

STANDING COMMITTEE ON PUBLIC ACCOUNTS

May 5, 1983

Public Hearing: Teachers' Superannuation Commission and Municipal Employees' Superannuation Commission

Mr. Chairman: — I'm going to call the meeting to order. I'm going to welcome to our committee Mr. Sawchuk again. Thanks for returning. I must confess you're going to have to introduce your officials. I don't . . .

Mr. Sawchuk: — Well, these are municipal employees.

Mr. Chairman: — Ah yes, indeed. Mr. Thorson and Mr. Aebig, yes. I was wondering . . . I just couldn't place them in the context of the Teachers' Superannuation Commission. Well, that's fine. Why don't we deal with both reports in a sense together, since we've all the officials at the table together?

Mr. Katzman: — . . . (inaudible) . . . It's one item; we're really in both of them, as far as I'm concerned.

Mr. Chairman: — All right. I think it's worthwhile then when we've got them all sitting at the table at once.

Mr. Katzman: — Actuary studies?

Mr. Chairman: — Yes.

Mr. Katzman: — When did we do the last one? I think we were doing one at the time we last saw you, or getting ready to do one.

A Member: — I thought we were dealing with that management letter of . . .

Mr. Chairman: — We will. We also though will . . . The committee members may deal with any matter in the year under review which relates to the efficiency, effectiveness or economy of your operation . . . (inaudible interjection) . . . Who was it in school said: 'Why don't they ask me the answer to questions I know, rather than the ones I don't?' We'll get to the management letter, but perhaps in the meantime Mr. Sawchuk could answer . . . (inaudible interjection) . . . Why don't you answer Mr. Katzman's question?

Mr. Sawchuk: — The actuarial study we were scheduled to have on in 1982 — June 30 of '82 — but we didn't have the funds in the estimates; they were taken out, so we postponed it for one year. That was one reason. Another reason of course was that we didn't really have our program to the standards that could have accommodated the study properly but, in any case, we didn't have the money to do it in the first place. But we are scheduled to have one as at June 30 of 1983, provided that funds be allowed for funds in the estimates, but I understand they're frozen now until there's common interest rate assumptions — the public service, the municipal plan. Whoever does an actuarial study have to have those same assumptions: same interest rate assumptions, same salary assumptions, etc., etc., before the funds would be released.

Now I don't know who is going to undertake this. I understand it's probably the public employees' plan that's going to be undertaking to have this committee structured to find out what the common assumptions are going to be. But as far as the commission is

concerned, the study is all systems go June 30, 1983.

Mr. Chairman: — I didn't follow your comments, Mr. Sawchuk. The funds are frozen pending determination of what issues? I didn't follow that.

Mr. Sawchuk: — The funds will not be released until any actuarial study is done. There has to be agreement in the public service superannuation board and any other commission or board that does the study — an actuarial study — that there are common rates accepted in the study, like the common interest rate assumptions, the same salary rate assumptions. It has to be agreed upon by all the ones that are going to have an actuarial study.

Mr. Katzman: — These boards that you refer to are made up of management and employee . . .

Mr. Sawchuk: — I presume . . . (inaudible) . . . the public service superannuation board is to have an actuarial study and I don't know about you people, whether you're having one or not. But whoever has . . .

Mr. Katzman: — December 31st when?

Mr. Sawchuk: — '83, in the expiry of our three-year period. Then we'll have to have another actuarial study conducted as well.

Mr. Chairman: — By what period in time would you expect these issues to be resolved?

Mr. Sawchuk: — Well, we've got to do it quickly if we're going to have it as of '83. I intend to get a hold of the public employees' benefit agency and find out what the deal is. I didn't find out about it till about two weeks ago. This was the case; nobody told us about it.

Mr. Chairman: — I would appreciate if you'd report to the public accounts committee by July 1 on the resolution of those issues . . . (inaudible interjection) . . . Why not?

Mr. Katzman: — Well, I assume what's happening, and if it is correct it's not a bad idea, is we're about to try and put all the pension plans into a common date if possible, which might move, Ned, to December 31 for these people, or vice versa something, so that everybody, when you compare teachers' plan to the municipal plan to this plan to that plan, you're comparing apples and apples, not apples and oranges, because using different dates for an actuary study, different dates like June 30 or December 31, because of things that may happen in that six months . . .

