

Written responses to
Public Accounts Committee questions from December 12, 2017
Treasury Board and Finance

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Carbon Emitters – Regulations

Mr. Barnes: In a memo Treasury Board and Finance estimated that the employment impacts for the methane emissions reduction initiative alone would be around a thousand jobs across the province. Please explain how the Department arrived at that estimate? (Pg. PA-643)

Answer:

Alberta Treasury Board and Finance is not aware of the memo referenced in this question, and did not prepare a memo estimating the impacts of methane reduction initiatives.

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Carbon Emitters – Tax Revenue

Mr. Barnes: The government announced last week that it committed \$1.4 billion in funding back to the industry. How much carbon tax revenue was estimated and expected to be collected from large emitters? (Pg. PA-643)

Answer:

This question is related to the recently announced Carbon Competitiveness Incentives, which is the responsibility of the Alberta Climate Change Office (ACCO). The question was directed to ACCO for response.

ACCO (Ministry of Alberta Environment and Parks) response:

- The \$1.4 billion in innovation funding will be provided over seven years.
- At Budget 2017, the revenue estimates from both the carbon levy and payments from large industry into the Climate Change and Emissions Management Fund (CCEMF) totaled \$5.2 billion over three years.
 - Large industrial emitters subject to emissions-intensity reduction requirements under the previous Specified Gas Emitters Regulation make necessary compliance payments into the CCEMF.
 - At Budget 2017, the revenue estimates from large emitter payments into the CCEMF was \$1.3 billion over three years (approximately 25 per cent of the total \$5.2 billion in expected carbon revenues over three years).

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Cost Savings

Mr. Barnes: Any idea of your total savings? (Pg. PA-635)

Initial Response: From '16-17, in terms of our piece of the \$250 million, I believe that we saved approximately \$3.4 million, but I'd like to check on that, Mr. Barnes, if that's all right. (Ms. Rosen) (Pg. PA-635)

Answer:

During the 2016-17 year, the Ministry identified \$4.1 million of voted expenditures under the "in year cost savings" initiative broken down in financial statement line items as follows:

Voted (\$ millions)	
Ministry Support Services	2.80
Budget Development and Reporting	0.39
Office of the Controller	0.25
Corporate Internal Audit Services	0.10
Financial Sector and Pensions	0.60
	<u>4.14</u>

Actual to budget results for voted expenses are shown on page 107 of the annual report which shows \$6.885 million in total savings in 2016-17. This amount includes the \$4.1 million identified during the "in year savings" exercise as well as additional realized savings over and above those identified.

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Pension Liability and Forecast

Mr. Gotfried: What is Alberta's total pension liability and forecasts for future years up until 2020? (Pg. PA-643)

Answer:

The table below reflects the actual pension liability as at March 31, 2017 with forecasts for future years up until 2020, adjusted for the 2016-17 actual results and the 2017-18 second quarter fiscal updates.

Alberta's Pension Liability	(Millions of dollars)			
	2016-17 Actual	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
Pension Liability	10,023	9,786	9,507	9,168

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ABC's Compensation

Mr. Carson: Provide the salary bands as set out by the Reform of ABC Compensation Act versus the range of compensation of ABC executives prior to the reform? (Pg. PA-643)

Answer: The following are the salary bands set out in the Reform of Agencies, Boards and Commissions Compensation Regulation (Schedule 2):

