WORKPLACE SAFETY & INSURANCE BOARD

2016 ANNUAL REPORT

wsib cspaat ONTARIO

Elizabeth Witmer
Chair
Présidente du conseil

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April 30, 2017

The Hon. Kevin Flynn, MPP
Minister of Labour
400 University Avenue, 14th Floor
Toronto, ON
M7A 1T7

Dear Minister,

On behalf of the Board of Directors of Ontario's Workplace Safety and Insurance Board (WSIB), I am pleased to submit the WSIB's 2016 Annual Report. This document includes the financial statements for the year as submitted by the external auditors of the WSIB as appointed by the Lieutenant Governor in Council, working under the direction of the Auditor General.

2016 was another encouraging year for the WSIB, as we continue to build a system that is fiscally secure and more responsive to the needs of injured workers and employers alike. Most notably, after reaching an unsustainable high of $14.2 billion in 2011, our Unfunded Liability (UFL) ended 2016 at $4.0 billion on a sufficiency basis - and continues to fall at a pace well ahead of the legislated timetable for its elimination. This is being achieved at the same time as significant new investments are being made to strengthen programs of care for injured workers, together with the ongoing introduction of new technologies to enhance the service experience for injured workers and employers.

We look forward to working with you in 2017, as we build the most responsive workplace compensation system together.

Sincerely,

Elizabeth Witmer
Chair

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MESSAGE FROM **THE CHAIR** OF THE WSIB

Throughout 2016, the WSIB has remained committed to improving our financial sustainability and ensuring we are working in close collaboration with all our stakeholders to support healthy and safe workplaces. We are also focusing on being more responsive to the needs of employers and injured workers alike.

It was an exciting achievement in 2016 when our Board of Directors approved the new rate framework. This new rate framework initiative is intended to increase the transparency of the premium rate setting process to better align employer premium rates with actual costs of the system, and to continue to provide employers with incentives to proactively improve occupational health and safety. The new rate framework was developed following extensive multi-year consultations with experts and stakeholders.

I am also pleased that this year, the WSIB's progress toward financial sustainability allowed us to announce the first premium rate reduction since 2001 at our 2016 Annual General Meeting. We also signaled the potential for future rate reductions should economic conditions remain favourable.

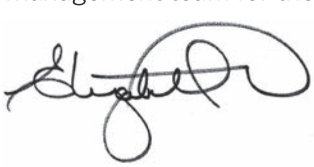
Furthermore, in 2016, the WSIB began reporting on a new overall satisfaction metric. The goal of this metric is to better track the satisfaction of employers and injured workers, and to hold ourselves to a higher standard of service. By using this metric and setting a baseline, we can more strategically work to improve outcomes in a meaningful and consistent way.

The WSIB also remained committed to enhancing the ways through which we engage with stakeholders to strengthen workplace health and safety. During the summer, we encouraged young workers to showcase their health and safety knowledge by sending us pictures of working safely through the #PracticeSafeWork social media contest. This contest garnered almost 400 photo entries from young people across the province. The social media and traditional advertising campaigns designed around the contest were also well received – the Facebook ads alone reached 1.7 million views.

As well, throughout 2016, our Small Business Programs were able to increase their reach by 200 per cent to educate small businesses on workplace health and safety issues, and by 30 per cent in assisting them to implement effective health and safety programs.

This all comes at a time when recovery and return-to-work outcomes continue to be among the best we have seen in recent years. Further, we have seen a marked decrease in permanent impairments compared to 2009. This is due to a health care strategy introduced several years ago with a focus on early, expert medical intervention, and to major investments in services for injured workers, such as Specialty Clinics and Programs of Care.

As we look back on 2016, I extend my sincere appreciation to our stakeholders, the Board and our staff and management team for their commitment and dedication to keeping Ontario workplaces healthy and safe.



Elizabeth Witmer, Chair

MESSAGE FROM
**THE PRESIDENT
& CEO**
OF THE WSIB

2016 has been a year of significant milestones in the WSIB's 102-year history of serving Ontario's workers and employers. While protecting and enhancing benefits for workers we have maintained stable and predictable premium rates for employers.

The WSIB exists to serve workers by providing compensation when needed and supporting recovery and safe return to work. Our results in this area continue to be strong with 92 per cent of injured workers returning to work within a year with no wage loss.

Building on our expertise in mental health, during 2016 we were able to successfully implement new legislation that introduced presumptive coverage for first responders and other designated workers suffering from Posttraumatic Stress Disorder (PTSD) in April. Dedicated teams were established to ensure these workers receive the services they need to help them access treatment and return to work safely. We have also created a roster of psychologists and psychiatrists to further support workers' timely access to treatment. We remain dedicated to serving Ontario's workers experiencing work-related psychological trauma.

These initiatives are supported by our progress toward our goal of achieving financial sustainability. The WSIB's Unfunded Liability (UFL) on a sufficiency basis has been reduced to $4.0 billion corresponding to a funding level of 87.4 per cent. We are on track to eliminate the UFL by 2021 and we have set a target of between 115-125 per cent as our benchmark for full funding. This level of funding will shield our organization from global financial uncertainty and allow us to maintain benefits for workers while delivering stable premiums for employers.

Our year-to-date financial results are also encouraging. The WSIB's investment portfolio increased by approximately $3.1 billion, growing the fund to a total of $29.4 billion, with a 6.3 per cent return in 2016.

From an operational perspective, 2016 saw the final phase of implementation of the Accounts and Claims Enterprise System (ACES), an online claims and accounts management system.

This project introduces forward looking technology that delivers a centralized claims and accounts system to improve service, and support recovery and safe return to work. Front-line employees in all of the WSIB's regional offices and in our Toronto headquarters are now using the new system.

Throughout 2016, integrity and excellence have guided our work and will continue to guide us well into the future as we continue our work on behalf of Ontario's workers and employers.

Thomas Teahen, President & CEO

OPERATIONAL HIGHLIGHTS

STRONG RETURN TO WORK OUTCOMES

In 2016, 92 per cent of injured workers returned to work at 100 per cent of their pre-injury earnings within 12 months of their injury.

FEWER INCOMING APPEALS

In 2016, there was a 13 per cent decline in newly registered appeals compared to 2015. We also continued to resolve these appeals in a timely way with 90 per cent resolved within six months, a three per cent increase from the 2015 level.

A new role, the Appeals Registrar, was created in early 2016 to ensure timely determinations regarding the method of appeal resolution and provide ongoing information support to unrepresented workers and employers.

ENHANCING CASE MANAGEMENT THROUGH TECHNOLOGY

The WSIB implemented a new Accounts and Claims Enterprise System (ACES) for administering employer accounts and managing workers' claims. Managers and staff advise that the new system is a beneficial tool in assisting them in the work they do to serve injured workers and employers.

INCREASING DIRECT DEPOSITS

In 2016, 85 per cent of total benefit payments were made via direct deposit, a 4 per cent increase from 2015.

FASTER ELIGIBILITY DECISIONS

In 2016, 94 per cent of eligibility decisions were made within two weeks of the claims being registered with the WSIB. This is well above the 90 per cent target we had set for the year and also above the 92 per cent achieved in 2015.

84 %

BETTER RESULTS WITH WORK TRANSITION

The Work Transition Program provides workers with support and services to return to work with the pre-injury employer or, when this is not possible, a new employer. In 2016, 84 per cent of those who completed their Work Transition plans found employment, more than in any year since the program began in 2013.

INCREASING STAKEHOLDER SATISFACTION

The WSIB began reporting on a new "Overall Satisfaction" metric designed to hold ourselves to an even higher standard of service, and to allow us to more easily compare our results to other workers' compensation boards and public agencies.

As of Q4 2016, 77 per cent of employers and 71 per cent of injured workers reported that they were satisfied with their overall experience with the WSIB.

FINANCIAL HIGHLIGHTS

SUPPORTING INJURED WORKERS

The WSIB paid $2.3 billion in benefits to Schedule 1 injured workers and survivor beneficiaries in 2016.

REDUCING PREMIUMS

The Board approved a 6.2 per cent reduction on the average premium rate for Schedule 1 in 2017. This is the first reduction in over 15 years.

CUTTING THE UFL

The WSIB's Unfunded Liability has been reduced significantly to $4.0 billion on a sufficiency basis after reaching a high of $14.2 billion in 2011.

JOINING IMCO

The WSIB along with the Ontario Pension Board are the two founding members of the Investment Management Corporation of Ontario (IMCO). Created by the Ontario Government and enacted by legislation, IMCO is a new entity that will enable the WSIB and other public entities to "pool" the management of their investments and achieve a sufficiently large asset pool to broaden access to other asset classes and gain more diversification.

INCREASING TRANSPARENCY THROUGH RATE SESSIONS

The WSIB hosted nine Technical Rate Sessions, including the first-ever Technical Rate Session webinar, to educate employers and other stakeholders about 2017 premium rates.

GROWING INVESTMENTS

The WSIB's Investment Portfolio returned 6.3 per cent in 2016. The total investment portfolio grew to $29.4 billion from $26.3 billion in 2015.

APPROVED RATE FRAMEWORK

The Board of Directors approved the new rate framework, which is intended to better align employer premium rates with actual costs of the system..

AHEAD OF TARGETS ON SUFFICIENCY

The WSIB's year-end sufficiency ratio is 87.4 per cent, putting us ahead of target to meet our legislative requirements.

INVESTING FOR THE FUTURE

The WSIB transferred $1.45 billion in cash from Treasury operations to the Investment Fund in 2016.

MEASURING OUR PERFORMANCE

These metrics are included in the WSIB's Measuring Results report and are tracked on a quarterly basis.

Strategic Theme	Strategic Goal	Measures
HEALTH & SAFETY	Promote health and safety in Ontario workplaces	Lost-time Injury (LTI) rate
RETURN TO WORK, RECOVERY & FAIR BENEFITS	Achieve better return-to-work and recovery outcomes and administer benefits fairly	Return to Work (RTW) at 100 per cent pre-injury earnings within 12 months
FINANCIAL SUSTAINABILITY	Eliminate the Unfunded Liability and make Ontario's workers' compensation system financially sustainable	Sufficiency Ratio
INNOVATION	Deliver service excellence, quality and care through innovation	ACES Implementation
OUR PEOPLE	Reach shared goals as a dedicated and collaborative team	1) Service Excellence Index - Injured Workers (Claims) 2) Service Excellence Index - Employers (Claims) 3) Service Excellence Index - Employers (Account Management)

2016 Target	Status	Notes
0.85*	0.92*	After over a decade of steady improvement, the LTI rate increased in 2016 and did not meet target. Even with the increase, Ontario continues to have the lowest LTI rate of any jurisdiction in Canada. We will continue to closely monitor this result and to work with our partners on workplace health and safety efforts in 2017.
92.2 per cent*	91.6 per cent*	Consistent with 2015, approximately 92 per cent of workers who are off work due to injury or illness return to employment within 12 months, with no wage loss. This positive return-to-work result is supported by WSIB efforts such as the Work Transition program, which assists workers who are unable to return to their pre-injury job and who are considering alternative work. In 2016, the Work Transition program achieved a new high in terms of the percentage of workers completing the program who went on to find employment (84 per cent). The WSIB's integrated health care program, which supported 41 per cent of claims in 2016, also contributed to the year's positive recovery and return-to-work results.
82.8 per cent	87.4 per cent	In 2016, the UFL on a sufficiency basis was reduced by $3.0 billion. The WSIB's strong operational and financial performance in recent years, including 2016, have put it ahead of schedule in eliminating the Unfunded Liability and ensuring the financial sustainability of the province's workers' compensation system. According to the WSIB's Economic Statement in 2016, we are on track to eliminate the UFL by 2021, six years ahead of the legislated requirement.
Implementation of Case Management System	Complete	The sixth and final phase of the ACES case management implementation was completed on December 6. ACES is now available at every WSIB office across the province and to all staff who require it. Managers and staff have advised that they find the system to be intuitive, well organized and a good support in the work that they do.
Per cent Satisfied: 1) 77 per cent 2) 87 per cent 3) 90 per cent	1) 76 per cent 2) 85 per cent 3) 89 per cent	The WSIB has identified service excellence as one of four main areas of focus for the coming years. Toward this goal, in 2016, we began work on a new Customer Experience Strategy which, once implemented, is intended to enhance the experience of both employers and injured workers. We also began reporting on a new measure of overall satisfaction designed to hold ourselves to a higher standard, and to make it easier to compare our performance to other jurisdictions and agencies.

*Schedule 1 only

Note: Targets have been strengthened compared to the WSIB's Corporate Business Plan to align with year-end 2015 results and target setting.

INCREASING ENGAGEMENT WITH WORKERS AND EMPLOYERS

The WSIB is making constant headway in adopting new technologies to better connect with our stakeholders. When there was a looming Canada Post strike in spring of 2016, for example, we seized the opportunity to sign up more injured workers for direct deposit services, and for the first time, enabled them to enroll via email.

We're also exploring some exciting new ways to use social media. As referenced in the Chair's message, in the summer of 2016 the WSIB launched the second annual #PracticeSafeWork Photo Contest – inviting Ontario youth to submit pictures of how they've adopted safe workplace practices.

Despite the march of technology, there remains no substitute for direct, face-to-face interactions with those who depend on us, to ensure accountable policymaking and program development. In 2016, we held the first WSIB Annual General Meeting in our modern era. This well-attended event was an opportunity to discuss our progress and challenges with a wide range of stakeholders, representing both workers and employers. Based on this experience we have committed to making this an annual event.

In addition, in 2016, Chair Elizabeth Witmer expanded her visits with WSIB-sponsored Safety Groups across the province to celebrate their contributions to improving workplace health and safety. Since 2002, the Safety Groups Program has required participants to implement health and safety initiatives and share best practices to eliminate workplace injuries, illnesses and fatalities. This year the Chair was able to congratulate employers on a "job well done" in various locations across Ontario.

Also in the fall, the WSIB hosted nine Technical Rate Sessions. Employers had the opportunity to review in detail the 2017 premium rates, featuring reductions of up to 14 per cent. This is the first overall premium rate reduction since 2001. The Technical Rate Sessions were an opportunity to demonstrate how rates are calculated and answer questions on the 2017 rates, health and safety and the new rate framework.

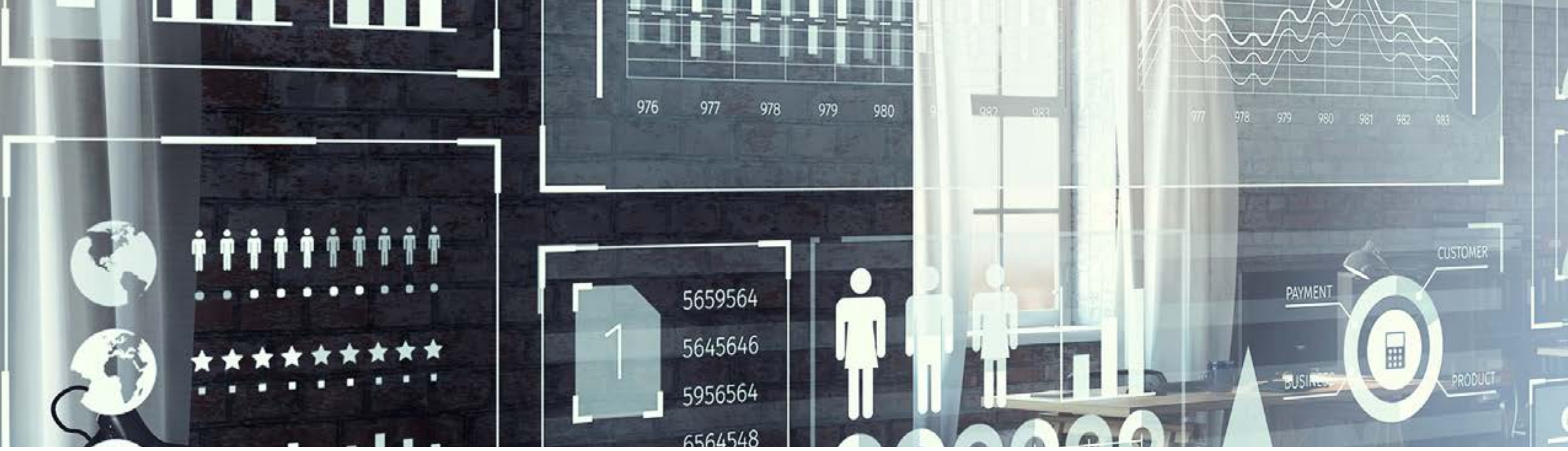
Finally, through early 2016, our Policy and Consultation Services Division held additional consultations on our new rate framework. Over the course of this initiative, the WSIB participated in over 100 working group sessions and received 75 formal submissions. The feedback received during this period contributed to finalizing the new rate framework, which was approved by our Board of Directors on November 14, 2016.

In short, the WSIB is always looking at new ways to connect with Ontarians. We look forward to 2017, during which we will continue to build on the successes of the previous year in strengthening dialogue with our stakeholders – both digitally and the good old fashioned way!

#PRACTICESAFEWORK PHOTO ENTRIES

Why Does This Matter for Workers and Employers?

Transparent and regular engagement is key to ensuring access to the WSIB's support, where and when Ontarians need it, and to collecting meaningful feedback on how we can improve our services to stakeholders.



LEADING IN OPEN DATA

In 2016, the WSIB successfully launched an Open Data Program. Under this program, the WSIB has committed to making our data "open by default" and freely accessible for the public to use unless exempted for legal, privacy or security reasons, or because of commercial sensitivity. Making our data open and accessible will help improve our transparency and accountability to Ontarians.

The Open Data Program has achieved two significant milestones:

- **Creating an inventory of WSIB datasets:** The WSIB became a leader in the Ontario public sector by being one of the first agencies to publish a data inventory on a public Open Data website. The data inventory is a list of data created and managed by the WSIB to support our core business.
- **Hosting a public consultation:** Another important step in establishing the Open Data Program was to better understand what data the public is looking for. To this end, the Open Data Program conducted a successful public consultation to provide the public with a voice to help the WSIB identify datasets that are of highest value to the public.

Over the next several years, the Open Data Program will focus on developing the processes, standards and technology to enable the release of datasets to the public.

WSIB's Open Data Program is aligned with Ontario's Open Data Directive, which came into effect on April 1, 2016. Under the Directive, Ontario government data is considered to be open by default. That means that all data that government ministries and agencies create, collect, or manage will be made public, unless it can't be released in limited and specific circumstances as specified in the Directive.

Making data open and accessible to the public is not new to the WSIB. WSIB was already a leader in the open data community even before the Open Data Directive took effect, through our publicly available By the Numbers product (first launched in 2012).

Why Does This Matter for Workers and Employers?

For the WSIB, transparency is vital for assessing how Ontario's workplace health and safety system is functioning. The WSIB Open Data Initiative is another tool for people to gain insight into, and understanding of, the WSIB, and access specific data that is useful to them.

THE IMPORTANCE OF GOOD GOVERNANCE

The story of the WSIB's successes during 2016 was written largely through the prism of a robust Strategic Plan that was driven by strong corporate governance.

The WSIB is fortunate to have a caring, competency-based Board of Directors with high levels of expertise, skills and compassion. This has led to better decision-making, given people more confidence in our organization and has enhanced our reputation with employers, injured workers and all Ontarians.

Strategic planning

One of the WSIB's recent responsibilities was to set the Strategic Plan for 2016-18. This plan is founded on five goals to strengthen our services to workers and employers – and in so doing, to become the leading workplace compensation board.

Those five goals are:

1. Promoting health and safety in Ontario workplaces;
2. Achieving better return-to-work and recovery outcomes and administering benefits fairly;
3. Eliminating the unfunded liability and making Ontario's workers' compensation system financially sustainable;
4. Delivering service excellence, quality and care through innovation; and
5. Reaching shared goals as a dedicated and collaborative team.

The Board of Directors plays a strong oversight role in ensuring that the WSIB's work is aligned to these goals, and is accountable to the people of Ontario. The role of the Board is central to ensuring that all our stakeholders see the WSIB as not only an *advocate* of good governance, but a *practitioner* as well.

Why Does This Matter for Workers and Employers?

Good governance is integral for ensuring accountability, transparency, excellence and integrity in all the work the WSIB does for injured workers and employers.

BOARD OF DIRECTORS

Elizabeth Witmer

Chair: May 17, 2012 to May 16, 2017

Elizabeth Witmer has served the Ontario public for 36 years, including 22 years as the Kitchener-Waterloo Member of Provincial Parliament (MPP) and now Chair of the WSIB. As an MPP she also served as Deputy Premier of Ontario, Minister of Labour, Minister of Health and Long-Term Care, Minister of Environment and Minister of Education.

Her leadership has been acknowledged with many awards such as the Queen's Golden and Diamond Jubilee medals, the Social Work Doctors Award for her commitment to a just and caring society, the Kitchener-Waterloo Citizen of the Year Award and the Asthma Society of Canada Innovation in Public Policy Award.

Elizabeth is a graduate of the University of Western Ontario, Althouse College of Education and the Rotman Institute of Corporate Directors (ICD) Program.

Thomas Teahen

President and Chief Executive Officer (CEO): February 1, 2016 to January 31, 2021

Thomas Teahen has devoted most of his professional life to bringing together the interests of workers, employers and all Ontarians.

For nearly a decade he worked as a labour and employment lawyer and then served as Chief of Staff to the Minister of Labour and the Minister of Education. Tom joined the WSIB in 2010 as Chief of Corporate Services. In 2013, Tom returned to Queen's Park, as Chief of Staff to the Premier of Ontario. Tom returned to the WSIB in 2016 as President and CEO.

A native of St. Marys, Ontario, Tom has a Bachelor of Arts degree from the University of Western Ontario and a law degree from Queen's University.

Lynda Bowles

Member: November 14, 2012 to November 13, 2018

Lynda Bowles, a FCA, FCPA, retired in May 2012 after working as a Senior Audit and Advisory Partner of Deloitte & Touche LLP for over 33 years where she specialized in audit, governance, quality reviews and financial advisory services.

Currently, she is a Director of Technical Standards and Safety Authority, Cryptomills Technology Inc. and Maple Leaf Sports and Entertainment Foundation. Lynda also volunteers for the Canadian Executive Service Organization in northern Canada working with the Inuit and First Nations.

Alice Dong

Member: October 17, 2015 to October 16, 2018

A graduate of the University of Toronto, Dr. Alice Dong is an Occupational Health Physician with professional expertise in the public and private sectors. Both Canadian and American Board certified, Alice has training and practical experience in health and safety, disability management and return to work.

She is past chair of the Ontario Medical Association Committee on Work and Health, a former Vice Chair of the Governing Council of the University of Toronto, and is a former Board member of Women's College Hospital. She is currently a medical consultant to Disability Management Services, Royal Bank of Canada Insurance.

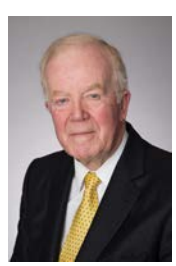
Mike Gallagher

Member: March 26, 2014 to March 25, 2019

Mike Gallagher is the General Vice President, Executive Board International Union of Operating Engineers and Business Manager for the International Union of Operating Engineers, Local 793.

Currently, he is the Chair of the Operating Engineers, Training Trust Fund, and a trustee on Local 793's Pension Trust Fund and Life & Health Benefits Trust Fund. Previously, he has served as President of the Construction Safety Association and Director of the Multi-Employer Benefit Council of Ontario.

Mike has been awarded the Queen's Golden Jubilee Medal, the Queen's Diamond Jubilee Medal and the Roy Phinnemore Award for the Infrastructure Health and Safety Association.



Ray Hession

Member: October 19, 2016 to October 18, 2019

Ray Hession is a director of HDR Inc., an Omaha-based engineering and architectural firm and is Chair of the Board of eHealth Ontario.

BOARD OF DIRECTORS

A graduate of the Royal Military College, following military service, he worked at IBM Canada before joining the Canada Mortgage and Housing Corporation, later becoming its President and Chief Executive Officer. Thereafter, he was a deputy minister in the federal government. Ray has served as the founding Chair of both the Agency for Cooperative Housing and the Ontario Health Quality Council. As Chair of the Board of Governors of The Ottawa Hospital, he oversaw the integration of three hospitals.

P. Morgan McCague

Member: August 21, 2008 to August 12, 2018

P. Morgan McCague has over 40 years of work experience establishing new investment operations and new programs, and has worked at a senior level with the Ontario Teachers' Pension Plan, the Alberta Teachers' Retirement Fund and various financial institutions.

Morgan is a graduate of the Institute of Corporate Directors, was a Director of GCAN Insurance Company, and served as President of the Buy-Side Investment Management Association.

Lea M. Ray

Member: December 3, 2008 to December 2, 2019

Lea Ray is a certified director (ICD.D) of the Institute of Corporate Directors, at the Rotman School of Management, University of Toronto and is a Chartered Professional Accountant. She holds a Bachelor of Commerce degree from the Odette School of Business, University of Windsor.

Lea is currently a Director of Tarion Warranty Corporation and Street Capital Group Inc. Her professional experience includes Warner Bros. Entertainment Canada Inc., a division of Time Warner, where she was employed for 18 years, most recently in the role of Vice President of Corporate Finance.

She has served on the Professional Conduct Committee of the Chartered Professional Accountants (Ontario) and has served as a board member and volunteer of several non-profit health, conservation and other charitable institutions.

Sari Sairanen

Member: September 24, 2008 to September 16, 2017

Sari Sairanen is the National Health and Safety Director at UNIFOR and came to the National Union from the Airline Division, which represents members from across Canada. Sari also sits on Employment and Social Development Canada's Occupational Health and Safety Advisory Committee, the Canadian Standards Association's Strategic Steering Committee, the Canadian Centre for Occupational Health and Safety Board of Governors and the Canadian Labour Congress' Occupational Health and Safety Committee.

Bryce Walker

Member: January 23, 2013 to January 22, 2020

Bryce Walker brings with him a wealth of experience in healthcare and education governance. He is currently Chair of the Board of Trustees of the Healthcare of Ontario Pension Plan and past Chair of both Wilfrid Laurier University's Board of Governors and Grand River Hospital's Board of Directors. Grand River Hospital is one of Ontario's largest community hospitals located in the Waterloo region.

Bryce's professional experience includes his role as Senior Vice President of Group Benefits for Manulife Financial, from which he has retired. He has a Bachelor of Math degree from the University of Waterloo, is a Fellow of the Canadian Institute of Actuaries, a Chartered Financial Analyst and holds an ICD.D designation from Rotman.