A Member: — The criteria will change.

Mr. Katzman: — Yes.

Mr. Chairman: — I guess I misunderstood what you said then. I understood what you were attempting to do was to develop common assumptions on which the actuarial study would be based.

Mr. Sawchuk: — The interest rate and salary rate . . . (inaudible) . . .

Mr. Katzman: — But different dates will cause different assumptions. Therefore they won't be common.

Mr. Sawchuk: — The problem with that is that the school year ends at June 30 each year, and yours is December 31. All our records are going to be geared to June 30. It's difficult to extract the information in the middle of the year, when we don't have it available for the middle of the year. Everything is done at the end of the year.

Mr. Katzman: — If you're on computer, it isn't that tough to just . . .

Mr. Sawchuk: — But you don't get the school board returns in, you know, from all the boards, and we have to get the auditor's statement, which is also June 30, and everything is geared for him. So it would definitely create problems for us, if the date was changed to anything other than the school year.

Mr. Chairman: — I don't really see your objection to asking them to report on this matter by June 30.

Mr. Katzman: — Well, I just don't think, Ned, the . . . If he can tell us where it's going, I've no objection to that. The point is I'm not concerned with the mechanics of requiring, trying to get everybody into one date, and maybe one area has a bit of a problem, so that they're comparing apples and apples rather than apples and oranges because the criteria changes over six months. And the benefits that are available because of interest rates, because of inflation, are so drastic on what you need to put in the plan for money, and what benefits can be paid out. Am I correct?

Mr. Sawchuk: — That's right, it may have a bearing on it. It's just a matter of . . .

Mr. Katzman: — The last figures seem to indicate on the teachers, for example, which, you know, is X amount of millions and billions of dollars behind in fund. But if we're going to calculate, using the assumption that interest will be 15 per cent and inflation will be 6, that changes the picture a lot different than if interest is 6 and inflation is 15.

Mr. Sawchuk: — Yeah, they never use any more than 1 per cent though as a variance between the interest rate assumption and salary. It's usually about 1.5 — 1.5 would probably be the outside limit.

Mr. Katzman: — They were using 2 a couple of years ago, weren't they?

Mr. Sawchuk: — . . . (inaudible) . . . I'd go along with . . .

Mr. Katzman: — It depends on the actuary you use, because one may mean, like William Mercer . . . I don't know if that's who you're using.

Mr. Sawchuk: — That's who did our last one.

Mr. Katzman: — William Mercer is very moderate in both his projections of interest and his projections of salary increases, where the Vancouver company is a very optimistic company as far as increases are concerned, versus interest, and very pessimistic on the other side. So they can really make the package look better.

Mr. Thorson: — Yes, Mr. Chairman. I'd just like to offer the opinion that the range of

six months, I suggest, would make very little difference to the assumptions because they're all made on such a long-term basis that even when we went through the period of high interest rates the actuaries wouldn't buy that as a long-term projection. So I don't really think that whether one has been done for June 30th and the other for December 31st is going to make really a bit of difference as far as the long-term assumptions are concerned.

Mr. Katzman: — Okay. I'll buy that if you . . .

Mr. Thorson: — That's my opinion.

Mr. Kraus: — Well, I was just going to say, I think that it doesn't hurt though to have some of these assumptions common like interest rate, salary, inflation.

A Member: — No, it's most important. It's crucial.

Mr. Kraus: — Yes, because even though they will establish three or four different proposals based on different interest rates and inflation, depending on your economic conditions people's perception of what's going to happen changes remarkably, from my experience.

Mr. Thorson: — I agree with that. And while the actuaries have certain ideas on what these assumptions might be, it's really the body they're working for that has the final responsibility for what they are going to be.

Mr. Sawchuk: — . . . (inaudible) . . . we always sit down with the actuary and we agree first what the interest rate assumptions are going to be and what the salary rates, or certainly listen to their recommendations as to what they should be, before they go on ahead and do the stuff.

Mr. Chairman: — The teachers are . . . You people hope to get cracking I guess fairly soon, and you people do not . . . Do you people expect to be starting one on September 30? Did I understand that or not?

Mr. Sawchuk: — For the year ended June 30, '83.

Mr. Chairman: — I'm looking now at the municipal employees — when is yours expected?

Mr. Aebig: — Well, we have to conduct a study again at the end of 1983, so it would probably be a few months into '84 before we get started.

