

ANNUAL REPORT OF THE NEW BRUNSWICK
FIREFIGHTERS' COMPENSATION ACT DISABILITY FUND

ANNUAL REPORT 2024

TRANSMITTAL LETTER

The Honourable Alyson Townsend
Minister of Post-Secondary Education, Training and Labour
Province of New Brunswick

Dear Minister Townsend:

I am pleased to submit to you the Annual Report of the Firefighters' Compensation Act's Disability Fund, for the 2024 fiscal year.

Respectfully submitted,



Mel Norton
Chairperson, Board of Directors
WorkSafeNB

FIREFIGHTERS' COMPENSATION ACT DISABILITY FUND'S ANNUAL REPORT 2024

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MANAGEMENT DISCUSSION AND ANALYSIS OF 2024 FINANCIAL STATEMENTS AND OPERATING RESULTS

The Management Discussion and Analysis (MD&A) provides management’s perspective on key issues that affect the current and future performance of the Firefighters’ Compensation Act Disability Fund (the “Disability Fund”). The MD&A, prepared as at June 5, 2025 should be read in conjunction with the audited financial statements and supporting notes for the year ended December 31, 2024.

FIREFIGHTERS’ COMPENSATION ACT

The Firefighters’ Compensation Act (the “FC Act”) received royal assent on June 19, 2009 and created a Disability Fund to provide benefits to employed, volunteer, and retired firefighters who:

- Are disabled by or die from a heart attack that occurs within 24 hours after attendance at an emergency response scene in his or her capacity as a firefighter, or
- Are disabled by or die from a prescribed disease, and
 - have served as a firefighter for a minimum period prescribed by regulation;
 - have been regularly exposed to the hazards of a fire scene in their capacity as a firefighter, other than a forest fire scene, throughout that period of service.

The prescribed diseases and lengths of service are:

Diseases and Conditions	Length of Service
Primary site brain cancer	10 years
Primary site bladder cancer	15 years
Primary site colorectal cancer	20 years
Primary site oesophageal cancer	25 years
A primary leukemia	5 years
Primary site lung cancer (in a person who has not smoked cigarettes for a minimum of 10 years before the initial diagnosis)	15 years
Primary site kidney cancer	20 years
A primary non-Hodgkin’s lymphoma	20 years
Primary site testicular cancer	20 years
Primary site ureter cancer	15 years

Benefits payable to claimants qualifying under the FC Act generally mirror those offered under the Workers’ Compensation (WC) Act. The major difference is that services provided under the Medical Services Payment Act and the Hospital Services Act are rendered under those acts rather than the FC Act.

The FC Act recognizes that there is not necessarily a relationship between the disease and the occupation as a firefighter. Regardless of whether a relationship is established, the FC Act presumes that the disease is linked to the occupation.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements about certain matters that are by their nature subject to many risks and uncertainties, which may cause actual results to differ materially from these statements. Forward-looking statements include, but are not limited to, objectives, strategies, and targeted and expected financial results. Risks and uncertainties include, but are not limited to, changing market factors or conditions; changes in legislation; changes in accounting standards; the ability to retain and recruit qualified personnel; and other risks, known or unknown. The reader is cautioned not to place undue reliance on these forward-looking statements.

FUNDING AND FINANCIAL STATEMENT VALUATIONS

As of January 1, 2023, all insurance companies and workers' compensation boards have transitioned to the new International Financial Reporting Standards for Insurance Contracts (IFRS 17).

While this does not change the fundamental economics of workers' compensation boards, results under IFRS 17 may exhibit increased year-over-year volatility in financial statements because of how the discount rate is determined. The discount rate is key to measuring the Disability Fund's claim liabilities.

Even though short-term perspectives are reflected in the IFRS 17 financial reporting standards, management is committed to keeping a long-term outlook when setting the assessment levy and measuring funding levels. This commitment ensures stability for employers, helping to mitigate any short-term fluctuations in the assessment levy.

Like all workers' compensation boards across Canada, the Disability Fund has produced two distinct financial valuations on December 31, 2024:

- **Funding valuation:** Assesses the long-term health of the Disability Fund, to determine the assessment levy and benefit levels. Under the funding valuation, the discount rate used represents the long-term expected investment return of the Disability Fund.
- **Financial statement valuation:** Completed to comply with IFRS 17. Under the financial statement valuation, the discount rate used reflects short-term market expectations and is not related to the investments in the Disability Fund.

While the financial statements are now prepared under IFRS 17, this discussion and analysis will focus on the results under the long-term funding valuation basis, which informs the assessment levy and funding levels as these are key factors of importance for our stakeholders. The table below reconciles the results reported in the audited financial statements to those under the funding valuation basis.

As at December 31, 2024 (\$000)	Financial Statement Basis	Presentation ¹	Measurement ²	Funding Basis
Statement of Financial Position				
Total assets	41,442	11	—	41,453
Total liabilities	40,451	11	(5,958)	34,504
Net assets	991	—	5,958	6,949
Funding level	N/A			120.1%
Statement of Operations				
Excess of revenues over expenses	(834)	—	1,061	227

¹ Due to the reclassification of insurance related receivables and payables to Insurance contract liabilities

² Due to the marked-to-market discount rate methodology prescribed for financial statement insurance contract liabilities compared to the long-term approach used for funding liabilities. Also reflected are the legislative changes subsequent to the reporting date that are reflected in the funding basis, but not the IFRS 17 basis as described in more detail below.

SUBSEQUENT EVENTS

Subsequent to year end, the provincial government introduced legislation to amend the Act. The key changes from this legislation are that on July 1, 2025, the income replacement rate for survivor benefit recipients will increase by 5% of net earnings, and future contributions to pension annuities for survivors will increase to 10% of the monthly benefit paid. These amendments are estimated to result in an adjustment to the insurance contract liabilities of \$771 thousand.

The funding valuation's primary purpose is to assess the Disability Fund's long-term health. We reflect these pending legislative changes in the going-concern benefits liability to provide the board of directors with an accurate representation of its benefits obligations when making funding decisions. The increase in the going-concern benefits liability at December 31, 2024 is \$687 thousand. While not reflected in the results under IFRS 17, the impact of pending legislative changes on this basis are fully disclosed in note 14 to the financial statements.

FINANCIAL HIGHLIGHTS – FUNDING VALUATION

Overview of financial results	2024	2023
<i>Financial highlights (\$000s)</i>		
Portfolio investments	39,916	35,836
Benefits liabilities	34,249	30,377
Pension annuity liabilities	136	147
Funded position	6,949	6,722
Funded level	120.1%	121.9%
Assessment revenue	881	1,413
Investment income	4,323	3,086
Claims costs incurred	4,759	2,510
Pension annuity costs	32	30
Administration costs	185	137
Excess of revenues over expenses	227	1,822
Market rate of return on portfolio	10.46%	8.90%

Assessments levied totalled \$881 thousand (2023 – \$1.4 million). When combined with \$4.3 million (2023 – \$3.1 million) in investment income, the total income for 2024 was \$5.2 million (2023 – \$4.5 million). Total expenses were \$5.0 million (2023 – \$2.7 million), resulting in a surplus of \$227 thousand (2023 – \$1.8 million). This resulted in a funded position of 120.1% (2023 – 121.9%).

STATEMENT OF FINANCIAL POSITION

The key components of the Disability Fund's statement of financial position are its investments, benefits liabilities, and funded position.

Investments

The Disability Fund has pooled its investments with those of WorkSafeNB. WorkSafeNB maintains an Accident Fund with a market value of \$2.0 billion as of December 31, 2024. This allows the Disability Fund to benefit from some of the advantages of a larger pool of assets, such as lower management fees, professional management and better access to various asset classes and strategies. WorkSafeNB's investment strategy is described as follows:

WorkSafeNB's investment portfolio must be customized to reflect its purpose, time horizon, liquidity requirements, legal constraints and the risk tolerance of the stakeholders. The primary investment risk is that the assets of the investment fund, together with the future income thereon, will be insufficient to pay the liabilities. WorkSafeNB relies on periodic asset liability studies performed by independent actuarial consultants to ensure that the investment strategy is suitable considering the related liabilities.

Most of the investment portfolio is held to meet payment obligations that extend for many years into the future. Consequently, WorkSafeNB takes a long-term approach to finding an acceptable risk/return trade-off via the investment strategy. WorkSafeNB's investment policies and practices are designed to maximize the probability of meeting its performance objectives over the long-term at an acceptable level of risk; from year-to-year, short-term fluctuations in financial markets could cause the investment portfolio to significantly over- or under-perform its long-term performance objectives.

WorkSafeNB believes that the most important factor in determining investment risk and return is the asset mix. WorkSafeNB periodically engages an actuarial firm to conduct an asset liability study, which is designed to help determine an appropriate asset mix given WorkSafeNB's risk tolerance, the nature of the liabilities, and financial position. The latest asset liability study was completed in 2024, resulting in a targeted asset mix of: 11% Canadian bonds, 11% Canadian equities, 10% U.S. equities, 13% international (EAFE) equities, 3% emerging markets equities, 15% real estate, 15% infrastructure, 15% in a global opportunistic strategy, 5% in equity market neutral, and 2% cash.

