------------------------------|--------------|------------------|----------------|
| Abrams, Brenda E.          | Legal Counsel 2              | \$104,671.66 | \$182.42         | \$104,854.08   |
| Achar, Ramach Andra        | Medical Consultant           | \$111,783.81 | \$196.17         | \$111,979.98   |
| Adamo, Valerie             | VP Info Svcs & CIO           | \$166,183.45 | \$243.82         | \$166,427.27   |
| Allingham, Richard         | Dir Research & Evaluation    | \$110,157.58 | \$189.65         | \$110,347.23   |
| Angove, Linda              | Corporate Secretary          | \$106,268.90 | \$170.07         | \$106,438.97   |
| Anstey, Calvin             | Dir Transportation Sctr      | \$103,632.93 | \$181.78         | \$103,814.71   |
| Argue, Robert              | Dir Applications Dev         | \$105,941.11 | \$184.66         | \$106,125.77   |
| Aronstam, Masha            | Medical Consultant           | \$122,205.18 | \$212.03         | \$122,417.21   |
| Arvais, J.                 | Medical Consultant           | \$122,392.85 | \$212.03         | \$122,604.88   |
| Bain, Donna                | Exec Dir Hlth Svcs Mgmt      | \$118,038.56 | \$199.58         | \$118,238.14   |
| Belanger, Adele Marie      | Legal Counsel 2              | \$107,535.85 | \$183.95         | \$107,719.80   |
| Bell, Susan                | Dir CCP                      | \$105,536.17 | \$179.82         | \$105,715.99   |
| Bishop, M.                 | Medical Consultant           | \$120,892.85 | \$212.03         | \$121,104.88   |
| Bowman, Leslie             | Medical Consultant           | \$124,991.84 | \$219.05         | \$125,210.89   |
| Brown, Elizabeth           | Legal Counsel 2              | \$107,535.85 | \$183.95         | \$107,719.80   |
| Burton, Neil               | Dir Client Server Div        | \$115,735.97 | \$193.03         | \$115,929.00   |
| Cantlie, George            | Medical Consultant           | \$129,797.84 | \$219.05         | \$130,016.89   |
| Chain, Marybelle           | Medical Consultant           | \$127,205.87 | \$211.03         | \$127,416.90   |
| Chan, Thomas               | VP Finance & Corp Svcs & CFO | \$183,073.70 | \$258.78         | \$183,332.48   |
| Chen, Kathy                | Sr Spec Database             | \$107,243.62 | \$134.40         | \$107,378.02   |
| Colaco, Carmen             | Medical Consultant           | \$118,263.44 | \$219.05         | \$118,482.49   |
| Coutinho, Jude             | Assoc Dir/Physician          | \$125,130.12 | \$217.94         | \$125,348.06   |
| Cude, Beverley             | Dir Technology Svcs          | \$123,037.58 | \$186.62         | \$123,224.20   |
| David, Lawrence            | Medical Consultant           | \$118,422.89 | \$208.78         | \$118,631.67   |
| De Demeter, Dorrit         | Medical Consultant           | \$124,991.84 | \$219.05         | \$125,210.89   |
| De Domenico, Ivan J.       | Medical Consultant           | \$121,357.00 | \$212.03         | \$121,569.03   |
| Deslauriers, Jean          | Medical Consultant           | \$112,783.81 | \$196.17         | \$112,979.98   |
| Djan, P. A.                | Medical Consultant           | \$116,081.82 | \$196.17         | \$116,277.99   |
| Douglas, Colin J.          | Legal Counsel 2              | \$107,535.85 | \$183.95         | \$107,719.80   |
| Douglas, Richard Alexander | Dir Employee Relations       | \$125,342.55 | \$218.31         | \$125,560.86   |
| D'souza, Irene             | Medical Consultant           | \$116,012.16 | \$204.10         | \$116,216.26   |
| Dudley, John               | Assoc Dir/Physician          | \$129,134.70 | \$224.43         | \$129,359.13   |
| Fahmy, Nadia               | Dir Admin Svcs               | \$100,615.65 | \$174.19         | \$100,789.84   |
| Fedder, Jonathan E.        | Managing Dir Legal           | \$101,244.69 | \$0.00           | \$101,244.69   |
| Flynn, Miriam E.           | Legal Counsel 2              | \$105,013.62 | \$183.74         | \$105,197.36   |
| Garg, S. K.                | Medical Consultant           | \$122,205.18 | \$212.03         | \$122,417.21   |
| Geary, Judy                | GM CCP & Spec Claims Svcs    | \$157,837.01 | \$233.22         | \$158,070.23   |
| Germansky, Martin          | Medical Consultant           | \$120,892.85 | \$212.03         | \$121,104.88   |