Mr. Katzman: — Question here if I may. You have to and you didn't, because there was no money. Would you like to explain those two statements?

Mr. Aebig: — Well, in our particular case it's in our act, it's in the statute, that we have to have an actuarial study conducted every three years. Our last one was for the year ending December 31st, 1980. Now in our particular case, all our administration expenses are paid by the provincial government with one exception, and that is the actuarial studies. So the actuarial study costs come out of our plant, so it's not really public money in that sense.

Mr. Katzman: — It comes out of the contributions.

Mr. Aebig: — Correct.

Mr. Sawchuk: — The reason why Larry says his is every three years, he's subject to The Pension Benefits Act, and we're not subject to it. That's one of the requirements of The Pension Benefits Act.

Mr. Katzman: — Yeah, that's every city and everybody else is pretty well under the three year. I was wondering why you got out of it.

Mr. Sawchuk: — We're not under it; the public service isn't under it either; neither the crown corporations to the best of my knowledge. Certainly the public service isn't subject to The Pension Benefits Act.

Mr. Chairman: — Just before we leave the superannuation thing, is there any difficulty then with asking the teachers' superannuation commission to report by June 30th on their progress in setting up the actuarial study? Have your concerns been met?

Mr. Katzman: — I think all we're going to get of note is: we're doing it. That's all your going to get.

Mr. Chairman: — That's all I want.

Mr. Sawchuk: — Actually, what we were going to do, is we were going to find out . . . We were going to meet with the budget bureau people to find out what the ground rules were, and then we were going to get bids from three firms of actuaries to get this thing going, and I was to report back to the commission meeting on May 27th. Certainly whatever the people want to . . .

Mr. Chairman: — Mr. Sawchuk says he has no difficulty with it, so let's agree that he'll report back to us by June 30th.

Mr. Sawchuk: — Certainly, I'd be glad to do that.

Mr. Chairman: — You were getting into an area that I was interested in, and I think the member from Rosthern was interested in, and that's that you're not subject to The Pension Benefits Act.

Mr. Sawchuk: — That's right.

Mr. Chairman: — I assume there's a reason for that but I'd like to know what it is.

Mr. Sawchuk: — We never were subject to it. It was an understanding from the Department of Labour that we were, but we really never were subject to it. And that's been confirmed by the Attorney-General. The commission didn't want to be subject to it. The teachers didn't want to be subject to it. And consequently we're not subject to it.

Mr. Chairman: — Is your plan richer than what . . . Is that why the teachers don't want to be subject to it because your plan is richer or something, than . . .

Mr. Sawchuk: — Well, of course, The Pension Benefits Act applies to any of the plans and all the plans, most, by and large. I wouldn't want to say ours is richer than theirs, because I don't know the provisions of all the other pension plans that have to report to

the superintendent of pensions, who is in charge of The Pension Benefits Act.

Mr. Katzman: — Well, there's two kinds of plans, Ned. There's his old plan and his new plan. There's the cash purchase plan . . .

Mr. Chairman: — Right. And the formula plan.

Mr. Katzman: — . . . and the formula. The cash purchase plan, the way I understand it, is basically going to be a plan that, whatever you have there will buy you a pension, of whatever, at your retirement day, and you go out and you try to buy, either from an insurance company or somebody, a system. The present system which gives us our concern, in which in the teachers' side looks like it maybe in the billion dollars shortfall, which has got to be raised because the money, I will say, has been spent by a government prior, when they got it into revenue, rather than putting it away. Somebody may say, 'Well, that's the natural system, the way it always worked,' when they just did it.

But the point is we're short money in that system. Good sense has told us, 'Hey, you'd better start putting money away for them.' We've gone to the new system. And, you know, nobody, I think, has argued that one last time, except it was common sense.

I think we're into two issues here. On the unfunded one, which is at 2 per cent, 35 . . . I don't know if it's 36 minus — service minus one year, and the maximum is 35 . . .

Mr. Sawchuk: — Thirty-five years — a maximum of 70 per cent benefits.

Mr. Katzman: — And, you know, we have a note here that in the past they had overpaid on some of it. Hopefully, that's now been stopped. I think we had an indication last time that they've got it straightened up.

Mr. Sawchuk: — That it was . . . What was overpaid?

Mr. Katzman: — No, sorry, it's . . . Which plan was overpaying?