Scott Wilson

Member: December 5, 2012 to December 4, 2019

For over 15 years, Scott Wilson has provided peer support and guidance to injured workers and has been an active contributor to WSIB issues. A former glazier metal mechanic for over 20 years, he suffered a severe injury in 1999. Scott is a licensed Paralegal.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Management's Responsibility for Financial Reporting

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the consolidated financial statements have been prepared by management and approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and, where appropriate, reflect management's best estimates and judgment. Where alternative accounting methods exist, management has chosen those methods considered most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality of internal controls. Management is also responsible for the preparation and presentation of additional financial information included in the Annual Report and ensuring its consistency with the consolidated financial statements.

The Audit and Finance Committee of the Board of Directors meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and reviews the consolidated financial statements and the independent auditors' report. The Audit and Finance Committee also reports its findings to the Board of Directors for consideration in approving the WSIB's Annual Report and its submission to the Minister of Labour (the "Minister") pursuant to a Memorandum of Understanding between the Ministry of Labour (the "MoL") of the Province of Ontario (the "Province") and the WSIB.

In this MD&A, the "WSIB" or the words "our", "us" or "we" refer to the WSIB. This MD&A is dated as of the date below, and all amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

The information in this MD&A includes amounts based on informed judgments and estimates. Forward-looking statements contained in this discussion represent management's expectations, estimates and projections regarding future events based on information currently available, and involve assumptions, inherent risks and uncertainties. Readers are cautioned that actual results may differ materially from forward-looking statements in cases in which future events and circumstances do not occur as expected.

The consolidated financial statements have been examined by the WSIB's independent auditors, Ernst & Young LLP, and their report is provided herein.

Thomas Teahen
President and Chief Executive Officer
April 27, 2017
Toronto, Ontario

Pamela Steer
Chief Financial Officer

Management's Discussion and Analysis

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1. Operational Year in Review

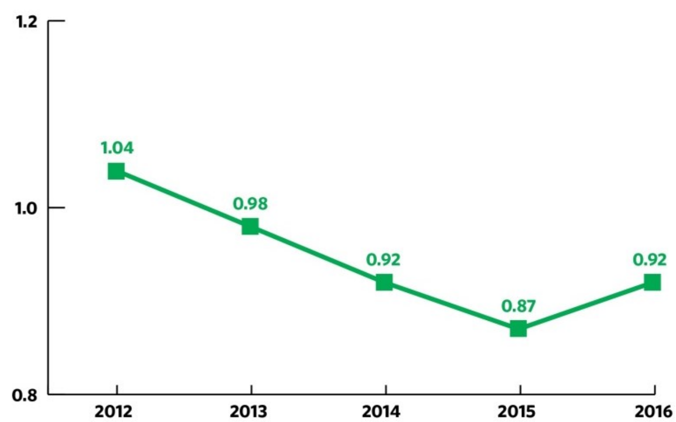
Highlights of our operational performance for the year ended December 31, 2016 compared to 2015.

Operational Highlights

For several years, the WSIB has been reporting continuous improvement in our operational performance and we have regularly been achieving all, or nearly all, of our operational performance targets. Refer to the *Measuring our Performance* section of the Annual Report for more details on our 2016 performance targets and status.

Leveling off after steady improvement. In 2016, we have begun to see results for some metrics level off. For example, registered Schedule 1 claim volume has increased slightly by 0.5% from 192,168 claims in 2015 to 193,215 claims in 2016. The lost-time injury rate increased for the first time in over 15 years, from 0.87 to 0.92. All durations of 12 months or less increased in 2016 compared to 2015. For example, 3-month duration increased from 11.1% to 11.5%, and 12-month duration increased from 3.7% to 3.9%.

Lost-Time Injury Rate
(Schedule 1)

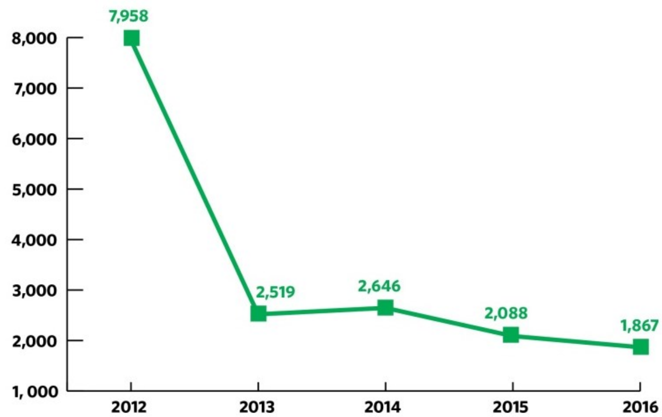


Despite increases in claim volume, loss-time injury rate, and durations this year, these results continue to be strong by historical standards and when compared to other Canadian workers' compensation boards. The WSIB must now determine where we should seek further improvement for workers, employers and the workplace compensation system to achieve the best possible outcomes. For duration, for example, we will be switching from a performance target that is a single number to a range of acceptable performance values for 2017. After several years of improvement, we see no further need to target lower duration values and consider that maintaining stability is in the best interest of the system and our stakeholders. We are also switching to ranges of values to highlight meaningful changes in results, as opposed to natural fluctuations due to small shifts in economic conditions, changes in injury type or other contextual factors.

Strong return-to-work results. The WSIB's return-to-work services continue to provide positive outcomes for injured workers and employers. Consistent with 2015, 92% of injured workers returned to work within 12 months with no wage loss in 2016. In particular, the Work Transition program, which supports workers unable to return to their pre-injury positions, is yielding some of its most positive results to date; 84% of Schedule 1 injured workers who completed their Work Transition plan in 2016 were successful in finding employment, up from 79% in 2015. Also supporting worker recovery and return-to-work outcomes are the WSIB's integrated health care programs such as our Specialty Clinics and the new Program of Care for noise induced hearing loss. In 2016, over two in five claims (41%) were treated through at least one of these programs and services.

Fewer incoming appeals. The WSIB has been working to enhance front-line decision making, the results of which are now being reflected in the declining volume of incoming appeals. After decreasing by 19% in 2015, the number of appeals coming into the WSIB's Appeals Services Division has once again declined in 2016, by 13%. The volume of incoming appeals has decreased from 8,063 in 2015 to 6,979 in 2016. This ongoing reduction in appeals is also attributed to the long-term decline in registered claims and the work effort from the Operations team at the WSIB to ensure that cases are "appeal ready" before they are forwarded to the Appeals Services Division.

Active Appeals Inventory
(number of active appeals)



In 2016, 90% of appeals were resolved within six months, an improvement of 3% from the 2015 level. The strong 2016 result for timeliness of resolution has helped to keep the inventory of active appeals at a reasonable level. There were 1,867 active appeals at the end of 2016, a decrease from 2,088 appeals in 2015.

Injured workers and employers report higher overall satisfaction. Starting in 2016, the WSIB began reporting results for a new measure of customer satisfaction with the overall WSIB experience. The measure was designed to hold the WSIB accountable to an even higher standard of service, while also allowing easier comparison to other workers' compensation boards and agencies. Compared to 2015, overall satisfaction has increased among both injured workers and employers, based on the new measure. In the fourth quarter of 2016, 71% of injured workers and 77% of employers were satisfied, compared to 69% and 74%, respectively, in 2015.

The WSIB has identified customer service as one of four main areas of focus for the organization in the coming years. To this end, we have been developing a new customer experience strategy, to be finalized and implemented in 2017. The strategy provides a roadmap for the WSIB to improve and maintain both injured workers' and employers' satisfaction with WSIB services.

Notable item

Pooled Asset Management. In 2016, the WSIB and the Ontario Pension Board were named in *Ontario Regulation 251/16* as the initial members of the Investment Management Corporation of Ontario ("IMCO"), created through legislation enacted on July 1, 2016.

Pooled Asset Management was first recommended in 2012 by the Drummond Report on government reform, and was later the subject of extensive public consultation. IMCO was created to facilitate voluntary consolidation of broader public sector pension and other investment funds. While the WSIB and the Ontario Pension Board are the initial members, other Ontario broader public sector pension and other investment funds may voluntarily join at a later stage.

Pooling of assets with broader public sector pension and other investment funds is expected to enhance risk management and provide for more predictable returns with less volatility, while enabling access to a broader spectrum of international investment opportunities such as infrastructure and real estate. WSIB expects to achieve enhanced risk-adjusted performance over time.

IMCO is expected to be operational in 2017.

2. Our Business

An overview of our business.

Our mandate

The WSIB, a board-governed trust agency under the Agencies and Appointments Directive of the Government of Ontario, is legislated to administer the Province's no-fault workplace compensation system under the *Workplace Safety and Insurance Act, 1997 (Ontario)* (the "WSIA"). We administer the system with revenues collected through employer premiums, and to a lesser degree, income earned on our investments. The Province does not provide us with any funding.

For workers, we help them get back to what matters – productive lives and work – by supporting them in their recovery and return to work and compensating their wage loss, if required. Permanently injured workers who cannot return to their pre-injury employer are offered services to help them reintegrate into the workforce. In the event of a workplace fatality, the WSIB provides compensation and other benefits to the surviving spouse and dependents.

For employers, we provide collective liability insurance coverage and efficient account and claim management services, making it easy for them to focus on their business. The collective liability and no-fault system provides stable costs and security of benefits that avoid costly and time-consuming litigation.

For both workers and employers, we support the promotion of workplace health and safety.

How we derive our income

Revenues to fund the operation of the WSIB and delivery of benefits and services are derived through premium revenues and investment returns.

Premiums

The WSIB collects premiums from employers classified under Schedule 1 of the WSIA and administration fees from the employers listed in Schedule 2 of Ontario Regulation 175/98. Over 70% of the Province's labour force is covered by the WSIB under either Schedule 1 or Schedule 2.

Schedule 1 employers contribute to the collective liability insurance fund. There are over 300,000 Schedule 1 firms, each assigned to one or more of 155 rate groups according to the nature of their business. The premium rate for each rate group reflects costs associated with benefits, administration and legislative obligations and past claims costs, including retirement of the unfunded liability. Employer premiums may also be adjusted as a result of mandatory and voluntary incentive programs.

Mandatory employer incentive programs reduce or raise premiums paid by a firm based on their claims experience. Firms with over $1,000 but less than $25,000 in average annual premiums are assigned to the Merit Adjusted Premium plan. Firms that pay $25,000 or more are assigned to the New Experimental Experience Rating ("NEER") program or, if in the construction industry, the Council Amended Draft #7 program.

In addition, an employer's experience rating costs may be reduced with the application of Second Injury Entitlement Fund ("SIEF") relief. SIEF relief for all or some of the claims costs is applied to employer accounts in cases where the cause or duration of an injury was affected by a prior disability or pre-existing condition.

Schedule 2 employers are individually responsible for the full cost of their respective claims. Schedule 2 employers include federal and provincial governments and their agencies, municipalities and school boards, and other enterprises such as major railways with operations in the Province. Schedule 2 employers reimburse the WSIB for the costs of their claims plus a fee to cover overhead and administrative costs and, in the case of provincially-regulated employers, legislative obligations.

Investments

Our governance process

We invest the portion of premiums collected but not required to be paid to or on behalf of injured workers in the current year or to fund current operating expenses. As at December 31, 2016, we held $29.4 billion in investments to fund all future benefits including the WSIB employee pension benefit obligations. Our investment strategy for these funds involves a prudent balance of income generation and capital appreciation until the funds are required to pay benefits for injured workers.

The following is a summary of our investment governance process:

- Our governance framework operates in accordance with best practices for good governance. Investment decisions that have the most impact on investment outcomes remain at the Board of Directors level. These decisions include our investment beliefs, establishing our overall governance framework, and approving our Statements of Investment Policies and Procedures ("SIPPs"). With appropriate reporting and oversight, the Board of Directors delegates certain investment decisions to our Investment Committee and our senior management. The Investment Committee is appointed by the Board of Directors and consists of Board members and external advisers who have the requisite degree of financial expertise with sufficient knowledge and skill to advise on the development and implementation of our investment strategy.
- WSIB's SIPPs require that a detailed review of the benefit liabilities and capital market assumptions be conducted no less frequently than every four years. This is to ensure that the policy asset mix and other provisions of the SIPPs remain relevant to the current and forecasted nature of the liabilities. The Strategic Investment Plan ("SIP") review and asset/liability study inform policy changes including changes to the SIPPs.
- The Investment Committee approves operational investment policies as well as the hiring of investment agents. Within well-defined investment mandates, security selection or manager selection decisions are delegated to external managers consistent with our belief that external investment management is most compatible with our objectives. Our investment program is executed and monitored by senior staff members under the direction of our Chief Investment Officer, President and Chief Executive Officer, the Investment Committee and, ultimately, our Board of Directors.
- Risk is inherent in each element of the investment decision making process. Hence, risk measurement is an integral component of our governance program. We believe the most significant investment risks to which we are exposed include credit, liquidity and various market risks. A discussion of our investment risks and mitigating strategies is contained in Section 16 – Risk Factors in this MD&A and in note 8 in our consolidated financial statements. We use various financial and non-financial methods to assess, measure and monitor risk, including an investment risk measurement system.

What we invest in

We invest in a wide range of assets to provide a target level of investment return over the long term given the level of risk we are prepared to assume. The investment strategies we invest in include:

- ***Fixed income.*** Our fixed income portfolio includes bonds, debentures, and other fixed income investments. Our government and short-term bond portfolios are designed to track the performance of their respective Canadian bond indices. Bonds provide safety, diversification and liquidity, particularly when economic conditions are weak, or when market or economic shocks precipitate a flight to lower risk investments.

- ***Public equities.*** We invest in a diversified portfolio of domestic and international equities, or securities convertible into equity, to provide broad equity market exposure. Public equities are expected to provide higher investment returns than other asset classes over the long run, but exhibit a higher degree of variability in investment returns from year to year.
- ***Multi-asset.*** Our multi-asset strategies portfolio consists of equities, bonds, commodities, foreign currencies and derivative instruments that utilize a broad array of strategies to earn equity-like returns, with lower levels of volatility. These strategies tend to be more complex than traditional strategies, include leverage and require greater management oversight.
- ***Real estate.*** We invest in real estate properties and investment funds diversified across office, retail, industrial and mixed-use properties located throughout Canada, the United States and internationally. Real estate provides us with a predictable source of income and is expected to keep pace over time with inflation, both beneficial attributes.
- ***Infrastructure.*** Our global infrastructure portfolio consists of assets which provide essential services and facilities, many of which operate with regulated or monopolistic market positions. Revenues are generated typically under long-term contracts which offer stable long-term cash flows. Similar to real estate, the long-term inflation sensitivity of infrastructure assets is a beneficial attribute for the WSIB.

Benefit Costs

Types of benefit payments

A number of different benefits are administered by the WSIB in accordance with the WSIA and predecessor legislation, the *Workers' Compensation Act*. These benefits relate to compensating wage loss, and providing for health care treatments and other benefits to injured and ill workers and survivors. Each type of benefit is described in more detail below:

- ***Loss of earnings benefits*** compensate injured workers for earnings lost due to a work-related injury or illness occurring subsequent to 1997, starting the day after the injury or illness occurred. The benefit rate is based on 85% of the worker's pre-injury net average earnings, subject to legislated minimum and maximum amounts of compensation.
- ***Non-economic loss or NEL benefits*** represent compensation to a worker who suffers a permanent impairment as a result of an injury. Benefits are based on the severity of the permanent impairment. Non-economic loss benefits recognize the physical, functional or psychological loss resulting from a permanent impairment, beyond wage loss.
- ***Health care costs*** are payments for professional services provided by health care practitioners, hospitals and health facilities as well as the cost of drugs that are required to facilitate recovery. They may also include attendant services, home or vehicle modifications, assistive devices and prostheses, extraordinary transportation costs to obtain health care and other measures to improve the quality of a worker's life.
- ***External provider costs*** associated with our work reintegration program include payments to external agencies providing rehabilitation services, such as training programs to assist an injured worker's return to work and the costs of work transition assessments and plans. They are incurred when accommodations with the pre-injury employer are not available.
- ***Loss of retirement income benefits contributions*** are payable on behalf of an injured worker who has received loss of earnings benefits for 12 continuous months or future economic loss benefits and was under the age of 64 at the date of injury. At age 65, the injured worker receives a benefit from contributions made to their Loss of Retirement Income account plus any investment income earned.
- ***Survivor pensions*** represent monthly benefits provided to the spouse, dependent children and other dependents of a worker whose death was the result of a workplace injury or occupational disease.
- ***Future economic loss or FEL benefits*** compensate workers injured after January 1, 1990, and prior to January 1, 1998, who cannot restore their pre-injury earnings as a result of a permanent impairment or temporary disability for 12 continuous months.

- ***Worker pensions*** represent pensions for injured workers suffering a workplace injury prior to January 1, 1990 based on the degree of the injured worker's disability.

Provision for claims

Benefit liabilities are established on a quarterly basis and represent the present value of the expected future cost to satisfy all claims occurring prior to but still outstanding as at the consolidated statements of financial position date. The liability consists of expected costs for reported claims, expected costs on outstanding claims that have been incurred but not yet been awarded, as well as increases in benefits resulting from deterioration of an existing injury, and a provision for future occupational disease claims.

Data and other factors that can influence the amount and timing of future payments are considered when calculating benefit liabilities. Some factors include historical trends, our governing legislation, as well as our policies, claims adjudication practices and appeal decisions. We also consider the development of future claim payment trends, which may be impacted by management actions, legislative changes, judicial decisions and economic conditions. Where possible, we apply multiple techniques to estimate the required benefits liability provision. This approach provides additional insight into the trends inherent in the claims data being used to project the future payments valued in the benefits liability. Between the reporting and final disposition of a claim, circumstances may change which may result in changes to the established liability. For example, changes in the provisions of the WSIA or medical costs could substantially affect the ultimate cost of a claim. Accordingly, we review and re-evaluate claims and their impact on the estimate of the benefit liabilities on a regular basis.

Provisions made for future occupational diseases recognize that workers exposed to hazardous substances or conditions in their workplaces may develop occupational diseases after long latency periods. These provisions are significant and are expected to increase in future years due to increasing causal evidence and projected increases in benefit costs. Benefit costs will vary depending on the type and characteristics of the disease, and the timing and management of the claim. Given the inherent uncertainties, the eventual cost to satisfy outstanding claims can vary substantially from the initial estimates.

Administration and other expenses

Administration and other expenses include the expenses necessary to support our various business activities.

Legislated obligations and funding commitments

The WSIB is required to make payments to defray the cost of administering the *Occupational Health and Safety Act* (the "OHSA") and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the Workplace Safety and Insurance Appeals Tribunal ("WSIAT") and the costs that may be incurred by the Office of the Worker Adviser, and the Office of the Employer Adviser.

The WSIB launched its new Grants Program in 2015. In the program's first year, the priority areas were Return-to-Work and Recovery and the WSIB announced the recipients in early 2017. More information about the program is available on the WSIB website.

Voluntary employer health and safety incentive programs are also available**.** The Small Business Health & Safety Programs help business owners raise general awareness of workplace health and safety obligations and help employers build health and safety programs. Participants can receive a one-time 5% premium rebate for participating in a training program.

The Safety Groups Program also awards a rebate of up to 6% of premiums to employers that successfully implement new return to work and health and safety elements, and reduce injuries and illnesses.

3. Our Strategy

The WSIB's *2016-2018 Strategic Plan* (the "Plan"), first released in February 2016, provides a balanced and comprehensive approach towards ensuring better outcomes for workers and employers while eliminating the WSIB's unfunded liability. The Plan sets strategic goals to further the WSIB's progress into a modern, responsive and sustainable workplace compensation system.

The Plan was developed through careful analysis of our performance and financial results, operating environment, and feedback received through a series of conversations with internal and external stakeholders.

The Plan is divided into five strategic themes:

1. Promoting health and safety in Ontario workplaces;
2. Achieving better return-to-work and recovery outcomes and administering benefits fairly;
3. Eliminating the unfunded liability and making Ontario's workers' compensation system financially sustainable;
4. Delivering service excellence, quality and care through innovation; and
5. Reaching shared goals with our people as a dedicated and collaborative team.

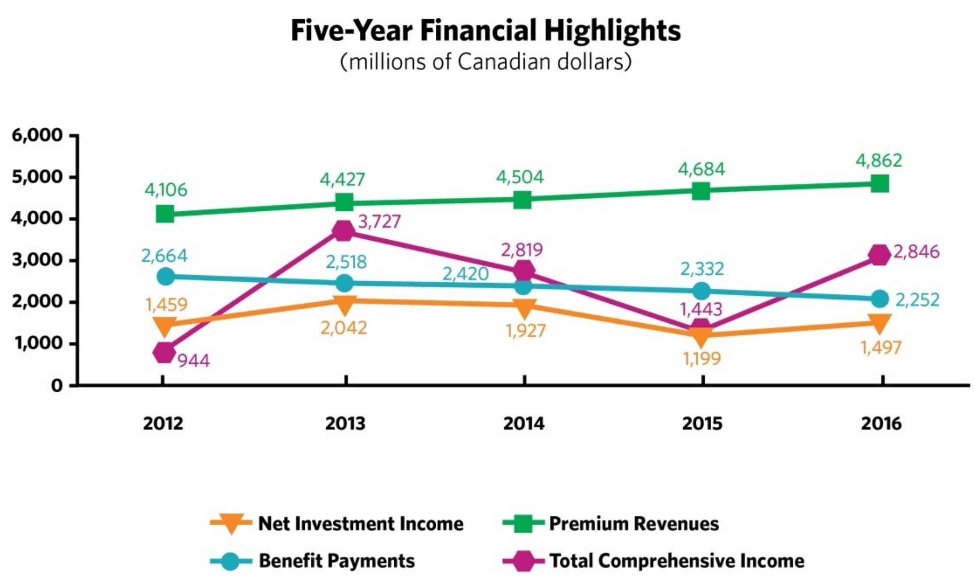
These strategic themes are designed to promote further improvements in the WSIB's operational and financial results, which are monitored and published on a quarterly basis on the WSIB website.

The WSIB is enacting our Strategic Plan with a focus on integrity and excellence, and a more open and collaborative partnership with those we serve. Through these partnerships we will earn trust and build confidence in our system, which will further support our vision: ***To be the leading workplace compensation board.***

4. Financial Highlights

Highlights of our financial performance for the year ended December 31, 2016 compared to 2015.

The following section should be read in conjunction with the audited consolidated financial statements and accompanying notes of the WSIB as at and for the year ended December 31, 2016 (the "consolidated financial statements").



Financial highlights for the year ended December 31, 2016 compared to the year ended December 31, 2015:

- In 2016, we generated $2,846 million of total comprehensive income reflecting continued strong operating performance resulting from growth in premium revenues and improved return to work outcomes resulting in lower benefit payments. For the sixth consecutive year, we generated positive cash flow in our business as our premium revenues exceeded our operating expenses, thereby allowing us to transfer $1,450 million of cash generated from operating activities to our investment fund in 2016.
- Premium revenues increased $178 million or 3.8% reflecting a 3.1% increase in insurable earnings due to strong growth in the automotive, construction, health care, manufacturing, services and transportation industries, net of $19 million of higher net mandatory employer incentive programs expense reflecting favourable claims experience.
- Net investment income increased by $298 million from $1,199 million to $1,497 million. The return on investments was 6.3% in 2016 compared to 5.8% in 2015. While we are pleased with the investment returns achieved, we caution readers that current investment returns are not a reflection of expected future performance and caution should be exercised in projecting investment income results into the future based on our current results. The net investment return objective over a rolling 10 to 15-year period was reduced from 6.0% to 5.25% effective January 1, 2016 and was further reduced from 5.25% to 4.75% effective January 1, 2017.
- Benefit payments decreased $80 million or 3.4% primarily due to liability adjustments for health care costs based on the most recent estimates of amounts owing.
- The actuarial valuation of benefit liabilities increased $90 million to $27,920 million reflecting a legislative amendment and the strengthening of valuation assumptions and methodologies, partially offset by the continuation of favourable experience results.
- Administration and other expenses, before allocation to benefit costs, increased $29 million or 3.7%, reflecting $12 million of higher equipment and maintenance expenses, $10 million of higher systems development and integration expenses, $7 million of higher salaries and short-term benefits expenses, $5 million of higher depreciation and amortization expenses, $4 million of higher other operating expenses, partially offset by $9 million of lower long-term employee benefit expenses.
- Other comprehensive loss was $35 million primarily attributed to an average decrease in the discount rate of 15 basis points, partially offset by better than expected returns on pension plan assets.
- Our unfunded liability on a Sufficiency Ratio basis was $4,004 million as at December 31, 2016, a decrease of $2,980 million or 42.7% since December 31, 2015.

5. Operating Results

A more detailed discussion of our financial performance for the year ended December 31, 2016 compared to 2015.

This section provides a detailed discussion of our financial performance. Our consolidated financial statements have been prepared in accordance with IFRS. All amounts herein are in millions of Canadian dollars unless otherwise specified.