**Schedule 2
Base Salary**

Public Agency	Position	Level	Minimum Salary (\$)	Mid-point Salary (\$)	Maximum Salary (\$)
Alberta Securities Commission	Chair & CEO	7	333 280	416 600	499 920
Alberta Energy Regulator	CEO	6	264 480	330 600	396 720
Alberta Innovates	CEO	6	264 480	330 600	396 720
Alberta Utilities Commission	Chair	6	264 480	330 600	396 720
The Workers' Compensation Board	President of the Board	6	264 480	330 600	396 720
Agriculture Financial Services Corporation	President and Managing Director	5	223 040	262 400	301 760
Alberta Gaming and Liquor Commission	CEO	5	223 040	262 400	301 760
Alberta Pensions Services Corporation	President & CEO	5	223 040	262 400	301 760
Alberta Petroleum Marketing Corporation	CEO	5	223 040	262 400	301 760
Credit Union Deposit Guarantee Corporation	CEO	5	223 040	262 400	301 760
Alberta Enterprise Corporation	President & CEO	4	184 365	216 900	249 435
Alberta Human Rights Commission	Chief of the Commission and Tribunals	4	184 365	216 900	249 435
Alberta Local Authorities Pension Plan Corp.	President & CEO	4	184 365	216 900	249 435
Alberta Utilities Commission	Vice-chair	4	184 365	216 900	249 435
Appeals Commission under the <i>Workers' Compensation Act</i>	Chief Appeals Commissioner	4	184 365	216 900	249 435
Health Quality Council of Alberta	CEO	4	184 365	216 900	249 435
Labour Relations Board	Chair	4	184 365	216 900	249 435
Land Compensation Board	Chair	4	184 365	216 900	249 435
Natural Resources Conservation Board	Chair	4	184 365	216 900	249 435
Surface Rights Board	Chair	4	184 365	216 900	249 435
Travel Alberta	CEO	4	184 365	216 900	249 435
Alberta Utilities Commission	Member	3	153 595	180 700	207 805
Balancing Pool	CEO	3	153 595	180 700	207 805
Energy Efficiency Alberta	CEO	3	153 595	180 700	207 805
Market Surveillance Administrator	Market Surveillance Administrator	3	153 595	180 700	207 805
Alberta Human Rights Commission	Member	2	130 135	153 100	176 065
Appeals Commission under the <i>Workers' Compensation Act</i>	Vice-chair	2	130 135	153 100	176 065
Labour Relations Board	Vice-chair	2	130 135	153 100	176 065
Land Compensation Board	Vice-chair	2	130 135	153 100	176 065
Natural Resources Conservation Board	Member	2	130 135	153 100	176 065
Surface Rights Board	Vice-chair	2	130 135	153 100	176 065
Appeals Commission under the <i>Workers' Compensation Act</i>	Appeals Commissioner	1	111 775	131 500	151 225
Land Compensation Board	Member	1	111 775	131 500	151 225
Surface Rights Board	Member	1	111 775	131 500	151 225

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These salary ranges can also be found online in Schedule 2 of the Regulation:
www.qp.alberta.ca/documents/orders/Orders_in_Council/2017/217/2017_068.pdf

Before the Reform of Agencies, Boards and Commissions Compensation Regulation took effect, compensation disclosure amounts for the 2015 calendar year ranged from \$203,982 to a high of \$896,206. As a result of the regulation, designated executives have been assigned salary ranges, and base salaries are required to fall within these ranges going forward.

Mr. Nielsen: What is the range of compensation for ABC's and what is the range in other provinces like B.C. and Saskatchewan? (Pg. PA-643)

Answer:

In Alberta, designated agencies are subject to the salary pay ranges as per Schedule 2 of the *Reform of Agencies, Boards and Commissions Compensation Act* (RABCCA) regulation for designated executive positions. They range between \$111,775 and \$499,920.

These ranges were designed with the support of Korn Ferry Hay Group, which conducted an independent third-party analysis that included pay comparisons for similar public sector positions across Canada. All other compensation in most Alberta ABCs would also fall within these ranges.

In instances where agencies are not included in RABCCA, due to their unique circumstances in a specialized marketplace, government will continue to review their compensation plans on a regular basis to ensure they are reasonable and fair.

Government's decision to address compensation in the broader public sector is in line with other jurisdictions such as BC and Saskatchewan. Relevant information is available online in the Guide to BC Public Sector Compensation and Expense Policies and in the Saskatchewan Crown Executive Compensation Policy, Procedures and Guidelines.

The BC Government established the *Public Sector Employers Act* which has enabled it to set compensation regimes on a sector by sector basis for its public agencies. Since 2007, BC has also set maximum compensation levels for CEOs in its public agencies.

The Crown Investment Corporation Board and Cabinet in Saskatchewan oversees the Crown sector executive compensation framework; and have also implemented

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parameters around compensation elements such as capping variable pay based on a balanced scorecard approach.

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Mr. Gotfried: When did the discussions commence between the government and the Treasury Board and Finance or Public Service Commission on ABC compensation? (Pg. PA-643)

Answer:

Previous reports (such as the McCrank Report in 2007 and Auditor General Reports from 2008 and 2009) had already identified issues of accountability and transparency.

Since 2015, as part of this government's approach to improve public oversight and stewardship of ABCs, a number of key action items have been introduced to address ABC compensation, including:

- the implementation of the *Public Sector Compensation Transparency Act* in 2015 requiring public sector bodies to disclose compensation;
- the comprehensive three-phased review of ABCs, which has focused on executive compensation as well as organizational efficiency and effectiveness, resulting in significant cost-savings;
- the introduction of the *Reform of Agencies, Boards and Commissions Compensation Act* to address the growing divergence in compensation practices between some ABCs and the core public service by establishing compensation frameworks through regulations so that these important public bodies become more transparent, accountable and well-governed.