The asset mix selected is designed to reduce the volatility in WorkSafeNB's annually reported operating income, funding level and assessment rates.

The table below shows the asset values by investment type.

Investments (\$000s)	2024	2023
Forward foreign exchange contracts	(358)	585
Fixed income	6,608	5,866
Equities	16,919	17,257
Real estate	5,896	4,848
Infrastructure	4,667	3,763
Global opportunistic	6,184	3,517
Total investments	39,916	35,836

WorkSafeNB's investment strategy is documented in the Statement of Investment Philosophy and Beliefs Policy and the Investment Goals and Objectives Policy. The Statement of Investment Philosophy and Beliefs Policy documents the governance structure for investments, the board's commitment to a disciplined approach to investing, the board's view on diversification as a method to reduce risk, the importance of the asset allocation decision, along with the board's view on ethics and investment education. The Investment Goals and Objectives Policy identifies the policy asset mix, the performance objectives, and defines eligible investments and limits on risk concentrations. All WorkSafeNB's investments are managed by independent external investment managers. The compliance of these portfolio managers with policy is monitored regularly. To minimize the volatility of returns, WorkSafeNB's portfolio is diversified among asset classes, industry sectors, geographic locations and individual securities. WorkSafeNB further diversifies by selecting investment managers with varying investment mandates and styles.

In December 2021, WorkSafeNB entered into an agreement for outsourced chief investment officer investment management services with a third party, SEI Investment Management Company (SEI). SEI has discretion to invest in public securities consistent with WorkSafeNB policies. Under a hybrid model, WorkSafeNB has continued to manage its private markets and opportunistic investments under an internal chief investment officer – alternatives.

Benefits Liabilities

At the end of each fiscal year, the Disability Fund determines its benefits liabilities for all claims that have been accepted to that date as well as accumulated exposure that could lead to future entitlements. These liabilities represent the actuarial present value of all future benefit payments and related administration costs. As at December 31, 2024 claim benefit liabilities were broken down as follows:

Benefits liabilities (\$000s)	2024	2023
Wage-loss benefits	12,042	9,742
Survivor benefits	10,724	9,961
Health care	10,796	9,788
Legislative changes	687	886
Total benefits liabilities	34,249	30,377

In 2024, the benefits liabilities increased by \$3.9 million, or about 12.7%. The new exposure captured in 2024 cost \$1.3 million and, as we move one year closer to making payments on prior year entitlements, the prior year liability increased by \$1.0 million. Current year claims experience was lower than anticipated by \$0.4 million. Prior year claims experience was higher than anticipated by \$0.1 million, largely resulting from the net impact of higher-than-expected inflationary benefit increases effective January 1, 2025, revised mortality table, and updated census of firefighter data from the Office of the Fire Marshall. Unusual items include an update to the mortality improvement scale, revised benefit assumptions, and legislative changes to survivor benefits, which result in a net \$1.9 million increase.

Pension Annuity Liabilities

Pension annuity liabilities represent the Disability Fund's obligation to provide retirement benefits to eligible injured workers equal to the total contributions plus investment income earned on those contributions. As such, the pension annuity liability is measured at an amount equivalent to the fair value of the assets for contributions set aside plus investment income earned on those contributions as at that year-end. At age 65 or upon death, the injured worker or their beneficiary receives a benefit from contributions made to their annuity account, plus any investment income earned. Assets attributable to pension annuities are included and managed as part of the Disability Fund's investment portfolio.

The pension annuity liabilities at December 31, 2024 were \$136 thousand, a decrease from \$147 thousand at December 31, 2023.

Funded Position

Under the FC Act, a minimum funding level of 100% is required with any shortfall to be recovered over a 20-year period. The assessment revenue raised in any year from municipalities and rural districts may include or be reduced by an amount designed to allow the FC Act Disability Fund to attain its funding requirement. The funding level at December 31, 2024 was 120.1% (2023 – 121.9%).

REVENUES

The Disability Fund’s revenue is derived from assessments levied on municipalities and rural districts and on investment income. In 2024, revenues totalled \$5.2 million (2023 – \$4.5 million).

Assessment Revenue

The FC Act stipulated that assessments be collected beginning in 2010. The assessments are adjusted to account for excesses or deficiencies made in assessments for previous years. The 2024 assessment rate was \$220 per active firefighter (2023– \$360). Assessment revenue totalled \$881 thousand in 2024 (2023 – \$1.4 million).

Investment Income

Investment income increased from \$3.1 million in 2023 to \$4.3 million in 2024. The increase is attributable to unrealized gains on investments due to positive returns in most capital markets in 2024.

Investment income is an important revenue stream for the Disability Fund. It is relied on to supplement assessments to cover total expenses for the year. Built into the valuation of the benefits liabilities is the long-term assumption that the Disability Fund’s investments will generate an annual real rate of return of 3.75%. In 2024, the real rate of return on the portfolio was 8.47%. For the 10-year period ended December 31, 2024, the annualized real rate of return on the portfolio was 4.17%.

EXPENSES

The Disability Fund has three main categories of expenses: claims costs, pension annuity costs, and administration costs.

Claims Costs

Claims costs represent costs incurred in the current year for claims reported in the current and prior years, and recognition of the exposure that occurred during the year and adjustments for prior year exposures. In 2024, these costs totalled \$4.8 million (2023 – \$2.5 million).

Fundamental to the actuarial valuation are the discount rates used to value the liabilities. The assumptions used for 2023 were reviewed and deemed still appropriate for 2024. The assumed real rate of return is 3.75%, reflecting the long-term return expectations from the investments. The assumed long-term general inflation rate is 2.25%. The long-term health care inflation assumption is 4.25%.

The claims costs include \$2.5 million for expected future costs for claims that have occurred in the current year and the claims expected from the additional year of exposure to hazards. Claims costs also include a \$2.2 million increase in liability relating to prior year claims and exposures.

Claims costs (\$000s)	2024	2023
Wage-loss benefits	1,942	528
Survivor benefits	1,015	917
Health care	1,115	179
Legislative changes	687	886
Total claims costs	4,759	2,510

Pension Annuity Costs

Pension annuity costs represent the Disability Fund's obligation to provide retirement benefits to eligible injured workers equal to the total contributions plus investment income earned on those contributions. These costs amounted to \$32 thousand in 2024 (\$30 thousand in 2023).

Administration Expenses

Administration costs in 2024 amounted to \$185 thousand (2023 – \$137 thousand). Administration costs consist primarily of professional fees.

KEY FINANCIAL DRIVERS

Employment and Exposure

Entitlement to benefits under the FC Act arises from employment as a firefighter or service as a volunteer firefighter. For the prescribed diseases, the period of service required for entitlement to benefits ranges from five years through 25 years. Thus, firefighters in New Brunswick are currently providing service that may result in exposure that will lead to a benefit entitlement many years in the future. Conversely, claims currently presented for the prescribed diseases will have arisen from exposures that occurred over a period of years in the past.

The key driving forces that will lead to emerging claims are the rate of cancer occurrences for firefighters, the cost of cancer care, the standard of cancer treatment funded by Medicare, and increased awareness of the benefits provided under the FC Act.

Increased Life Expectancy

The prescribed diseases are generally of a long latent nature. In most cases, they will arise from a build-up of exposure over a prolonged period and may not manifest until some years have passed following the exposure. Increasing life expectancy means that more individuals will survive to the point where the latent diseases will manifest. It also means that individuals suffering from a prescribed disease may survive longer following the disease's onset.

Inflation Rate

The inflation rate, or Canadian consumer price index (CPI), is a key driver because the Disability Fund's future short-term disability, long-term disability, survivor and other benefits and allowances are indexed annually based on the CPI.

These benefits will increase by 2.7% in 2025. Cost projections continue to include a 2.25% long-term inflation assumption for 2026 and beyond, reflecting the best estimate average CPI increase over the next 20 to 30 years.

Investment Returns

Assessments collected are invested to produce an expected long-term average real return of 3.75%. This real return is the expected return in excess of inflation, as measured by the increase in the CPI. This return expectation is based on achieving investment returns similar to the historical long-term average returns for the asset classes in which the portfolio is invested.

The Disability Fund's investment portfolio earned a return of 10.46% in 2024. The real rate of return, or the return after inflation, was 8.47%, exceeding the benchmark of 3.75% by 4.72% for 2024. The Disability Fund's investment portfolio has exceeded the real rate of return target for the 10-year period ending December 31, 2024, producing an annualized after inflation return of 4.17%.

The Disability Fund was initially funded on December 1, 2010. While the expected average real return is 3.75% over long periods, over shorter periods the actual real rate of return can vary significantly due to short-term volatility in the financial markets where the Disability Fund's portfolio is invested.

Income Taxes

Income taxes are a key driver because loss of earnings benefits are based on a percentage of a firefighter's or former firefighter's pre-accident earnings after tax. Significant changes to income tax rates or income tax exemptions may have a material impact on the Disability Fund's benefits liability.