The following table sets forth our annual operating results for the years ended December 31:

(millions of Canadian dollars)	2016	2015	Change $	Change %
Revenues				
Premiums	5,043	4,846	197	4.1
Net mandatory employer incentive programs	(181)	(162)	(19)	(11.7)
	4,862	4,684	178	3.8
Net investment income				
Investment income	1,655	1,338	317	23.7
Investment expenses	(158)	(139)	(19)	(13.7)
	1,497	1,199	298	24.9
	6,359	**5,883**	**476**	**8.1**
Expenses				
Benefit costs				
Benefit payments	2,252	2,332	(80)	(3.4)
Claim administration costs	405	398	7	1.8
Change in actuarial valuation of benefit liabilities	90	1,030	(940)	(91.3)
	2,747	3,760	(1,013)	(26.9)
Loss of Retirement Income Fund contributions	56	56	-	-
Administration and other expenses	431	406	25	6.2
Legislated obligations and funding commitments	244	263	(19)	(7.2)
	3,478	4,485	(1,007)	(22.5)
Excess of revenues over expenses	**2,881**	**1,398**	**1,483**	**100+**
Other comprehensive loss (income)				
Remeasurements of employee defined benefit plans	35	(45)	80	100+
Total comprehensive income	**2,846**	**1,443**	**1,403**	**97.2**
Total comprehensive income attributable to:				
WSIB stakeholders	2,674	1,291	1,383	100+
Non-controlling interests	172	152	20	13.2
	2,846	**1,443**	**1,403**	**97.2**
Other measures				
Core Earnings[1]	1,474	1,229	245	19.9
Return on investments[2]	6.3%	5.8%	n/a	0.5
Unfunded liability[3, 4]	(3,925)	(6,599)	2,674	40.5
Unfunded liability – Sufficiency Ratio basis[4]	(4,004)	(6,984)	2,980	42.7
Sufficiency Ratio[4]	87.4%	77.9%	n/a	9.5

1. Core Earnings is calculated as total comprehensive income, excluding the impacts of net investment income, changes in actuarial valuations and any items that are considered as material and exceptional in nature. See Section 17 – Non-IFRS Financial Measure.
2. Return on investments is the investment income (loss), net of transaction costs and withholding taxes, generated over a given period of time as a percentage of the capital invested taking into account capital contributions and withdrawals.
3. Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period. The total deficiency of assets of $996 million as at December 31, 2016 (December 31, 2015 – $3,797 million) is allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,929 million as at December 31, 2016 (December 31, 2015 – $2,802 million) exclude benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors, are not liable for those obligations. The proportionate share of the total deficiency of assets attributable to WSIB stakeholders as at December 31, 2016 was $3,925 million (December 31, 2015 – $6,599 million) which includes benefit liabilities. Refer to the consolidated statements of financial position for further details.
4. Refer to Section 7 – Reconciliation of the Change in the Unfunded Liability for further details.

Premiums

A summary of premiums for the years ended December 31 is as follows:

(millions of Canadian dollars)	2016	2015	Change $	Change %
Schedule 1 employer premiums				
Gross Schedule 1 premiums	4,908	4,723	185	3.9
Interest and penalties	58	52	6	11.5
Other income	4	1	3	100+
	4,970	4,776	194	4.1
Schedule 2 employer administration fees	73	70	3	4.3
	5,043	4,846	197	4.1
Net mandatory employer incentive programs	(181)	(162)	(19)	(11.7)
	4,862	**4,684**	**178**	**3.8**

Gross premiums increased $185 million or 3.9% reflecting $149 million attributed to a 3.1% increase in insurable earnings as detailed below and $36 million or 0.8% attributed to the increase in the realized average premium rate collected from employers in 2016 due to a favourable shift in industry sector mix.

Net mandatory employer incentive programs increased due to higher refunds available under the retrospective experience-rating programs, principally the NEER program, reflecting favourable claims experience.

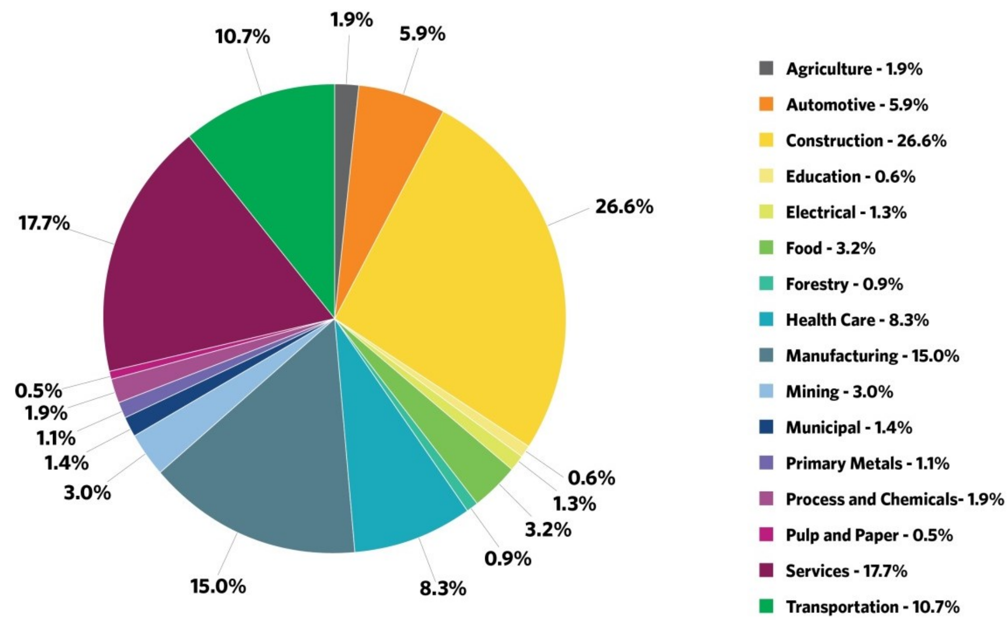
A comparison of employment, insurable earnings and gross premiums for the year ended December 31, 2016, along with the percentage change from the prior year is as follows:

	Employment[1]		Insurable Earnings		Gross Premiums		
(millions of Canadian dollars)	#	Change	$	Change	$	Change	% of total
Industry Sector							
Agriculture	64,089	2.6%	2,003	7.2%	81	6.5%	1.9%
Automotive	164,470	4.2%	7,246	4.7%	255	4.9%	5.9%
Construction	395,420	(0.3)%	18,431	4.0%	1,151	3.9%	26.6%
Education	179,061	(1.2)%	6,773	3.2%	28	3.2%	0.6%
Electrical	90,628	0.4%	5,249	1.3%	58	0.6%	1.3%
Food	131,514	0.5%	4,738	2.7%	138	2.5%	3.2%
Forestry	10,585	11.1%	427	4.5%	40	4.4%	0.9%
Health care	594,717	(1.3)%	22,701	2.2%	359	2.6%	8.3%
Manufacturing	949,478	0.5%	36,877	2.9%	649	2.9%	15.0%
Mining	30,032	(0.6)%	1,874	(1.3)%	130	(0.8)%	3.0%
Municipal	40,649	0.4%	2,051	2.2%	59	2.2%	1.4%
Primary metals	32,966	(3.3)%	1,583	1.1%	46	1.1%	1.1%
Process and chemicals	105,799	0.4%	4,417	2.6%	84	3.1%	1.9%
Pulp and paper	15,994	3.1%	713	2.6%	22	2.7%	0.5%
Services	1,521,707	1.0%	46,773	4.1%	765	4.0%	17.7%
Transportation	247,031	(1.0)%	9,764	3.0%	461	2.6%	10.7%
Total	**4,574,140**	**0.3%**	**171,620**	**3.3%**	**4,326**	**3.3%**	**100.0%**
Premiums accrued but not reported			17,572	1.8%	582	8.7%	
Total			**189,192**	**3.1%**	**4,908**	**3.9%**	

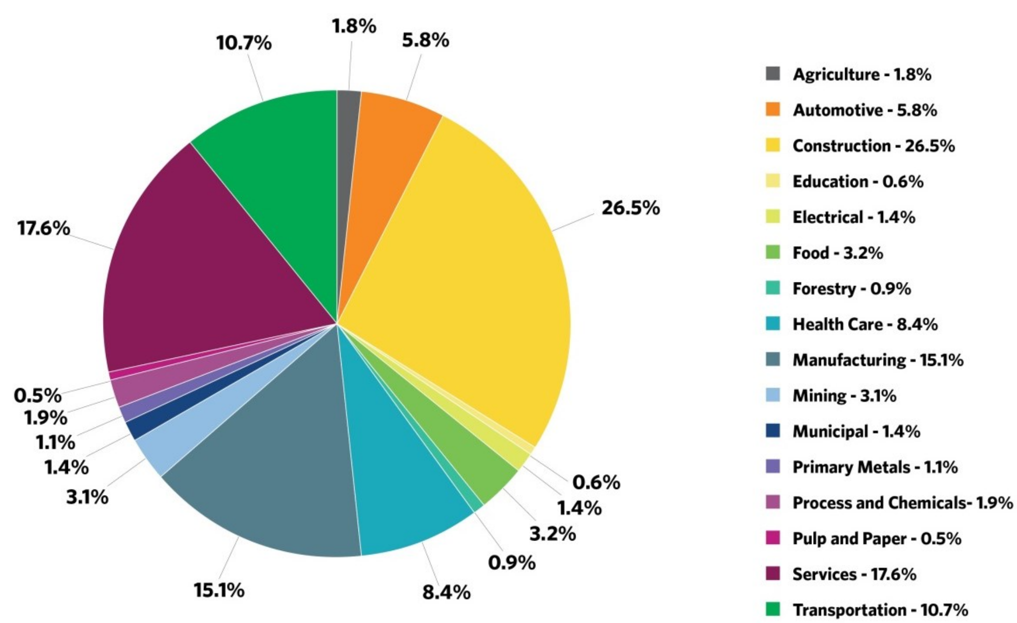
1. We derive employment levels based on reported insurable earnings divided by an estimated average wage for each industry sector.

The following charts display gross premiums by sector for the years ended December 31, 2016 and 2015:

Gross Schedule 1 Premiums by Sector [1]
(For the year ended December 31, 2016)



Gross Schedule 1 Premiums by Sector [1]
(For the year ended December 31, 2015)



1. For employers who have not reported, premiums are estimated and included in "Premiums accrued but not reported" category. This category has been excluded for the purpose of determining the industry sector mix.

Average premium rates

As communicated to employers in the fall of 2016, our average published premium rate increased from $2.57 per $100 of insurable earnings in 2015 to $2.59 per $100 of insurable earnings in 2016, reflecting the shift in WSIB's industry mix since 2015. This increase in average premium rates, along with several management initiatives such as our return to work efforts and improved health care strategy, allowed us to cover the costs of providing benefits to injured workers and the impact of inflation.

Net investment income

In 2016, we generated $1,497 million of net investment income compared to $1,199 million in 2015. Over 10 and 15 years, our investment returns prior to investment expenses were 5.1% and 6.1% per annum, respectively.

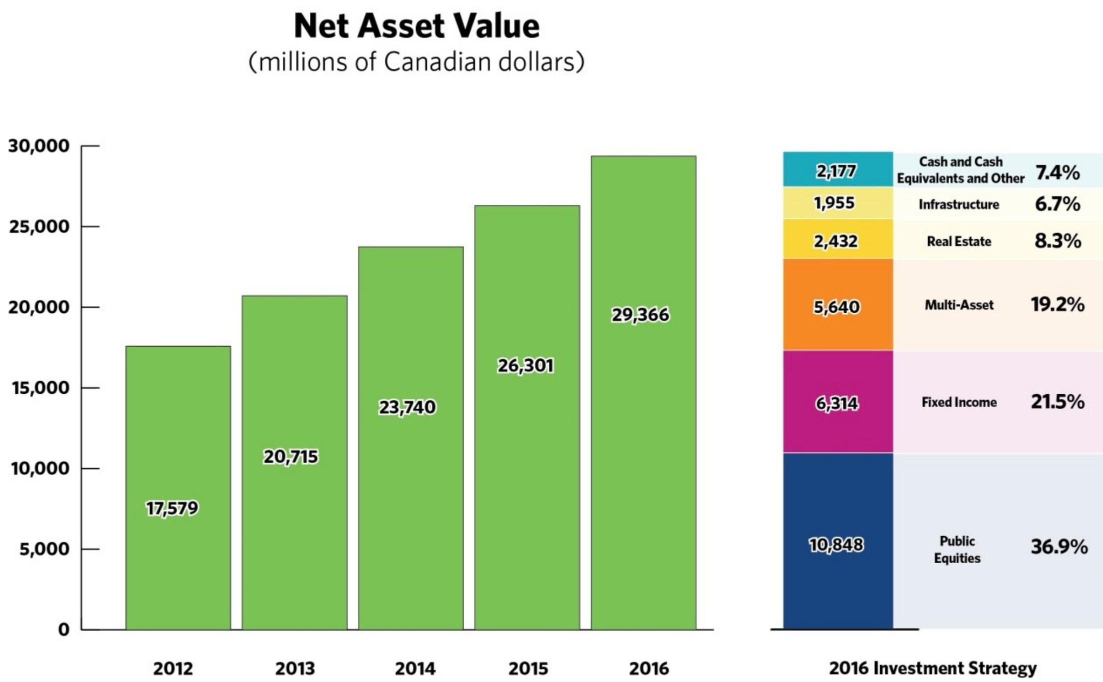
A summary of investment income for the years ended December 31 is as follows:

Investment strategy	2016				2015			
(millions of Canadian dollars)	Investment income (loss)	Return %	Net asset value[1]	%	Investment income (loss)	Return %	Net asset value[1]	%
Public equities	900	8.8	10,848	36.9	856	10.0	9,594	36.4
Fixed income	97	1.7	6,314	21.5	213	3.7	6,353	24.2
Multi-asset	345	6.3	5,640	19.2	102	1.6	5,889	22.4
Real estate	74	3.6	2,432	8.3	74	4.3	2,212	8.4
Infrastructure	234	15.6	1,955	6.7	90	8.0	1,095	4.2
Cash and cash equivalents	5	-	2,105	7.2	3	-	1,086	4.1
Other	-	-	72	0.2	-	-	72	0.3
Investment income	1,655	6.3	29,366	100.0	1,338	5.8	26,301	100.0
Investment expenses	(158)				(139)			
Net investment income	**1,497**				**1,199**			

1. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives.

Past performance may not be indicative of future results. Our financial performance is heavily reliant on the amount of investment income we are able to generate as each 1% rate of return on investments represents approximately $290 million of net investment income equating to $0.15 of premium per $100 of insurable earnings or about 6% of annual premiums.

The following chart displays the net asset values for the five consecutive years ended December 31 and the different components of net asset value for 2016:



Benefit costs

Benefit costs consist of: (i) benefit payments to or on behalf of injured workers; (ii) claim administration costs, which represent an estimate of our administration costs necessary to support benefit programs; and (iii) the change in the actuarial valuation of our benefit liabilities, which represents an adjustment to the actuarially determined estimates for future claim costs existing at the dates of the consolidated statements of financial position. A summary of benefit costs for the years ended December 31 is as follows:

			Change	
(millions of Canadian dollars)	**2016**	**2015**	**$**	**%**
Benefit payments	2,252	2,332	(80)	(3.4)
Claim administration costs	405	398	7	1.8
Change in actuarial valuation of benefit liabilities	90	1,030	(940)	(91.3)
Total benefit costs	**2,747**	**3,760**	**(1,013)**	**(26.9)**

Benefit payments

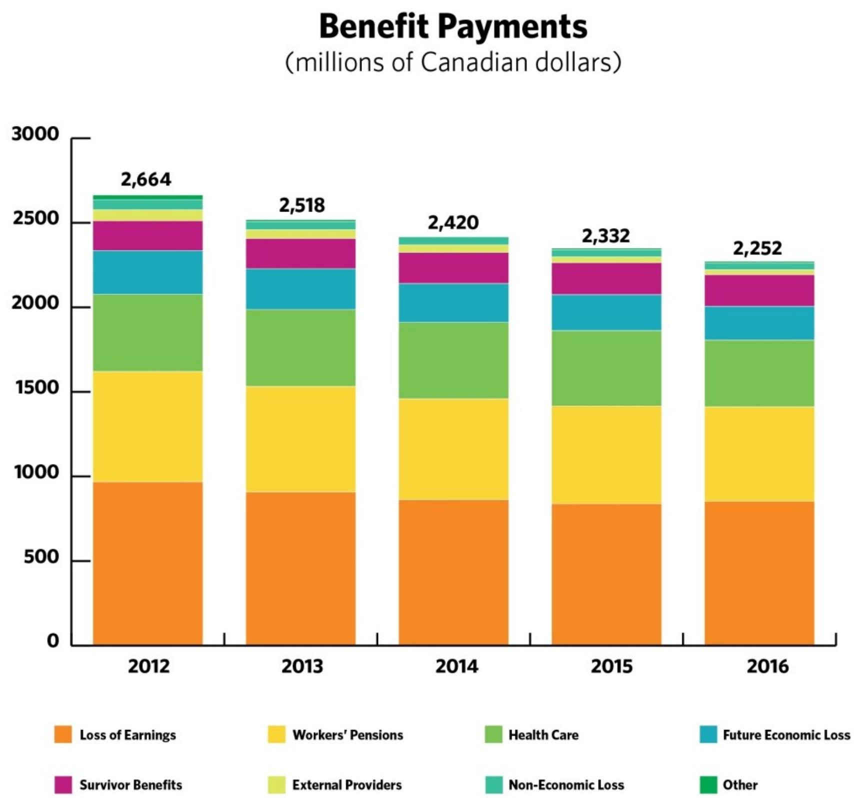
Benefit payments represent cash paid during the year to or on behalf of injured workers. Benefit payments are comprised of the following:

			Change	
(millions of Canadian dollars)	**2016**	**2015**	**$**	**%**
Loss of earnings	854	839	15	1.8
Workers' pensions	557	577	(20)	(3.5)
Health care	395	446	(51)	(11.4)
Future economic loss	200	213	(13)	(6.1)
Survivor benefits	187	189	(2)	(1.1)
External providers	29	34	(5)	(14.7)
Non-economic loss	40	43	(3)	(7.0)
Other	(10)	(9)	(1)	11.1
Total benefit payments	**2,252**	**2,332**	**(80)**	**(3.4)**

A summary of the significant changes in benefit payments for 2016 is as follows:

- Loss of earnings benefits increased primarily due to higher durations for current injury year claims as well as higher costs per claim for prior injury year claims due to indexation. The lost-time injury rate increased by 0.05 to 0.92, which also contributed to the increase in loss of earnings benefits.
- Workers' pensions decreased reflecting the natural reduction of claims due to mortality.
- Health care costs decreased primarily due to liability adjustments based on the most recent estimates of amounts owing.
- Future economic loss benefits decreased reflecting the natural reduction in the number of claimants reaching age 65, the age at which these benefits cease. This program has been discontinued.
- External providers expense decreased primarily due to fewer lost-time injuries from prior years and a more targeted approach to return to work.

The following chart displays benefit payments for the years ended December 31:



Claim administration costs

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to benefit costs. A summary of claim administration costs is as follows:

			Change	
(millions of Canadian dollars)	**2016**	**2015**	**$**	**%**
Allocation from administration and other expenses	382	378	4	1.1
Allocation from legislated obligations and funding commitments expenses	23	20	3	15.0
Total claim administration costs	**405**	**398**	**7**	**1.8**

The change was attributed to higher costs for those expense items that are allocated to claim administration costs.

Changes in actuarial valuation of benefit liabilities

Changes in actuarial valuation of benefit liabilities represent the change in the present value of future payments for loss of earnings and other disability benefits, health care, survivor, labour market re-entry and claim administration related to claims that occurred on or before December 31, 2016, and for occupational disease claims expected to arise in the future as a result of exposures which were incurred in the workplace on or before December 31, 2016 in respect of occupational diseases currently recognized by the WSIB.

			Change	
(millions of Canadian dollars)	**2016**	**2015**	**$**	**%**
Change in actuarial valuation of benefit liabilities	90	1,030	(940)	(91.3)

Change in actuarial valuation of benefit liabilities reflects the impact of the legislative amendment for posttraumatic stress disorder ("PTSD") and the strengthening of valuation assumptions and methodologies, partially offset by the continuation of favourable experience results. The change is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2015	**27,830**
Payments made in 2016 for prior injury years	(2,346)
Interest accretion[1]	1,253
Liabilities incurred for the 2016 injury year	1,376
Experience gains	(790)
Valuation assumptions and methodologies change[2]	562
Impact of legislative amendment[3]	35
Benefit liabilities as at December 31, 2016	**27,920**
Change in actuarial valuation of benefit liabilities	**90**

1. Accretion represents the estimated interest cost of the benefit liabilities, considering the discount rate, benefit liabilities at the beginning of the year and payments made during the year.
2. Change in valuation basis includes:
   a. Discount rate reduction of 25 basis points from 4.75% to 4.50%, an increase of $634 million;
   b. Updated loss of earnings data assumptions and methodologies, a decrease of $125 million; and
   c. Introduction of an arrears provision for future economic loss awards, an increase of $53 million.
3. Impact of legislative amendment reflects an increase of $35 million relating to PTSD. On April 5, 2016, Bill 163, *Supporting Ontario's First Responders Act (Posttraumatic Stress Disorder), 2016* was passed by the Legislature. This amends the WSIA with respect to first responders and other designated workers diagnosed with PTSD. The amendments provide that if a first responder or other designated worker is diagnosed with PTSD and meets specific employment and diagnostic criteria, that first responder or other designated worker's PTSD is presumed to have arisen out of and in the course of his or her employment, unless the contrary is shown. In specific circumstances, the presumption will apply to first responders or other designated workers diagnosed with PTSD up to 24 months before the coming-in-force date, as well as those claims for which a decision is pending from either the WSIB or the WSIAT on the date the legislation comes into force.

Administration and other expenses

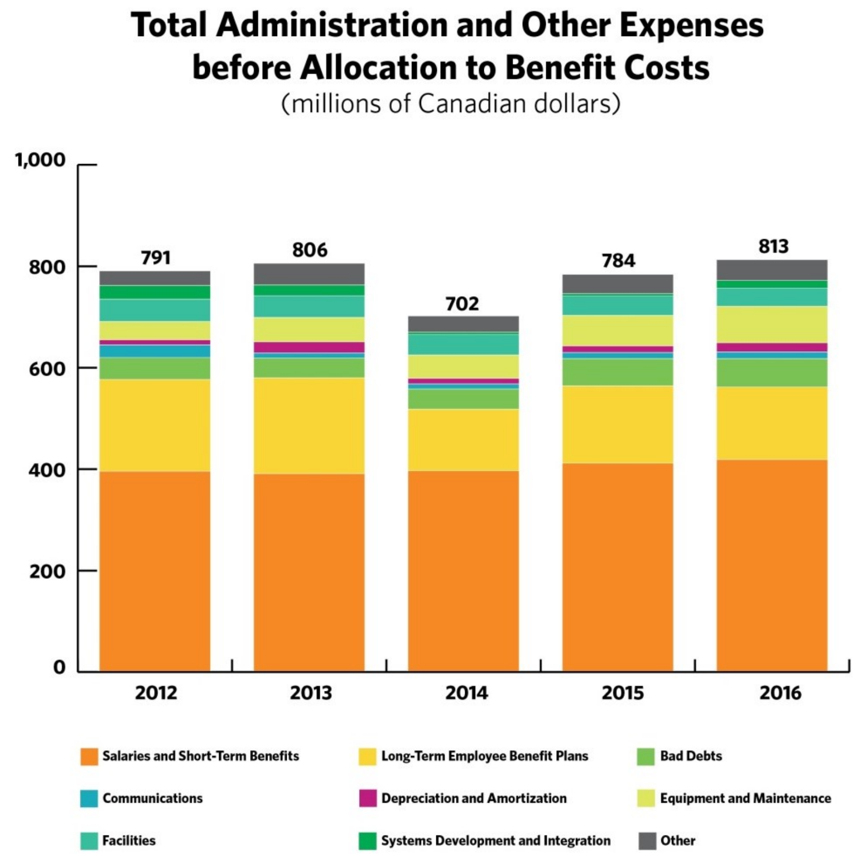
Administration and other expenses, before allocation to benefit costs, were $813 million, an increase of $29 million or 3.7%. A summary of changes in administration and other expenses for the years ended December 31 is as follows:

(millions of Canadian dollars)	2016	2015	Change $	Change %
Salaries and short-term benefits	419	412	7	1.7
Long-term employee benefit plans	143	152	(9)	(5.9)
Bad debts	56	54	2	3.7
Communications	13	12	1	8.3
Depreciation and amortization	18	13	5	38.5
Equipment and maintenance	72	60	12	20.0
Facilities	36	38	(2)	(5.3)
Systems development and integration	15	5	10	100+
Other	41	38	3	7.9
	813	784	29	3.7
Claim administration costs allocated to benefit costs	(382)	(378)	(4)	(1.1)
Total administration and other expenses	**431**	**406**	**25**	**6.2**

A summary of the significant changes in administration and other expenses, before allocation to benefit costs, for 2016 is as follows:

- Salaries and short-term benefits increased $7 million reflecting inflationary pressures.
- Long-term employee benefit plans decreased $9 million primarily reflecting a $7 million gain in the Post-Retirement Benefit Plan due to a change in plan provisions for those that retire after March 31, 2019.
- Depreciation and amortization increased $5 million reflecting the implementation of new accounts and claims management systems.
- Equipment and maintenance expenses increased $12 million reflecting higher infrastructure support costs and higher software license fees.
- Systems development and integration expenses increased $10 million reflecting new initiatives as part of our transformational efforts.

The following chart displays the administration and other expenses, before allocation to benefit costs, for the years ended December 31:



Legislated obligations and funding commitments expenses

A summary of legislated obligations and funding commitments expenses for the years ended December 31 is as follows:

(millions of Canadian dollars)	2016	2015	Change $	Change %
Legislated obligations				
Occupational Health and Safety Act	96	96	-	-
Ministry of Labour Prevention Costs	108	110	(2)	(1.8)
	204	206	(2)	(1.0)
Workplace Safety and Insurance Appeals Tribunal	26	23	3	13.0
Workplace Safety and Insurance Advisory Program	15	16	(1)	(6.3)
Total legislated obligations	**245**	**245**	**-**	**-**
Funding commitments				
Grants	1	(2)	3	100+
Safety program rebates	21	40	(19)	(47.5)
Total funding commitments	**22**	**38**	**(16)**	**(42.1)**
	267	**283**	**(16)**	**(5.7)**
Claims administration costs allocated to benefit costs	(23)	(20)	(3)	(15.0)
Total legislated obligations and funding commitments	**244**	**263**	**(19)**	**(7.2)**

Legislated obligations and funding commitments expenses, before allocation to benefit costs, decreased $16 million or 5.7%, primarily reflecting lower safety program rebates as a result of a decrease in participation in the program, and a decrease in overall performance results.

6. Financial Condition

A discussion of the significant changes in our December 31, 2016 consolidated statements of financial position.