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ABC's Recruitment and Compensation Changes

**Mr. Gotfried: Did the Public Service Commission submit an opinion on the ABC recruitment and compensation changes made by the current government?
(Pg. PA-643)**

Answer:

Part of the process to standardize agency recruitment and realign executive compensation in public agencies involved the Public Service Commission providing advice on how to align agency policies and practices with what is currently in place within the core public service.

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Alberta Health Institutions – Executive Compensations

Mr. Turner: Will there be further analysis on executive compensation practices for Alberta’s health institutions such as Alberta Health Services and Covenant Health, and who will be leading this work? (Pg. PA-643)

ANSWER:

As a designated agency under the *Reform of Agencies, Boards and Commissions Compensation Act* (RABCCA), Alberta Health Services (AHS) is required to submit its executive compensation plan on an annual basis to the President of Treasury Board and Minister of Finance for review. AHS’s subsidiaries and Covenant Health are not public agencies governed under RABCCA and therefore not subject to the provisions under this Act.

However, government requested that AHS subsidiaries and Covenant Health submit compensation plans for review on a voluntary basis. These plans were received along with the AHS executive compensation plan in June 2017. This is in addition to requiring these health institutions disclose their compensation information under the *Public Sector Compensation Transparency Act*.

The Public Agency Secretariat, along with the Ministry of Health, will continue to analyze and provide oversight of the submitted compensation plans from Alberta’s main health institutions.

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Diversity in Workforce

Mr. Panda: Please provide breakdown of Government workforce to show the diversity in the demographics today? (Pg. PA-643)

Answer:

As of March 31, 2017, women make up 64 per cent of the APS workforce with:

- 67 per cent in non-management positions and
- 51 per cent in management positions.

A Diversity and Inclusion Policy for the APS was announced in the fall of 2017. Diversity and inclusion means creating an Alberta Public Service (APS) that reflects the province's population so it can better understand the needs of Albertans.

A cross-department Assistant Deputy Minister Diversity and Inclusion Committee has been formed to implement short- and medium-term actions, and provide strategic direction on how to advance diversity and inclusion initiatives. Information regarding ethnicity, sexual orientation, physical/mental disability and Indigenous heritage of the APS workforce has not been collected. Planning is underway to do so as part of this work.

As a government, the Premier has already taken steps to include gender parity in Cabinet, and government is working to make the boardroom tables of public agencies reflect the diversity and strengths of Alberta. In March 2015, only 32 per cent of board members were women. By Fall 2017, nearly half of all board members were women.

**Designated Agencies under
*Reform of Agencies, Boards and Commissions Compensation Act***

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Mr. Nielsen: Provide the list of 23 designated Agencies informed and consulted around the implementation of the compensation act and what they do? (Pg. PA-639)

Answer:

The following are designated agencies under the Reform of Agencies, Boards and Commissions Compensation Regulation.

1. Agriculture Financial Services Corporation

The Agriculture Financial Services Corporation provides lending and insurance services and compensation programs. The corporation's core programs and services include farm loans, commercial lending, crop insurance, hail insurance and agricultural income stabilization payments.

2. Alberta Energy Regulator

The Alberta Energy Regulator ensures the safe, efficient, orderly and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands and protecting the environment while providing economic benefits for all Albertans.

3. Alberta Enterprise Corporation

The Alberta Enterprise Corporation develops the locally managed venture capital industry for knowledge-based industry sectors. The corporation invests as a Limited Partner in venture capital funds focused on knowledge-based industry sectors—such as information and communications technologies, life sciences, nanotechnology and environmental technology—and promotes the development of the venture capital industry supporting knowledge-based industries in Alberta.

4. Alberta Gaming and Liquor Commission

The Alberta Gaming and Liquor Commission conducts and manages provincial lotteries, regulates liquor and gaming activities in Alberta (including licensing racing entertainment), and has an adjudicative/regulatory function related to appeals under the *Gaming and Liquor Act* and enforcement under the *Tobacco Tax Act*.

5. Alberta Human Rights Commission

The Alberta Human Rights Commission educates and engages on equality and discrimination, resolves complaints and adjudicates appeals when complaints cannot be resolved. The commission also oversees the administration of the Human Rights Education and Multiculturalism Fund.

6. Alberta Innovates

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Alberta Innovates provides strategic advice and recommendations to the Minister on research and innovation matters relating to the *Alberta Research and Innovation Act*. The agency's mandate is to support and accelerate research, innovation and entrepreneurship across all sectors and markets.

