

## **Board of Directors' Meeting of February 2, 2016 Website Summary**

### **2015 Corporate Objectives and Performance Measures – Results**

#### **Decision**

The Board of Directors approved the 2015 corporate scorecard (see attachment 1) as confirmation of the corporation's achievement of the 2015 corporate objectives

#### **Rationale**

2015 brought significant challenges to the economy and yet the WCB Alberta was able to confirm achievement of the vast majority of its' objectives including the most important goals of ensuring decision fairness as well as helping injured workers achieve the fitness they need to make a safe return to work.

### **2016 Corporate Objectives and Performance Measures - Targets**

#### **Decision**

The Board of Directors approved the 2016 corporate objectives and performance measure targets.

#### **Rationale**

WCB-Alberta's corporate objectives have consistently provided the right focus for the organization's employees to deliver positive customer outcomes. As a result of this focus, WCB-Alberta is fully funded, has the lowest premium rates in Canada, achieves superior return-to-work results, and is seen as a leader in relationship and decision fairness.

The 2016 objectives meet the criteria set by the Board of Directors for objective setting and will ensure continued progress toward the mission of reducing the impact of workplace illness and injury for Albertans.

The performance measures selected each year place emphasis on key processes and are both meaningful to external stakeholders and to WCB-Alberta employees. Achievement is a challenge that requires commitment and innovation.

## 2015 Corporate Scorecard

Customer Outcomes	Financial Stability
 <p><b>Decision Fairness: Relationships</b> Positively impact relationships with our customers by achieving a relationship index score of <b>82 per cent</b> with workers and employers.</p>	 <p><b>Safeguard financial stability.</b> Measure our premium rate setting accuracy and the positive impact our operational initiatives have on the workers' compensation system by achieving a surplus from operations that meets or exceeds the budget target of <b>\$5.0 million</b>. In order to achieve this goal we will ensure:</p>
 <p><b>Decision Fairness: Correctness</b> Positively impact injured workers by achieving a <b>90 per cent</b> decision fairness score on decisions delivered throughout the life of a claim.</p>	<p>1. Non-capitalized transaction year claim costs do not exceed the 2015 budget by more than <b>2.5 per cent</b>.</p>
 <p><b>Fitness for Work</b> Positively impact injured workers by helping <b>90 per cent</b> of those cared for in 2015 achieve the fitness they need to make a safe return to work.</p>	<p>2. Premium revenue at <b>90 per cent</b> or more of budget for 2015.</p>
 <p><b>Leveraging Prevention</b> Leverage prevention by working with Alberta employers to enhance safety and disability management. We will:</p> <ul style="list-style-type: none"> <li>Promote greater employer accountability by registering industries representing at least <b>\$2 billion</b> in insurable earnings in a voluntary program to increase risk-reward in rate setting from +/-40 per cent to +/- 60 per cent by Oct. 31.</li> </ul>	 <p>Exercise prudent asset-liability management practices. Funds must be available to pay the future cost of current and prior-year claims by not dropping below the minimum funding policy target of <b>114 per cent</b>.</p>
Key Deliverables	Innovations
 <p>Positively impact return-to-work success by negotiating modified work on behalf of injured workers and increasing the percentage of files<sup>1</sup> with modified work performed and documented by 2 per cent (to <b>57.1 per cent</b>).</p>	 <p>Optimize the medical management of shoulder injury claims by concluding and evaluating the results of a surgical review pilot. Commence a program roll-out based on the pilot results.</p>
 <p>Positively impact injury rehabilitation by helping workers move successfully through return-to-work planning so the number of cases that exceed three months of short-term total disability at year end is not greater than <b>726</b>.</p>	 <p>Maximize worker engagement in return to work through development and refinement of education and communication tools.</p>
 <p>By engaging safety associations and enhancing internal processes, we will increase by 45 per cent the number of employer action plans focused on improving disability management by year end (target: <b>333</b> action plans).</p>	<p>Optimize processes and systems to reduce technical complexity, enhance service delivery and re-platform critical legacy systems.</p>
 <p>Positively impact return-to-work success by providing timely vocational assistance so <b>80 per cent</b> of workers who utilized career planning services achieve the potential to earn at least <b>75 per cent</b> of their pre-injury income.</p>	 <p>1. Enhance service delivery to employers by replacing our legacy employer account application. Implement the first phase of the new policy administration application.</p>
 <p>Positively impact post-injury wage quality by helping employable workers maximize their post-injury earnings through effective return-to-work planning. We will not exceed the capitalized economic loss payment budget by more than <b>10 per cent</b>.</p>	 <p>2. Enhance the financial management of worker and health care provider payments by developing and beginning implementation of a multi-year plan to migrate functionality from the claims information system (CIS) into our claims management application.</p>

<sup>1</sup> With time loss greater than 21 days

# Board of Directors' Meeting of April 26, 2016 Website Summary

## Financial Statements – 2015

### Decision

The Board of Directors approved the consolidated financial statements and authorized the Chair and President to sign the Statement of Financial Position and deliver it to the Minister of Labour.