RISKS

The Disability Fund, through WorkSafeNB, has established controls, policies, directives and procedures to help minimize risks. An Internal Audit department, which reports to the president and CEO, and the Audit Committee, regularly carry out operational and financial audits to test for compliance.

The risks with the most severe consequences relate to benefit costs and investment performance.

Benefit Costs

Benefit costs are susceptible to many variables, including limited information regarding past exposures, the lack of direct experience upon which to base cost projections, changes to cancer incidence rates, potential underreporting of incurred claims, and potential advances in medical science that could have a material impact on both claim incidence and the life expectancy once a prescribed disease has manifested.

Non-controllable risks include the potential for benefit policy changes resulting from decisions of the Workers' Compensation Appeals Tribunal, legislated new benefits or expanded coverage of prescribed diseases, especially if applied retroactively. The occurrence of these types of events could carry substantial financial liability.

Key aspects of the processes in place to mitigate benefit cost risks include:

- Established processes for managing claims in accordance with the FC Act;
- The use of sophisticated management information systems that provide reliable and up-to-date data on the benefit risks to which the business is exposed at any point.

Investment Performance

The Disability Fund has pooled its investments with those of WorkSafeNB and has deemed the policies and procedures governing investments at WorkSafeNB to be appropriate for the Disability Fund. WorkSafeNB's board is responsible for setting WorkSafeNB's investment policy and has determined its asset mix policy using the results of an asset liability study that considered the nature of the liabilities, the board's risk tolerance and WorkSafeNB's financial position. The board and management have also established policies and directives to ensure there are adequate internal control and risk-mitigation procedures in place for WorkSafeNB's investments. However, some investment risks are not directly controllable, such as significant market swings, geopolitical risks, and interest rate changes driven by the fiscal and trade policies of other countries. Significant year-to-year volatility in the Disability Fund's reported results due to fluctuations in the market value of investments is likely to continue.

FUTURE OUTLOOK

Management will continue monitoring economic and operating trends to proactively develop effective responses to emerging business issues that might impact the Disability Fund.

Financial Management

Given the uncertainty and risks associated with global markets, the ongoing challenge for financial management is to maintain a planning and decision-making process to protect the Disability Fund's integrity and stability. In addition, given the lack of credible data on which to base cost projections, actual results may vary significantly from expected.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Firefighters' Compensation Act Disability Fund's financial statements were prepared by management of WorkSafeNB, who are responsible for the integrity and fairness of the data presented, including significant accounting judgments, estimates and actuarial assumptions. This responsibility includes selecting and applying appropriate accounting principles and actuarial assumptions consistent with international financial reporting standards.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced, and that assets are properly safeguarded. The Internal Audit Department conducts reviews to ensure that WorkSafeNB's internal controls and procedures are adequate, consistent, and applied uniformly.

The board of directors is responsible for evaluating management in the performance of financial reporting responsibilities and has approved the financial statements included in this Annual Report. The board of directors is assisted by the Audit Committee, which reviews and recommends approval of the financial statements and meets periodically with management, the independent actuaries, the independent auditors and the internal auditor, concerning internal controls and all other matters relating to financial reporting.

Eckler, the Firefighters' Compensation Act Disability Fund's independent consulting actuary, has completed an actuarial valuation of the benefits liabilities included in the Firefighters' Compensation Act Disability Fund's financial statements and reported thereon in accordance with accepted actuarial principles.

Doane Grant Thornton, the Firefighters' Compensation Act Disability Fund's independent auditors, has performed an audit of the financial statements of the Firefighters' Compensation Act Disability Fund in accordance with international financial reporting standards. The Independent Auditors' Report outlines the scope of this independent audit and includes the opinion expressed on the financial statements.



Tim Petersen, CA
President and Chief Executive Officer
WorkSafeNB



Carolyn MacDonald
Vice President, Strategy and Finance
WorkSafeNB

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Actuarial Statement of Opinion (IFRS 17 basis)

We have completed the actuarial valuation of the insurance contract liability under the Firefighters' Compensation Act of New Brunswick as at December 31, 2024 (the valuation date) in accordance with the requirements under IFRS 17. The valuation is based on the provisions of the Firefighters Compensation Act of New Brunswick, the Workers' Compensation Act of New Brunswick and on WorkSafeNB's policies and practices in effect on the valuation date.

The estimate of the insurance contract liability as at the valuation date is \$40,415,000. The insurance contract liability includes a provision for benefits and administration expenses expected to be paid after the valuation date for diseases that occurred on or before the valuation date. The insurance contract liability includes a provision for potential future claims associated with exposure to eligible diseases that occurred on or before the valuation date. The insurance contract liability does not include a provision for the legislative changes that are expected to come into effect on July 1, 2025.

Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In our opinion:

1. The data on which the valuation is based are sufficient and reliable for the purpose of the valuation. Data for the valuation was supplied by WorkSafeNB in accordance with specifications provided by us and we applied such checks of reasonableness of the data as we considered appropriate.
2. The assumptions used are appropriate for financial reporting purposes under IFRS 17. The discount rate and economic assumptions used in the valuation are disclosed in note 4 to the financial statements.
3. The methods employed in the valuation are appropriate for the purpose of the valuation.
4. The amount of the insurance contract liability makes appropriate provision for all personal injury compensation obligations given the plan's accounting.

The valuation report has been prepared and our opinions have been given in accordance with accepted actuarial practice in Canada.

Further information on the data, assumptions, methods, and valuation results can be found in the actuarial valuation report. Emerging experience, differing from the assumptions, will result in gains or losses which will be revealed in future valuations.

Respectfully submitted,



Thane MacKay, FCIA
Eckler
June 2025

This report has been peer reviewed by Jeff Turnbull, FCIA

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Independent Auditor's Report

To the members of the board of directors *Firefighters' Compensation Act* Disability Fund

Opinion

We have audited the financial statements of *Firefighters' Compensation Act* Disability Fund ("the Fund") which comprise the statement of financial position as at December 31, 2024, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Doane Grant Thornton LLP

Doane Grant Thornton LLP
Chartered Professional Accountants

Saint John, Canada
June 5, 2025

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

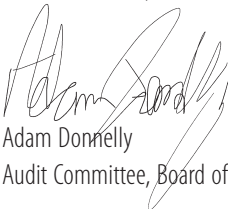
Statement of Financial Position
As at December 31, 2024

	2024 (000s)	2023 (000s)
ASSETS		
Cash and cash equivalents	\$ 1,526	\$ 1,524
Investments (Notes 6 and 7)	39,916	35,836
Total assets	\$ 41,442	\$ 37,360
LIABILITIES		
Payables and accruals	\$ 36	\$ 20
Insurance contract liabilities (Notes 3, 4 and 8)	40,415	35,515
Total liabilities	40,451	35,535
NET ASSETS		
Total net assets	\$ 991	\$ 1,825
Total liabilities and net assets	\$ 41,442	\$ 37,360

On behalf of the board of directors:



James E.A. Stanley
Audit Committee, Board of Directors



Adam Donnelly
Audit Committee, Board of Directors



Mel Norton
Chairperson, Board of Directors

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

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Statements of Operations and Changes in Net Assets
For the year ended December 31, 2024

	2024 (000s)	2023 (000s)
STATEMENT OF OPERATIONS		
Insurance revenue	\$ 876	\$ 1,404
Insurance service (expenses) income (Note 9)	(4,113)	(68)
Net insurance service result	(3,237)	1,336
Net investment income (Note 6)	4,323	3,086
Net insurance finance (expense) income (Note 10)	(1,900)	(3,779)
Administration and other expenses (Note 11)	(20)	(18)
(Deficiency) excess of revenues over expenses	\$ (834)	\$ 625
STATEMENT OF CHANGES IN NET ASSETS		
Net assets		
Balance, beginning of year	\$ 1,825	\$ 1,200
Excess of revenues over expenses	(834)	625
Net assets, end of year	\$ 991	\$ 1,825

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

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Statement of Cash Flows

For the year ended December 31, 2024

	2024 (000s)	2023 (000s)
Cash flow from operating activities		
Cash received from:		
Employer assessments	\$ 853	\$ 1,426
Interest and dividends	1,103	935
Cash paid to:		
Injured workers or third parties on their behalf	(931)	(1,012)
Suppliers and employees, for administration and other services	(305)	(264)
Net cash provided by operating activities	720	1,085
Cash flow from investing activities		
Cash received from:		
Sale of investments	9,556	6,974
Cash paid for:		
Purchase of investments	(10,274)	(8,573)
Net cash used in investing activities	(718)	(1,599)
Net increase (decrease) in cash and cash equivalents	2	(514)
Cash and cash equivalents, beginning of year	1,524	2,038
Cash and cash equivalents, end of year	\$ 1,526	\$ 1,524

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

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

1. AUTHORITY AND NATURE OF OPERATIONS

The Firefighters' Compensation Act (the "FC Act"), which received royal assent on June 19, 2009 and is retroactive to November 30, 2007, creates a Disability Fund to provide benefits to firefighters or former firefighters (employed and volunteer) who contract specific diseases. The Workplace Health, Safety and Compensation Commission (operating as WorkSafeNB), having its head office at 1 Portland Street, Saint John, New Brunswick, is responsible for administering the FC Act and, in accordance with the provisions of the Act, for administering benefit payments to firefighters or former firefighters and dependants, and levying and collecting assessments from municipalities and rural districts.