Changes in our consolidated statements of financial position are as follows:

(millions of Canadian dollars)	2016	2015	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	2,496	1,581	915	57.9	Increase primarily reflects continued improvements in operating performance. Refer to the consolidated statements of cash flows and Section 9 – Liquidity and Capital Resources for more details.
Receivables	1,644	1,614	30	1.9	Increase reflects higher premium receivables and surcharges on experience ratings offset by lower investment receivables.
Public equity securities	11,382	10,055	1,327	13.2	Increase reflects net investment income earned and funds transferred from operating activities.
Bonds	6,793	6,756	37	0.5	
Derivative assets	72	68	4	5.9	
Other invested assets	8,788	7,947	841	10.6	
Property, equipment and intangible assets	316	284	32	11.3	Increase reflects additions related to the new accounts and claims management systems.
Liabilities					
Payables and accruals	1,112	1,077	35	3.2	Increase reflects higher refunds on experience ratings and higher administration expenses payable, offset by lower benefit payable.
Derivative liabilities	243	133	110	82.7	Increase reflects changes in our currency and futures positions within the investment portfolio.
Long-term debt	132	116	16	13.8	Increase reflects new mortgage on new investment property.
Loss of Retirement Income Fund liability	1,790	1,724	66	3.8	Increase reflects investment income partially offset by disbursements in excess of contributions.
Employee benefit plans liability	1,290	1,222	68	5.6	Increase reflects a reduction in the interest rate used for valuation.
Benefit liabilities	27,920	27,830	90	0.3	No significant changes. Refer to Section 5 – Operating Results for more details.
Unfunded liability	(3,925)	(6,599)	2,674	40.5	Changes reflect total comprehensive income attributable to WSIB stakeholders.
Unfunded liability - Sufficiency Ratio basis	(4,004)	(6,984)	2,980	42.7	Strengthening due to continued strong operating results.
Sufficiency Ratio	87.4%	77.9%		9.5	

7. Reconciliation of the Change in the Unfunded Liability

An explanation and discussion about the changes to the 2016 unfunded liability.

Premiums charged to employers are designed to offset the expected claims and associated administrative costs for injuries occurring in the current fiscal year and to retire our unfunded liability ("UFL") in accordance with *Ontario Regulation 141/12*. Accordingly, we assess our financial results for both the current injury year to ensure we are funding all current year costs as well as those of prior injury years to ensure we are taking appropriate steps to retire our UFL in accordance with our statutory requirements.

Set forth below is a segmentation of our operating results between the "Current injury year" for 2016 and "Prior injury years".

(millions of Canadian dollars)	Total	Current injury year	Prior injury years
Revenues			
Premiums[1]	5,043	2,911	2,132
Net mandatory employer incentive programs[2]	(181)	-	(181)
	4,862	2,911	1,951
Net investment income[3]	1,497	59	1,438
	6,359	**2,970**	**3,389**
Expenses			
Benefit costs			
Benefit payments[4]	2,252	170	2,082
Claim administration costs[5]	405	197	208
Change in actuarial valuation of benefit liabilities[6]	90	1,326	(1,236)
	2,747	1,693	1,054
Loss of Retirement Income Fund contributions[7]	56	-	56
Administration and other expenses[8]	431	431	-
Legislated obligations and funding commitments[9]	244	244	-
	3,478	**2,368**	**1,110**
Remeasurements of employee defined benefit plans[10]	(35)	(1)	(34)
Total comprehensive income	**2,846**	**601**	**2,245**
Non-controlling Interests[11]	172	7	165
Total comprehensive income attributable to WSIB stakeholders	**2,674**	**594**	**2,080**

1. Calculated based on new claim and administration and other costs for the 2016 injury year.
2. Represents retrospective refunds arising from favourable experience for prior years.
3. The estimated current injury year's net investment income is calculated based on net cash flow reflecting premium revenues not required for benefit payments and related expense in the current injury year.
4. Determined based on injury year for each payment.
5. Current year claims administration costs are calculated by applying appropriate expense factors to actual claims cash flows for the 2016 injury year.
6. Determined based on opening and closing liabilities by injury year.
7. Payments relate to prior years as Loss of Retirement Income Fund contributions are only made once a worker has been injured and on benefits for more than one year.
8. Costs attributed solely for the current year.
9. Relates entirely to current year.
10. Relates primarily to prior injury years.
11. Same proportionate split as net investment income.

As noted above, premium revenues for the current injury year were sufficient to offset current year injury and administration costs. We believe this result reflects our disciplined approach to premium rate setting and strong oversight of benefits and administration cost management. In addition, as a result of favourable claims experience and investment returns, we were able to make demonstrable progress towards retiring the UFL.

Reconciliation of the unfunded liability on an IFRS basis

Set forth below is a reconciliation of the movement in the UFL in 2016 reflecting actuarial gains and losses as well as assumption and actuarial standard changes. A more detailed discussion of the actuarial gains and losses is contained in note 13 of the consolidated financial statements.

(millions of Canadian dollars)	
Unfunded liability as at December 31, 2015	**6,599**
Interest carrying charge on UFL[1]	313
Premium payment to reduce UFL	(2,132)
Expected UFL at December 31, 2016	4,780
Gain from investment return higher than expected[2]	(498)
Loss from remeasurements of employee benefit plans	199
Gains and losses on claims/operations	
Current year claims cost lower than expected	(715)
Net mandatory employer incentive programs	181
Prior year claims cost lower than expected	(740)
Net actual gains	(1,573)
Changes in assumptions for future cost on existing claims	
Changes in methods and assumptions for loss of earnings benefits	(125)
Changes in methods and assumptions for future economic loss	53
Changes in discount rate	634
Net liability increase from assumption changes	562
Actuarial standard change	
Increased liability for occupational disease exposure	121
Increased liability for PTSD	35
Unfunded liability as at December 31, 2016	**3,925**

1. The UFL represents the shortfall of current asset values from the discounted value of expected future payments in respect of injuries occurring in previous injury years. This shortfall represents an interest cost and must be taken into account in this reconciliation.
2. The expected investment return in 2016 was 4.75%. Investment experience, on an actuarial basis, was better than expected during 2016, leading to additional investment gains which also contributed to a reduction in the UFL.

As noted above, the UFL decreased $2,674 million in 2016 reflecting both strong operating performance and favourable claims experience relative to our long-term expectations. We continue to closely monitor these factors to ensure we achieve our legislated funding obligations.

Reconciliation of the unfunded liability on a Sufficiency Ratio basis

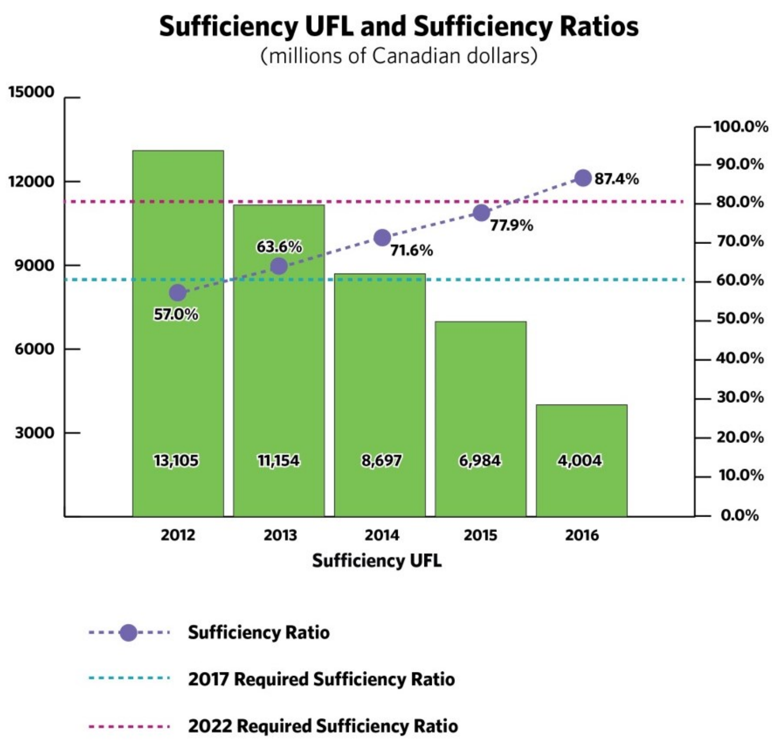
The Sufficiency Ratio is calculated by comparing total assets to total liabilities, with certain assets and liabilities measured on a different basis than that required under IFRS. For the purpose of the Sufficiency Ratio calculation, the amounts of total assets, as presented on the consolidated statements of financial position, are adjusted to reflect measurement on a going concern basis.

On a going concern basis, the investment portfolio is valued at fair value adjusted for the unamortized gains or losses relative to the long-term expected rate of return on those assets, less the interests in those assets held by third parties (non-controlling interests). Investment gains and losses that differ from the long-term expected rate of return are amortized over a five-year period. The values of the obligations of the Employee Benefit Plans are determined through an actuarial valuation using the going concern basis, rather than the market basis.

As at December 31, 2016, the Sufficiency Ratio, as defined in *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations"), was 87.4% (December 31, 2015 – 77.9%). Set forth below is the reconciliation of the unfunded liability between the IFRS and Sufficiency Ratio basis:

(millions of Canadian dollars)	**December 31 2016**	**December 31 2015**
UFL attributable to WSIB stakeholders on an IFRS basis	3,925	6,599
Add/(Less): Adjustments per Ontario Regulations:		
Change in valuation of investment portfolio	779	981
Change in valuation of employee benefit plans liability	(626)	(465)
Change in valuation of investment portfolio attributable to non-controlling interests	(74)	(131)
UFL attributable to WSIB stakeholders on a Sufficiency Ratio basis	**4,004**	**6,984**
Sufficiency Ratio	**87.4%**	**77.9%**

The following chart displays the Sufficiency UFL and Sufficiency Ratios for the years ended December 31:



8. Summary of Quarterly Results

A summary view of our quarterly financial performance.

Selected financial information for the eight consecutive quarters ended December 31, 2016 is as follows:

	2016				2015			
(millions of Canadian dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net premiums	1,202	1,236	1,274	1,150	1,177	1,171	1,202	1,134
Net investment income (loss)	251	958	553	(265)	726	(528)	(308)	1,309
Benefit costs								
Benefit payments	518	566	586	582	591	574	575	592
Claim administration costs	102	100	101	102	102	99	98	99
Change in actuarial valuation of benefit liabilities	(7)	(5)	(28)	130	1,040	(65)	(7)	62
	613	661	659	814	1,733	608	666	753
Loss of Retirement Income Fund contributions	14	14	14	14	13	15	14	14
Administration and other expenses	121	109	101	100	120	87	115	84
Legislated obligations and funding commitments	54	54	65	71	61	62	66	74
Excess (deficiency) of revenues over expenses	**651**	**1,356**	**988**	**(114)**	**(24)**	**(129)**	**33**	**1,518**
Remeasurements of employee defined benefit plans (Other comprehensive income (loss))	474	(44)	(305)	(160)	(39)	15	193	(124)
Total comprehensive income (loss)	**1,125**	**1,312**	**683**	**(274)**	**(63)**	**(114)**	**226**	**1,394**
Total comprehensive income (loss) attributable to WSIB stakeholders	**1,098**	**1,203**	**620**	**(247)**	**(148)**	**(57)**	**258**	**1,238**
Other measures								
Core Earnings[1]	393	393	407	281	290	334	334	271
Return on investments (%)[2]	1.1	3.8	2.3	(1.0)	3.2	(2.1)	(1.2)	6.0
Unfunded liability[3, 4]	3,925	5,023	6,226	6,846	6,599	6,451	6,394	6,652
Unfunded liability – Sufficiency Ratio basis[4]	4,004	4,799	5,633	6,420	6,984	6,584	7,331	8,105

1. Core Earnings is calculated as total comprehensive income (loss) excluding the impacts of net investment income (loss), changes in actuarial valuations and any items that are considered as material and exceptional in nature. See Section 17 – Non-IFRS Financial Measure.
2. Return on investments is the investment income (loss), net of transaction costs and withholding taxes, generated over a given period of time as a percentage of the capital invested taking into account capital contributions and withdrawals.
3. Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period. The total deficiency of assets of $996 million as at December 31, 2016 (December 31, 2015 – $3,797 million) is allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,929 million as at December 31, 2016 (December 31, 2015 – $2,802 million) exclude benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors, are not liable for those obligations. The proportionate share of the total deficiency of assets attributable to WSIB stakeholders as at December 31, 2016 was $3,925 million (December 31, 2015 – $6,599 million) which includes benefit liabilities. Refer to the consolidated statements of financial position for further details.
4. Refer to Section 7 – Reconciliation of the Change in the Unfunded Liability for further details.

Notable items affecting our fourth quarter 2016 results compared to the fourth quarter 2015 results are as follows:

- Premiums were $1,202 million compared to $1,177 million, an increase of $25 million or 2.1%, reflecting a $23 million increase in gross premiums and $3 million decrease in our mandatory employer incentive programs, offset by a $1 million decrease in other items.
- Net investment income was $251 million representing a 1.1% return on investments compared to $726 million and a 3.2% return, a decrease of $475 million primarily attributed to lower income from public equities and fixed income.
- Benefit payments were $518 million compared to $591 million, a decrease of $73 million or 12.4%, primarily due to liability adjustments for health care costs based on the most recent estimates of amounts owing.
- Claim administration costs were $102 million, which approximates 2015 costs.
- Administration and other expenses, before allocation to benefit costs, were $215 million, which approximates 2015 expenses.
- Legislated obligations and funding commitments, before allocation to benefit costs, were $62 million compared to $68 million, a decrease of $6 million or 8.8%, reflecting lower safety program rebates.

Our quarterly revenues and expenses are impacted by a number of trends and recurring factors such as seasonality as well as general economic and market conditions. Our premium revenues are also impacted by insurable earnings, which rise and fall with the employment levels in the industries we insure. Additionally, net investment income is influenced by volatile global capital markets. We anticipate the volatility in net investment income will continue in 2017.

Refer to Section 5 – Operating Results for a discussion of the current annual results.

9. Liquidity and Capital Resources

A discussion of cash flow, liquidity, credit facilities and other arrangements.

The purpose of liquidity management is to ensure there is sufficient cash to meet our financial commitments and obligations as they fall due. We believe we have the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill our cash requirements during the current financial period. We have three sources of funds: (i) premiums charged to employers; (ii) investment income; and (iii) cash and short-term investments.

Our funds are primarily used to satisfy benefit payments and operating expenses. As at December 31, 2016, we held $2,496 million of cash and cash equivalents of which $2,105 million was held for investing purposes, $163 million was held for operating purposes, and $228 million was held in our Loss of Retirement Income Fund on behalf of injured workers.

(millions of Canadian dollars)	**2016**	**2015**
Cash and cash equivalents, beginning of year	1,581	1,473
Cash provided by operating activities	1,364	1,223
Cash required by investing activities	(417)	(1,101)
Cash required by financing activities	(32)	(14)
Cash and cash equivalents, end of year	**2,496**	**1,581**

For the year ended December 31, 2016, cash provided by operating activities was $1,364 million compared to $1,223 million in 2015 reflecting continued improvements in operating performance. Cash required by investing activities was $417 million compared to $1,101 million in 2015 primarily reflecting a decrease in the net purchases of investments and purchases of investment properties. Cash required by financing activities was $32 million compared to $14 million in 2015 mainly due to an increase in distributions paid by subsidiaries to non-controlling interests, partially offset by an increase in long-term debt held by subsidiaries.

Credit facilities

We maintain a $150 million unsecured line of credit with a commercial bank for general corporate purposes. As at December 31, 2016, this credit facility was not in use.

Commitments

(a) Operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(millions of Canadian dollars)	Minimum lease payments
Not later than one year	9
Later than one year and not later than five years	33
Later than five years	33
	75

(b) Leases of investment properties

The WSIB is the lessor of a number of operating leases of its investment properties. These leases typically have a term of 5 to 15 years, with an option to renew. The future minimum lease payments to be received under non-cancellable operating leases are as follows:

(millions of Canadian dollars)	Minimum lease payments
Not later than one year	65
Later than one year and not later than five years	196
Later than five years	180
	441

(c) Investment commitments

The WSIB had the following commitments related to its investment portfolio:

(millions of Canadian dollars)	2016	2015
Real estate, multi-asset and infrastructure investments	1,748	1,322
Investments in joint ventures	97	110
Purchases or development of investment properties	45	7
	1,890	**1,439**

(d) Other commitments

At December 31, 2016, the WSIB has additional commitments going forward under non-cancellable contracts for purchases of goods and services with future minimum payments of approximately $149 million (2015 – $126 million).

10. Critical Accounting Estimates and Judgments

A description of the critical accounting estimates and judgments that affect the measurement and presentation within the consolidated financial statements.

The WSIB is required to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the consolidated financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements, and actual results could differ from those estimates. Estimates are reviewed on an ongoing basis, with any related revisions recorded in the period in which they are adjusted.

In addition, the WSIB has made judgments, aside from those that involve estimates, in the process of applying its accounting policies. These judgments can affect the amounts recognized in the consolidated financial statements.

Benefit liabilities

Benefit liabilities represent the actuarially determined present value of estimated future payments for reported and unreported claims incurred on or prior to the reporting date, including claims in respect of occupational diseases currently recognized by the WSIB. The measurement of benefit liabilities requires the actuary to make estimates and assumptions for a number of factors, including those for claim duration, mortality rates, wage and health care escalations, general inflation and discount rates. Changes in these estimates and assumptions could have a significant impact on the measurement of benefit liabilities and benefit costs.

Employee benefit plans

The costs and liabilities associated with defined benefit pension plans and other long-term employee benefit plans are determined in accordance with actuarial valuations. The actuarial valuations rely on estimates and assumptions including those for wage escalation, expected return on plan assets, health care and dental cost inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have an impact on the employee benefit plans liability and total comprehensive income.

Fair value measurement of financial instruments

Where possible, the fair value of publicly traded financial instruments is based on quoted prices in active markets. Where quoted prices in active markets are not available, the fair value for financial instruments is based on valuation models that use observable market inputs such as interest rate yield curves, or net asset values provided by independent third party investment managers. Valuation models incorporate prevailing market rates and may require estimates for economic risks and projected cash flows. Note 7 of the consolidated financial statements provides the estimated fair values of financial instruments categorized by the nature of the inputs used in the valuation techniques.

Fair value measurement of investment properties

The WSIB's investment properties are owned indirectly through subsidiaries or joint operations. Investment properties are re-measured to fair value at each reporting date, estimated based on the annual valuations performed by independent qualified appraisers. The annual third party appraisals are performed at varying dates throughout the year; at each reporting date the fair value of investment properties is updated based on valuation models incorporating available market evidence. When determining the fair value of investment properties, estimates and assumptions are made that have a significant effect on the reported values of investment properties. Estimates and assumptions used in determining the fair value of the investment properties include discount and terminal capitalization rates, inflation rates, vacancy rates and future net cash flows of the properties.

11. Changes in Accounting Policies

A discussion of new and amended IFRS standards that are reflected in the consolidated financial statements.

The WSIB did not change any accounting policies during 2016.

12. Future Changes in Accounting Standards

A discussion of new and amended IFRS developments that will or may impact our consolidated financial statements.

The following new or amended accounting standards have been issued by the International Accounting Standards Board ("IASB"). These new or amended standards are not yet effective and the WSIB has not completed its assessment of their impact on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15. The new standard, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and various interpretations, establishes a principles-based framework for the recognition and measurement of revenues arising from contracts with customers, except for items such as financial instruments, insurance contracts and leases. The effective date for the WSIB will be January 1, 2018, on a retrospective or a modified retrospective basis. We are currently assessing the impact the adoption of this standard will have on our consolidated financial statements.

Amendments to IFRS 4 Insurance Contracts ("IFRS 4")

In September 2016, the IASB issued amendments to IFRS 4. The amendments introduce two approaches to address differing effective dates of IFRS 9 *Financial Instruments* ("IFRS 9") and the forthcoming new insurance contracts standard: the overlay approach and the deferral approach. Under the deferral approach, insurance entities are provided a temporary exemption for the adoption of IFRS 9 until January 1, 2021. The amendments will be effective for the WSIB beginning on January 1, 2018, and the WSIB expects to defer the adoption of IFRS 9 until January 1, 2021.

IFRS 9 Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 which will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

A new principles-based model is introduced for classifying and measuring financial assets, based on the business model and the contractual cash flow characteristics of the financial assets held. The classification and measurement for financial liabilities remains generally unchanged; however, for a financial liability designated as at fair value through profit or loss, fair value changes attributable to the changes in an entity's own credit risk are reflected in other comprehensive income.

The standard also introduces a new forward-looking expected loss model which replaces the incurred loss model under IAS 39 for the recognition and measurement of impairment on all financial instruments not measured at fair value. In addition, a new model for hedge accounting was introduced to achieve better alignment with risk management activities.

We expect to defer IFRS 9 until January 1, 2021, as allowed under the amendments to IFRS 4. We are currently assessing the impact the adoption of this standard will have on our consolidated financial statements.

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which will replace IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. For lessees, IFRS 16 requires that all leases be recognized on the statement of financial position, with certain exemptions. The accounting for lessors is substantially unchanged. IFRS 16 will be effective for the WSIB beginning on January 1, 2019 on a retrospective or a modified retrospective basis. We are currently assessing the impact the adoption of this standard will have on our consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7, which require disclosure of certain changes in the liabilities arising from financing activities. The amendments will be effective for the WSIB beginning on January 1, 2017 and applied prospectively. We do not expect the adoption of the amendments to have a significant impact on our consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

In December 2016, the IASB issued IFRIC 22, which clarifies the accounting for transactions when an entity recognizes a non-monetary asset or liability arising from an advance payment that is received or paid in a foreign currency, prior to recognition of the underlying transaction. The amendments will be effective for the WSIB beginning on January 1, 2018 and may be applied retrospectively or prospectively. We are currently assessing the impact the adoption of this standard will have on our consolidated financial statements.

13. Legal Contingencies

A discussion of our legal proceedings, claims and other legal contingencies.

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

The WSIB has provided formal written indemnities to its current and former directors to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, and amounts paid in settlement and damages incurred as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which they are involved as a result of their services.

Additionally, the WSIB has purchased directors' and officers' liability insurance. The WSIB also indemnifies and provides legal representation to all its employees, former employees and persons engaged by the WSIB to conduct an examination, test, enquiry or other authorized function in legal proceedings arising out of alleged acts or omissions in the performance of their duties, provided the person has acted honestly and in good faith.

Also, in the normal course of operations, the WSIB may enter into contractual arrangements with external parties that involve promises to indemnify the other party under certain circumstances. As part of its investment function, the WSIB may also provide indemnification agreements to counterparties that would require the WSIB to compensate them for costs incurred as a result of changes in laws and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification arrangements will vary.

14. Outlook for the Year Ending December 31, 2017

The outlook for our business for the year ending December 31, 2017.

The following contains forward-looking statements about the outlook for our business. Reference should be made to Section 19 – Forward-Looking Statements at the end of this MD&A. For a description of risk factors that could cause our actual results to differ materially from the forward-looking statements, please also see Section 16 – Risk Factors in this MD&A and note 8 in our consolidated financial statements.

Premiums

Premium revenues are anticipated to decrease in 2017 reflecting a 6.2% reduction in the average premium rate, partially offset by an assumed 1.2% increase in employment growth and a 1.3% increase in average wages and $4 million of lower net mandatory employer incentive programs expense. While average premium rates in 2017 are anticipated to decrease from 2016, employers continue to contribute towards retiring the unfunded liability.

Net investment income

Net investment income is planned at a 4.75% net return on investments, consistent with our long-term investment return objective within an expected range of 3.5% to 6.5%. We will continue to implement our SIP in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of volatility and corresponding investment risk.

Benefit payments

Benefit payments are anticipated to be $2,403 million in 2017, or 6.7% higher than the level of benefit payments in 2016. We caution readers that the level of benefit payments may rise in the event that new types of compensable claims are promulgated.

Administration and other expenses

Administration and other expenses are anticipated to increase in 2017 reflecting increases to the pension liability, increases for information technology costs and higher new systems development and integration expenses as a result of our transformational efforts.

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to increase reflecting higher safety program rebates.

Unfunded liability

We anticipate the unfunded liability will continue to decrease, based on current funding and benefit levels and employer contributions toward retiring this liability, as measured under current accounting and actuarial standards.

Core Earnings

Although Core Earnings will decrease as a result of the reduction in average premium rate, we anticipate continued contribution towards retiring the unfunded liability through continued operational excellence.

15. Internal Control over Financial Reporting

A statement of responsibilities regarding internal control over financial reporting.

Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality. The WSIB's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is also responsible for the preparation and presentation of additional financial information included in the annual report and ensuring its consistency with the consolidated financial statements.

16. Risk Factors

A discussion of the more significant risk factors affecting our business.

Introduction

We face a number of different risks and uncertainties that expose us to possible losses. Set forth below are those risks and uncertainties that we currently believe to be material. They are not, however, the only risks and uncertainties we face. If any of these risks (or any other risks and uncertainties that we have not yet identified, or that we currently consider not to be material) actually occur or become material, our business prospects, financial condition, results of operations and cash flows could be adversely affected. The WSIB has implemented an Enterprise Risk Management program that monitors and reports to the Board on key enterprise risks regularly. While we employ a broad and diversified set of risk mitigation strategies, those strategies and the judgements that accompany their application cannot anticipate every outcome or the specifics and timing of such outcomes.

Below are the insurance funding, operational, and regulatory risks we monitor and mitigate within our span of control.

The shaded text in the following sections represents our disclosures on investment, liquidity, credit and market risks in accordance with IFRS 7 *Financial Instruments: Disclosure*, and includes a discussion on how we measure risk and our objectives, policies and methodologies for managing these risks. The shaded text represents an integral part of our audited consolidated financial statements for the year ended December 31, 2016 and does not imply that these disclosures are of any greater importance than the non-shaded text.

Insurance funding risk

Insurance funding risk is the risk that the WSIB's funded status falls short of Ontario Regulations due to insufficient premium revenue to cover costs or increases in the benefit liability and/or insufficient investment revenue arising from unanticipated and prolonged adverse returns.

Premium rates setting and benefit liabilities determination

The WSIB, as the board-governed trust agency under the Agencies and Appointments Directive responsible for administering the Province's injured worker compensation system, must utilize prudent assumptions during the premium rates setting process to ensure that the provision of funds is adequate to cover all future costs for injuries arising in each injury year.

Benefit liabilities, reflecting the ultimate benefits to be paid on reported and unreported claims, are calculated using sound actuarial practices to estimate costs based on a number of factors. (See Section 10 – Critical Accounting Estimates and Judgments).

Establishing an appropriate level of benefit liabilities is an inherently uncertain process which presents a number of risks that could adversely affect our comprehensive income and financial condition.