### Rationale

The financial statements and accompanying notes, as recommended by the Audit Committee, reflect the financial position of the corporation as at December 31, 2015. The financial statements and notes have been prepared in accordance with International Financial Reporting Standards.

## 2016 Claim Benefit Liability Valuation – Reappointment of External Actuary

### Decision

The Board of Directors reappointed Eckler Ltd. as the WCB's external certifying actuary for the 2016 claim benefit liability valuation.

### Rationale

Section 93(6) of the *Workers' Compensation Act* requires the WCB to have an independent, duly qualified actuary certify the actuarial valuation of the WCB's claim benefit liability at least once every five years. Due to the significance of the claim benefit liability on the WCB's financial position, a higher standard is maintained requiring annual certification of the liability.

## Board and Committee Meeting Evaluations

### Decision

The revised board and committee meeting evaluation forms were approved.

### Rationale

The Governance Committee was tasked with reviewing the committee self-assessment forms in an attempt to streamline the process. Management confirmed current governance best practice, which supports collecting feedback through board and meeting evaluations, but found best practice is not prescriptive on the type or number of questions. Therefore, Governance Committee proposes the following recommendations:

1. Delete items on the evaluation form related to the committee's terms of reference and incorporate into the committee meeting agenda as a standing item and,
2. Streamline to 3 question format with space for comments.
3. Require participants to comment when they disagree or strongly disagree on their evaluation.

It seemed appropriate to take the same approach with the board meeting evaluation; therefore it is proposed that the board evaluation be revised to similar format.

## **Board of Directors' Meeting of October 25, 2016 Website Summary**

### **Policy 04-10, Part II, Application 3, Housekeeping Allowance**

#### **Decision**

The Board of Directors approved housekeeping allowance to include all tasks identified by occupational therapist assessment. This expanded our core set of services and will be effective January 1, 2017.

#### **Rationale**

The current Housekeeping Allowance (HKA) came into effect on December 1, 2013. It offsets the cost of hiring outside help for seriously injured workers whose compensable injuries prevent them from doing heavy housekeeping tasks such as washing walls and moving kitchen appliances to clean behind them.

Since the benefit was introduced, it has become apparent there are additional housekeeping tasks (e.g., cleaning bathrooms, dealing with heavy groceries) not covered within HKA that seriously injured workers cannot accomplish without support. These are tasks that must be done regularly, rather than the infrequent heavy housekeeping tasks currently included under HKA.

The amendment approved by the Board of Directors expands the tasks included within HKA and increases the benefit from \$100 to \$276 per month.

The policy amendment does not impact premium rates.

## **Board of Directors' Meeting of November 29, 2016 Website Summary**

### **Policy 04-05, Temporary Modified Work Programs and Policy 07-02, Experience Rating**

#### **Decision**

The Board of Directors approved changes to the temporary modified work and experience records policies. The changes give WCB the ability to alleviate the financial consequences caused by the unavailability of temporary modified work because of business disruptions during a provincial or local state of emergency.

#### **Rationale**

In response to the Fort McMurray fire disaster in the spring of 2016, the Board of Directors approved a plan to consult with stakeholders on a proposed policy change allowing WCB to alleviate financial consequences caused when employers were prevented from continuing temporary modified work programs in the event of disaster.

After an online and in-person stakeholder consultation process, feedback was incorporated into the proposed policy, which was approved by the Board of Directors.

### **Investment Management Strategic Plan**

#### **Decision**

The Board of Directors approved the Investment Management Strategic Plan (2017-2019).

#### **Rationale**

The Investment Strategic Plan allows the Board of Directors to approve the strategy for managing the investment portfolio from both a total portfolio and multi-year perspective. The plan emphasizes a continued focus on risk management and a portfolio strategy that is specifically tailored to the unique needs of WCB-Alberta. The strategy is consistent with the achievement of the goals and objectives of the Investment Policy and is aligned with the risk tolerance of the Board of Directors. The Strategic Plan has been reviewed and endorsed by the Board's independent investment consultant, Aon Hewitt.

### **Annual Investment Policy Review**

#### **Decision**

The Board of Directors approved amendments to the Investment Policy, effective January 1, 2017.

**Rationale**

As the WCB’s investment portfolio evolves and new capital market opportunities become available, amendments to the Investment Policy are regularly considered as part of the annual review process. The WCB Investment Policy has specific permitted investment and portfolio management constraints. This approach to policy development has the benefit of providing a clear understanding of portfolio management boundaries for all fiduciaries, but with the tradeoff being that policy amendments need to be considered on a regular basis.