The financial statements were authorized for issue by the board of directors on June 5, 2025.

2. NEW OR REVISED ACCOUNTING STANDARDS OR INTERPRETATIONS

The International Accounting Standards Board (the IASB) is continually working toward improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to come into effect over the next several years. WorkSafeNB continually monitors the IASB work plans and publications to assess any potential impact on the Disability Fund. The Disability Fund adopted the following amended standards on January 1, 2024:

IFRS 9 – *Financial Instruments*

Amendments to IFRS 9 and IFRS 7 – (Classification and Measurement of Financial Instruments).

The adoption of the amendment did not have a material effect on the financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early

At the date of authorization of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB or IFRIC:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- IFRS 18 Presentation and Disclosure in Financial Statements

None of these standards or amendments to existing standards have been adopted early by the Disability Fund and no Interpretations have been issued that are applicable and need to be taken into consideration by the Disability Fund at the reporting date. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

3. MATERIAL ACCOUNTING POLICIES AND PRACTICES

The accounting policies set out below have been applied in preparing the financial statements for the year ended December 31, 2024, and the comparative information for the year ended December 31, 2023.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

a) Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS), as issued by the International Financial Reporting Interpretations Committee (IFRIC) in effect at December 31, 2024 and are presented in thousands (000s) of Canadian dollars, unless otherwise stated.

The Disability Fund's financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which are measured at fair value, as explained in the accounting policies below.

b) Use of accounting estimates and measurement uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Disability Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Notes 2, 3 and 4. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could be higher or lower than these estimates.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements
December 31, 2024

3. MATERIAL ACCOUNTING POLICIES AND PRACTICES (continued)

c) Critical accounting judgments

Management incorporates critical judgments in developing and applying accounting policies for recognition and measurement. These judgments have a direct effect on the initial and subsequent recognition and measurement of transactions and balances in the financial statements. Management has based its judgments and assumptions on information available at the time of preparing the financial statements.

d) Cash and cash equivalents

Cash and cash equivalents are recorded at cost, which approximates fair value, and consist of cash and fixed income instruments with maturities of less than one year.

e) Assessment revenue

The FC Act directs that WorkSafeNB make an estimate of the assessment necessary to provide funds for:

- The cost of all claims for compensation and benefits incurred during the year.
- The estimated future cost of the claims and benefits incurred during the year.
- Such sums as WorkSafeNB considers appropriate for administrative expenses.

The assessment levy may be adjusted to account for any excess or deficiency in assessment revenue collected for previous years.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

3. MATERIAL ACCOUNTING POLICIES AND PRACTICES (continued)

f) Investments

All portfolio investments are classified by the Disability Fund as fair value through profit or loss (FVTPL). All investment income, and changes in fair value are included in investment income. Interest and dividend income is recognized in the period earned and realized gains and losses are recognized in the period in which they arise. Unrealized gains and losses are included in investment income and recognized in the period in which they arise. All purchases and sales of securities classified as portfolio investments are recognized using trade-date accounting.

The portfolio is managed and its performance is evaluated on a fair value basis, in accordance with the policies and directives that document the Disability Fund's (via WorkSafeNB) investment strategy and risk controls. The portfolio investments are held to provide for the insurance contract liabilities. The most relevant measure to assess whether the investments are sufficient to pay for the liabilities is fair value.

Fair values of investments are determined as follows:

- Publicly traded equity securities are valued at their year-end quoted market prices as reported on recognized public securities exchanges.
- Fixed-term investments are valued at their year-end closing market prices or the average of the latest bid/ask prices, based on available public quotations from recognized dealers in such securities.
- Commercial paper, short-term notes and treasury bills and term deposits maturing within a year are valued at either their year-end closing or bid price, based on available quotations from recognized dealers in such securities, or at cost plus accrued interest, which approximates fair value.
- Pooled fund units are valued at their year-end net asset value, as determined by the fund manager or administrator. For pooled funds holding equity and fixed-income assets, these values represent the Disability Fund's proportionate share of underlying net assets at fair values determined using either quoted market prices or year-end closing market prices or the average of the latest bid/ask prices, based on available public quotations from recognized dealers in such securities. For pooled funds holding derivatives, cleared derivatives are valued at the closing price quoted by the relevant clearing house, and over-the-counter derivatives are valued using an industry standard model. Exchange-traded options are valued at the last sale price or the closing bid price for long positions, and the closing ask price for short positions. For real estate pooled funds classified as level 2 in the fair value hierarchy, these values represent the Disability Fund's proportionate share of the underlying net assets at fair values determined using independent appraisals, net of any liabilities against the fund assets. For Infrastructure pooled funds and real estate pooled funds classified as level 3 in the fair value hierarchy, these values represent the Disability Fund's proportionate share of the underlying net assets at fair values estimated using one or more methodologies, including discounted cash flows, multiples of earnings measures, and recent comparable transactions. In the first year of ownership, cost is considered to be an appropriate estimate of fair value.
- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the statement of financial position date.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

3. MATERIAL ACCOUNTING POLICIES AND PRACTICES (continued)

g) Foreign currencies

Assets denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the Statement of Financial Position date. Income from these assets is translated at the rate in effect at the time the income is received. Realized exchange gains or losses are included in investment income and recognized in the period earned. Unrealized exchange gains or losses resulting from the translation of foreign currency denominated asset balances are recorded in investment income in the period in which they arise.

h) Insurance contract liabilities

The Disability Fund accepts insurance risk from its contracts with employers of firefighters in exchange for premiums paid. The nature of the material accounting policies for insurance contracts can be summarized as follows:

Level of aggregation

The Disability Fund determines its level of aggregation for the insurance contracts by first identifying the portfolios of insurance contracts. Portfolios comprise of groups of contracts with similar risks that are managed together. Portfolios are further divided based on expected profitability at inception into three categories: (i) onerous contracts, (ii) contracts with no significant risk of becoming onerous, and (iii) the remainder. Groups of contracts contain contracts issued no more than one year apart.

The Disability Fund's arrangement with premium-paying employers gives rise to a single portfolio as the insurance contracts with these employers are subject to similar risks and are managed together. This portfolio is further disaggregated into groups of contracts that are issued within a calendar year.

Initial recognition

The Disability Fund recognizes groups of insurance contracts from the earliest of the following:

- The beginning of the coverage period of the group of contracts, or
- The date when the first payment is due from an employer or when the first payment is received, or
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

The Disability Fund's insurance contracts are issued on a calendar year basis with initial recognition generally being January 1, aside from new employers. The contracts become effective on January 1 annually for existing employers, which coincides with the beginning of the coverage period and when the per-firefighter assessment rates are considered binding.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

3. MATERIAL ACCOUNTING POLICIES AND PRACTICES (continued)

Contract boundary

The Disability Fund includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the period in which the Disability Fund can compel the policyholder to pay the premiums, or in which the Disability Fund has a substantive obligation to provide the policyholder with insurance contract services. The Disability Fund has determined the contract boundary for its insurance contracts to be one year, as it only has the substantive right to compel employers to pay premiums annually and has the practical ability to reassess the risks and set a price that fully reflects these risks annually.

Measurement of insurance contracts

Insurance contract liabilities are measured using one of the following measurement models:

a) The General Measurement Model (GMM)

The General Measurement Model requires insurance contracts to be measured using current estimates of discounted future cash flows, an adjustment for risk and a contractual service margin representing the profit expected from fulfilling the contracts.

b) The Premium Allocation Approach (PAA)

The Premium Allocation Approach is a simplified model that can be applied to insurance contracts with coverage periods of one year or less, or where the Premium Allocation Approach approximates the General Measurement Model. The Premium Allocation Approach includes discounted future cash flows and an adjustment for risk, but does not include a contractual service margin (i.e. referred to as "fulfilment cash flows").

The Disability Fund has assessed the coverage period of all of its insurance contracts as one year in length, and as such, has applied the Premium Allocation Approach on to all insurance contracts.

The Disability Fund's Insurance contract liabilities is comprised of two components: 1) Liabilities for remaining coverage comprising fulfilment cash flows related to future service allocated to each group of contracts at period end and 2) Liabilities for incurred claims comprising the fulfilment cash flows related to past service allocated to each group of contracts at period end.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

3. MATERIAL ACCOUNTING POLICIES AND PRACTICES (continued)

Liabilities for remaining coverage

On initial recognition of each group of contracts, the carrying amount of the liabilities for remaining coverage is measured at the premiums received on initial recognition.