| Gibbs, Harry               | VP Investments               | \$226,812.11 | \$321.14         | \$227,133.25   |
| Gregoire, Jean             | Chief Actuary                | \$229,466.57 | \$254.32         | \$229,720.89   |
| Hadjiski, Anna             | Medical Consultant           | \$124,991.84 | \$219.05         | \$125,210.89   |
| Hall, Nick M.              | Dir Automotive Sctr          | \$103,811.91 | \$182.34         | \$103,994.25   |
| Hawkins, Adam J.           | Dir Realty Invest            | \$136,806.39 | \$188.55         | \$136,994.94   |
| Heckadon, Robert           | Assoc Dir/Physician          | \$143,998.33 | \$0.00           | \$143,998.33   |
| Hickman, Robert            | Medical Consultant           | \$115,965.88 | \$204.10         | \$116,169.98   |
| Higgins, Jodi              | Dir Small Business           | \$100,589.98 | \$173.29         | \$100,763.27   |
| Ho Kim, Thu Lan            | Medical Consultant           | \$113,060.10 | \$197.25         | \$113,257.35   |
| Ho, Michael                | Medical Consultant           | \$124,991.84 | \$219.05         | \$125,210.89   |
| Holyoke, Paul              | General Counsel              | \$203,860.56 | \$276.43         | \$204,136.99   |
| Horseman, Brock C.         | Sr VP Operations             | \$300,805.49 | \$376.42         | \$301,181.91   |
| Jolley, Linda              | VP Policy & Research         | \$192,254.03 | \$251.83         | \$192,505.86   |
| Jones, Derek               | Medical Consultant           | \$108,319.30 | \$197.25         | \$108,516.55   |
| Kanalec, Andrew D.         | Assoc Dir/Physician          | \$136,438.63 | \$239.20         | \$136,677.83   |
| Karr, A. Wm.               | Medical Consultant           | \$120,892.85 | \$212.03         | \$121,104.88   |

| Name                     | Position                        | Earnings     | Taxable Benefits | Total Earnings |
|--------------------------|---------------------------------|--------------|------------------|----------------|
| Keatings, Margaret       | Dir Prof Practice/CNO           | \$100,754.70 | \$175.86         | \$100,930.56   |
| Kelly, J. Brian          | Assoc Dir/Physician             | \$140,929.36 | \$247.13         | \$141,176.49   |
| Kempster, Geoff          | Dir Manufacturing Sctr          | \$102,459.08 | \$178.48         | \$102,637.56   |
| Kosmidis, Elizabeth      | Legal Counsel 2                 | \$107,535.85 | \$183.95         | \$107,719.80   |
| Kulnych, Heidi           | Exec Asst (CEO)/Dir Corp Office | \$111,080.00 | \$182.52         | \$111,262.52   |
| Kwong, Paul              | Project Dir                     | \$113,905.17 | \$167.68         | \$114,072.85   |
| Lamanna, Pat             | Dir Small Business              | \$105,450.27 | \$184.05         | \$105,634.32   |
| Lamoureux, Linda         | Dir Special Invest'n            | \$153,665.86 | \$240.47         | \$153,906.33   |
| Leshchyshtyn, Dana       | Dir Ind Sctr Construction       | \$106,676.85 | \$187.83         | \$106,864.68   |
| Levitsky, Marianne       | Dir Best Practices              | \$107,337.46 | \$175.43         | \$107,512.89   |
| Lewis, Owen              | Dir Applications Dev            | \$105,309.32 | \$177.52         | \$105,486.84   |
| Londry, David            | Dir Client Server Div           | \$113,113.67 | \$185.53         | \$113,299.20   |
| Lortie-Monette, Francine | Medical Consultant              | \$116,012.16 | \$204.10         | \$116,216.26   |
| Lovelock, Ronald         | Dir Prevention Svcs             | \$103,967.09 | \$173.63         | \$104,140.72   |
| Luck, Mary               | Dir Svcs Sctr                   | \$107,038.11 | \$185.66         | \$107,223.77   |
| MacArthur, Angus         | Medical Consultant              | \$124,991.84 | \$219.05         | \$125,210.89   |
| Maehle, Waldemar         | Medical Consultant              | \$111,783.81 | \$196.17         | \$111,979.98   |
| Malayil, Ammini          | Medical Consultant              | \$124,991.84 | \$219.05         | \$125,210.89   |
| Martin, Peter J.         | Dir Compensation                | \$122,478.06 | \$194.19         | \$122,672.25   |
| Mastrilli, Arcangelo     | Medical Consultant              | \$124,531.18 | \$212.03         | \$124,743.21   |