Potential events that could contribute to this risk include:

- economic depression in Ontario with attendant reduction in overall insured payroll;

- significant increases in legislated injured worker benefit entitlements; and
- fundamental error in premium rate calculation, in estimate of industry/sector payroll level and/or in estimate of incident/duration of claims.

We mitigate this risk by:

- utilizing both proprietary and commercially available actuarial models and assessing historical loss development patterns and other predictive analytics;
- basing annual pricing analysis on assumptions that explicitly contain margins when compared to recent experience;
- modeling economic scenarios to better understand the impact of economic risks and to determine the adequacy of our financial assumptions;
- continuing to invest in prevention, recovery and return-to-work efforts and closely monitoring their performance;
- determining benefit liabilities based on assumptions that gradually incorporate emerging experience, thus providing a relatively stable basis for pricing and sufficiency measurement;
- monitoring claims management efficiency by the Benefit Payments Analysis Committee and regular, ongoing reviews and re-evaluation of claims and their impact on the estimate of the benefit liability by internal actuaries;
- engaging independent actuaries annually to review actuarial assumptions and methodologies in establishing benefit liabilities and premium rates;
- reviewing actuarial related matters at regular meetings with our Actuarial Advisory Committee; and
- monitoring potential legislative changes, including offering an assessment of the financial implications of any such changes.

Investment risk

Our ability to meet our long-term obligations is dependent upon the sufficiency of our investment fund. Our primary investment risk is that investment fund and returns, taken together with a reasonable and sustainable level of contributions, are insufficient to meet the long-term obligations for which the investment fund is established. The risk that significant and prolonged adverse investment returns, unexpected changes in investment market conditions, inappropriate assumptions or model flaws in the determination of strategic asset allocation with the failure or inability to approve required premium rates to mitigate these risks may result in the failure to meet the legislated Sufficiency Ratio requirements established in Ontario Regulations.

We mitigate this risk by:

- regular assessment of actual investment performance relative to expectations of our strategic asset allocation and benchmarks stipulated in our investments benchmarks and rebalancing policy, which is approved at least annually by the Investment Committee;
- executing the SIP to ensure strong investment governance, effective diversification of assets, efficient cost structure and rigorous risk management of the investment portfolio;
- diversifying investment return sources as provided for in our SIPPs, which are presented annually to the Board of Directors for their approval;
- conducting periodic Asset-Liability Studies and implementing comprehensive investment risk model; and

integrating and coordinating investment and other work streams pertinent to solvency/ funded status through an Asset-Liability Risk Management ("ALRM") Committee made up of senior executives across the organization.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in liquidating financial assets in order to fund obligations associated with financial liabilities.

We mitigate this risk by:

- investing the majority of our assets in readily marketable instruments (publicly traded equity and fixed income securities);
- maintaining a portion of our investments in short-term (less than one year) highly liquid money market securities, which are used to manage our operational requirements and fund investment-related obligations and commitments; and
- maintaining a $150 million unsecured credit facility, which we can utilize to manage our liquidity needs.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

We are exposed to several types of credit risks including:

- risk that our fixed income investments, consisting primarily of investment grade debt instruments, may become impaired;
- counterparty risk relating to our securities lending, foreign currency and diversified markets programs;
- credit loss due to Schedule 1 employers not settling their premiums receivable and Schedule 2 employers not reimbursing us for their respective claim costs; and
- the risk that the Canadian life insurance companies, that enter into annuity agreements with us to provide for fixed and recurring payments to claimants, may fail to fulfill their obligations.

We mitigate our credit risk by:

- reducing concentration risk by holding a diversified portfolio of debt instruments including a predominant component that is invested in government-issued bonds;
- appointing an experienced agent to manage the securities lending program including the management of borrower credit risk by requiring daily marking-to-market to maintain full collateralization with an additional margin for safety; and receiving an indemnity from the financial institution that manages the securities lending program;
- adopting an approved list of foreign currency and other financial instrument counterparties, credit rating limits, and managing counterparty diversification and frequency of settlements; and
- holding collateral from some Schedule 2 employers in the form of either letters of credit issued by highly rated financial institutions, or surety bonds issued by highly rated insurance companies.

Market risk

There are three types of market risk to which we are exposed:

- currency risk is the risk of loss due to adverse movements in foreign currency rates relative to the Canadian dollar;
- interest rate risk is the potential for financial loss arising from changes in interest rates; and

- price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

We apply various measures to mitigate these risks, which include:

- using foreign exchange contracts to hedge a portion of currency exchange rate risk associated with certain foreign investment holdings. Foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract inception;
- reviewing interest rate risk through periodic asset and liability analyses, which assess the impact of different interest rate scenarios on our assets and liabilities over a period of time. Interest rate risk is mitigated primarily through asset allocation, which aims to diversify our exposure to the impact of changes in interest rate levels; and
- diversifying our investment portfolio in accordance with our investment policies to reduce the concentration of the portfolio. Diversification minimizes the impact of a change in price in any one particular issuer, a group of issuers, a geographic region, or a sector component of the market on the overall portfolio. Diversification ensures that the exposure of the investment portfolio to a group which shares similar characteristics such as type of industry and economic and political conditions, which may impact the issuers' ability to meet contractual commitments, is managed at a prudent level.

Economic conditions and labour market changes

Given our mandate to deliver a no-fault insurance plan, funded predominantly by premium revenues, we are inherently subject to economic risks, which include:

- low or modest growth in the Province's employment levels, especially in covered industries, could pose a risk to meeting premium revenue targets as well as limiting work transition opportunities;
- the changing nature of work and employment relationships could challenge the traditional workers' compensation business model;
- the growth in industries that are not required to have coverage under the WSIA could pose a risk to the sustainability of the compensation system;
- the trend toward casual, part-time and temporary work (non-standard work) may result in return to work challenges and, therefore, longer duration on benefits; and
- the growing number of older workers in the workforce as older workers may have challenges with return to work.

We mitigate these risks by:

- coordinating asset-liability management processes including consideration of the impacts of economic and other risk factors on the funding position and desired level of funding;
- conducting annual scenario planning and stress testing as part of budget updates, sufficiency planning, rate setting and other financial modelling;
- reviewing economic forecasts and analysis prepared by the Conference Board of Canada to project the level of future insurable earnings and employment levels within our key industries and report significant deviations between forecasts and actuals to the ALRM Committee and suggest corrective action;
- continuous monitoring and researching of the job market for available, sustainable positions for injured workers who are ready to transition back to the job market; and
- strengthening our return to work and health care programs to support recovery and sustainable return to work.

Regulatory, political and other influences

Our business is subject to changing legal, regulatory and other influences. Any amendments to the WSIA or other legislation could require us to make adjustments to our business processes. Changes may require the dedication of our resources to implement new systems or processes. Further, political and stakeholder influences and competing interests may impact our ability to make timely changes to policy or operational programs and processes, or may introduce new changes not planned or contemplated by the WSIB.

We mitigate these risks by:

- engaging with the MoL to determine the potential impact to outcomes and capacity;
- accurately costing any legislative or regulatory changes to ensure that the impact of any change is fully understood;
- consulting with stakeholders as appropriate, such as for WSIB-initiated regulatory changes, as well as any substantive changes to our operational policies;
- ensuring that any changes to existing policies and programs are developed and implemented to align with our value propositions and organizational capabilities; and
- operating an integrated compliance framework to proactively identify legislative changes and monitor ongoing compliance.

Operational risks

Operational risks include WSIB's risks resulting from inadequate or failed internal processes and systems, people, or from external events.

Management of claims

Operational performance is reflected in how efficiently and effectively cases are managed and how closely their outcomes meet operational objectives. A number of risks can impact negatively on performance including:

- any rise in the lost-time injury rate will result in an increased volume of incoming claims and increased pressure on front-line resources;
- unexpected sources, volume or complexity of claims may arise, potentially putting increased cost pressure on the system;
- the development and implementation of important initiatives will put strain on organizational capacity and performance as front-line staff and management assist in the development and transition to new systems and processes; and
- any delays in accessing timely health care treatment and return to work services would increase the potential for longer claim durations, development of permanent impairments and ultimately increased claims costs.

We mitigate these risks by:

- supporting the reduction of workplace injuries and illnesses through our participation on the Chief Prevention Officer's Prevention Council, the provision of data to aid in the identification of priorities, and the provision of funding for the administration of the OHSA and support of the Province's health and safety associations and research;
- monitoring injury/disease trends including scientific and professional literature for emerging or potential complex cases;
- regularly monitoring and prioritizing project and operational needs to maximize organizational capacity; and
- managing the quality and timeliness of services through a series of key performance measures and taking action when trending of results is not in line with expectations.

Business continuity management

Our stakeholders rely on our ability to provide services and operate our systems without interruption. Our continuity of business may be subject to risks such as:

- unforeseeable and/or catastrophic events to resources or infrastructure, such as an infectious disease or a power failure, which may abruptly interrupt critical business activities and result in losses that could be related to financial assets and key personnel; and
- ongoing reliance on out-dated system technologies coupled with analysis and testing of IT disaster recovery capabilities which may negatively impact business operations and cause potential service interruption or loss of critical information should those systems fail.

We routinely update our business continuity, emergency response and disaster recovery plans to prevent and minimize potential risks, including:

- maintaining and updating a Business Continuity Management Tool to assist with the management of the Business Continuity plans;
- update of the Emergency Response Plan including annual exercises; and
- development of Disaster Recovery Plan including modernizing our IT Security Incident Management process to quickly identify and resolve issues, securing our facilities and infrastructure with a series of security protocols for accessing technology, and ensuring all new systems are built with multiple redundancies within a secured datacentre with Disaster Recovery capability for critical applications in a secondary datacenter.

Workforce

We may not be able to attract and retain an engaged workforce with the right capabilities to match the needs of the future workplace. This presents a number of challenges for us, including:

- ensuring there is sufficient depth of identified talent in senior leadership and key positions to achieve our future vision;
- developing a workforce that has the required skills or capabilities in sufficient capacity to deliver on the objectives of the organization; and
- responding to the reality that high-potential talent will be in high demand among organizations that compete for the same talent.

The workforce risk is being mitigated through the delivery of a human resources strategy that includes:

- implementation of strategic workforce planning to ensure we are proactively planning for a future workforce with the requisite skills and competencies to deliver strategic and business plans;
- building organizational stability through succession management, a leadership development strategy, and leadership development programs;
- implementing an employee engagement strategy and defining our Employee Value Proposition;
- maintaining a competitive, sustainable and affordable defined benefit pension plan for WSIB's employees;
- maintaining an appropriately designed executive compensation framework; and
- integrating psychological health and safety into our current culture.

Information technology

We currently process a high volume of daily transactions. We rely on multiple technologies and third parties to provide key components of our infrastructure. Our technology may be subject to risks which stem from its ability to:

- effectively manage third party providers;
- deliver consistently and effectively on IT projects; and
- develop staff with required skill sets.

Monitoring of IT risks is focused on progress with implementation of the enterprise IT Roadmap and analysis of performance metrics. We mitigate these risks through the following key areas of focus:

- managing third party contracts through investment in planning processes with business partners, introducing a new governance framework for strategic suppliers, and designing and implementing a balanced vendor scorecard with key performance indicators;
- implementing a project management practice by training staff on IT project management methodology, intaking methodologies inclusive of requirements for architectural review standards, identifying high risk applications and detailed plans for mitigation, and implementing robust project governance, standardized protocols and performance metrics reporting; and
- investing in staff by introducing IT skillset assessment and metrics and supporting staff training by monitoring and reporting on IT staff training index.

Large scale projects

The sizable portfolio of large and medium sized projects continues to represent both an opportunity, in terms of making improvements to the organization, and a risk. Successfully delivering multiple complex projects, while maintaining core operations, is a common challenge for organizations.

We mitigate this risk by:

- developing a framework to support effective execution of large scale projects;
- implementing the benefits realization framework in 2017; and
- continuing with improvements in the portfolio governance framework and the enterprise gating process.

Privacy

Due to the nature of our business, the collection, use and disclosure of personal information is a necessary and regular occurrence. Inherent in any transactions involving personal information is the risk of a privacy breach through inappropriate collection, use, disclosure, or loss of the information. Any privacy breach may lead to significant reputational harm, regulatory review, or legal action. This risk is significant due to the largely manual processes and operations for handling personal information and the highly sensitive nature of the personal information.

We mitigate these risks by:

- developing a comprehensive enterprise privacy and IT security framework and corresponding policies;
- conducting on-going privacy and IT risk assessments on any new or changing business line or program;
- building privacy safeguards into the business lines where personal information is handled (incorporating privacy into the design at the concept stage and initiation of procurements and contracts, including contract language enforcing IT security and privacy standards); and
- enhancing privacy and IT security awareness program to increase education and accountability for all staff.

Third party vendors

Third party vendors are an inherent part of our business delivery model. Our vendors extend our organizational capability and capacity, but also extend risk exposure. Risks include:

- business disruption, such as business continuity events or financial failure;
- operational failure to deliver or failure to provide quality;
- service/product price uncertainty;
- ethical or compliance failures that extend to WSIB;
- cyber security and privacy risk issues; and
- use of subcontractors.

We mitigate these risks through:

- proper due diligence to identify and select well qualified vendors through a fair, open and transparent process, which includes assessment of technical capabilities, experience, pricing and where appropriate privacy impact assessments, and technology risk assessments;
- written contracts that clearly outline pricing, duties, obligations and responsibilities of the parties involved and usage of subcontractors;
- Vendor Code of Conduct which is aligned to the WSIB Business Code of Ethics, and outlines expectations for ethical behavior that respects our values, principles, standards, and policies; and
- ongoing oversight and contract management.

17. Non-IFRS Financial Measure

A definition of our non-IFRS financial measure.

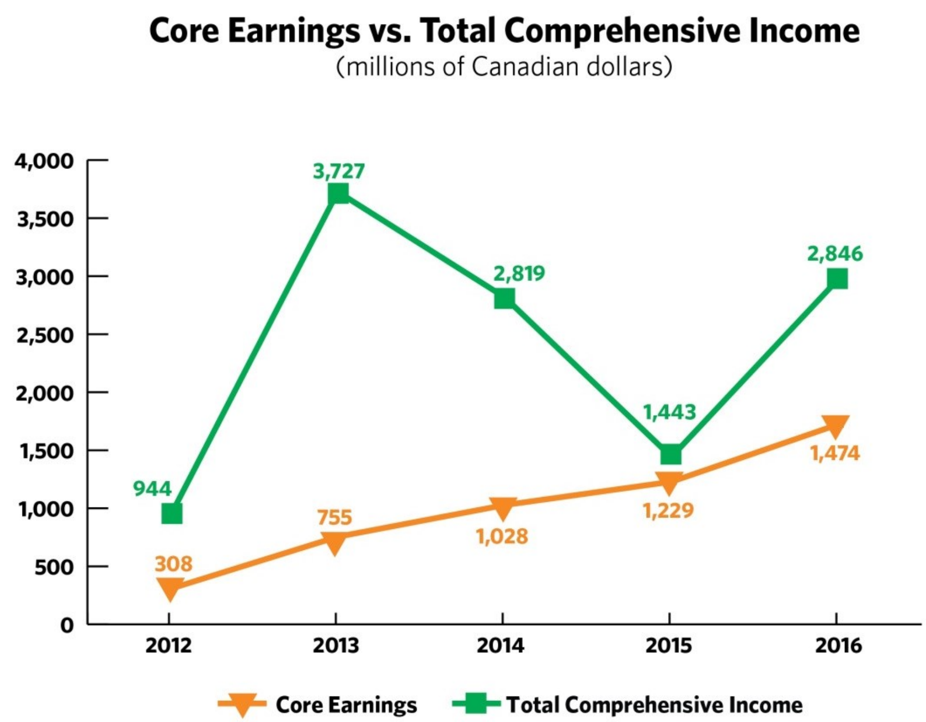
Core Earnings

The WSIB utilizes “Core Earnings”, a non-IFRS financial measure, to help stakeholders better understand our underlying operating performance. This measure is relevant to our operations management and offers a consistent methodology in evaluating our underlying performance. Core Earnings is defined as total comprehensive income, excluding the impacts of net investment income, changes in actuarial valuations and any items that are considered as material and exceptional in nature. This measure does not have any standard meaning prescribed by IFRS and is not necessarily comparable to similarly titled measures of other organizations.

Set forth below is the reconciliation of Core Earnings and total comprehensive income, the most directly comparable financial measure calculated and presented consistent with IFRS:

(millions of Canadian dollars)	**2016**	**2015**
Total comprehensive income for the year	2,846	1,443
Add/(Less): Net investment income	(1,497)	(1,199)
Add/(Less): Change in actuarial valuation of benefit liabilities	90	1,030
Add/(Less): Change in actuarial valuation of defined employee benefit plans	35	(45)
Core Earnings	**1,474**	**1,229**

The following chart displays the Core Earnings measurement versus the IFRS measurement for the years ended December 31:



18. Related Party Transactions

A discussion of related party transactions and their relationship to our business.

The WSIB is a board-governed trust agency under the Agencies and Appointments Directive, responsible for administering the WSIA. As such, the WSIB is considered a government-related entity and is provided partial exemptions under IFRS from its disclosure of transactions with the Government of Ontario and various ministries, agencies, and Crown corporations over which the Government of Ontario has control.

The WSIB is required to make payments to defray the cost of administering the OHSA and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the WSIAT and the costs that may be incurred by the Office of the Worker Adviser, and the Office of the Employer Adviser. The WSIB also provides various grants funding to carry on investigations, research and training. The total funding provided under these legislated obligations and funding commitments for the year ended December 31, 2016 was $246 million (2015 – $243 million).

The WSIB is required to reimburse the Ministry of Health and Long-Term Care ("MOHLTC") for physicians' fees for services to injured workers, as well as an administrative fee to the MOHLTC. Amounts paid to the MOHLTC for physicians' fees and administrative services for the year ended December 31, 2016 were $32 million (2015 – $36 million).

In addition to legislated obligations and workplace health and safety expenses, which the WSIB collectively presents in legislated obligations and funding commitments expenses, the consolidated financial statements include amounts resulting from transactions conducted in the normal course of operations with various ministries, agencies and Crown corporations over which the Government of Ontario has control.

Included in investments are $1,562 million of marketable fixed income securities issued by the Government of Ontario and related entities (2015 – $1,515 million).

19. Forward-Looking Statements

Caution regarding forward-looking statements.

This MD&A contains “forward-looking statements,” within the meaning of applicable Canadian securities laws. Forward-looking statements can be identified by the use of words, such as “anticipates,” or “believes,” “budget,” “estimates,” “expects,” or “is expected,” “forecasts,” “intends,” “plans,” “scheduled,” or variations of such words and phrases or state that certain actions, events or results “could,” “may,” “might,” “will,” or “would,” be taken, occur or be achieved. These forward-looking statements are based on current expectations and various assumptions and analyses made by us in light of our experience and our perceptions of historical trends, current conditions and expected future developments and other factors we believe are appropriate in the circumstances. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in our forward-looking statements.

These factors may cause our actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on our business. For example, they do not include the effect of asset impairments or other changes announced or occurring after the forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

We believe that the expectations represented by our forward-looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management’s expectations regarding our anticipated financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date of this report and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

RESPONSIBILITY FOR FINANCIAL REPORTING

Role of Management

The accompanying consolidated financial statements are the responsibility of the management of the Workplace Safety and Insurance Board (the "WSIB") and have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements include amounts based on management's best estimates and judgments.

Management is responsible for the preparation and fair presentation of these consolidated financial statements 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. The Board of Directors has established an Audit and Finance Committee to oversee that management fulfills these responsibilities. The Audit and Finance Committee meets periodically with management, internal auditors, and external auditors to oversee that their responsibilities are properly discharged with respect to the application of critical accounting policies, consolidated financial statement presentation, disclosures, and recommendations on internal controls.

Role of the Chief Actuary

With respect to the preparation of the consolidated financial statements, the Chief Actuary works with the WSIB actuarial staff to prepare a valuation, including the selection of appropriate assumptions applicable to the WSIB's benefit liabilities at the consolidated statements of financial position date to determine the valuation of benefit liabilities. Additionally, the Chief Actuary provides an opinion to the Board of Directors regarding the appropriateness of the benefit liabilities recorded by management of the WSIB at the date of the consolidated statements of financial position. The work to form that opinion includes an examination of the sufficiency and reliability of data and a review of the valuation processes. The Chief Actuary is responsible for assessing whether the assumptions and methods used for the valuation of the benefit liabilities are in accordance with accepted actuarial practice, applicable legislation, and associated regulations and directives. In performing the valuation of these liabilities, which are by their very nature inherently variable, the Chief Actuary makes assumptions as to future interest and mortality rates, expenses, related trends, and other contingencies, taking into consideration the circumstances of the WSIB. It is certain that the benefit liabilities will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for future claim categories not sufficiently recognized in the claims experience and inventories. The Chief Actuary's report outlines the scope of the valuation and his opinion.

Role of the External Auditors

The external auditors, Ernst & Young LLP, working under the direction of the Auditor General of Ontario, have performed an independent and objective audit of the consolidated financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors make use of the work of the Chief Actuary and his report on the benefit liabilities of the WSIB. The external auditors have full and unrestricted access to the Board of Directors and the Audit and Finance Committee to discuss audit, financial reporting, and related findings. The external auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements of the WSIB.

Thomas Teahen
President and Chief Executive Officer
April 27, 2017
Toronto, Ontario

Pamela Steer
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Workplace Safety and Insurance Board,
The Minister of Labour and the Auditor General of Ontario

Pursuant to the *Workplace Safety and Insurance Act, 1997 (Ontario)*, which provides that the accounts of the **Workplace Safety and Insurance Board** (the "WSIB") shall be audited by the Auditor General of Ontario or under his direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the accompanying consolidated financial statements of the WSIB, which comprise the consolidated statements of financial position as at December 31, 2016, the consolidated statements of comprehensive income, changes in deficiency of assets, and cash flows for the year then ended December 31, 2016, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated 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.

Auditors' 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 auditors' 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 auditors consider 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the WSIB as at December 31, 2016 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 27, 2017

ACTUARIAL OPINION

On the Valuation of the Benefit Liabilities of the Workplace Safety and Insurance Board as at December 31, 2016

I have completed the actuarial valuation of the benefit liabilities of the Workplace Safety and Insurance Board (the “WSIB”) for its consolidated statements of financial position as at December 31, 2016 (the “valuation date”).

In my opinion, the benefit liabilities of $27,920 million make reasonable provision for future payments for loss of earnings, other short and long-term disability, health care, survivor and retirement income benefits with respect to claims which occurred on or before the valuation date, and for occupational disease claims expected to arise after the valuation date as a result of exposures incurred in the workplace on or before the valuation date in respect of occupational diseases with a long latency period that are recognized by the WSIB. This amount provides for future claim administration costs, but does not include a provision for claims related to workers of Schedule 2 employers.

The valuation was based on the provisions of the *Workplace Safety and Insurance Act*, *1997 (Ontario)* (the “WSIA”) and on the WSIB's policies and administrative practices in effect at the time of the valuation. This includes Bill 163 *Supporting Ontario’s First Responders Act (Posttraumatic Stress Disorder)*, which was passed by the legislature on April 5, 2016.

The data on which the valuation is based were provided by the WSIB; I applied such checks of reasonableness of the data as I considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities and are consistent with the WSIB’s consolidated financial statements. In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

The economic assumptions adopted for purposes of computing the liabilities have been selected taking account of the WSIB’s strategic plan and investment policies. For this valuation, an annual discount rate of 4.50% (4.75% for the previous valuation) was used to discount expected payments. Other economic assumptions underlying the calculations include annual changes in the Consumer Price Index (CPI) of 2.0% (unchanged from the previous valuation), amounts subject to partial indexing to increase at 1.0% annually for 2017, and 2.0% annually for 2018 and later, annual health care costs and annual wage escalation rates of 4.0% (unchanged from the previous valuation) and 3.0% (unchanged from the previous valuation) respectively. The valuation also incorporates the change as a result of Bill 144 where indexation will be applied to the benefit rate starting in 2018 rather than the gross earnings which is the current practice. In my opinion, the assumptions are appropriate for the purpose of the valuation.

The methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. Projections of future claim payments and awards have been made using factors developed from the WSIB’s claims experience, mortality and other assumptions. In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

Changes to the actuarial basis, in addition to the discount rate mentioned above, include updates to the data, methods and assumptions for the loss of earnings benefit. In addition to these changes, an arrears provision for future economic loss awards was introduced. The impact of the changes in actuarial assumptions and methods on the benefit liabilities is disclosed in note 13 to the consolidated financial statements.

Details of the data, actuarial assumptions, valuation methods and analysis of results are set out in my actuarial report as at the valuation date, of which this statement of opinion forms part.