Subsequently, the carrying amount for the liabilities for remaining coverage is increased by any premiums received, decreased by the amount recognized as insurance revenue for the coverage provided and adjusted for any change in recognition and reversal of onerous losses. On initial recognition of each group of contracts, the Disability Fund expects that the time between providing each part of the coverage and the related premium due date is no more than a year. Accordingly, the Disability Fund has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Disability Fund recognizes a loss in the statement of operations and increases the liabilities for remaining coverage.

Liabilities for incurred claims

The Disability Fund recognizes the liabilities for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims or exposures.

Liabilities for incurred claims 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 the covered population. Liabilities for incurred claims also reflect the cumulative exposure to hazards of a fire scene for which a claim has not yet been reported. These estimates and assumptions include claim duration, mortality rates, wage and health care escalations, general inflation, and discount rates. The future payments are for estimated obligations for short-term disability and rehabilitation costs, long-term disability costs, health care costs, survivor benefits, retirement income benefits, and claim administration costs. Changes in the estimates and assumptions can have a significant impact on the measurement of Insurance contract liabilities and claims costs.

It is WorkSafeNB's practice to engage an independent consulting actuary to complete a valuation of the insurance contract liabilities of the Disability Fund every year. Actual future costs could vary from those amounts presented in the financial statements.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements
December 31, 2024

3. MATERIAL ACCOUNTING POLICIES AND PRACTICES (continued)

Pension annuity liabilities represent the Disability Fund's obligation to provide retirement benefits to eligible injured workers equal to the total contributions plus investment income earned on those contributions. As such, the pension annuity liability is measured at an amount equivalent to the fair value of the assets. At age 65 or upon death, the injured worker or their beneficiary receives a benefit from contributions made to their annuity account plus any investment income earned.

Assets attributable to pension annuities are included and managed as part of the Disability Fund's investment portfolio.

The Disability Fund contributes 10% of the loss of earnings benefits to the annuity account for injured workers who have received loss of earnings benefits for 24 consecutive months. The Disability Fund contributes 5% or 8% of the beneficiary's monthly benefit to their annuity account, depending on the option elected by the beneficiary under the benefit provisions.

Discount rate

The discount rate used to reflect the time value of money in the fulfilment cash flows is based on the characteristics of the liabilities, rather than a discount rate based upon the expected long-term average rate of return of assets supporting those liabilities as is used under the funding basis (see note 12).

All cash flows are discounted using marked-to-market risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Disability Fund uses a bottom-up approach to determine a liquidity premium over risk-free rates based on the market spread of an asset reference portfolio adjusted to remove the credit losses, and to account for the difference in liquidity between the asset reference portfolio and the insurance contract. Given the highly illiquid nature of the Disability Fund's insurance contracts, the Disability Fund is using the illiquid reference curve provided regularly for the Canadian Institute of Actuaries by Fiera Capital.

Insurance revenue

Insurance revenue is comprised of assessment premiums expected to be received during the coverage period and excluding any investment components. As the Disability Fund's coverage period is one year, no adjustment is made to assessment premiums for the time value of money. Insurance revenue is recognized by allocating assessment premiums to each reporting period on the basis of the passage of time, which is the coverage period of one year.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

3. MATERIAL ACCOUNTING POLICIES AND PRACTICES (continued)

Insurance service expenses

Insurance service expenses are comprised of fulfilment cash flows that are included within the boundary of the Disability Fund's insurance contracts. These include payments to (or on behalf of) a policyholder, claims handling costs, policy administration and maintenance costs, and an allocation of fixed and variable overhead costs. These overhead costs are allocated to the Disability Fund's insurance contracts using methods that are systematic and rational, which include significant estimates and judgement, and are consistently applied to all costs that have similar characteristics.

Onerous contracts

The Disability Fund assumes that contracts are not onerous at initial recognition as insurance contract revenue covers the current year's costs of the system unless facts and circumstances indicate otherwise. Where, during the coverage period, circumstances indicate the group of insurance contracts are onerous, the loss is recognized immediately and is amortized through income by the end of the year. A loss component is established for remaining coverage for such onerous contracts. Accordingly, by the end of the coverage period for the contract group, the loss component will be zero.

Insurance finance income (expense)

Insurance finance income or expense is comprised of the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the discounted cash flows and reflects the compensation the Disability Fund requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Disability Fund fulfils insurance contracts. The Disability Fund generates sufficient insurance service results and income from investments to fully fund the operations of the insurance business and other administrative activities, therefore there is no compensation required or earned by the Disability Fund for such risk and as such, the risk adjustment was determined to be de minimis and corresponds to a 50% confidence level, which is the probability that the actual outcome of future cash flows associated with the Disability Fund's claims and expenses will be less than the liability.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements
December 31, 2024

3. MATERIAL ACCOUNTING POLICIES AND PRACTICES (continued)

i) Impairment review

Entity level

IAS 36 (Impairment of Assets) requires an entity to test assets for impairment if indicators of impairment exist. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level, which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

Based on an analysis of cash flows, the Disability Fund has established that the appropriate cash-generating unit for impairment review is the entity. As legislation is in place to attain full funding into the foreseeable future, impairment at the entity level is remote. An annual review is conducted to ensure that no events or change in circumstances have occurred that would provide evidence of impairment.

As at December 31, 2024, management concluded that there were no known significant changes in the legislative, economic, or business environment that would have a material impact on the Disability Fund's ability to generate future economic benefits from its operating assets.

4. ACTUARIAL ASSUMPTIONS AND METHODS

The FC Act provides coverage presumption that certain cancers listed in the regulations are work-related for any eligible firefighter. It provides the same presumption for a firefighter who develops a heart disease within 24 hours of an emergency response. Any manifestation of a cancer on or after November 30, 2007 is covered under the FC Act, regardless of the date of diagnosis.

There is minimal historical experience data available. In addition, most of the cancer claims are expected to occur many years after retirement from active duty. This post-retirement type of benefit requires a valuation of the accumulated exposure to risk at the valuation date for active and retired firefighters. It also requires a valuation of the incurred claims to date.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements
December 31, 2024

4. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Future Claims

The future claims are based on a projection of expected cancer incidence in each future year for the current population of active and retired firefighters. Using current census data by age and gender from the Office of the Fire Marshall, future cancer incidences are projected. The results of this projection are discounted to the valuation date and then pro-rated for active firefighters, based on estimated service rendered up to the valuation date over total expected service during their career. Many assumptions are required to carry out this projection. The projection model used allows for the input of a number of important parameters to generate liabilities using different assumptions, both for sensitivity analysis and for adaptation to emerging experience over time. The minimum exposure period varies by cancer type, and allowing for this would have significantly increased the complexity of the model so as a simplifying feature, a single 15-year period is applied to all cancers. The entry age assumptions are ages 25 and 30 for full-time and part-time firefighters, respectively.

Incurred Claims

Accepted firefighter claims are individually valued. Any possible firefighter claims as of December 31, 2024 are also evaluated. However, there may still be outstanding claims for cancers that had already been diagnosed at any time before December 31, 2024. Where details of amounts to be paid for the future were known, that information was applied and the liability was calculated by projecting monthly cash flows for the appropriate period the benefit would be paid and applying decrements with discounting, based on the assumptions described below. Where the information was not available, the average cost per claim underlying the liability calculation was used for the future claims component.

Assumptions

The following explicit assumptions have been made in determining the outstanding benefits liabilities:

	2024		2023	
	CPI-indexed awards	Health care payments	CPI-indexed awards	Health care payments
Single-equivalent discount rate	4.84%	4.84%	4.86%	4.86%
Inflation	2.25%	4.25%	2.25%	4.25%
Future administration	8.50%	8.50%	8.50%	8.50%

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

4. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

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

Single-equivalent discount rate

All cash flows are discounted using marked-to-market risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Disability Fund uses a bottom-up approach to determine a liquidity premium over risk-free rates based on the market spread of an asset reference portfolio adjusted to remove the credit losses, and to account for the difference in liquidity between the asset reference portfolio and the insurance contract. Given the highly illiquid nature of the Disability Fund's insurance contracts, the Disability Fund is using the illiquid reference curve provided regularly for the Canadian Institute of Actuaries by Fiera Capital. The single-equivalent is a derived spot rate that allows for the comparison or aggregation of cash flows that occur at different points in time.

CPI-indexed awards inflation rate

The indexation rate is intended to reflect a long-term rate of inflation for benefits indexed to CPI. The inflation rate for subsequent years was determined from an analysis of past experience over 20- and 30-year periods. The analysis is conducted annually to ensure the inflation assumption remains current. The 2024 analysis suggested an annual inflation rate estimate of 2.25%.

Health care payments inflation rate

The health care payments inflation rate is determined from a periodical analysis of past payment experience to ensure the assumption remains current. The latest analysis, conducted in 2023, suggested an estimate of 4.25%, 2% above the long-term general inflation rate.

Future administration

When a claim occurs, it triggers an obligation to provide claims management, maintenance and support in terms of paying the various providers of health care services and compensating workers for lost wages for as long as the claim is open. The future administration expense liability is intended to provide a reasonable allowance for this obligation.

