



alberta pensions  
services corporation

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Edmonton, AB T6W 0S9

▶ Phone: 1-800-358-0840

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August 8, 2019

Standing Committee on Resource Stewardship  
c/o Committee Clerk  
3rd Floor, 9820 – 107 Street  
Edmonton, Alberta T5K 1E7

Via Email: [ResourceStewardship.Committee@assembly.ab.ca](mailto:ResourceStewardship.Committee@assembly.ab.ca)

Attention: Committee Clerk

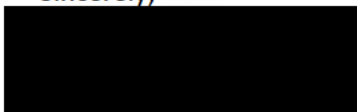
**Re: Review of the *Public Sector Compensation Transparency Act***

Pursuant to Section 14 of the *Public Sector Compensation Transparency Act*, a review of the Act has been referred to the Standing Committee on Resource Stewardship. We are in receipt of your email invitation, dated July 30, 2019, to provide additional input on the Act.

We are confirming that the report submission on behalf of Alberta Pensions Services Corporation (APS) dated March 6, 2019, fully represents our views and concerns. Our original report has been attached and will stand as presented.

Thank you for the opportunity to participate in this process.

Sincerely,



Colin P. MacDonald Q.C.  
Chair, Alberta Pensions Services Corporation Board

Enclosure

cc: Darwin Bozek  
President & CEO, Alberta Pensions Services Corporation



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March 6, 2019

Standing Committee on Families and Communities  
c/o Committee Clerk  
3rd Floor, 9820 – 107 Street  
Edmonton, Alberta T5K 1E7

Via Email: [FamiliesCommunities.Committee@assembly.ab.ca](mailto:FamiliesCommunities.Committee@assembly.ab.ca)

Attention: Committee Clerk

To Whom It May Concern:

**Re: Review of the *Public Sector Compensation Transparency Act***

Pursuant to Section 14 of the *Public Sector Compensation Transparency Act*, the Standing Committee on Family and Communities is undertaking a comprehensive review of the Act. On February 6, 2019, an email invitation to participate in the review and to share the invitation with other parties interested in participating was received. The following report is a submission on behalf of Alberta Pensions Services Corporation (APS).

The following report details the challenges the organization has experienced since the Act's expansion to Agencies, Board and Commissions and provides recommendations to help mitigate the risks to APS and other organizations facing similar circumstances.

Our recommendations are:

1. Address executive compensation disclosure through the organization's Annual Report, and
2. Provide general compensation information for all other positions.

The recommendations listed above will be discussed in more detail below:

Since the expansion of the *Public Sector Compensation Transparency Act* to Agencies, Boards and Commissions in 2016, APS has complied with the requirement to disclose the names of individuals whose compensation and severance amounts are greater than the published threshold. During this time, to the best of our knowledge, there have been no public inquiries or complaints regarding employee compensation or severance at APS. However, the impacts of the Act to the organization have been a challenge to navigate.

In an environment where Government Agencies are subject to the *Reform of the Agencies, Boards and Commissions Compensation Act* and the *Salary Restraint Regulation*, the ability to attract and retain

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talent has never been more important. The knowledge and expertise of senior staff are essential assets in an environment that requires a drive for continuous improvement, ongoing business development and innovation, and leadership through constant change. APS and other agencies are experiencing situations where essential staff are being approached to fill positions with other organizations seeking our staff's specific areas of expertise. With compensation information readily available, outside organizations have the ability to easily reference individual staff compensation and offer positions at greater rates than the Agency, Board or Commission. Further, with the restrictions of the *Reform of the Agencies, Boards and Commissions Compensation Act* and the *Salary Restraint Regulation*, the ongoing risk of losing staff and the investment in training and, in the case of APS, the pension experience it has provided to staff, agencies are prohibited from countering generous salary offers made to key staff. APS along with other Agencies, Boards and Commissions, compete for talent in the private and public sector. Organizations without these restrictions have a clear advantage. Not only do they have compensation options to attract talent, they have the advantage of access to existing compensation, specific to an individual, readily available. With staff compensation readily available to talent competitors, APS and other Agencies, Boards and Commissions are facing significant risk in attracting and retaining talent and are at a clear disadvantage.

#### ***Address Executive Compensation Disclosure Through the Organization's Annual Report***

In 2016 when the *Public Sector Compensation Transparency Act* was expanded to include Agencies, Boards and Commissions, the intent of the disclosure was to provide greater transparency into the spending of tax dollars.<sup>1</sup> While there has been some media coverage on the topic, overall, media and general public interest appear to be focused on senior positions.

In 2017, the *Reform of Agencies, Boards and Commissions Compensation Act*, was introduced in Alberta. The Act provides further transparency by providing a compensation framework and clear guidelines for public agency designated executives. The Act stipulates base pay compensation ranges for each agency's designated executive, sets limitations on additional compensation, and sets maximum allowable benefit levels. The Act provides accountability to the public and ensures senior level executive pay is managed.

Compensation disclosure of positions below senior levels generates little interest from the public but creates great turmoil within the organization. Compensation amounts can fluctuate based on the priorities of the organization. Factors such as overtime due to special projects and client requirements and the employee's utilization rates of employee allowances are items that may cause an employee's earnings to exceed the minimum threshold, but the context of these factors is not available to the public. Years of service, level of competency, skills are other factors that impact compensation but lose their value without the context. Each year managers, human resources and payroll professionals spend a significant amount of time meeting with employees to review earnings and try to address concerns about the earnings of others in the organization. Addressing employee concerns is important from an employee engagement standpoint, but it is time that detracts from the core purpose of the organization and away from client service. Transparency at lower levels can be achieved without posting individual compensation levels.