A Member: — Municipal.

Mr. Katzman: — Municipal, sorry. I have two questions, obviously, Ned. And the one is, even though you say they're not required to do an actuary study on a 2 per cent formula, the truth is it didn't matter, because if they were short they just came to the treasury of the government and said, 'We need more money.'

Mr. Chairman: — That's right.

Mr. Katzman: — Anybody else who wasn't government was forced to take the money out of their coffers, or lay out a schedule to put the money away, so there wouldn't be that big day where you just yank 'er out of the government coffers. And the city of Saskatoon got the nail, I think, for X amount of million, and they had X amount of years to get it in, to get the fund solvent.

Now what the difference is, is the government is not saying, yet, that this fund must be solvent. And if we say this fund has to be solvent, then, baby, we'd better start thinking how much money they're going to be forced . . . our government's going to be forced to kick in now, because it's going to kill a lot of programs for everybody, because it has

been the money used in the past, while the teacher growth was going, and there was little outgoing as a funding service for the government. We now have to fund the money back.

Mr. Young: — Mr. Chairman, why couldn't . . . (inaudible) . . . to remedy the whole situation be, ding the existing teachers more than what they would owe for their pension, to make up for . . . You know, have them bail out the retired teachers now.

A Member: — Can't do that.

Mr. Young: — You can't do that, eh? As opposed to the government bailing out for . . . (inaudible) . . .

Mr. Katzman: — The government has had the money in the years, and spent it. They didn't put it away. We've been taking their pension money, and our pension, and spending it.

Mr. Chairman: — No, that's not accurate.

Mr. Sawchuk: — Not really. Teacher contributions cannot be spent. They have to be in the fund. The problem is that the government has not matched the contributions until 1980.

Mr. Katzman: — It's our money that's caused the trouble.

Mr. Young: — We didn't put in our share.

Mr. Sawchuk: — The government has never matched contributions until July 1, 1980. That's where the problem probably started.

Mr. Chairman: — It's also accurate, is it not, Mr. Sawchuk, that even if the government had matched the teachers' contributions, the pension scheme was so rich, there still would have been a deficit even if the matching . . .

Mr. Sawchuk: — Yeah, it's questionable. You see, the plan that came into force July 1, 1930, if they had been matched right along, it's hard to say whether it would have been . . .

Mr. Young: — Why weren't they matched?

Mr. Chairman: — Why weren't they matched? Through three different administrations, that simply wasn't the policy. The CCF, the Liberals and NDP simply didn't do it.

Mr. Young: — Couldn't the government see that they were going down a dead-end path on that one? It would come home to haunt them eventually.

Mr. Chairman: — If I could speak to that, because I was a minister for part of the time, that was not obvious. The magnitude of the problem wasn't obvious until the late '70s. By the mid-'70s, we began to realize we had a serious problem, but it wasn't until the mid-'70s that the problem appeared to be all that sizeable.

What happened each year — and I was chairman of the legislative review committee as

a minister and as an executive assistant before that, so I dealt with this legislation each year they brought forth amendments to the act. We changed it. And it was about the mid-'70s that we began to realize that we had a serious problem with the pension plan.

The magnitude of the problem was such that the solution isn't obvious, and I suspect will not be obvious to the present members of Executive Council either, because it is no small problem.

Part of the problem with just ding the existing teachers, if I can just add this, Kim, part of the problem with just ding the existing teachers, or anyone else except the government, is that this pension plan is a negotiated item. Unlike the public service superannuation plan, which is not negotiated, the teachers' pension plan is a negotiated item.

Mr. Young: — They could sue us for breach of contract then for not contributing, so to speak.

Mr. Chairman: — Oh, I think they could indeed, yes. It also means that they can't unilaterally raise the contribution rates, or change them. Or change the benefits.

Mr. Sawchuk: — Well, there's a grandfather clause in the act that guarantees that the pay-roll will be met, the superannuate pay-roll will be met, so that the teacher will never be out.

But it's true; it's in the mid-'70s when The Teacher Collective Bargaining Act came into force when the impact was really felt, because that's where all the benefits came in, all the lucrative benefits that weren't there before.