A detailed review of future administration expenses is conducted periodically. In this review, an estimate is made of the portion of operating expenses that can be attributed to claims maintenance, including a proportionate share of overhead expenses. The latest review, conducted in 2023, concluded that an 8.50% allocation was reasonable. Therefore, a liability for future administration expenses of 8.50% of the total insurance contract liability is included in the liability estimate, and forms part of the fulfilment cash flows.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

4. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Sensitivity analysis

i) Summary

Sensitivity analysis is conducted to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the Disability Fund's financial performance and funding ratio. Many different variables could affect ultimate liabilities and costs. The table below presents the sensitivity of the benefits liabilities to an immediate 1% increase or decrease in the economic assumptions using the active lives exposure.

Impact of movement in variable:

Single-equivalent discount rate

The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on claims costs.

General inflation rate

The CPI-indexed awards inflation rate and health care payments inflation rate are all directly affected by movements in the long-term general inflation rate. Consequently, the benefits indexed to these rates are also impacted. An increase or decrease in the long-term general inflation rate would have a corresponding impact on claims costs.

Health care inflation rate

An increase or decrease in health care payment inflation relative to the assumption underlying the liability estimates would have a corresponding impact on health care claims costs.

ii) Impact of changes in key variables:

	2024 (000s)		2023 (000s)	
	+1.00%	-1.00%	+1.00%	-1.00%
+/- % change in assumed rates				
Single-equivalent discount rate	\$ (5,487)	\$ 6,980	\$ (4,841)	\$ 6,141
General inflation rate	6,819	(5,460)	5,997	(4,814)
Health care inflation rate	2,798	(2,185)	2,480	(1,942)

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

5. CLAIMS – RISK MANAGEMENT POLICIES AND PROCEDURES

The Disability Fund's financial condition and operation is affected by a number of key risks including claims, operational and financial risks. Set out below are established policies and procedures to manage these risks.

a) Claims risk

There is an objective to manage claims risk, thus reducing the volatility of assessment premiums and performance from operations. In addition to the inherent uncertainty of claims risk, which can lead to significant variability in the loss experience, performance from operations is significantly affected by external market factors.

WorkSafeNB has developed, implemented and maintained a sound and prudent claims risk management strategy that encompasses all aspects of its operations. This same strategy is applied to the Disability Fund.

The strategy sets out policies and procedures, processes and controls in relation to the management of likely financial and non-financial claims risks.

Key aspects of the processes in place to mitigate claims risks include:

- Established processes for managing claims in accordance with the FC Act.
- A tracking system that includes a cost analysis of any benefit changes from changes in policy, legislation and appeals decisions.
- A periodic review of Office of the Fire Marshall census of active firefighters.
- Internal monitoring tools which link actuarial valuation projections with the management information systems to capture claims.
- Annual review of the benefits liabilities by an independent external actuary.

b) Terms and conditions of the fund

The terms and conditions of the fund administered by WorkSafeNB are established under the FC Act. Coverage is for annual periods ending December 31. The fund's terms and conditions are the same for all employers.

c) Operational risk

Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to claims or financial risks. These risks are managed through a framework that includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements
December 31, 2024

5. CLAIMS – RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

d) Financial risk

The Disability Fund is exposed to the following financial risks:

- Funding risk
- Market risk
- Foreign currency risk
- Credit risk
- Inflation risk
- Interest rate risk
- Liquidity risk

The Disability Fund's exposure to these risks arises primarily in relation to its investment portfolio. Note 7 presents information about the exposure to each of the above risks, including objectives, policies and processes for measuring and managing the risk.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements
December 31, 2024

6. INVESTMENTS

i) Investment agreement

The Disability Fund has entered into investment agreements for the management of its investment assets with those of WorkSafeNB and WorkSafeNB Investments Limited. These financial statements report the Disability Fund's proportional share of the investments held in each of the funds, which was 1.78% at December 31, 2024 (2023 – 1.61%).

The table below presents the fair value of the Disability Fund's investments.

	2024 (000s) <u>Fair Value</u>	2023 (000s) <u>Fair Value</u>
ii) Portfolio investments		
Forward foreign exchange contracts	\$ (358)	\$ 585
Fixed income		
Conventional bonds	6,608	5,866
Equities		
Canadian	4,942	5,578
U.S.	4,672	5,100
Non-North American	7,305	6,579
Total equities	<u>16,919</u>	<u>17,257</u>
Inflation-sensitive		
Real estate	5,896	4,848
Infrastructure	4,667	3,763
	<u>10,563</u>	<u>8,611</u>
Absolute return		
Global opportunistic ¹	6,184	3,517
	<u>\$ 39,916</u>	<u>\$ 35,836</u>

¹The Global Opportunistic allocation is invested in pooled funds that have the ability to invest in a wide variety of asset classes and strategies depending on the manager's assessment of the attractiveness of the opportunity. As of December 31, 2024, the funds had the following allocations: North American equities 7% (2023 – 7%); Non-North American equities 26% (2023 – 26%); Fixed income 8% (2023 – 8%); Absolute return strategies 59% (2023 – 59%)

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements
December 31, 2024

6. INVESTMENTS (continued)

iii) Fair value hierarchy

The Disability Fund's investments have been classified into a three-level fair value hierarchy in accordance with IFRS 7 (Financial Instruments: Disclosures). The levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 1 inputs are the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1 quoted prices. Level 2 inputs consist of: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (markets which have few transactions and prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (interest rates, yield curves, volatilities, credit risks, and default rates); and (iv) inputs derived from, or corroborated by, observable market data.
- Level 3 inputs are unobservable inputs. These inputs reflect assumptions about market pricing, using the best internal and external information available. The valuation approaches applied are the most suitable and appropriate for the type of investments.

FINANCIAL STATEMENTS

Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

December 31, 2024

6. INVESTMENTS (continued)

In certain situations, inputs used to measure the fair value of asset positions fall into different levels of the fair value hierarchy. In these situations, the level in which the fair value falls is based upon the lowest level input that is significant to determining the fair value. As of December 31, 2024 the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

	2024 (000s)			
	Level 1	Level 2	Level 3	Fair Value
Portfolio investments				
Forward foreign exchange contracts	\$ —	\$ (358)	\$ —	\$ (358)
Fixed income				
Conventional bonds	—	6,608	—	6,608
Equities				
Canadian	—	4,942	—	4,942
U.S.	—	4,672	—	4,672
Non-North American	—	7,305	—	7,305
Total equities	—	16,919	—	16,919
Inflation-sensitive				
Real estate	—	3,999	1,897	5,896
Infrastructure	—	—	4,667	4,667
Total inflation-sensitive	—	3,999	6,564	10,563
Absolute return				
Global opportunistic	—	6,184	—	6,184
	\$ —	\$ 33,352	\$ 6,564	\$ 39,916

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Firefighters' Compensation Act Disability Fund

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December 31, 2024

6. INVESTMENTS (continued)

	2023 (000s)			
	Level 1	Level 2	Level 3	Fair Value
Portfolio investments				
Forward foreign exchange contracts	\$ —	\$ 585	\$ —	\$ 585
Fixed income				
Conventional bonds	—	5,866	—	5,866
Equities				
Canadian	—	5,578	—	5,578
U.S.	—	5,100	—	5,100
Non-North American	—	6,579	—	6,579
Total equities	—	17,257	—	17,257
Inflation-sensitive				
Real estate	—	3,669	1,179	4,848
Infrastructure	—	—	3,763	3,763
Total inflation-sensitive	—	3,669	4,942	8,611
Absolute return				
Global opportunistic	—	3,517	—	3,517
	\$ —	\$ 30,894	\$ 4,942	\$ 35,836

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Firefighters' Compensation Act Disability Fund

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6. INVESTMENTS (continued)

iv) Summary of changes in level 3 fair value measurements:

	2024 (000s)	2023 (000s)
Balance, beginning of year	\$ 4,942	\$ 4,245
Purchases of level 3 investments	998	984
Sale of level 3 investments	(404)	(287)
Partnership distributions of operating income	203	111
Fees and expenses	(4)	(3)
Realized gains	67	94
Change in unrealized gains recognized in investment income	762	(202)
Balance, end of year	<u>\$ 6,564</u>	<u>\$ 4,942</u>

There are eight investments classified as level 3:

(1) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$839 thousand (2023 – \$757 thousand). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2024, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 12-year life that began on October 30, 2013. The general partner has the option to extend the fund's life by two years.

(2) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$2,314 thousand (2023 – \$1,933 thousand). This is an open-ended fund that allows quarterly redemptions at net asset value, but with some restrictions. It is classified as a level 3 investment in the fair value hierarchy.

(3) A limited partnership interest in a fund investing in European real estate with a market value of \$129 thousand (2023 – \$234 thousand). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2024, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 9-year life that began on August 22, 2014. During the year, the second one-year extension clause was exercised with the new end date being August 22, 2025.