In my opinion, the amount of the benefit liabilities makes appropriate provision for all personal injury compensation obligations and the consolidated financial statements fairly represent the results of the valuation. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

Donald Blue, FSA, FCIA
Vice-President and Chief Actuary
Workplace Safety and Insurance Board
April 27, 2017
Toronto, Ontario

Consolidated Statements of Financial Position
(millions of Canadian dollars)

	Note	December 31 2016	December 31 2015
Assets			
Cash and cash equivalents		2,496	1,581
Receivables	6	1,644	1,614
Public equity securities	7	11,382	10,055
Bonds	7	6,793	6,756
Derivative assets	7	72	68
Other invested assets	7	8,788	7,947
Property, equipment and intangible assets	9	316	284
Total assets		**31,491**	**28,305**
Liabilities			
Payables and accruals		1,112	1,077
Derivative liabilities	7	243	133
Long-term debt	10	132	116
Loss of Retirement Income Fund liability	11	1,790	1,724
Employee benefit plans liability	12	1,290	1,222
Benefit liabilities	13	27,920	27,830
Total liabilities		**32,487**	**32,102**
Deficiency of assets			
Unfunded liability attributable to WSIB stakeholders		(3,925)	(6,599)
Non-controlling interests	17	2,929	2,802
Total deficiency of assets		**(996)**	**(3,797)**
Total liabilities and deficiency of assets		**31,491**	**28,305**

Commitments and contingent liabilities (note 14)

Approved by the Board of Directors

Elizabeth Witmer
Chair
April 27, 2017

Lea Ray
Audit and Finance Committee (Chair)
April 27, 2017

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income
For the years ended December 31
(millions of Canadian dollars)

	Note	2016	2015
Revenues			
Premiums		5,043	4,846
Net mandatory employer incentive programs		(181)	(162)
		4,862	4,684
Net investment income			
Investment income	7	1,655	1,338
Investment expenses	7	(158)	(139)
Total net investment income		1,497	1,199
Total revenues		**6,359**	**5,883**
Expenses			
Benefit costs			
Benefit payments	13	2,252	2,332
Claim administration costs	13	405	398
Change in actuarial valuation of benefit liabilities	13	90	1,030
		2,747	3,760
Loss of Retirement Income Fund contributions	11	56	56
Administration and other expenses		431	406
Legislated obligations and funding commitments		244	263
Total expenses		**3,478**	**4,485**
Excess of revenues over expenses		**2,881**	**1,398**
Other comprehensive loss (income)			
Remeasurements of employee defined benefit plans	12	35	(45)
Total comprehensive income		**2,846**	**1,443**

		2016	2015
Excess of revenues over expenses attributable to:			
WSIB stakeholders		2,709	1,246
Non-controlling interests	17	172	152
		2,881	**1,398**
Total comprehensive income attributable to:			
WSIB stakeholders		2,674	1,291
Non-controlling interests	17	172	152
		2,846	**1,443**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Deficiency of Assets
For the years ended December 31
(millions of Canadian dollars)

		Deficiency of assets		
	Note	**Unfunded liability attributable to WSIB stakeholders**	**Non-controlling interests**	**Total**
Balance at December 31, 2014		(7,890)	2,644	(5,246)
Excess of revenues over expenses		1,246	152	1,398
Remeasurements of employee defined benefit plans	12	45	-	45
Change in ownership share in investments	17	-	6	6
Balance at December 31, 2015		(6,599)	2,802	(3,797)
Excess of revenues over expenses		2,709	172	2,881
Remeasurements of employee defined benefit plans	12	(35)	-	(35)
Change in ownership share in investments	17	-	(45)	(45)
Balance at December 31, 2016		**(3,925)**	**2,929**	**(996)**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
For the years ended December 31
(millions of Canadian dollars)

	2016	2015
Operating activities:		
Total comprehensive income	2,846	1,443
Adjustments:		
Amortization of net premium on investments	1	3
Depreciation and amortization of property, equipment and intangible assets	22	16
Changes in fair value of investments	(1,118)	(822)
Changes in fair value of investment properties	72	24
Dividend income from public equity securities	(354)	(320)
Income from joint ventures	(60)	(32)
Interest income	(227)	(222)
Interest expense	8	9
Total comprehensive income after adjustments	1,190	99
Changes in non-cash balances related to operations:		
Receivables, excluding those related to investing activities	(75)	55
Payables and accruals, excluding those related to investing and financing activities	25	(17)
Loss of Retirement Income Fund liability	66	61
Employee benefit plans liability	68	(5)
Benefit liabilities	90	1,030
Total changes in non-cash balances related to operations	174	1,124
Net cash provided by operating activities	**1,364**	**1,223**
Investing activities:		
Dividends received from public equity securities and joint ventures	373	348
Interest received	223	222
Purchases of property, equipment and intangible assets	(54)	(66)
Purchases of investments	(13,700)	(10,844)
Proceeds on sales and maturities of investments	12,751	9,463
Net additions to investment properties	(29)	(191)
Acquisitions of joint ventures	(18)	(36)
Proceeds on dispositions of joint ventures	37	3
Net cash required by investing activities	**(417)**	**(1,101)**
Financing activities:		
Proceeds on dispositions of non-controlling interests	132	137
Distributions paid by subsidiaries to non-controlling interests	(177)	(131)
Net issuance (repayment) of debt	20	(11)
Interest paid on debt	(7)	(9)
Net cash required by financing activities	**(32)**	**(14)**
Net increase in cash and cash equivalents	**915**	**108**
Cash and cash equivalents, beginning of year	1,581	1,473
Cash and cash equivalents, end of year	**2,496**	**1,581**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2016

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Notes to Consolidated Financial Statements
December 31, 2016
(millions of Canadian dollars)

1. Nature of Operations

The Workplace Safety and Insurance Board (the "WSIB") is a statutory corporation created by an Act of the Ontario Legislature in 1914 and domiciled in the Province of Ontario (the "Province"). As a board-governed trust agency, in accordance with the Agency and Appointments Directive, the WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997 (Ontario)* (the "WSIA"), which establishes a no-fault insurance scheme that provides benefits to workers who experience workplace injuries or illnesses.

The WSIB promotes workplace health and safety in the Province and provides a workplace compensation system for Ontario based employers and workers. The WSIB is funded entirely by employer premiums and does not receive any government funding or assistance. Revenues are also earned from a diversified investment portfolio held to meet future obligations on existing claims.

The WSIB's registered office is located at 200 Front Street West, Toronto, Ontario, M5V 3J1.

2. Statement of Compliance

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

The consolidated financial statements as at and for the year ended December 31, 2016 were authorized for issuance by the WSIB's Board of Directors on April 27, 2017.

3. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for the following items:

(a) financial instruments classified as at fair value through profit or loss ("FVTPL"), which are measured at fair value;

(b) investment properties, which are measured at fair value;

(c) Loss of Retirement Income Fund liability, which is measured at an amount equivalent to the fair value of the assets in the Loss of Retirement Income Fund;

(d) liabilities for employee defined benefit plans, which are measured as the present value of the defined benefit obligations less the fair value of plan assets; and

(e) benefit liabilities, which represent the actuarially determined present value of the estimated future payments for reported and unreported claims incurred on or prior to the reporting date.

Notes to Consolidated Financial Statements
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(millions of Canadian dollars)

Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the WSIB.

The financial statements of subsidiaries are included in the WSIB's consolidated financial statements from the date control commences until the date control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to reflect accounting policies consistent with those of the WSIB. All intercompany transactions and balances are eliminated.

The majority of the WSIB's investment portfolio is held in subsidiaries in which the WSIB Employees' Pension Plan is a non-controlling interest (note 17).

(b) Non-controlling interests

Non-controlling interests represent the WSIB Employees' Pension Plan and other investors' proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than a 100% interest. Total comprehensive income and the surplus or deficiency of assets related to these subsidiaries are allocated to WSIB stakeholders and non-controlling interests.

(c) Investments in joint ventures

Joint ventures are entities over which the WSIB has joint control and has rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, investments are initially recognized at cost and adjusted for the WSIB's proportionate share of the joint ventures' total comprehensive income.

(d) Joint operations

Joint operations are investments in economic activities or entities over which the WSIB has joint control and has rights to specific assets, and obligations for specific liabilities, relating to the arrangement.

The WSIB's consolidated financial statements include its share of assets, liabilities, revenues and expenses related to the joint operations.

Foreign currency

The WSIB's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated at the period-end rates of exchange. Non-monetary assets and liabilities that are measured at fair value are also translated at the period-end rates of exchange. Foreign exchange gains and losses are recognized in investment income or administration and other expenses.

Financial instruments

The WSIB recognizes financial assets and financial liabilities when it becomes a party to a contract.

Financial assets and financial liabilities classified as at FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred. All other financial assets and financial liabilities are measured at fair value plus transaction costs on initial recognition.

Notes to Consolidated Financial Statements
December 31, 2016
(millions of Canadian dollars)

Measurement in subsequent periods depends on the classification of the financial instrument. The WSIB's financial instruments are classified as follows:

Financial asset or financial liability	Classification
Cash and cash equivalents	FVTPL (a)
Receivables	Loans and receivables (b)
Public equity securities	FVTPL (a)
Bonds	FVTPL (a)
Alternative investments	FVTPL (a)
Derivative assets	FVTPL (a)
Payables and accruals	Other financial liabilities (c)
Derivative liabilities	FVTPL (a)
Long-term debt	Other financial liabilities (c)

(a) Financial assets and financial liabilities at FVTPL

Financial assets and financial liabilities are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivatives. Financial assets and financial liabilities classified as FVTPL are measured at fair value, with changes recognized in investment income.

Financial assets and financial liabilities that are classified as FVTPL are managed based on their fair value in accordance with the WSIB's documented risk management or investment strategy.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

(c) Other financial liabilities

Other financial liabilities are financial liabilities that are not derivative liabilities or classified as FVTPL. Subsequent to initial recognition, other financial liabilities are carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

Other Invested Assets

Other invested assets include investment properties, alternative investments and joint ventures.

Investment properties are properties held to earn rental income or for capital appreciation, or both. Investment properties acquired through an asset purchase are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, investment properties are measured at fair value with changes in fair value recognized as investment income during the period in which they arise.

Notes to Consolidated Financial Statements
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Alternative investments consist of investment funds, private market investments and real estate entities. Investment funds are valued on the basis of net asset values provided by investment managers. Private market investments are valued using acceptable industry valuation methods, including discounted cash flow and market comparable approaches.

Property, equipment and intangible assets

Property, equipment and intangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant components of an item of property and equipment have different useful lives, they are accounted for as separate items.

Intangible assets include both internally developed and acquired software. Development costs associated with internally developed software are recognized as an intangible asset when certain criteria are met. The criteria to capitalize development costs include the WSIB's intention and ability to complete the development of the software from which it is probable the WSIB will generate future economic benefits.

Depreciation of property and equipment, and amortization of intangible assets are included in administration and other expenses on the consolidated statements of comprehensive income. Property, equipment and intangible assets are depreciated and amortized on a straight-line basis over their estimated useful lives as follows:

Land	Not depreciated
Buildings	
Primary structure	60 years
Components with different useful lives	10 - 30 years
Leasehold improvements	Lesser of the lease term or 10 years
Office and computer equipment	3 - 5 years
Intangible assets	3 - 8 years

Premium revenues

Premium revenues are comprised of premiums from Schedule 1 employers and administration fees from Schedule 2 employers.

(a) Schedule 1 employer premiums

Schedule 1 employers are those for which the WSIB is liable to pay benefit compensation for workers' claims. Schedule 1 employer premiums are assessed and are receivable when employers report their insurable earnings for the current year. For employers who have not reported, premiums are estimated and included in the accrued premiums receivable. Premium revenues are recognized over the coverage period.

(b) Schedule 2 employer administration fees

Schedule 2 employers are employers that self-insure the provision of benefits under the WSIA. Schedule 2 employers are liable to pay all benefit compensation and administration costs for their workers' claims.

The WSIB administers the payment of the benefits for workers of Schedule 2 employers and recovers the cost of these benefits plus administration fees from the employers. The administration fees are recognized as the services are provided. The benefits paid on behalf of Schedule 2 employers and the amounts collected to recover the benefits paid are not included in the WSIB's revenues or expenses.

Investment income

Investment income is comprised of the following:

(a) Realized and changes in unrealized gains and losses on financial instruments are recognized in investment income in the period they arise.

(b) Interest and dividend income

Interest income is recognized in investment income as it accrues. Dividend income is recognized in investment income when the WSIB's right to receive payment has been established.

(c) Income from joint ventures

The WSIB's proportionate share of its joint ventures' total comprehensive income is recognized in investment income in the period it is recognized by the joint venture.

(d) Income from investment properties

Changes in fair value, rental income and service charges from investment properties are recognized in investment income in the period to which they relate.

Mandatory employer incentive programs

Schedule 1 employers participate in mandatory employer incentive programs that may result in adjustments to premium rates. Certain of these programs involve a surcharge to, or refund of, premiums based on the employer's claims experience. An estimate of the surcharges or refunds is recognized in the period to which they relate.

Legislated obligations and funding commitments

(a) Legislated obligations

The WSIB is required to make payments to defray the cost of administering the *Occupational Health and Safety Act* (the "OHSA") and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the Workplace Safety and Insurance Appeals Tribunal ("WSIAT") and the costs that may be incurred by the Office of the Worker Adviser, and the Office of the Employer Adviser. The expenses related to these legislated obligations are recognized as an expense in the period to which the funding relates.

(b) Funding commitments

The WSIB provides grant funding to carry on investigations, research and training. The expenses related to these funding commitments are recognized as an expense in the period to which the funding relates.

(c) Voluntary employer incentive programs

The WSIB provides financial incentives to Schedule 1 employers who undertake specific measures to improve health and safety. An estimate of the cost of these incentive programs is recognized as an expense in legislated obligations and funding commitments in the period the measures are undertaken by the employer.

Loss of Retirement Income Fund liability

The Loss of Retirement Income Fund liability represents an obligation for payments of retirement benefits to certain workers. The WSIB contributes five percent of the loss of earnings benefits to the Loss of Retirement Income Fund for injured workers of Schedule 1 employers who have received loss of earnings benefits for twelve consecutive months. Schedule 2 employers are required to contribute five percent of the loss of earnings benefits for their workers once loss of earnings benefits are received for twelve continuous months. Workers eligible for loss of retirement income benefits can choose to contribute a further five percent from their loss of earnings benefits. For claims incurred prior to January 1, 1998, the contribution from the WSIB and Schedule 2 employers is 10% of every future economic loss payment made to injured workers. Assets attributable to the Loss of Retirement Income Fund are included within the WSIB's investment portfolio.

The WSIB's statutory obligation is to provide retirement benefits equal to the total contributions plus income earned on those contributions. As such, the Loss of Retirement Income Fund liability is measured at an amount equivalent to the fair value of the assets in the Loss of Retirement Income Fund. The WSIB's contributions to the Loss of Retirement Income Fund are recognized as the Loss of Retirement Income Fund contributions expense.

Benefit liabilities

Benefit liabilities represent the actuarially determined present value of the estimated future payments for reported and unreported claims incurred on or prior to the reporting date using best estimate assumptions related to workers of Schedule 1 employers. In addition, an obligation is estimated for claims in respect of occupational diseases currently recognized by the WSIB for which a claim has not yet been reported. The future payments are for estimated obligations for loss of earnings, labour market re-entry costs, short and long-term disability, health care, survivor benefits, retirement income benefits and claim administration costs. The benefit liabilities are determined in accordance with the Standards of Practice of the Canadian Institute of Actuaries, including the standards for Public Personal Injury Compensation Plans, and legislation in effect at the end of the reporting period. Changes in the estimate of future benefit payments are recognized in benefit costs expense.

Benefit liabilities do not include any amounts for claims related to workers of Schedule 2 employers; these claims are ultimately paid by the self-insured Schedule 2 employers.

Employee future benefits

The WSIB sponsors a defined benefit pension plan, a post-retirement benefit program, and other employee defined benefit plans.

The cost of employee benefit plans is recognized as the employees provide service to the WSIB. The obligations for these plans are measured as the present value of the benefit obligation less the fair value of plan assets and are included in the employee benefit plans liability. The employee benefit plans liability represents the combined deficit of the plans at the reporting date.

The cost of the defined benefit plans is actuarially determined using the projected unit credit method and includes management's estimate of compensation increases, health care cost trend rates, mortality, and retirement ages of employees. These estimates are reviewed annually with the WSIB's external actuaries. The discount rate used to value the obligations is based on long-term high quality corporate bonds.

The changes in defined benefit obligations and plan assets are recognized when they occur as follows:

(a) Service costs and the net interest cost are recognized in administration and other expenses; and

(b) Remeasurements, actual experience which differs from assumptions which result in actuarial gains or losses, are recognized in other comprehensive income. Remeasurements are never reclassified to expenses; other comprehensive income related to the remeasurements is immediately transferred to the unfunded liability.

4. Critical Accounting Estimates and Judgments

The WSIB is required to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the consolidated financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements, and actual results could differ from those estimates. Estimates are reviewed on an ongoing basis, with any related revisions recorded in the period in which they are adjusted.

In addition, the WSIB has made judgments, aside from those that involve estimates, in the process of applying its accounting policies. These judgments can affect the amounts recognized in the consolidated financial statements.

Benefit liabilities (note 13)

Benefit liabilities represent the actuarially determined present value of estimated future payments for reported and unreported claims incurred on or prior to the reporting date, including claims in respect of occupational diseases currently recognized by the WSIB. The measurement of benefit liabilities requires the actuary to make estimates and assumptions for a number of factors, including those for claim duration, mortality rates, wage and health care escalations, general inflation and discount rates. Changes in these estimates and assumptions could have a significant impact on the measurement of benefit liabilities and benefit costs.

Employee benefit plans (note 12)

The costs and liabilities associated with defined benefit pension plans and other long-term employee benefit plans are determined in accordance with actuarial valuations. The actuarial valuations rely on estimates and assumptions including those for wage escalation, expected return on plan assets, health care and dental cost inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have an impact on the employee benefit plans liability and total comprehensive income.

Fair value measurement of financial instruments (note 7)

Where possible, the fair value of publicly traded financial instruments is based on quoted prices in active markets. Where quoted prices in active markets are not available, the fair value for financial instruments is based on valuation models that use observable market inputs such as interest rate yield curves, or net asset values provided by independent third party investment managers. Valuation models incorporate prevailing market rates and may require estimates for economic risks and projected cash flows. Note 7 of the consolidated financial statements provides the estimated fair values of financial instruments categorized by the nature of the inputs used in the valuation techniques.

Fair value measurement of investment properties (note 7)

The WSIB's investment properties are owned indirectly through subsidiaries or joint operations. Investment properties are re-measured to fair value at each reporting date, estimated based on the annual valuations performed by independent qualified appraisers. The annual third party appraisals are performed at varying dates throughout the year; at each reporting date the fair value of investment properties is updated based on valuation models incorporating available market evidence. When determining the fair value of investment properties, estimates and assumptions are made that have a significant effect on the reported values of investment properties. Estimates and assumptions used in determining the fair value of the investment properties include discount and terminal capitalization rates, inflation rates, vacancy rates and future net cash flows of the properties.

5. Future Changes in Accounting Standards

The following new or amended accounting standards have been issued by the International Accounting Standards Board ("IASB"). These new or amended standards are not yet effective and the WSIB has not completed its assessment of their impact on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15. The new standard, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and various interpretations, establishes a principles-based framework for the recognition and measurement of revenues arising from contracts with customers, except for items such as financial instruments, insurance contracts and leases. The effective date for the WSIB will be January 1, 2018, on a retrospective or a modified retrospective basis. We are currently assessing the impact the adoption of this standard will have on our consolidated financial statements.

Amendments to IFRS 4 Insurance Contracts ("IFRS 4")

In September 2016, the IASB issued amendments to IFRS 4. The amendments introduce two approaches to address differing effective dates of IFRS 9 *Financial Instruments* ("IFRS 9") and the forthcoming new insurance contracts standard: the overlay approach and the deferral approach. Under the deferral approach, insurance entities are provided a temporary exemption for the adoption of IFRS 9 until January 1, 2021. The amendments will be effective for the WSIB beginning on January 1, 2018, and the WSIB expects to defer the adoption of IFRS 9 until January 1, 2021.

IFRS 9 Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 which will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

A new principles-based model is introduced for classifying and measuring financial assets, based on the business model and the contractual cash flow characteristics of the financial assets held. The classification and measurement for financial liabilities remains generally unchanged; however, for a financial liability designated as at FVTPL, fair value changes attributable to the changes in an entity's own credit risk are reflected in other comprehensive income.

The standard also introduces a new forward-looking expected loss model which replaces the incurred loss model under IAS 39 for the recognition and measurement of impairment on all financial instruments not measured at fair value. In addition, a new model for hedge accounting was introduced to achieve better alignment with risk management activities.

We expect to defer IFRS 9 until January 1, 2021, as allowed under the amendments to IFRS 4. We are currently assessing the impact the adoption of this standard will have on our consolidated financial statements.

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IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which will replace IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. For lessees, IFRS 16 requires that all leases be recognized on the statement of financial position, with certain exemptions. The accounting for lessors is substantially unchanged. IFRS 16 will be effective for the WSIB beginning on January 1, 2019 on a retrospective or a modified retrospective basis. We are currently assessing the impact the adoption of this standard will have on our consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7, which require disclosure of certain changes in the liabilities arising from financing activities. The amendments will be effective for the WSIB beginning on January 1, 2017 and applied prospectively. We do not expect the adoption of the amendments to have a significant impact on our consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

In December 2016, the IASB issued IFRIC 22, which clarifies the accounting for transactions when an entity recognizes a non-monetary asset or liability arising from an advance payment that is received or paid in a foreign currency, prior to recognition of the underlying transaction. The amendments will be effective for the WSIB beginning on January 1, 2018 and may be applied retrospectively or prospectively. We are currently assessing the impact the adoption of this standard will have on our consolidated financial statements.

6. Receivables

Receivables are comprised of the following:

	2016	2015
Premiums receivable	264	250
Less: Allowance for doubtful accounts	(111)	(92)
	153	158
Accrued premiums receivable	539	507
	692	665
Employer incentive programs surcharges	387	353
Other assets	58	44
	1,137	1,062
Investment receivables	507	552
Total receivables	**1,644**	**1,614**

Premiums receivable primarily relates to Schedule 1 employer premiums which are assessed and are receivable when employers report their insurable earnings for the current year. For employers who have not reported, premiums are estimated and included in the accrued premiums receivable.

Employer incentive programs surcharges represent premium increases for Schedule 1 employers based on claims experience.

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7. Invested Assets and Net Investment Income

(a) Invested assets

WSIB's investment portfolio is diversified across various asset classes. The invested assets are currently diversified among five primary investment strategies as follows:

Public equities	Investment in the equity, or securities convertible into equity, of public corporations.
Fixed income	Bonds, debentures and other fixed income investments.
Multi-asset	Investments that seek to provide a diversified source of total return generated from the broad market and from active management. Investments within multi-asset may include derivatives, commodities, currencies, hedge funds, equities and fixed income investments.
Real estate	Real estate debentures, funds and properties in Canada and the United States diversified across office, retail, industrial and mixed-use assets.
Infrastructure	Investments in transportation, utilities, energy and healthcare facilities.

The WSIB's invested assets are held directly or held indirectly through investments in subsidiaries, joint ventures or joint operations.

The following provides a summary of the nature of the invested assets by investment strategy:

	Public equities	Fixed income	Multi-asset	Real estate	Infra-structure	Other	2016[2]	2015
Public equity securities	**10,882**	**-**	**500**	**-**	**-**	**-**	**11,382**	**10,055**
Bonds	**-**	**6,278**	**515**	**-**	**-**	**-**	**6,793**	**6,756**
Derivative assets	**5**	**-**	**66**	**-**	**1**	**-**	**72**	**68**
Alternative investments[1]	-	-	4,312	664	1,844	72	6,892	6,024
Investment properties	-	-	-	1,315	-	-	1,315	1,361
Joint ventures	-	-	-	443	138	-	581	562
Other invested assets	-	-	4,312	2,422	1,982	72	**8,788**	**7,947**

1. Alternative investments include investment funds, private market investments and real estate entities.
2. Assets attributable to the Loss of Retirement Income Fund are included within the WSIB's investment portfolio. See note 7(b) for income attributable to the Loss of Retirement Income Fund, and note 11 for further details.

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(b) Net investment income

Net investment income (loss) by nature of invested assets, including income from cash and cash equivalents and derivatives, for the years ended December 31 is as follows:

	Public equities	Fixed income	Multi-asset	Real estate	Infra-structure	Other	2016	2015
Public equity securities	796	-	38	-	-	-	834	1,308
Bonds	-	103	(16)	-	-	-	87	289
Alternative investments	-	-	20	39	143	7	209	1,076
Investment properties[1]	-	-	-	(4)	-	-	(4)	33
Income from joint ventures	-	-	-	46	14	-	60	32
Derivatives	152	-	323	(3)	90	-	562	(1,314)
Cash and cash equivalents	-	-	-	-	-	6	6	2
Less: Income attributable to Loss of Retirement Income Fund (note 11)	(48)	(6)	(20)	(4)	(13)	(8)	(99)	(88)
Investment income	**900**	**97**	**345**	**74**	**234**	**5**	**1,655**	**1,338**
Less: Investment expenses[2]	(65)	(1)	(43)	(18)	(31)	-	(158)	(139)
Net investment income	**835**	**96**	**302**	**56**	**203**	**5**	**1,497**	**1,199**

1. Investment properties include net losses of $72 (2015 - $24), as well as operating expenses of $59 (2015 - $49), which are offset by rental income and service charges of $127 (2015 - $106).
2. Includes $116 of management fees paid to investment managers (2015 - $100).

Net investment income, including income from cash and cash equivalents and derivatives, for the years ended December 31 is comprised of the following:

	2016	2015
Net gains on financial instruments	1,118	822
Interest and dividend income	580	539
Income (loss) from investment properties	(4)	33
Income from joint ventures	60	32
Less: Income attributable to Loss of Retirement Income Fund (note 11)	(99)	(88)
Investment income	**1,655**	**1,338**
Less: Investment expenses	(158)	(139)
Net investment income	**1,497**	**1,199**

(c) Investments under securities lending program

The WSIB participates in a securities lending program through an intermediary for the purpose of generating fee income. Non-cash collateral, the fair value of which represents at least 102% of the fair value of the loaned securities, is maintained until the underlying securities have been returned to the WSIB. The fair value of the loaned securities is monitored on a daily basis by an intermediary financial institution with additional collateral obtained or refunded as the fair value of the underlying securities fluctuates. While in the possession of the counterparties, the loaned securities may be resold or repledged by such counterparties. The intermediary indemnifies the WSIB against any shortfalls in collateral in the event of default by the counterparty. These transactions are conducted under terms that are usual and customary to security lending activities as well as requirements determined by exchanges where a financial institution acts as an intermediary.

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Under the terms of the securities lending program, the WSIB retains substantially all the risks and rewards of ownership of the loaned securities and also retains contractual rights to the cash flows. These securities are not derecognized from the consolidated statements of financial position.

As at December 31, 2016, the fair value of investments loaned under the securities lending program was $3,862 (2015 – $1,238). As at December 31, 2016, the fair value of securities maintained as collateral was approximately $4,179 (2015 – $1,310).

(d) Derivative assets and derivative liabilities

Derivative assets and derivative liabilities include foreign exchange forward contracts, which are utilized to hedge investments denominated in a foreign currency, and for active trading. Equity index, fixed income and commodity futures are held to provide international and asset class diversification. These futures are collateralized with cash and treasury bills and used to replicate the return of the respective equity, fixed income or commodity investments. The foreign exchange derivative assets and derivative liabilities are subject to netting arrangements and in practice are settled on a net basis, but do not meet the criteria to be presented on a net basis. As such, the derivative assets and derivative liabilities are presented separately in the consolidated statements of financial position.