7. Alberta Local Authorities Pension Plan Corporation

The Alberta Local Authorities Pension Plan Corporation is responsible for strategic guidance and board support to the Local Authorities Pension Plan Board of Trustees.

8. Alberta Pensions Services Corporation

The Alberta Pensions Services Corporation administers public service pension plans and provides services and support related to group benefit programs for persons receiving a pension benefit. The corporation also provides secretariat services to designated pension boards and committees.

9. Alberta Petroleum Marketing Commission

The Alberta Petroleum Marketing Commission sells the conventional crude oil the government receives in lieu of cash royalties. The commission also develops commodity prices for royalty calculations, assists with developing new energy markets and transportation infrastructure, and manages the implementation of Alberta's Bitumen Royalty In-Kind Policy.

10. Alberta Securities Commission

The Alberta Securities Commission administers the province's securities laws, including making and enforcing rules, and adjudicates matters related to the laws.

11. Alberta Utilities Commission

The Alberta Utilities Commission ensures the delivery of Alberta's utility services. The commission regulates the utilities sector and natural gas and electricity markets to protect Alberta's social, economic and environmental interests.

12. Appeals Commission under the *Workers' Compensation Act*

The Appeals Commission for Alberta Workers' Compensation hears appeals for workers and employers dissatisfied with decisions made by the Workers' Compensation Board.

13. Balancing Pool

The Balancing Pool manages the financial accounts arising from the transition to a competitive generation market on behalf of electricity consumers and meets any obligations and responsibilities associated with both sold and unsold Power Purchase Arrangements.

14. Credit Union Deposit Guarantee Corporation

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The Credit Union Deposit Guarantee Corporation oversees and regulates the business practices of Alberta credit unions and guarantees deposits.

15. Energy Efficiency Alberta

Energy Efficiency Alberta raises awareness among energy consumers of energy use and the associated economic and environmental consequences; promotes, designs and delivers programs and other activities related to energy efficiency, energy conservation and the development of micro-generation and small-scale energy systems in Alberta; and promotes the development of an energy-efficient services industry.

16. Health Quality Council of Alberta

The Health Quality Council of Alberta advises the Minister on the quality of health services in Alberta. The council also measures, monitors and assesses patient safety and health service quality, including making recommendations for improvement, assisting in implementation and evaluation of strategies/mechanisms, and surveying Albertans to assess their experience and satisfaction with patient safety and health service quality.

17. Labour Relations Board

The Labour Relations Board is responsible for the day-to-day application and interpretation of Alberta's labour laws.

18. Land Compensation Board

The Land Compensation Board hears and resolves disputes about compensation payable to landowners and tenants where land has been expropriated. In some cases, the board determines whether expropriation should proceed when there is an objection.

19. Market Surveillance Administrator

The Market Surveillance Administrator protects and promotes the fair, efficient and openly competitive operation of Alberta's wholesale electricity, retail electricity and natural gas markets.

20. Natural Resources Conservation Board

The Natural Resources Conservation Board provides Albertans with a mechanism to address concerns and grievances related to the forestry industry, non-energy mining, and recreational and water management development proposals. The board is also responsible for reviewing, approving, monitoring and enforcing confined feeding operations.

21. Surface Rights Board

The Surface Rights Board resolves disputes about rights-of-entry to land and compensation for the landowner. Compensation issues could include entry to the land, renegotiation of annual compensation under a surface lease or board order,

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offsite damages and outstanding payments owed to a landowner by an operator under a surface lease or board order.

22. Travel Alberta

Travel Alberta promotes and markets Alberta as a tourism destination in domestic, national and international markets. Travel Alberta also helps tourism industry operators market their products.

23. Workers' Compensation Board

The Workers' Compensation Board administers workplace insurance for workers and employers in Alberta, including compensation for income loss and health care.

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Post-Secondary Institutions vs ABCs

Mr. Carson: Explain why Post-Secondary institutions are separate from ABCs, the main differences, and why they were included in phase 3 of the review instead of earlier? (Pg. PA – 643)

Answer:

The ABC review was split into phases to group together similar types of public agencies.

Phase 1 of the review looked at 135 public agencies, boards and commissions, all of which are governed by the *Alberta Public Agencies Governance Act (APAGA)*.

Phase 2 looked at 140 public agencies that are not subject to APAGA, including professional regulatory and advisory bodies.

Phase 3 of the review is looking at executive compensation, roles and mandates and governance excellence in post-secondary institutions. Although the majority of post-secondary institutions are governed by APAGA, it was determined that post-secondary institutions should be assessed separately due to the scope of their function as well as their complexity.