(4) A limited partnership interest in a fund investing in European real estate with a market value of \$689 thousand (2023 – \$544 thousand). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2024, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 10-year life that began on March 29, 2018.

(5) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$709 thousand (2023 – \$544 thousand). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2024, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 12-year life that began on May 10, 2019. The general partner has the option to extend the fund's life by two years.

(6) A limited partnership interest in a fund investing in European real estate with a market value of \$644 thousand (2023 – \$40 thousand). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2024, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 10-year life that began on December 03, 2021.

(7) A limited partnership interest in a fund investing in US real estate with a market value of \$440 thousand (2023 – \$195 thousand). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2024, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 8-year life that will begin on the final closing date. The general partner has the option to extend the fund's life by two years.

(8) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$805 thousand (2023 – \$529 thousand). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2024, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 12-year life that will begin on the final closing date. The general partner has the option to extend the fund's life with two one-year extensions.

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6. INVESTMENTS (continued)

v) Investment income

	2024 (000s)	2023 (000s)
Interest and dividends	\$ 1,164	\$ 981
Realized investment losses on forward foreign exchange contracts	(329)	(492)
Realized investment gains on other portfolio investments	1,984	16
Change in unrealized investment gains on forward foreign exchange contracts	(943)	728
Change in unrealized investment gains on other portfolio investments	2,626	1,991
	<u>4,502</u>	<u>3,224</u>
Less: portfolio management expenses	<u>(179)</u>	<u>(138)</u>
	<u>\$ 4,323</u>	<u>\$ 3,086</u>

The market rate of return on the investment portfolio for the year ended December 31, 2024 was 10.46% (2023 – 8.90%).

vi) Pooled funds

The Disability Fund's portfolio is invested exclusively in pooled funds and private partnerships covering various asset classes and mandates. The Disability Fund holds rights to a proportionate share of each fund's income and net assets, with no power to direct management of the respective fund.

vii) Commitments

Through its investment in WorkSafeNB Investments Limited, the Disability Fund has entered into limited partnership agreements with externally managed infrastructure and real estate pooled funds that commit to contribute investments in these funds, which may be drawn down over the next year. Unfunded commitments as of December 31, 2024 are \$4,408,674 (2023 – \$4,414,819).

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Firefighters' Compensation Act Disability Fund

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December 31, 2024

7. FINANCIAL RISK MANAGEMENT

The Disability Fund, through WorkSafeNB, has established policies for managing its investments. Independent, external investment managers manage all of the Disability Fund's investments. The compliance of these managers with the investment policies is monitored regularly.

Investment risk is managed by diversifying the portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, in conjunction with WorkSafeNB, independent consultants are retained to advise on the appropriateness and effectiveness of its investment policies and practices. This includes periodic asset liability studies to ensure that the investment strategy is suitable in light of the related going-concern benefits liabilities and WorkSafeNB's risk tolerance. The last such study was completed in 2024.

The following sections describe the Disability Fund's financial risk exposures and related mitigation strategies.

i) Funding risk

The Disability Fund's funding level is based on accepted actuarial practices for going-concern valuations, which reflects a discount rate based on the funding and investment policies set by WorkSafeNB's board of directors. Under the FC Act, a minimum going-concern funding level of 100% is required with any shortfall to be recovered over a 20-year period. The assessment revenue raised in any year from municipalities and rural districts may include or be reduced by an amount designed to allow the FC Act Disability Fund to attain its funding requirement. More information can be found in Note 12.

ii) Market risk

The Disability Fund invests in publicly traded equities listed on domestic and foreign exchanges, bonds traded over-the-counter through broker-dealers, Canadian and foreign commercial real estate and global infrastructure assets held via pooled funds. These securities are affected by fluctuations in market prices. Such fluctuations are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks specific to issuers that may affect the market value of individual securities. Policy guidelines ensure that the Disability Fund's investments are diversified by issuer, industry and geographic location.

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Firefighters' Compensation Act Disability Fund

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7. FINANCIAL RISK MANAGEMENT (continued)

The table below presents the estimated effect of a reasonably possible¹ adverse change in the key risk variable – the market benchmark – for each of the equity mandates in the Disability Fund's investment portfolio.

	2024 (000s)		2023 (000s)	
	1 std dev	2 std dev	1 std dev	2 std dev
Canadian Equities				
% change in market benchmark ²	(12.8%)	(25.6%)	(12.6%)	(25.3%)
Canadian portfolio – impact on surplus/deficit	\$ (571)	\$ (1,143)	\$ (670)	\$ (1,341)
U.S. Equities				
% change in market benchmark ³	(12.6%)	(25.2%)	(12.3%)	(24.6%)
U.S. portfolio – impact on surplus/deficit	\$ (609)	\$ (1,219)	\$ (638)	\$ (1,275)
International (EAFE) Equities				
% change in market benchmark ⁴	(12.1%)	(24.2%)	(12.0%)	(24.1%)
International portfolio – impact on surplus/deficit	\$ (847)	\$ (1,694)	\$ (700)	\$ (1,400)
Emerging Markets Equities				
% change in market benchmark ⁵	(13.6%)	(27.2%)	(13.4%)	(26.7%)
Emerging markets portfolio – impact on surplus/deficit	\$ (270)	\$ (540)	\$ (239)	\$ (478)

¹ Reasonably possible changes are estimated using the historical (10-year) variability of each of the market benchmarks about their respective means. The standard deviation measures the normal variance in a probability distribution. One standard deviation covers 68% of all probable outcomes and two standard deviations covers 95%.

² S&P TSX (Standard & Poor's Toronto Stock Exchange) Capped Composite Index

³ S&P (Standard & Poor's) 500 Index

⁴ MSCI (Morgan Stanley Capital International) EAFE (Europe, Australasia and Far East) Total Return Index

⁵ MSCI EM (Emerging Markets) Total Return Index

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Firefighters' Compensation Act Disability Fund

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7. FINANCIAL RISK MANAGEMENT (continued)

iii) Foreign currency risk

The Disability Fund has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. The Disability Fund's most significant currency exposure is to the U.S. dollar, the euro, the Japanese yen and the British pound. At December 31, 2024, the Disability Fund had U.S. dollar exposure of \$13.2 million (2023 — \$11.9 million), euro exposure of \$3.7 million (2023 — \$3.4 million), Japanese yen exposure of \$1.4 million (2023 — \$1.0 million) and British pound exposure of \$1.6 million (2023 — \$1.3 million).

For its U.S. and non-North American assets, the Disability Fund has adopted a policy to dynamically hedge a portion of its developed market foreign currency exposure using forward foreign exchange contracts. The amount hedged varies, depending on the relative attractiveness of the foreign currency. Forward 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's inception.

The fair value of these financial instruments will change in response to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts. Outstanding contracts from 2024 mature in the first 37 days of 2025.

At December 31, 2024, the notional value of outstanding forward foreign exchange contracts was \$16.1 million (2023 — \$16.1 million). The fair value of these contracts was \$358 thousand (2023 — \$585 thousand). Unrealized gains on forward foreign exchange contracts were included in investment income.

The table below presents how the surplus/deficit would be affected by a reasonably possible annual change in the Canadian/US dollar, Canadian/euro, Canadian/Japanese yen and Canadian/British pound exchange rates. The impact on the surplus/deficit is shown net of the currency hedges in place at year-end:

	2024 (000s)	2023 (000s)
	Impact on surplus/deficit	Impact on surplus/deficit
15% appreciation in the Canadian dollar		
CAD/USD	\$ (87)	\$ 110
CAD/EURO	(163)	(145)
CAD/YEN	(182)	(127)
CAD/POUND	(128)	(114)

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Firefighters' Compensation Act Disability Fund

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December 31, 2024

7. FINANCIAL RISK MANAGEMENT (continued)

iv) Credit risk

Credit risk on fixed-term or money market investments or forward foreign exchange contracts arises from the possibility that the counterparty to an instrument fails to meet its obligation to the Disability Fund. The maximum exposure to credit risk is determined by the fair value of these financial instruments. The Disability Fund invests in money market instruments that consist primarily of short-term debt and money market securities issued or guaranteed by the federal or provincial governments of Canada and Canadian corporations. Counterparties to forward foreign exchange contracts must have a credit rating of at least AA-.

The Disability Fund has indirect credit risk to the underlying investments held by fixed-term pooled funds. The table below summarizes the fixed term investments by credit rating.

	2024		2023	
	Fair Value (000s)	% of Total Fixed-Term Investments	Fair Value (000s)	% of Total Fixed-Term Investments
Credit Rating*				
AAA	\$ 2,732	41.34	\$ 1,422	24.23
AA	2,097	31.73	949	16.18
A	986	14.92	1,207	20.58
BBB	694	10.51	907	15.46
<BBB	99	1.50	1,381	23.55
Total	\$ 6,608	100.00	\$ 5,866	100.00

* Credit ratings are obtained from Standard & Poor's, Moody's or DBRS ratings

v) Inflation risk

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power for current monetary assets.