The 2016 review proposes one minor administrative amendment. In Application 4, Permitted Investment and Constraints, the language around the use of derivatives (futures and forwards) has been revised to distinguish the different counterparty risks that exist for the two types of derivative contracts. All changes were reviewed and endorsed by the Board’s independent investment consultant AON Hewitt.

**Cost of Living Adjustment****Decision**

The Board of Directors approved the cost of living adjustment of 0.84 per cent, effective January 1, 2017.

**Rationale**

In accordance with Application 4 of Policy 04-01, annual cost-of-living adjustments are based on 100 per cent of the change in the average Alberta Consumer Price Index (ACPI) for the 12 months ending September 30 of the year immediately prior to the adjustment, less 0.5 per cent. The policy states the cost-of-living adjustments are applied on the 1<sup>st</sup> day of January of each year. It further goes on to say that the annual cost-of-living adjustment, arrived at through the formula, is to be ratified by the Board of Directors prior to its application.

The percentage change in the average ACPI for the 12 months ending September 30, 2016 totaled 1.34 per cent. COLA has been calculated as 0.84 per cent (1.34 per cent less 0.5 per cent) in accordance with WCB policy.

**2017 Maximum Insurable Earnings****Decision**

The Board of Directors approved the maximum insurable earnings at \$98,700 per year (no change from 2016).

**Rationale**

In accordance with Board order, the WCB applies a formula based approach for determining maximum insurable earnings (MIE). The objective of this formula is to ensure that the annual MIE adjustment keeps pace with wage growth such that the MIE

covers the full wage of 90 percent of workers covered in the province. Based on this formula, the 2017 MIE would be \$95,600, which would have a net impact to the average rate of a reduction by 0.5 cents, all other factors remaining equal. As the 2016 MIE of \$98,700 is sufficient to ensure the 90 per cent coverage level, the 2017 MIE will remain at the 2016 level.

## **2017 Budget and 2018-2019 Forecast**

### **Decision**

The Board of Directors approved the 2017 budget and 2018-2019 forecast.

### **Rationale**

WCB's budget is significantly influenced by key economic assumptions, such as insurable earnings, covered workers, and claim volume expectations that directly impact WCB operating activities and results. The 2017 budget outcomes are based on current key drivers and assumptions which are by their nature quite variable.

Highlights of the 2017 budget are as follows:

- 2017 insurable earnings expectations are forecast to increase by 2.9 per cent over 2016 forecast to \$104.4 billion.
- New lost-time claims volume is budgeted at 23,800; a 1.3 per cent increase from 2016 forecast. Fully funded claim costs (current year injuries) forecast for 2016 are \$762.4 million, a decrease of 7.6 per cent from 2016 budget of \$825.1 million. In 2017 they are budgeted to grow slightly to \$788.0 million (3.4 per cent).
- Total operating administrative expenses are expected to decline by 1.8 per cent from the 2016 budget of \$167.8 million to \$164.7 million for 2017.
- Average industry premium rate for 2017 is set at \$1.02 which is unchanged from the 2016 budget rate.

## **Finance Committee Terms of Reference**

### **Decision**

The Board of Directors approve the amended Terms of Reference.

### **Rationale**

The Terms of Reference for the Finance Committee are reviewed annually in order to ensure that they continue to fulfill its mandate. For the 2016 review, inconsequential amendments were approved to align the Terms of Reference with best practice standards.

## **Corporate Governance Policy Manual Review**

### **Decision**

The Board of Directors approved amendments to the Corporate Governance Policy Manual and Board Profile, Skills and Competencies document to reflect its goal of a diverse and gender-balanced board.

### **Rationale**

Management conducted a review of current trends in governance best practices in order to identify potential updates to the Corporate Governance Policy Manual. The current policy reflects best practice literature, but could be improved by stating our goals for gender diversity. The Corporate Governance Policy Manual and Board Profile, Skills and Competencies document were amended accordingly.

## **Human Resource and Compensation Committee Terms of Reference**

### **Decision**

The Board of Directors approved the amended Human Resource and Compensation (HR&C) Committee Terms of Reference.

### **Rationale**

The Terms of Reference for the HR&C Committee are reviewed annually in order to ensure that they continue to meet our governance standards.

The Terms of Reference have been reviewed to reassess adequacy, consider industry best practices, contemplate the Committee's self-assessment results and address any new regulatory and legal requirements. With this year's review, it has been determined that a minor change be made to 2.10 and 2.11.

## **Compensation, Rewards and Recognition Philosophy**

### **Decision**

The Board of Directors approved the amended Compensation, Rewards and Recognition Philosophy.

### **Rationale**

Starting in 2017, the current employee pay at risk program has been eliminated. The philosophy has been further reviewed to reassess adequacy, consider industry best practices and address any new regulatory and legal requirements. The philosophy continues to meet objectives set out, as related to the obligations of the HR&C Committee.