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<sup>1</sup> Mertz, E. (2016, June 23). *Money*. Retrieved from Global News: <https://globalnews.ca/news/2782350/alberta-expands-sunshine-list-to-include-high-public-sector-earners/>

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Accountability to the public is important and we support the efforts of the GoA in this regard. As a Corporation, APS includes executive compensation disclosure in the Management Discussion and Analysis section of the APS Annual Report where additional, relevant details and explanations are provided to the public. We believe the disclosure of executive compensation in this format addresses the need for transparency and will satisfy public interest.

***Recommendation 1:***

It is, therefore, our recommendation that compensation disclosure for executive staff be addressed through the organization's annual report.

***Provide General Compensation Information for All Other Positions***

Each year that the salary disclosures are published a predictable series of events follow:

- Employees download the information,
- Employees scrutinize their personal compensation information, usually in the form of questioning their T4 earnings,
- Employees compare salaries of their co-workers year over year, and
- The Human Resources team, payroll, and managers spend time working with individuals to answer inquiries into an employee's personal earnings and/or trying to provide general context of the earnings of others.

While APS actively manages and addresses each of these items, the requirement for individuals to divert their attention from client service to justification of disclosure amounts is at the detriment of the organization, and more importantly, the detriment of the public it serves. As mentioned previously, managers, human resources and payroll professionals spend excessive amounts of time each year working with employees who will be on the disclosure list, to review T4 earnings and, in general terms, address employee concerns regarding the earnings of others in the organization. From a culture and engagement perspective, there is a need to address employee concerns but the time and effort required to address these concerns does not yield a high return on investment, affects no change for the employee and takes the focus away from client service.

Compensation disclosure also has an impact on salary and severance negotiations. With information readily available, negotiating salaries for new employees or employee promotions, and negotiating severance with individuals becomes a greater challenge. While compensation information is disclosed and available, the context of the information is not available (i.e. years of service, the skills of the experience of the individual performing the role, special project requirements, overtime requirements, etc.). This results in prospective and existing employees using this information as a baseline for negotiations. While the organization asserts great effort to mitigate this risk, disclosed salaries and severance affects the ability to secure top talent at fair market value, or, in the case of severance, avoid costly lawsuits.

There is also a concern for the individual who is receiving severance and their ability to obtain employment elsewhere when severance is publicized. Although these situations are considered,

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“without cause”, the stigma associated with a severance is usually poor performance. There are also situations where an individual has negotiated a settlement that permits the employee to communicate a “resignation.” In this type of scenario, disclosure of severance allowances undermines the settlement process and causes doubt for employees in the organization and for the individual receiving a settlement. Severance information made public is also available to potential employers and the ability of an individual to gain future employment is at risk when severance is included in public disclosure.

With the current requirements of disclosure, APS faces a significant attraction and recruitment risk. APS in competes for talent in the private and public sector. APS is experiencing instances where other organizations are perusing APS talent. With salary information readily available and in light of the *Salary Restraint Regulation*, which prohibits salary adjustments except in the case of promotion, compression or inversion, APS is unable to respond to compensation offers from other organizations to secure our top talent. Not only is APS at risk of losing its talent, but it is also at risk of losing the significant development and training investments into these individuals.

Additionally, many of these individuals are key talent performing important functions for APS. The loss of these employees places APS at risk in its ability to meet service level requirements and to provide consistent, reliable service in a competitive environment. As a result, APS has and will continue to experience the loss of talent to organizations who have a clear advantage in offering compensation above posted compensation rates.

Finally, compensation transparency at the level of detail provided is scrutinized by our clients and detracts from the core purpose of our business. Clients review the information posted and as previously mentioned do not have the context of the information posted. The lack of information available and restrictions in answering these inquiries creates a climate of mistrust and undermines a relationship that is essential to our future success as an organization and an ongoing relationship with our clients beyond a five-year term.

***Recommendation 2:***

APS, therefore, recommends full disclosure of pay ranges and average benefit costs for public employees below the executive level. Information of this type provides full compensation transparency to the public without the specific details that are of particular interest to an organization’s employees and outside competing organizations. This option will also eliminate the time and effort spent by organizations reviewing individual earnings and addressing compensation comparisons, will help reduce the impact on hiring and severance negotiations and will limit the information available to organizations attempting to lure talent.

APS recognizes the importance of the *Public Sector Compensation Transparency Act* to Alberta taxpayers and the GoA. However, unintended consequences of the compensation disclosures create challenges for Alberta’s Agencies, Boards and Commissions. APS has, therefore, put forward recommendations to the Standing Committee on Families and Communities to consider modifications to the Act that will continue to provide transparency to taxpayers and will protect participating organizations from the risk of losing employees to competing organizations, reduce time diverted from public service and assist in reducing inflated hiring and severance costs.

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If there are any questions regarding the content of this report, please feel free to contact the undersigned or Tamara Janzen, Vice President, Human Resources & Organizational Development at (780)391-3547 or at [tamara.janzen@apsc.ca](mailto:tamara.janzen@apsc.ca).

Sincerely,



Colin P. MacDonald Q.C.  
APS Board Chair

Enclosure

CC: Darwin Bozek CEO