To mitigate the effect of inflation on the Disability Fund's future liabilities, the portfolio holds inflation-sensitive investments, such as real-return bonds, real estate, and infrastructure. Canadian real return bonds are indexed to the annual change in the Canadian consumer price index. The table included in the interest rate section below presents the remaining term to maturity of the real-return bond portfolio.

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Firefighters' Compensation Act Disability Fund

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7. FINANCIAL RISK MANAGEMENT (continued)

vi) Interest rate risk

Future changes in the prevailing level of interest rates will affect the fair value of the fixed-term investments.

The table below presents the remaining term to maturity of the Disability Fund's portion of the outstanding fixed-term investments, all of which are held in pooled funds.

	Remaining Term To Maturity (000s)				Total 2023
	Within 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total 2024	
Fixed-term investments	\$ 53	\$ 2,544	\$ 4,011	\$ 6,608	\$ 5,866

The average effective yield of the conventional bonds is 3.58% (2023 – 5.37%) per annum based on market value.

As of December 31, 2024, had the prevailing interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the Canadian conventional bonds would have increased or decreased by \$478 thousand (2023 – \$369 thousand), approximately 7.24% (2023 – 6.29%) of their fair value.

The sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolios.

vii) Liquidity risk

Liquidity risk is the risk that the Disability Fund will have difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash.

Through a cash management process that entails forecasting of expected cash flows, WorkSafeNB mitigates liquidity risk by minimizing the need for forced liquidations of portfolio assets. The Disability Fund investment policy maintains a 2% allocation to cash to help ensure adequate liquidity.

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Firefighters' Compensation Act Disability Fund

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8. INSURANCE CONTRACT LIABILITIES

The roll-forward of the insurance contract (assets) liabilities showing the liabilities for remaining coverage and the liabilities for incurred claims is disclosed in the table below:

	2024 (000s)			
	Liabilities for remaining coverage	Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimate of the PV of future cash flows	
Insurance contract (assets) liabilities, January 1	\$ 50	\$ —	\$ 35,465	\$ 35,515
Insurance revenue	(876)	—	—	(876)
Insurance service expenses				
Incurred claims and other expenses	—	—	3,044	3,044
Loss on onerous contracts and reversals of those losses	—	—	—	—
Changes to liabilities for incurred claims	—	—	1,069	1,069
Insurance service result	(876)	—	4,113	3,237
Insurance finance (income) expenses	(4)	—	1,904	1,900
Total changes in income	(880)	—	6,017	5,137
Cash flows:				
Premiums received	853	—	—	853
Claims and other expenses paid	—	—	(1,090)	(1,090)
Total cash flows	853	—	(1,090)	(237)
Insurance contract (assets) liabilities, December 31	\$ 23	\$ —	\$ 40,392	\$ 40,415

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8. INSURANCE CONTRACT LIABILITIES (continued)

	2023 (000s)			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component	Estimate of the PV of future cash flows	
Insurance contract (assets) liabilities, January 1	\$ 37	\$ —	\$ 32,757	\$ 32,794
Insurance revenue	(1,404)	—	—	(1,404)
Insurance service expenses				
Incurred claims and other expenses	—	—	1,724	1,724
Loss on onerous contracts and reversals of those losses	—	—	—	—
Changes to liabilities for incurred claims	—	—	(1,656)	(1,656)
Insurance service result	(1,404)	—	68	(1,336)
Insurance finance (income) expenses	(9)	—	3,788	3,779
Total changes in income	(1,413)	—	3,856	2,443
Cash flows:				
Premiums received	1,426	—	—	1,426
Claims and other expenses paid	—	—	(1,148)	(1,148)
Total cash flows	1,426	—	(1,148)	278
Insurance contract (assets) liabilities, December 31	\$ 50	\$ —	\$ 35,465	\$ 35,515

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Firefighters' Compensation Act Disability Fund

Notes to Financial Statements

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8. INSURANCE CONTRACT LIABILITIES (continued)

Liabilities for incurred claims by benefit type are comprised of the following:

	2024 (000s)	2023 (000s)
Short-term disability and rehabilitation	\$ 1,362	\$ 930
Long-term disability	11,819	9,756
Health care	12,409	11,179
Survivor benefits	11,467	10,647
Claim administration costs	3,150	2,763
Liabilities for incurred claims	40,207	35,275
Pension annuities	136	147
Receivables and payables reclassified to liabilities for incurred claims	49	44
Total liabilities for incurred claims	\$ 40,392	\$ 35,466

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Firefighters' Compensation Act Disability Fund

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9. INSURANCE SERVICE EXPENSES

	2024 (000s)	2023 (000s)
Claims costs incurred		
Short-term disability and rehabilitation	\$ 140	\$ 39
Long-term disability	1,037	542
Survivor benefits	813	504
Health care	889	520
Total incurred claims	2,879	1,605
Administration expenses	165	119
Other insurance services expenses	165	119
Total incurred claims and other insurance service expenses	3,044	1,724
Changes in liabilities for incurred claims	1,049	(1,673)
Pension annuity contributions	20	17
Total insurance service expenses (income)	\$ 4,113	\$ 68

10. INSURANCE FINANCE (EXPENSES) INCOME

	2024 (000s)	2023 (000s)
Interest accreted to insurance contracts using current financial assumptions	\$ (1,769)	\$ (1,754)
Changes in single-equivalent discount rate and other financial assumptions	(123)	(2,022)
Interest on pension annuity liabilities	(12)	(12)
Interest and penalties on assessments and uncollectibles	4	9
Insurance finance (expenses) income	\$ (1,900)	\$ (3,779)

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Firefighters' Compensation Act Disability Fund

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11. ADMINISTRATION EXPENSES

	2024 (000s)	2023 (000s)
Allocated to insurance service expenses	\$ 165	\$ 119
Allocated to administration and other expenses	20	18
Total administration expenses	<u>\$ 185</u>	<u>\$ 137</u>

12. FUNDING AND CAPITAL MANAGEMENT

The Disability Fund's funding level is based on accepted actuarial practices for going-concern valuations, which reflects a discount rate based on the funding and investment policies set by WorkSafeNB's board of directors. Under a going-concern valuation, claim liabilities are valued based on the primary assumption that the system will be in operation for the long-term. Therefore, the focus is on long-term trends as opposed to short-term fluctuations around those trends as reflected in the discount rate used in the measurement of insurance contract liabilities for financial statement presentation.

The discount rate used under a going-concern valuation reflects the best estimate of the long-term average rate of return that can be expected using the target asset allocation adopted by the board in its statement of investment goals and objectives. An estimate of a real rate of return, based on the analysis of multiple possible scenarios, is then compounded with the long-term average future inflation estimate to obtain the going-concern discount rate. This results in a going-concern discount rate assumption of 6.08% as at December 31, 2024, unchanged from the previous valuation.

Under the FC Act, a minimum funding level of 100% is required, with any shortfall to be recovered over a period of 20 years. The assessment revenue raised in any year from municipalities and rural districts may include or be reduced by an amount designed to allow the Disability Fund to attain its funding requirement.

The assessments will be collected from municipalities and rural districts on a per-year, per-firefighter basis. The assessments include an estimate of administration fees to be charged by WorkSafeNB, the party responsible for the administration of the FC Act and, in accordance with the provisions of the Act, for administering benefit payments to firefighters or former firefighters and dependants, and levying and collecting assessments from municipalities and rural districts. The 2024 assessment rate was \$220 per active firefighter (2023 — \$360).

The Disability Fund's funding level at December 31, 2024 is 120.1% (2023 — 121.9%).

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Firefighters' Compensation Act Disability Fund

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12. FUNDING AND CAPITAL MANAGEMENT (continued)

The table below reconciles the financial statement liabilities as at December 31, 2024 to the Disability Fund's going-concern liabilities, which are used for funding purposes.

As at December 31, 2024	Financial statement basis (000s)	Presentation ¹ (000s)	Measurement ² (000s)	Going-concern basis (000s)
Total assets	\$ 41,442	\$ 11	\$ —	\$ 41,453
Total liabilities	40,451	11	(5,958)	34,504
Net assets	991	—	5,958	6,949
Funding level	—	—	—	120.1%

¹ Due to the reclassification of insurance related receivables and payables to Insurance contract liabilities

² Due to the marked-to-market discount rate methodology prescribed for financial statement insurance contract liabilities compared to the long-term approach used for funding liabilities. Also reflected are the legislative changes subsequent to the reporting date as described in Note 14 that are reflected in the funding basis, but not the IFRS 17 basis.

13. COMPARATIVE FIGURES

Certain comparative figures and disclosures have been reclassified to conform to the financial statement presentation adopted in the current year.

14. SUBSEQUENT EVENTS

Subsequent to year end, the provincial government introduced legislation to amend the FC Act. The key changes from this legislation are that on July 1, 2025, the income replacement rate for survivor benefit recipients will increase by 5% of net earnings, and future contributions to pension annuities for survivors is increased to 10% of the monthly benefit paid. These amendments are estimated to result in an adjustment to the insurance contract liabilities of \$771 thousand.

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