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DELIVERED VIA E-MAIL

September 6, 2019

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

Dear Committee Members:

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

Thank you for your invitation to provide input to your review of the *Public Sector Compensation Transparency Act* (the “Act”).

While well intentioned, and consistent with the objective of providing transparency to the electorate in the way that public dollars are spent, this Act in our view has generated a number of unintended negative consequences and should be discontinued in its present form.

Transparency is an important attribute of public governance. The Alberta Securities Commission (ASC) oversees the application of the Rule requiring publicly listed companies to release compensation information on behalf of their 5 highest paid Named Executive Officers (NEO’s). In keeping with this practice, the ASC has itself long published the total compensation of each of its senior leadership (Chair, Vice-Chairs and Executive Director). We believe that this disclosure provides the public with a clear sense of our organization’s compensation hierarchy.

We believe that the current practice of publishing the names and salaries of all of our employees earning over the annual threshold of \$129,809 however, is harming the ASC without a commensurate benefit.

Challenges experienced by the ASC as a result of the Act include:

Increased recruitment challenges:

- The ASC recruits almost exclusively from the private sector. Mid level professionals and managers in the private sector are not subject to the public scrutiny afforded by the Act. They view this as a significant invasion of their personal privacy. This creates a barrier to the recruitment of the highly specialised staff required by the ASC to execute its mandate.
- With employees having increased awareness of how their compensation compares to that of their peers, the lower paid staff are incented to either lobby for higher pay, or to seek higher paid employment elsewhere. This is further complicated by the way the ASC is required to report various retirement benefits. The retirement benefit for employees not in the Government pension plan is reported as base salary, which makes comparison internally and with other Government employees inexact and overstated in terms of disclosure. In the face of the continuing salary freeze applied to the public sector (the last ASC-wide salary review occurred in April 2015), the only viable option is to seek employment outside of the ASC.
- The ASC employs highly specialised professionals, particularly in the fields of law and accounting, who are in high demand in the private sector. By publishing the names, titles and salaries of our most skilled professionals, we have provided external search firms with unprecedented access to these individuals.

The ASC has certainly experienced this first hand. Turnover at the ASC has increased since the implementation of the Act from an annual rate of 12.4% in 2016 to 17.04% in the 12 months ending June 30, 2019 – an increase of 37.4%. While this increase cannot be attributed entirely to the disclosure of salaries, the exposure of our personnel’s identities, roles and compensation has certainly contributed to it. The exposure of peer group compensation, coupled with our inability to address any perceived inequities within these groups (due to the ongoing salary freeze) has also contributed to this loss of critical talent.

Recommendations:

We assume that compensation disclosure in some form will continue to be viewed as being in the public interest. On this basis, we would recommend that public disclosure of names, positions and associated compensation be limited to the top earners at the ASC – consistent with the private sector practise of publishing the earnings of the top five NEO’s in a publicly traded corporation.

We believe this approach will provide appropriate disclosure of the salaries of greatest interest to the public while protecting the privacy of our employees.

Once again, thank you for your invitation to provide input into your review of the Act. Should you require any additional input or clarification of our recommendations, please do not hesitate to contact me.

Yours truly,

A solid black rectangular box used to redact the signature of Stan Magidson.

Stan Magidson

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