The notional amounts in the table below are not recorded as assets or liabilities in our consolidated financial statements as they represent the face amounts to which a rate or a price is applied to determine the amount of cash flows to be exchanged. Notional amounts do not represent the potential gains or losses associated with market risks and are not indicative of the credit risks associated with derivative financial instruments.

The notional amounts and the fair values of the derivative assets and derivative liabilities as at December 31 are as follows:

	2016			2015		
		Fair value			Fair value	
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Forward exchange contracts	10,463	31	193	10,585	45	107
Fixed income futures	2,270	10	4	2,625	8	8
Commodity futures	628	16	24	317	3	10
Equity index futures	846	10	5	396	7	2
Options	22	4	9	15	5	3
Swaps	546	1	8	249	-	3
Total	**14,775**	**72**	**243**	**14,187**	**68**	**133**

(e) Joint ventures

The WSIB's ownership in the joint ventures, which hold investment properties, ranges from 38% - 77%. The following provides a summary of the financial position information of the WSIB's joint ventures:

	2016	2015
Total assets	1,534	1,498
Total liabilities	(256)	(262)
Net assets	**1,278**	**1,236**
WSIB's share of net assets	**581**	**562**

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The following provides a summary of the net income of the WSIB's joint ventures:

	2016	2015
Revenues	124	121
Expenses	(64)	(67)
Gains from increases in fair value	56	1
Net income	**116**	**55**
WSIB's share of net income	**60**	**32**

(f) Joint operations

The following amounts related to the joint operations are included in the WSIB's consolidated financial statements:

	Simcoe Place	Mississauga Property I	Mississauga Property II	Other	2016	2015
Other assets	9	8	6	1	24	25
Property and equipment	113	-	-	-	113	116
Investment properties	-	79	137	54	270	266
Payables	(5)	(2)	(2)	(10)	(19)	(22)
Long-term debt	(19)	-	(69)	-	(88)	(89)
Net assets	**98**	**85**	**72**	**45**	**300**	**296**
Investment income	-	12	13	-	25	12
Investment expenses	-	(7)	(10)	-	(17)	(8)
Administration and other expenses	(23)	-	-	-	(23)	(25)
Total comprehensive income (loss)	**(23)**	**5**	**3**	**-**	**(15)**	**(21)**

The WSIB's ownership interests in joint operations at December 31, 2016 are as follows:

- The WSIB has a 75% undivided co-ownership interest in an office tower situated at 200 Front Street West, Toronto, Ontario ("Simcoe Place"). The WSIB occupies approximately 77.4% of the premises and recognizes its share of the property within property and equipment and its share of operating expenses in administration and other expenses.

- The WSIB has a 50% undivided co-ownership interest in an office and retail complex of four office buildings and adjoining development lands located in the City of Mississauga, Ontario (the "Mississauga Property I").

- The WSIB has a 50% undivided co-ownership interest in an office building located in the City of Mississauga, Ontario (the "Mississauga Property II").

(g) Fair value measurement and disclosures

Estimates of fair value used for measurement and disclosure are designed to approximate amounts that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants.

The carrying amounts of cash and cash equivalents, public equity securities, bonds, other invested assets, derivative assets and derivative liabilities are their fair values. Due to their short-term nature, the carrying amounts of receivables and payables approximate their fair values.

Due to the estimation process and the need to use judgment, the aggregate fair value amounts may not be realizable in settlement of assets or liabilities.

Fair value hierarchy

The WSIB uses a fair value hierarchy to categorize the inputs used in valuation techniques to estimate the fair values of assets and liabilities.

The table below provides a general description of the valuation methods used for fair value measurements.

Hierarchy level	Valuation methods
Level 1	Fair value is measured as the closing bid price for identical assets in an active public market at the reporting date.
Level 2	Where bid prices in an active public market are not available, observable inputs are used to estimate fair value using a market approach or an income approach. When using a market approach, fair value is estimated by adjusting the market price of a similar asset or liability, using inputs such as quoted interest or currency rates. Estimated fair value using an income approach is based on fixed future cash flows discounted using market interest rates for similar assets or liabilities.
Level 3	Fair value is measured using significant non-market observable inputs. The fair values of investment funds are determined based on net asset values provided by investment managers. The fair values of private market investments are obtained from independent third parties who develop the quantitative unobservable inputs to the valuations. Private market investments primarily consist of investments in the infrastructure sector. Fair values of real estate entities and investment properties are estimated based on valuations performed by qualified third party appraisers. The valuations of the investment properties are primarily based on discounted expected future cash flows of each property, using discount and terminal capitalization rates reflective of the characteristics, location and market of the property. The future cash flows are based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting current conditions, less future cash outflows relating to such current and future leases.

Measurements of the fair value of an asset or liability may use multiple inputs that are categorized in different levels of the fair value hierarchy. In these cases, the asset or liability is classified in the hierarchy level of the lowest level input that is significant to the measurement.

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The following table provides the fair value hierarchy classifications for assets and liabilities:

	December 31, 2016				December 31, 2015[3]			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value								
Cash and cash equivalents[1]	552	1,944	-	2,496	624	957	-	1,581
Public equity securities	11,293	89	-	11,382	10,011	44	-	10,055
Bonds	-	6,793	-	6,793	-	6,756	-	6,756
Alternative investments	-	339	6,553	6,892	-	72	5,952	6,024
Investment properties	-	-	1,315	1,315	-	-	1,361	1,361
Derivative assets	36	36	-	72	19	49	-	68
Derivative liabilities	(33)	(210)	-	(243)	(20)	(113)	-	(133)
Liabilities for which fair value is disclosed								
Long-term debt[2]	-	(142)	-	(142)	-	(128)	-	(128)

1. Cash and cash equivalents include cash of $552 and short-term money market securities of $1,944 (December 31, 2015 – $624 and $957, respectively).
2. Carrying amount at December 31, 2016 was $132 (December 31, 2015 – $116).
3. For the year ended December 31, 2015, certain amounts have been reclassified to be consistent with the current year's presentation based on more refined policies and procedures in assessing the observability of inputs used in valuing such investments. This resulted in alternative investments with a carrying amount of $5,532 being reclassified from Level 2 to Level 3, derivative assets of $19 reclassified from Level 2 to Level 1, and derivative liabilities of $20 reclassified from Level 2 to Level 1.

Transfers between levels within the hierarchy are recognized at the end of the reporting period.

During the years ended December 31, 2016 and December 31, 2015, there were no transfers between Level 1 and Level 2.

Level 3 fair value measurements

The following tables provide reconciliations of assets included in Level 3 of the fair value hierarchy:

	Alternative investments					
For the year ended December 31, 2016	Investment funds	Private market investments	Real estate entities	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2016	5,304	228	420	5,952	1,361	7,313
Net gains (losses) recognized in net investment income	25	(38)	21	8	(72)	(64)
Purchases or asset acquisitions	1,121	157	259	1,537	29	1,566
Sales or disposals	(903)	(5)	(36)	(944)	(39)	(983)
Capital expenditures	-	-	-	-	36	36
Balance as at December 31, 2016	**5,547**	**342**	**664**	**6,553**	**1,315**	**7,868**

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For the year ended December 31, 2015	Alternative investments: Investment funds	Alternative investments: Private market investments	Alternative investments: Real estate entities	Alternative investments: Subtotal	Investment properties	Total
Balance as at January 1, 2015	4,641	153	372	5,166	1,194	6,360
Net gains (losses) recognized in net investment income	953	35	21	1,009	(24)	985
Purchases or asset acquisitions	385	40	68	493	146	639
Sales or disposals	(675)	-	(41)	(716)	(4)	(720)
Capital expenditures	-	-	-	-	49	49
Balance as at December 31, 2015	**5,304**	**228**	**420**	**5,952**	**1,361**	**7,313**

During the years ended December 31, 2016 and December 31, 2015, there were no transfers between Level 2 and Level 3.

The following table summarizes the valuation methods and quantitative information about the significant unobservable inputs used in Level 3 financial assets:

	Valuation methods	Key unobservable inputs	2016 Range of inputs: Low	2016 Range of inputs: High	2015 Range of inputs: Low	2015 Range of inputs: High
Investment funds	Net asset value	Net asset value	n/a	n/a	n/a	n/a
Private market investments	Discounted cash flow and market comparable	Discount rate and expected future cash flows	n/a	n/a	n/a	n/a
Real estate entities and Investment properties	Discounted cash flow	Discount rate	5%	8.3%	5.3%	8.3%
		Terminal capitalization rate	4.3%	7.5%	4.5%	7.5%

Sensitivity of Level 3 financial instruments

Fair values of investment funds are based on net asset values provided by investment managers.

Fair values of private market investments are based on valuations obtained from investment managers. The WSIB assesses the reasonableness of these fair values based on annual appraisals performed by independent qualified appraisers. The valuations of private market investments are based on comparable transactions in the market place and discounted cash flow models using unobservable inputs such as expected future cash flows, terminal values and discount rates. Holding other factors constant, an increase to expected future cash flows or terminal values would tend to increase the fair value, while an increase in the discount rate would have the opposite effect.

Fair values of real estate entities and investment properties are obtained from qualified appraisers who apply a discounted cash flow model to determine property values. Key unobservable inputs include projected rental income and expenses and discount rates. Holding other factors constant, an increase to projected rental income would increase the fair values, while an increase in the inputs for the discount rates and terminal capitalization rates would have the opposite effect.

We have not applied another reasonably possible alternative assumption to the significant Level 3 categories as the net asset values and appraised fair values are provided by the investment managers and other third party appraisers.

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8. Financial Risk Management

The WSIB is exposed to a number of risks and uncertainties related to its financial instruments and benefit liabilities. These risks and the WSIB's risk mitigation policies and techniques are disclosed in Section 16 – Risk Factors of the Management's Discussion and Analysis.

Invested assets

The Board of Directors of the WSIB has established Statements of Investment Policies and Procedures ("SIPPs"), which establish the policies governing the WSIB's investment portfolio. The WSIB's risk governance process and the investment strategies are disclosed in Section 2 – Our Business of the Management's Discussion and Analysis. The SIPPs require that the WSIB's investment portfolio be diversified across certain asset classes and is currently diversified among five primary investment strategies. Refer to note 7 for a summary of the invested assets by investment strategies.

Liquidity risk

As at December 31, 2016, 61.9% (2015 – 63.9%) of the WSIB's investment portfolio was invested in readily marketable fixed income securities and publicly traded equities.

The following provides the carrying values of all financial instruments by contractual maturity or expected cash flow:

	Within 1 year	2 - 5 years	6 - 10 years	Over 10 years	No fixed maturity	2016	2015
Cash and cash equivalents	2,496	-	-	-	-	2,496	1,581
Receivables	1,644	-	-	-	-	1,644	1,614
Public equity securities	-	-	-	-	11,382	11,382	10,055
Bonds	28	2,959	1,620	2,186	-	6,793	6,756
Alternative investments	-	-	-	-	6,892	6,892	6,024
Derivative assets	72	-	-	-	-	72	68
Payables and accruals	(1,112)	-	-	-	-	(1,112)	(1,077)
Derivative liabilities	(243)	-	-	-	-	(243)	(133)
Long-term debt	-	(21)	(78)	(33)	-	(132)	(116)

Credit risk

(a) Bonds

The WSIB's fixed income securities consist primarily of high quality, investment grade debt instruments. An investment grade debt instrument is one that is rated BBB and above. The WSIB manages its credit risk through diversification and a due diligence process, by selecting multiple highly rated counterparties and by setting counterparty exposure limits.

The following provides information regarding the credit rating of the WSIB's bonds:

		2016		2015
AAA	2,815	41.4%	2,550	37.7%
AA	886	13.0%	782	11.6%
A	2,889	42.6%	3,025	44.8%
BBB	203	3.0%	399	5.9%
	6,793	**100.0%**	**6,756**	**100.0%**

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Credit risk associated with bonds also includes concentration risk. Concentration risk arises from the exposure of investments from one particular issuer, a group of issuers, a geographic region, or an industry sector. These groups share similar characteristics such as type of industry, regulatory compliance, and economic and political conditions, which may impact the issuers' ability to meet their contractual commitments.

The WSIB manages concentration risk through limits on exposure to issuers, regions and industry sectors. Through these limits, not more than five percent of the fair value of the investment portfolio is invested in the securities of a single non-government issuer.

The following provides information regarding the concentration of bonds.

		2016		**2015**
Provincial and municipal	3,390	49.9%	3,413	50.5%
Federal government and agencies	2,453	36.1%	2,077	30.7%
Financial services	321	4.7%	493	7.3%
Utilities and telecommunications	237	3.5%	352	5.2%
Other corporate	212	3.1%	129	1.9%
Natural resources	87	1.3%	100	1.5%
Real estate	56	0.8%	70	1.0%
Consumer products and merchandising	23	0.3%	74	1.1%
Communications and publishing	6	0.1%	19	0.3%
Asset-backed securities	5	0.1%	25	0.4%
Industrial products	3	0.1%	4	0.1%
	6,793	**100.0%**	**6,756**	**100.0%**

(b) Securities lending program

Counterparty risk relating to the securities lending program, as further described in note 7(c), is managed by an intermediary financial institution in accordance with a written agreement, investment policy and procedures on securities lending. Non-cash collateral is comprised primarily of equities, government bonds and major bank short-term notes. Note 7 of the consolidated financial statements provides the fair value of investments loaned under the securities lending program.

(c) Accounts receivable from Schedule 2 employers

At December 31, 2016, the WSIB held collateral in the form of letters of credit and surety bonds in the total amount of $276 (2015 – $270) with Schedule 2 employers.

Market risk

(a) Currency risk

The WSIB is exposed to a number of foreign currencies in its investment portfolio. The WSIB also uses foreign exchange contracts as an additional source of return, for economic hedging strategies to manage investment risk, to improve liquidity, or to manage exposure to asset classes or strategies.

The WSIB has an investment currency hedging policy which is reviewed and approved at least annually by the Investment Committee. The investment currency hedging policy provides guidelines on currency exposures to be hedged, permitted hedging instruments, hedge adjustments and other currency hedging controls and processes. To manage the currency risk, the WSIB regularly monitors the currency exposure and has established a written investment policy and procedures on currency hedging.

(millions of Canadian dollars)

The following provides a sensitivity analysis of the effect of a one percent increase or decrease in the Canadian dollar compared to the five foreign currencies that represent 83.0% (2015 – 85.8%) of the WSIB's foreign currency exposure in its investment portfolio:

Currency	**Total net exposure**	**Effect of 1% change**
United States dollar	4,937	49
Euro	617	6
Hong Kong dollar	292	3
Japanese yen	247	3
British Pound sterling	167	2
	6,260	**63**

(b) Interest rate risk

The WSIB uses effective duration to measure the sensitivity of the fair value of bonds to a change in interest rates. Parallel shifts in the yield curve of one percent, with all other variables held constant, would result in an increase or decrease in the fair value of bonds of approximately $532 (2015 – $513). This information is based on the assumption that the bonds are not impaired and interest rates and equity prices move independently.

(c) Price risk

The WSIB is exposed to price risk through its investments in public equity securities. The WSIB's price risk mitigation strategies are discussed in Section 16 – Risk Factors of the Management's Discussion and Analysis.

The estimated effect on the fair value of public equity securities resulting from a 10% change in market prices, holding all other factors constant, is $1,138 (2015 – $1,006).

Benefit liabilities

The WSIB is exposed to the risk that the actual obligations for benefit payments exceed its estimate of benefit liabilities. Benefit liabilities are influenced by factors such as the discount rate used to value future claims, expected inflation, availability, utilization and cost of health care services, injury severity and duration, availability of return-to-work programs and re-employment opportunities at pre-injury employers, wage growth, new medical findings that affect the recognition of occupational diseases, legislated changes to benefit rates or modification of the recognition of workplace injuries, which are sometimes applied retroactively, and precedents established through various claims appeals processes.

The WSIB mitigates these risks by utilizing both proprietary and commercially available actuarial models and assessing historical loss development patterns and other predictive analytics. These risks are also mitigated by engaging independent actuaries annually to review actuarial assumptions and methodologies in establishing benefit liabilities as well as reviewing actuarial related matters at regular meetings with our Actuarial Advisory Committee.

Note 13 provides further information regarding the nature of benefit liabilities.

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9. Property, Equipment and Intangible Assets

	Property and equipment				Intangible assets		
	Land	Buildings	Leasehold improvements	Office and computer equipment	Internally developed software	Acquired software	Total
Cost							
Balance at December 31, 2014	40	102	69	21	171	9	412
Additions	-	-	2	1	63	-	66
Balance at December 31, 2015	40	102	71	22	234	9	478
Additions	-	-	2	1	48	3	54
Balance at December 31, 2016	**40**	**102**	**73**	**23**	**282**	**12**	**532**
Accumulated depreciation and amortization							
Balance at December 31, 2014	-	22	67	19	63	7	178
Depreciation and amortization	-	3	1	2	9	1	16
Balance at December 31, 2015	-	25	68	21	72	8	194
Depreciation and amortization	-	3	1	1	16	1	22
Balance at December 31, 2016	**-**	**28**	**69**	**22**	**88**	**9**	**216**
Carrying amounts							
At December 31, 2015	40	77	3	1	162	1	284
At December 31, 2016	40	74	4	1	194	3	316

The carrying amount for internally developed software at December 31, 2016 includes $97 of costs for software that was not yet available for use and therefore was not yet subject to amortization (2015 – $87).

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10. Long-term Debt

Long-term debt is comprised of the following:

	2016	2015
Mortgages payable	86	69
Obligations under finance leases	46	47
	132	**116**

Mortgages payable

Mortgages related to investment properties are held with a total principal balance of $86 of which nil was included in payables and accruals (2015 – $74 of which $5 was included in payables and accruals). The mortgages have annual fixed interest rates of 3.0% - 3.6%, and mature between 2017 and 2025. For the year ended December 31, 2016, interest of $3 was included in investment expenses (2015 – $2).

At December 31, 2016, future principal payments on mortgages payable were as follows:

	Principal payments
Not later than one year	-
Later than one year and not later than five years	17
Later than five years	69
	86

Obligations under finance leases

The WSIB has a finance lease related to the land at Simcoe Place (note 7) with minimum annual lease payments of $4 (2015 – $4). The lease expires in 2027, at which point the WSIB has an option to purchase a 75% interest in the land for $2. Management considers this option to be advantageous and expects the option will be exercised, subject to the Lieutenant Governor in Council approval. The effective interest rate on this finance lease is 19.59%.

The WSIB has three operating leases for investment properties. The WSIB has elected to measure these investment properties at fair value and to account for the related operating leases as finance leases. These leases have total annual minimum lease payments of $2 and interest rates ranging from 5.6% - 7.8%. Two of the leases have remaining lease terms of 35 years; the other has a remaining lease term of 71 years.

Future minimum lease payments under finance leases are as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
Not later than one year	6	(6)	-
Later than one year and not later than five years	24	(20)	4
Later than five years	102	(60)	42
	132	**(86)**	**46**

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11. Loss of Retirement Income Fund Liability

The reconciliation of carrying amounts for the Loss of Retirement Income Fund liability is set forth below:

	2016	**2015**
Balance, beginning of year	1,724	1,663
Contributions from the WSIB	56	56
Optional contributions from injured workers	7	7
Contributions from Schedule 2 employers	4	4
Investment income (note 7)	99	88
Benefits paid in cash	(100)	(94)
Balance, end of year	**1,790**	**1,724**

The following provides a summary of the assets by strategy as defined by the Loss of Retirement Income Fund's SIPPs:

		2016		**2015**
Public equities	575	32%	554	32%
Fixed income	348	19%	360	21%
Multi-asset	332	19%	347	20%
Real estate	118	7%	115	7%
Infrastructure	102	6%	62	3%
Other	87	5%	78	5%
Included in total invested assets (note 7)	1,562	88%	1,516	88%
Cash and cash equivalents	228	12%	208	12%
	1,790	**100%**	**1,724**	**100%**

12. Employee Benefit Plans

The WSIB sponsors a registered defined benefit pension plan, supplemental defined benefit pension plans, and other defined benefit plans. Other defined benefit plans provide benefits such as disability income benefits, vacation and attendance programs, and post-employment dental, health and life insurance benefits.

The registered pension plan and the post-retirement benefit program represent approximately 81% and 15%, or a combined 96%, of the total employee benefit obligation.

The Employees' Pension Plan

The Employees' Pension Plan provides for partially indexed pensions based on years of service and the best five consecutive years' average earnings in the last 10 years of employment. The Employees' Pension Plan is a registered pension plan under the *Ontario Pension Benefits Act* ("PBA") and the Canada Revenue Agency.

Minimum funding requirements under the PBA are determined based on actuarial valuations on a going concern basis that are required at a minimum of every three years. Deficits under the going concern basis may be funded over up to 15 years, beginning one year from the valuation date. In addition, solvency valuations must be performed which simulate a plan wind-up. Deficiencies established on a solvency basis may be funded over up to five years, beginning one year from the valuation date.

The WSIB's general practice is to contribute the minimum required under the PBA, but additional contributions may be made for tactical purposes, such as to meet a particular funding threshold. The Employees' Pension Plan is open to new entrants, and employees pay contributions based on a fixed formula (as percentages of payroll), with the WSIB responsible for the balance of the cost.

The WSIB is participating in the Broader Public Sector Temporary Solvency Relief Program as published in Regulation 178/11 under the PBA, amended by Regulation 350/16. The temporary solvency relief provisions allow the WSIB to make solvency special payments on an interest only basis until December 31, 2018.

The Post-Retirement Benefit Plan

The Post-Retirement Benefit Plan provides extended health, dental, vision, and life insurance benefits for employees who meet the eligibility requirements. Employees must be in receipt of a WSIB pension and either be at least age 65 at the time of retirement or have 10 years of pensionable service to qualify for benefits. The plan is funded on a pay as you go basis.

Governance of defined benefit plans

The Board of Directors of the WSIB oversees the administration of the employee benefit plans in accordance with applicable legislation and approves the governance structure, including the mandates of those to whom administrative duties and responsibilities were delegated. The Board of Directors approves actuarial valuation reports and establishes employer contributions, approves audited plan financial statements, appoints and terminates key service providers and monitors plan funded status and regulatory, legislative and governance compliance.

The Board of Directors receives assistance in the fulfilment of its responsibilities related to the employee benefit plans through various committees, including the Audit and Finance Committee, the Human Resources and Compensation Committee, and the Investment Committee.

Risks

Given that employee contributions to the employee benefit plans (if any) are fixed, the WSIB generally bears the risks associated with the defined benefit plans. The most significant sources of risk for the WSIB include:

(a) A decline in discount rates that increases the obligation and expense;

(b) Investment returns which are lower than expected;

(c) Lower than expected rates of mortality; and

(d) Health care cost inflation being higher than assumed.

In general, the WSIB manages the risks through plan design reviews and, in relation to investment risks, through risk control mechanisms in the Employees' Pension Plan's SIPP. The SIPP requires that the plan assets be diversified across certain asset classes and investment strategies. Measurement, assessment and management of risk is conducted using tools and analysis, including asset-liability studies, measures of standard deviation and tracking error, and sensitivity analysis. Other risks, such as operational risks, are managed through internal controls or other risk control mechanisms.

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Employee benefit plans expense

The cost of the employee benefit plans recognized in administration and other expenses is as follows:

	2016	2015
Current service cost	102	101
Net interest on the employee benefit plans liability	52	51
Plan amendments	(7)	-
Long-term employee benefit gains	(4)	-
	143	**152**

Remeasurements of the employee defined benefit plans recognized in other comprehensive loss (income) are as follows:

	2016	2015
Actuarial losses (gains) from changes in financial assumptions	85	(33)
Actuarial losses from changes in demographic assumptions	-	4
Actuarial losses from plan experience	15	31
Return in excess of interest income on plan assets	(65)	(47)
Total remeasurements of employee defined benefit plans	**35**	**(45)**

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	2016	2015
Present value of wholly or partly funded obligations	3,478	3,243
Present value of unfunded obligations	749	736
Total present value of obligations	4,227	3,979
Fair value of plan assets	(2,937)	(2,757)
Employee benefit plans liability	**1,290**	**1,222**

The movement in the total present value of defined benefit obligations is as follows:

	2016	2015
Balance, beginning of year	3,979	3,826
Current service cost	102	101
Employee contributions	33	23
Interest expense on the defined benefit obligations	163	155
Plan amendments	(7)	-
Actuarial losses (gains) from changes in financial assumptions	84	(33)
Actuarial losses from changes in demographic assumptions	-	4
Actuarial losses from plan experience	12	31
Benefits paid	(139)	(128)
Balance, end of year	**4,227**	**3,979**

Benefits to be paid during 2017 are projected to be $147, and the Employer's contributions to the plans are estimated to be $110.

The weighted average duration of the total long-term benefit plans obligation at December 31, 2016 is 17.0 years (2015 – 17.0 years).

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Fair value of plan assets

The movement in the total fair value of plan assets is as follows:

	2016	2015
Balance, beginning of year	2,757	2,599
Interest income on plan assets	111	104
Return in excess of interest income on plan assets	65	47
Employer contributions	110	112
Employee contributions	33	23
Benefits paid	(139)	(128)
Balance, end of year	**2,937**	**2,757**

Plan assets are comprised of the following:

	2016		2015	
Plan assets by major category				
Public equities	1,115	38%	1,035	38%
Fixed income	734	25%	700	25%
Real estate	229	8%	214	8%
Infrastructure	197	7%	115	4%
Multi-asset and other	662	22%	693	25%
Total	**2,937**	**100%**	**2,757**	**100%**

Actuarial assumptions

The significant actuarial assumptions used in the determination of the present value of the defined benefit obligations are as follows:

	2016	2015
Discount rate[1]		
Benefit plan expense	4.05%	4.00%
Accrued benefit obligation at end of year	3.90%	4.05%
Inflation	1.75%	1.75%
Rate of compensation[2]	3.25%	3.25%
Health care trends at end of year		
Initial trend rate	6.00%	6.00%
Ultimate trend rate	4.50%	4.50%
Year ultimate trend rate is reached	2023	2023
Dental care trend rate at end of year	4.00%	4.00%

1. Weighted average based on obligation.
2. This is an approximation. Actual assumption is based on inflation plus productivity gains of 1% plus an age related merit scale.

The 2016 and 2015 assumptions for mortality rates are based on 104% of CPM 2014 (Private) table projected generationally using Scale B.

