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

September 3, 2019

Dear Members of the Committee,

The University of Calgary appreciates the invitation from the Standing Committee on Resource Stewardship to submit our comments and recommendations on the statutory review of the Public Sector Compensation Transparency Act (the Act).

The University of Calgary takes its responsibility to steward public finances with the utmost seriousness and supports the Act's goals. However, we are always seeking ways to improve our operational performance, and this review of the Act is an opportunity to highlight aspects of the Act and its associated regulations that the legislature (and Lieutenant Governor in Council) could change in order to simplify compliance.

Accordingly, we recommend that the Standing Committee examine four specific aspects of the Public Sector Compensation Transparency Act and the Public Sector Compensation Transparency General Regulation (52/2016). We make all four recommendations with the aim of reducing the Act's administrative burden on the University of Calgary while ensuring the Act still achieves its goals of strengthening transparency and accountability in Alberta's public sector.

Our recommendations are as follows:

1. Harmonize compensation and severance reporting in a single disclosure.

First, we recommend that the Lieutenant Governor in Council amend the Regulation so that public sector bodies only disclose compensation and severance once per calendar year. Specifically, section 2.2(4)(b)(i) of the Regulation requires organizations to disclose any contracts with designated office holders (i.e. the university president) and severance (paid or payable) in excess of the Act's compensation threshold made during the first six months (January 1 to June 30) of a calendar year before the end of that calendar year (December 31).

Given that section 3(1) of the Act obliges the university, on or before June 30 of each year, to disclose a statement detailing its employees remuneration (which includes severance payments) over the previous calendar year, section 2.2(4)(b)(i) of the Regulation is effectively redundant. The information that 2.2(4)(b)(i) obliges the university to disclose is already obliged by the Act, albeit at a later date. To illustrate: under the Act and Regulation, if the university makes a severance payment that exceeds the annual disclosure threshold to an employee in May 2019,

the university must disclose that severance payment before December 31, 2019. However, that severance payment will be reported a second time, since it will be included in the university's June 30, 2020 disclosure statement.

Rescinding section 2.2(4)(b)(i) of the Regulation would lessen the reporting burden on the university, while still ensuring the public is aware of any severance agreements that cause an employee's compensation to breach the income threshold laid out in 1(o)(ii)(B) of the Act.

2. Deduct statutory employer-paid contributions from compensation.

Second, we recommend that the legislature and the Lieutenant Governor in Council amend the definitions of "compensation" in the Act (section 1(b)) and Regulation (1(a)(ii)). Specifically, we recommend that the committee examine the possibility of redefining "compensation" so that it excludes statutory employer-paid contributions to the Canada Pension Plan, Employment Insurance premiums, and provincial Workers' Compensation Board premiums. None of these contributions affect an employee's pre- or post-tax pay (instead, they reflect pre-tax salary), and employers are obliged to make these contributions according to regulatory formulae.

Since the overwhelming majority of private and public employers are obliged to make these contributions to government-mandated programs, removing them from the compensation calculation will provide the public with a more accurate estimate of a public employee's earnings than the current formula provides.

3. Oblige the minister to notify individuals about when their exemptions will lapse.

Third, the University of Calgary recommends that the minister notify exempted individuals about when their exemption from the Act's disclosure requirement will lapse. Under current practice, exemptions expire after five years. To receive a new exemption, exempted individuals must reapply by contacting the minister.

Employees (or their employers) must initiate the process of seeking a new exemption, and currently, the burden of notifying employees that their exemptions will expire in the next calendar year falls on the employer. At an institution the size of the University of Calgary, this noticeably adds to the workload of the university's employee and labour relations team. Accordingly, we recommend that the minister take on the responsibility of notifying exempted individuals (and their employer) – in a timely manner (e.g. sufficient time for the employee to apply for the exemption and for the minister to exercise their duties under section 6(2)(b) of the Act) – about when their exemption will expire. Individuals should remain responsible for applying for a new exemption.

4. Apply the Act only to executive decision-makers or raise the Act's disclosure threshold.

Finally, we recommend the committee examine – with regard to public sector bodies – the possibility of either raising the Act's disclosure threshold or amending the Act so that it only requires organizations to disclose the compensation of specific executive officers bodies. Either of these changes would have the effect of decreasing the regulatory burden on post-secondary educational institutions (and other public sector bodies) while still achieving the Act's goal of bolstering public sector accountability.

We specifically recommend that the committee examine British Columbia's Public Sector Employers (PSE) Act and the associated executive compensation disclosure guidelines.¹ The PSE Act and guidelines require public organizations to disclose the total compensation (and terms and conditions of employment) of chief executive officers and the next four highest-ranking decision-makers whose annual salaries exceed \$125,000. Restricting compensation disclosures to the five highest-ranking decision-makers in an organization gives that organization's leadership the flexibility to reward strong performance (within their existing budget) while holding leadership accountable to the public, and draws a clear, bright line that connects executive compensation to overall performance. This allows the government of British Columbia to achieve its transparency and public sector accountability goals while ensuring that public entities remain competitive employers.

We believe that amending the Public Sector Compensation Transparency Act so that its disclosure requirements only apply to the five-to-ten highest-ranking decision-makers in a public sector body would significantly decrease the administrative burden (and associated cost) for Alberta's public sector. Such an amendment will allow the Act to continue to protect the public interest by making public executive compensation transparent while holding senior decision-makers accountable for their performance.

An alternative option would be to raise the Act's disclosure threshold (section 1(o)(ii)(B)). An appropriate threshold would be Alberta's 95th income percentile in 2016, indexed to the annual Alberta Consumer Price Index. Such a change would reduce the university's administrative burden, albeit less so than if the Act only applied to senior executive decision-makers.

Thank you for considering our recommendations. If you have any questions, please do not hesitate to contact me.

Sincerely,



Edward McCauley, PhD, FRSC
President and Vice-Chancellor

¹ Public Sector Employers' Council Secretariat, "B.C. Public Sector Executive Compensation Disclosure Guidelines," April 2019.