| McAdam, Roberta          | Dir Revenue Audit Svcs          | \$103,441.21 | \$182.31         | \$103,623.52   |
| McCarthy, Jane           | GM Hlth Svc Adm/Sp Prog         | \$114,667.43 | \$199.58         | \$114,867.01   |
| McCullough, Corinne      | HPT Process Consultant          | \$102,080.73 | \$176.45         | \$102,257.18   |
| McKenna-Boot, Patricia   | Medical Consultant              | \$111,783.81 | \$196.17         | \$111,979.98   |
| McMurtrie, Robert        | Dir Financial Services          | \$111,498.47 | \$168.27         | \$111,666.74   |
| Meenan, John J.          | Medical Consultant              | \$113,073.22 | \$199.24         | \$113,272.46   |
| Mitchell, William        | Dir Applications Dev            | \$112,029.22 | \$185.08         | \$112,214.30   |
| Morden, Donald Lawrence  | VP Human Resources              | \$200,860.52 | \$275.45         | \$201,135.97   |
| Morrison, Richard        | Dir Small Business              | \$100,127.49 | \$176.21         | \$100,303.70   |
| Mould, Roy               | VP Prevention                   | \$175,862.11 | \$249.22         | \$176,111.33   |
| Painvin, Catherine       | Dir Clinical Resources          | \$147,453.25 | \$254.94         | \$147,708.19   |
| Pritchett, Barry         | Medical Consultant              | \$120,892.85 | \$212.03         | \$121,104.88   |
| Pushka, Wayne            | Asst Dir & Chief Investigation  | \$100,332.87 | \$173.28         | \$100,506.15   |
| Ramsey, Willard          | Chief Actuary                   | \$126,675.49 | \$222.94         | \$126,898.43   |
| Roy, Marie               | Medical Consultant              | \$134,526.84 | \$219.05         | \$134,745.89   |
| Scullion, Catherine      | Medical Consultant              | \$103,187.77 | \$177.69         | \$103,365.46   |
| Sgro, Joseph             | Dir Quality Improvement         | \$108,987.48 | \$182.26         | \$109,169.74   |
| Shapiro, Gary            | Medical Consultant              | \$120,892.85 | \$212.03         | \$121,104.88   |
| Sherwin, Linda           | Medical Consultant              | \$111,783.81 | \$196.17         | \$111,979.98   |
| Simmons, Wayne B.        | Dir Bonds & Money Mkt           | \$141,353.01 | \$239.01         | \$141,592.02   |
| Slinger, John            | Dir Appeals                     | \$123,097.27 | \$201.40         | \$123,298.67   |
| Stasila, Dave            | Board Auditor                   | \$143,263.92 | \$221.87         | \$143,485.79   |
| Sutherland, Doris        | Medical Consultant              | \$124,991.84 | \$219.05         | \$125,210.89   |
| Taraschuk, Ihor          | Medical Consultant              | \$111,783.81 | \$196.17         | \$111,979.98   |
| Thakur, Ranasree         | Medical Consultant              | \$122,552.05 | \$215.54         | \$122,767.59   |
| Thomas, Roy E.           | VP Communications               | \$135,217.37 | \$199.88         | \$135,417.25   |
| Thomson, Garry           | GM Industry Sector              | \$152,054.40 | \$227.76         | \$152,282.16   |
| Todorovic, Slavica       | Dir Benefits Policy             | \$108,640.01 | \$189.65         | \$108,829.66   |
| Walker, John             | Medical Consultant              | \$120,792.85 | \$212.03         | \$121,004.88   |
| Weatherbee, Wayne        | GM Small Business Svcs          | \$155,224.77 | \$229.32         | \$155,454.09   |
| Welton, Ian              | Dir Rev Policy                  | \$110,157.58 | \$189.65         | \$110,347.23   |
| Williams, David          | President & CEO                 | \$752,435.97 | \$701.61         | \$753,137.58   |
| Wright, Glen             | Chair of the Board              | \$123,215.04 | \$0.00           | \$123,215.04   |

\*\* The amount shown as earnings in this disclosure statement may not represent the individual's actual annual rate of salary. The earnings required to be made public under the *Public Sector Salary Disclosure Act, 1996* reflect the amount reported to Revenue Canada on the employer's T4 slip for an employee. The earnings shown in this statement may

therefore include non-recurring payments in 2000 for retroactive pay from a reclassification or a grievance settlement or a payout upon retirement. The earnings shown may be less than the individual's annual rate of salary if the individual worked only part of the year.