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Sensitivity of actuarial assumptions

Changes in the actuarial assumptions used have a significant effect on the employee benefit plans obligation. The following provides an estimate of the potential impact of a change in the more significant assumptions:

Sensitivity in assumptions	Increase (decrease) in the obligations 2016
Discount rate	
1% increase in assumption	(626)
1% decrease in assumption	811
Rate of compensation, indexation, government benefit changes	
1% increase in assumption	472
1% decrease in assumption	(393)
Health and dental care trend rates	
1% increase in assumption	132
1% decrease in assumption	(102)

The sensitivities above assume all other assumptions are held constant.

The measurement of the defined benefit obligations is also sensitive to the mortality assumptions. The current longevities underlying the measurement of the defined benefit obligations as at December 31 are as follows:

	2016
Longevity for those currently age 65	
Males	21.4 years
Females	23.8 years
Longevity at age 65 for those currently age 45	
Males	22.4 years
Females	24.8 years

If the mortality rates were to be reduced proportionately such that the average life expectancy for a 65 year-old female was increased by two years, and the mortality rate was adjusted proportionately for all other plan members, the defined benefit obligations for the Employees' Pension Plan and the Post-Retirement Benefit Plan would increase by $178 and $48, respectively.

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13. Benefit Liabilities and Benefit Costs

Benefit liabilities

Benefit liabilities are based on the level and nature of entitlement under the WSIA and adjudication practices in effect at that date.

Benefit liabilities are comprised of the following:

	2016	2015
Loss of earnings	8,934	9,096
Workers' pensions	6,462	6,587
Health care	4,082	3,938
Survivor benefits	2,947	2,860
Future economic loss	1,421	1,502
External providers	136	184
Non-economic loss	283	291
Long latency occupational diseases	2,321	2,137
Posttraumatic stress disorder	35	-
Claim administration costs	1,299	1,235
Benefit liabilities	**27,920**	**27,830**

A summary of the changes in benefit liabilities is as follows:

	2016	2015
Benefit liabilities, beginning of year	27,830	26,800
Benefit costs	2,747	3,760
Benefit costs paid during the year	(2,657)	(2,730)
Benefit liabilities, end of year	**27,920**	**27,830**

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Further details of the changes in benefit liabilities are as follows:

	Benefit liabilities, beginning of year	Claim costs recognized during the year	Payments processed during the year	Interest expense on the liability	Impact of legislative change	Impact of actuarial remeasure-ment	Changes in claims experience	**Benefit liabilities, end of year**
Loss of earnings	8,662	664	(854)	398	-	24	(386)	**8,508**
Workers' pensions	6,587	-	(542)	295	-	149	(27)	**6,462**
Future economic loss	1,362	-	(205)	62	-	64	9	**1,292**
Health care	3,938	465	(395)	173	-	98	(197)	**4,082**
Non-economic loss	291	36	(40)	8	-	6	(18)	**283**
External providers	184	38	(29)	6	-	-	(63)	**136**
Survivor benefits	2,860	102	(187)	131	-	84	(43)	**2,947**
Claim administration costs	1,235	408	(405)	56	-	21	(16)	**1,299**
Occupational diseases	2,137	-	-	101	-	112	(29)	**2,321**
Posttraumatic stress disorder	-	-	-	-	35	-	-	**35**
Loss of Retirement Income Fund	574	30	(56)	23	-	4	(20)	**555**
Total for 2016	**27,830**	**1,743**	**(2,713)**	**1,253**	**35**	**562**	**(790)**	**27,920**
Total for 2015	26,800	1,773	(2,786)	1,211	948	881	(997)	27,830

Benefit costs

Benefit costs are comprised of the following:

	2016	**2015**
Benefit payments	**2,252**	**2,332**
Claim administration costs		
Allocation from administration and other expenses	382	378
Allocation from legislated obligations and funding commitments	23	20
	405	**398**
Change in actuarial valuation of benefit liabilities	**90**	**1,030**
Benefit costs	**2,747**	**3,760**

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Benefit payments represent cash paid during the year to or on behalf of injured workers. Benefit payments are comprised of the following:

	2016	2015
Loss of earnings	854	839
Workers' pensions	557	577
Health care	395	446
Survivor benefits	187	189
Future economic loss	200	213
External providers	29	34
Non-economic loss	40	43
Other	(10)	(9)
Benefit costs paid to or on behalf of injured workers	**2,252**	**2,332**
Claim administration costs	405	398
Benefit costs paid during the year	**2,657**	**2,730**

Change in actuarial valuation

The change in actuarial valuation of benefit liabilities is comprised of the following:

	2016	2015
Changes in estimate of cost of claims	(1,760)	(2,010)
Changes in actuarial assumptions and methods	562	881
Changes in legislation[1]	35	948
Accretion[2]	1,253	1,211
	90	**1,030**

1. Impact of legislative amendment includes an increase of $35 million relating to Posttraumatic stress disorder ("PTSD"). On April 5, 2016, Bill 163, *Supporting Ontario's First Responders Act (Posttraumatic Stress Disorder), 2016* was passed by the Legislature. This amends the *Workplace Safety and Insurance Act, 1997 (Ontario)* with respect to first responders and other designated workers diagnosed with PTSD. The amendments provide that if a first responder or other designated worker is diagnosed with PTSD and meets specific employment and diagnostic criteria, that first responder or other designated worker's PTSD is presumed to have arisen out of and in the course of his or her employment, unless the contrary is shown. In specific circumstances, the presumption will apply to first responders or other designated workers diagnosed with PTSD up to 24 months before the coming-in-force date, as well as those claims for which a decision is pending from either the WSIB or the WSIAT on the date the legislation comes into force.
2. Accretion represents the estimated interest cost of the benefits liability, considering the discount rate, benefit liabilities at the beginning of the year and payments during the year.

The changes in actuarial assumptions and methods are comprised of the following:

	2016	2015
Changes in discount rate	634	1,026
Changes in methods and assumptions for loss of earnings benefits	(125)	(154)
Changes in methodology for future awards	-	(1)
Changes in average awards	-	10
Changes in methods and assumptions for future economic loss	53	-
	562	**881**

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Actuarial assumptions and methods

The actuarial present value of future benefit payments depends on actuarial assumptions, including economic assumptions, which are based on past experience modified for current trends and expected development. Actuarial assumptions are reviewed annually when the actuarial valuation is performed. Management believes the valuation methods and assumptions are, in aggregate, appropriate for the valuation of benefit liabilities. The following table summarizes the main underlying actuarial assumptions used in estimating the categories of benefit liabilities:

Actuarial Assumption	Note	Loss of earnings	Workers' pensions	Health care	Survivor benefits	Future economic loss	External providers	Non-economic loss	Long latency occupational diseases (e)
Discount rate	(a)	√	√	√	√	√	√	√	√
Indexation	(a)	√	√	-	√	√	-	√	√
Wage escalation	(a)	√	√	-	√	√	√	√	√
Health care escalation	(a)	-	-	√	-	-	-	-	√
Wage loss	(b)	√	-	-	-	√	-	-	√
Mortality	(c)	√	√	√	√	√	-	√	√
Claims incidence	(d)	√	-	-	-	-	-	-	√
Termination	(d)	√	-	-	-	-	-	-	√
Exposure index	(d)	√	√	√	√	√	√	√	√
Expenses	(f)	√	√	√	√	√	√	√	√

(a) Economic assumptions

The following provides a summary of the primary economic assumptions used in the actuarial valuation of benefit liabilities:

	2016	**2015**
Discount rate	2017 and thereafter – 4.5%	2016 and thereafter – 4.75%
Indexation of benefits rate[1]:		
Fully indexed to inflation	2.0%	2.0%
Partially indexed	2017 – 1.0% 2018 and thereafter – 2.0%	2016 – 0.5% 2017 – 1.0% 2018 and thereafter – 2.0%
Wage escalation rate	3.0%	3.0%
Health care costs escalation rate	4.0%	4.0%

1. On December 10, 2015, the Ontario government passed the *Budget Measures Act, 2015,* which amended *Chapter 38, Schedule 23, Sections 49, 50 and 51* under the WSIA. Effective January 1, 2018, the alternate and prescribed temporary indexing factors will be replaced by one indexing factor. The new indexing factor will be based on the percentage change over a 12-month period in the Consumer Price Index measured at the previous October and will be directly applied to the benefit amount. In the interim, *Ontario Regulation 454/09* prescribes temporary indexing factors of 0.5% for 2016 and 1.0% for 2017 with the current indexing methodology.

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(b) Wage loss

Wage loss refers to the proportion of a worker's wages that is lost due to an injury. Most benefits influenced by wage loss are based on historical experience and limits in the WSIA.

(c) Mortality

The assumptions for the mortality rates were the same as the rates used in 2015 except adjusted for an additional year of mortality improvement. The base mortality rates were updated in 2013 to reflect recent experience. Mortality rates are used to estimate the duration for which the WSIB will continue to be required to make payments to injured workers or survivors receiving monthly pension amounts. The mortality assumptions are determined separately for injured workers and survivors as follows:

(i) the mortality assumption for injured workers is based on an actuarial study of the mortality levels by age and gender experienced by WSIB disability income recipients from 2006 to 2010, adjusted to reflect any prevailing improvements (or otherwise) in the experience of WSIB injured workers up to and including 2016;

(ii) the mortality assumption for those receiving survivor benefits is based on an actuarial study of mortality levels experienced by WSIB survivors, and the 2009-2011 Province of Ontario population mortality table developed by Statistics Canada, adjusted to reflect any prevailing improvements (or otherwise) in the experience of WSIB survivors up to and including 2016; and

(iii) the mortality rates for both injured workers and survivors are projected for future years using the Canada Pension Plan's mortality improvement factors. As such, future mortality rates are reduced to allow for greater future longevity expected for injured workers and survivors.

(d) Claims incidence, termination and exposure index

Claims incidence refers to the number of claims incurred during the year and requires actuarial assumptions for the number of claims expected to have been incurred but not reported at December 31, 2016. Termination refers to the actuarial assumptions regarding the future duration of claims. Exposure index refers to the indicator used to assist in predicting certain future costs for different injury years and represents, on a relative basis, the level of risk insured by the WSIB.

The assumptions regarding claims incidence are determined based on the number of claims incurred in past years. The termination assumption is determined using average termination experience of the WSIB from five recent injury years and modified for the existing claims expected to be of longer duration. The exposure index has been developed using the number of claims incurred up to injury year 1998, and for subsequent years, the number of workers covered by the WSIB, adjusted by the variation in the average risk associated with these workers. The termination rates and loss of earnings future lock-in claim profile has been updated in 2016 to reflect recent experience.

(e) Occupational diseases

Occupational diseases refer to future occupational disease claims arising from exposures up to the valuation date to hazardous substances or conditions, such as asbestos and excessive noise. An in-depth study was performed in 2014 to estimate the number of latent occupational disease claims, the latency periods and their expected costs. In 2014, the expected cost was updated to reflect most recent experience. These costs are for loss of earnings, labour market re-entry, future economic loss, health care, survivor benefits, retirement income benefits, and claim administration costs. The assumptions used for the determination of benefit liabilities were primarily based on the historical experience of the WSIB.

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(f) Expenses

Ratios of claim administration costs to the amounts of claims paid are used to estimate the future costs of claim administration for current claims. These ratios had been developed in analyzing claims administration and other claims related management costs for all cost centers at the WSIB by claim type, duration and amount.

Sensitivity of actuarial assumptions

Changes in the actuarial assumptions used have a significant effect on the benefit costs recognized. The following provides an estimate of the potential impact of a change in the more significant assumptions:

Change in assumption	Increase in benefit costs 2016
100 basis point decrease in the discount rate	3,062
100 basis point increase in the inflation rate:	
Impact of benefits indexation rate	1,972
Impact of wage growth	437
Impact of health care cost escalation	634

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Claims development

Benefit liabilities include the current estimate of future payments related to claims incurred during 2016 and prior years. Each reporting period, benefit liabilities are adjusted for changes in the estimate of the future payments, and the change in estimate is recognized in benefit costs. The table below provides the development of the estimates related to claims incurred from 2007 to 2016.

	Year of injury										
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Year of estimate											
2007	2,488										
2008	2,458	2,393									
2009	2,786	2,620	2,164								
2010	3,105	3,052	2,418	2,361							
2011	3,286	3,065	2,207	2,744	2,760						
2012	3,423	3,241	2,518	2,270	2,363	2,815					
2013	3,135	3,077	2,340	2,065	2,019	2,274	2,627				
2014	3,094	2,794	2,270	1,955	1,897	2,000	2,296	2,453			
2015	3,147	2,826	2,069	1,840	1,764	1,843	1,981	2,145	2,317		
2016	3,039	2,731	1,998	1,698	1,699	1,751	1,877	1,933	2,071	2,210	
Current estimate of cumulative claims costs	3,039	2,731	1,998	1,698	1,699	1,751	1,877	1,933	2,071	2,210	21,007
Cumulative payments made	(1,605)	(1,377)	(885)	(653)	(535)	(494)	(458)	(399)	(335)	(170)	(6,911)
Outstanding claims (undiscounted)	1,434	1,354	1,113	1,045	1,164	1,257	1,419	1,534	1,736	2,040	14,096
Effect of discounting	(558)	(538)	(466)	(459)	(516)	(569)	(661)	(711)	(798)	(875)	(6,151)
Discounted outstanding claims	876	816	647	586	648	688	758	823	938	1,165	7,945
Discounted outstanding claims prior to 2007 injury year											16,320
Claim administration costs											1,299
Long latency occupational diseases											2,321
Posttraumatic stress disorder											35
Total outstanding claims											**27,920**

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Rate setting

In accordance with the WSIA, the WSIB's obligations are satisfied by charging annual premiums to all Schedule 1 employers. The premiums are determined based on a percentage of insurable earnings of each Schedule 1 employer. Schedule 1 employers are classified within specific rate groups, which are based on the nature of the employer's business. The premium rate applicable to particular rate groups and Schedule 1 employers within that group is determined as the sum of four main components:

(a) the cost of new claims, which is based on the expected number of claims and benefit payment costs of that rate group;

(b) administration costs, which are based on the rate group's share of expected administration costs and legislative obligations of the WSIB;

(c) the cost of old claims, which is based on the amortization of the shortfall between the costs of old claims and the accumulated assets supporting those claims; and

(d) experience rating, which, depending on the size and class of the employer, is based on relative historical cost performance of the employer relative to other employers in the same rate group.

Concentration of risks

The WSIB provides workplace injury insurance for all Schedule 1 employers with workers in the Province. In this respect, the WSIB's risks are concentrated among the workplace risks associated with the various industries in the Province. The insurable earnings by industry for the year ended December 31, 2016 are provided below.

Industry	Insurable earnings	% of total
Agriculture	2,003	1.2%
Automotive	7,246	4.2%
Construction	18,431	10.7%
Education	6,773	3.9%
Electrical	5,249	3.1%
Food	4,738	2.8%
Forestry	427	0.2%
Health care	22,701	13.2%
Manufacturing	36,877	21.5%
Mining	1,874	1.1%
Municipal	2,051	1.2%
Primary metals	1,583	0.9%
Process and chemicals	4,417	2.6%
Pulp and paper	713	0.4%
Services	46,773	27.3%
Transportation	9,764	5.7%
Total	**171,620**	**100.0%**

In addition, the WSIB's risks are concentrated among the workplace injuries and diseases that result in disabilities or deaths to injured workers. The WSIA does not provide the WSIB with the ability to diversify away from these risks. Additional risks can arise from appeals or legislative changes, which can produce an immediate increase in benefit liabilities.

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Premium rates are the only means to mitigate these risks, other than investment income. Premium rates are adjusted annually as benefit liabilities and risks are reviewed and then differentiated by rate group in order to reflect the higher or lower expected costs and loss frequency associated with particular rate groups. In addition, the rates charged to larger employers in the same rate group are further adjusted based on the historical claims experience of that employer relative to the rate group as a whole.

Liquidity of benefit liabilities risks

The following table provides an estimate of the expected timing of undiscounted cash flows for benefit payments for claims:

	2016	**2015**
Up to one year	5%	5%
Over one year and up to five years	17%	17%
Over five years and up to ten years	18%	18%
Over ten years and up to fifteen years	15%	15%
Over fifteen years	45%	45%
	100%	**100%**

14. Commitments and Contingent Liabilities

Operating leases

The WSIB is the lessee to a number of operating leases for office space and computer equipment, with lease terms up to 10 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Minimum lease payments
Not later than one year	9
Later than one year and not later than five years	33
Later than five years	33
	75

During the year ended December 31, 2016, operating lease payments of $16 (2015 – $15) were recognized in administration and other expenses. The payments included charges for operating expenses related to the leases of office space and other items.

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Leases of investment properties

The WSIB is the lessor of a number of operating leases of its investment properties. These leases typically have a term of 5 to 15 years, with an option to renew. The future minimum lease payments to be received under non-cancellable operating leases are as follows:

	Minimum lease payments
Not later than one year	65
Later than one year and not later than five years	196
Later than five years	180
	441

Investment commitments

The WSIB had the following commitments related to its investment portfolio:

	2016	2015
Real estate, multi-asset and infrastructure investments	1,748	1,322
Investments in joint ventures	97	110
Purchases or development of investment properties	45	7
	1,890	**1,439**

Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at December 31, 2016 were approximately $254 for 2017 (2015 – $254 for 2016).

Other commitments

At December 31, 2016, the WSIB has additional commitments going forward under non-cancellable contracts for purchases of goods and services with future minimum payments of approximately $149 (2015 – $126).

Legal actions

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

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15. Funding and Capital Management

As the board-governed trust agency under the Agencies and Appointments Directive for administering the Province's compensation system, the WSIB's capital management objective is to ensure sufficient funding to provide compensation and other benefits to workers and to the survivors of deceased workers. The WSIA requires the WSIB to make payments for current benefits as they come due and to provide for future benefits. Further, the WSIA requires the WSIB to maintain sufficient funding so as not to burden unduly or unfairly any class of Schedule 1 employers with payments, in any year in respect of current benefits, or in future years in respect of future benefits.

The capital resources available to the WSIB are comprised of its total assets less total liabilities, excluding those attributable to non-controlling interests. At December 31, 2016, the WSIB's capital is represented by the unfunded liability attributable to WSIB stakeholders of $3,925 (2015 – $6,599).

Ontario Regulation 141/12 ("Regulation 141"), which came into force January 1, 2013, requires the WSIB to meet prescribed Sufficiency Ratios by certain dates over the next 15 years. This regulation was amended by *Ontario Regulation 338/13* ("Regulation 338"), which came into force January 1, 2014 and further clarifies the measurement of assets and liabilities included in the Sufficiency Ratio. The Sufficiency Ratio is calculated by comparing total assets to total liabilities, with certain assets and liabilities measured on a different basis than that required under IFRS. The WSIB is required to meet the following Sufficiency Ratios, as defined by regulation:

December 31, 2017	60%
December 31, 2022	80%
December 31, 2027	100%

On August 8, 2013, the Minister of Labour (the "Minister") formally accepted the WSIB's Sufficiency Plan describing the measures being taken by the WSIB to improve the Sufficiency Ratio and how these measures will achieve the prescribed targets. The WSIB prepares a quarterly Sufficiency Report to Stakeholders to report on its progress towards meeting the legislated funding requirements.

As at December 31, 2016, the Sufficiency Ratio, as defined in Regulation 141 and amended by Regulation 338, was 87.4% (2015 – 77.9%).

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16. Related Party Transactions

Government of Ontario and related entities

The WSIB is a board-governed trust agency under the Agencies and Appointments Directive, responsible for administering the WSIA. As such, the WSIB is considered a government-related entity and is provided partial exemptions under IFRS from its disclosure of transactions with the Government of Ontario and various ministries, agencies, and Crown corporations over which the Government of Ontario has control.

The WSIB is required to make payments to defray the cost of administering the OHSA and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the WSIAT and the costs that may be incurred by the Office of the Worker Adviser, and the Office of the Employer Adviser. The WSIB also provides various grants funding to carry on investigations, research and training. The total funding provided under these legislated obligations and funding commitments for the year ended December 31, 2016 was $246 (2015 – $243).

The WSIB is required to reimburse the Ministry of Health and Long-Term Care ("MOHLTC") for physicians' fees for services to injured workers, as well as an administrative fee to the MOHLTC. Amounts paid to the MOHLTC for physicians' fees and administrative services for the year ended December 31, 2016 were $32 (2015 – $36).

In addition to legislated obligations and workplace health and safety expenses, which the WSIB collectively presents in legislated obligations and funding commitments expenses, the consolidated financial statements include amounts resulting from transactions conducted in the normal course of operations with various ministries, agencies and Crown corporations over which the Government of Ontario has control.

Included in investments are $1,562 of marketable fixed income securities issued by the Government of Ontario and related entities (2015 – $1,515).

Key management remuneration

The remuneration of key management, which includes the Board of Directors, is included in administration and other expenses.

	2016	**2015**
Salaries and short-term benefits	4.7	4.4
Long-term employee benefit plans	0.6	0.4
	5.3	**4.8**

Post-employment benefit plans

The WSIB's two employee defined benefit pension plans and other long-term employee benefit plans, which include life insurance, dental and extended health coverage, are considered related parties. Note 12 provides details of transactions with these post-employment benefit plans.

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17. Interests in Other Entities

Interests in subsidiaries

The WSIB's consolidated financial statements include the financial statements of all its subsidiaries.

(a) Directly owned subsidiaries

The majority of the WSIB's assets are held directly or indirectly by the following subsidiaries:

	WSIB's ownership		Country of incorporation and operation
	2016	2015	
Wholly owned subsidiary			
799549 Ontario Inc.	100.0%	100.0%	Canada
WSIB Investments (International Realty (Non-Pension)) Limited[1]	100.0%	N/A	Canada
Partly-owned subsidiaries			
Absolute Return (2012) Pooled Fund Trust	90.0%	90.7%	Canada
Diversified Markets (2010) Pooled Fund Trust	90.0%	89.5%	Canada
Diversified Markets (2009) Pooled Fund Trust	90.0%	89.5%	Canada
WSIB Investments (Fixed Income) Pooled Fund Trust	90.0%	89.5%	Canada
WSIB Investments (Infrastructure) Pooled Fund Trust	90.0%	89.5%	Canada
WSIB Investments (International Realty) Limited	90.0%	89.5%	Canada
WSIB Investments (Public Equities) Pooled Fund Trust	90.0%	89.5%	Canada
WSIB Investments (Realty) Limited	90.0%	89.5%	Canada
WSIB Investments (Total Return) Pooled Fund Trust	90.0%	89.5%	Canada
Simcoe Pacific Pooled Fund Trust	90.0%	89.5%	Canada

1. WSIB Investments (International Realty (Non-Pension)) Limited was incorporated on March 4, 2016 and commenced operations in March 2016.

The WSIB Employees' Pension Plan is the non-controlling interest in each of the partly-owned subsidiaries listed above; its non-controlling ownership was 10.0%. The following provides aggregated summary financial information for the partly-owned subsidiaries, before intercompany eliminations:

Summary information from statements of financial position	2016	2015
Total assets	28,465	25,970
Total liabilities	(275)	(164)
Surplus of assets	**28,190**	**25,806**
Attributable to the WSIB Employees' Pension Plan	**2,828**	**2,699**

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Summary information from statements of comprehensive income	2016	2015
Investment income	1,727	1,417
Investment expenses	(33)	(30)
Net investment income, net income and comprehensive income	**1,694**	**1,387**
Attributable to the WSIB Employees' Pension Plan	**174**	**151**

Details of the nature of investments held by the partly-owned subsidiaries are included in note 7.

(b) Other subsidiaries

WSIB Investments (Realty) Limited and WSIB Investments (Infrastructure) Pooled Fund Trust hold invested assets in a number of wholly and partly-owned subsidiaries. The surplus of assets of WSIB Investments (Realty) Limited that is attributable to non-controlling interests at December 31, 2016 is $101 (2015 – $103).

(c) Reconciliation of non-controlling interests

The following provides a reconciliation of the unfunded liability attributable to WSIB stakeholders and non-controlling interests, including the effect of changes in ownership:

	Unfunded liability attributable to WSIB stakeholders	Non-controlling interests		
		Partly-owned subsidiaries	Other subsidiaries	Total
Balance at December 31, 2014	(7,890)	2,551	93	2,644
Total comprehensive income	1,291	151	1	152
Distributions paid by subsidiaries to non-controlling interests	-	(127)	(4)	(131)
Disposition of non-controlling interests[1]	-	124	13	137
Balance at December 31, 2015	(6,599)	2,699	103	2,802
Total comprehensive income	2,674	174	(2)	172
Distributions paid by subsidiaries to non-controlling interests	-	(173)	(4)	(177)
Disposition of non-controlling interests[1]	-	128	4	132
Balance at December 31, 2016	**(3,925)**	**2,828**	**101**	**2,929**

1. Disposition of non-controlling interests represent net contributions by non-controlling interests and resulted in changes in the WSIB's ownership share in the partly-owned subsidiaries; however, there was no effect on the unfunded liability attributable to WSIB stakeholders. The net contributions by non-controlling interests in other subsidiaries did not result in any changes in the WSIB's ownership share.

Interests in joint ventures

WSIB Investments (Realty) Limited and WSIB Investments (Infrastructure) Pooled Fund Trust hold invested assets in a number of joint ventures. Summary financial information for the joint ventures in aggregate is provided in note 7.

Interests in joint operations

799549 Ontario Inc. and WSIB Investments (Realty) Limited hold invested assets in a number of joint operations. Summary financial information for the joint operations in aggregate is provided in note 7.

18. Subsequent Event

On December 16, 2016, the WSIB entered into agreements with a third party investment partner to jointly purchase a 50% interest in a portfolio of retail and office properties in downtown Vancouver (the “properties”) from a third party in an arm’s length transaction. Through the joint arrangement, the WSIB obtained a 25% interest in the properties, which represents approximately 3.5% of the total investment portfolio. The transaction closed on February 1, 2017.

The seller retained the remaining 50% interest on the properties and will continue to act as the asset and property manager.

Ontario's Workplace Safety and Insurance Board is one of the largest insurance organizations in North America. Our 4,000 dedicated employees provide workplace injury insurance for five million workers and approximately 300,000 employers.

For more information please visit the WSIB website (www.wsib.on.ca), or phone 416-344-4185 or (toll-free) 1-800-387-5540, ext. 4185.

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