Mr. Kraus: — I was going to say, I have had a little experience with this particular plan and I would think Mr. Sawchuk's point was very correct, that some of the benefits that were added to the plan had a dramatic effect on the liability, and that I think if the contributions to the teachers had been matched and funded you would find in Mr. Mercer's report, or Mercer's actuarial study, that under all situations the fund would be devoid of dollars by the end of the decade. And it's partly because the features like indexing . . .

Mr. Chairman: — It was the indexing that was so brutal?

A Member: — Yeah.

Mr. Chairman: — I think that . . . (inaudible) . . . is an irrelevancy, but I think the federal government are finding the same problem with their federal pension plan.

Mr. Katzman: — It's not the indexing as much, unless you call indexing the five-year average.

Mr. Sawchuk: — No, the indexing is that the cost of living income is added in January 1 of each year.

Mr. Kraus: — They're given an 8 percent increase, a minimum 8 percent, or inflation, whatever is the lesser. And that adds a lot to the whole pension.

Mr. Katzman: — To everybody that's on pension?

Mr. Sawchuk: — On pension on December 31. It was 9.8 that we added in '82 and 9 per cent on January 1, 1983. And when you've got a pay-roll that's \$3.87 million then that adds quite a bit of bucks.

Mr. Young: — If they retired later, or if they didn't retire so early, you could catch it that way without having to ding 'em on the money, if you know what I mean . . . (inaudible) . . . That would be negotiable, too. Some teachers retire at 55.

Mr. Katzman: — They take a loss. There is an actual discount for that, for going early.

Mr. Sawchuk: — Well, the only . . . (inaudible) . . .

Mr. Young: — Yeah, but to work out the problem in the ball park with the teachers, this isn't going to work obviously.

Mr. Sawchuk: — You see, it's not really . . . There isn't always a penalty. If you have 35 years and age 53, no penalty. At 55 years with 30 contributory years.

Mr. Katzman: — That magic 85 is the day, or something.

Mr. Sawchuk: — That's right. Anybody between 55 and age 59.

Mr. Chairman: — Until I got a personal . . . I used to be a strong believer in indexed pension plans until I had the experience with this pension plan. Suffice it to say, the solution to proper pensions is more complex than I thought. One of the problems is that I don't think people are prepared to pay the cost of an indexed pension plan. In an ideal world there's nothing wrong with a teachers' pension plan provided they are prepared to contribute and society . . . (inaudible) . . . contribute several times what they're contributing now. But of course the teachers aren't and we aren't.

The other problem with it is that if at a later stage, when they become older, they may move into Pioneer Village or suchlike, many of these pensions actually are in excess of their needs, because they get to be very large and they get so they can't spend them. So I say, the solution to the ideal pension is . . . it eludes me yet at this moment. I used to be a strong believer in indexed pensions. I think the problem is more complex than I thought. Anyway, you are taking the first step, I gather, in that you are initiating the actuarial studies so we'll have a firm idea . . . (inaudible) . . .

Mr. Sawchuk: — We certainly are. It's on the commission agenda at the April meeting, and hopefully by May we'll be able to report something to the commission, and they'll . . . (inaudible) . . . to take it to you people.

Mr. Chairman: — By next year.

Mr. Sawchuk: — It'll be June 30 of '83, unless we're forced to change that date.

Mr. Chairman: — Well, that's fine. You know, when you are reporting to us, your report may well be that, 'We've had to put the date back 30 days for extraordinary circumstances,' or whatever. Member from Saskatoon Mayfair.

Mr. Glauser: — What do you envision as a cost to do this?

Mr. Sawchuk: — The study?

Mr. Glauser: — Yes.

Mr. Sawchuk: — About 30,000. But it's not likely that we'll do the cash flow. If we did the cash flow it would probably be another 30,000. We'll probably just do an ordinary actuarial study of the teachers' superannuation fund only. We won't even do the one on the money purchase plan. We'll just do the one on the formula plan.

Mr. Katzman: — Money purchase is not a concern though.

Mr. Sawchuk: — It's not a concern at this point, so we're not going to do it. We'll do it on the . . . (inaudible) . . .

Mr. Chairman: — By definition the thing is almost self-financing. I say almost by definition it's self-financing.

Mr. Sawchuk: — Yes. It should be, yes.

Mr. Young: — Without benefit of the study, when do you think that the whole thing may break down if it keeps going like this?

Mr. Sawchuk: — It's being phased out, of course, with the annuity plan being introduced, but it's going to cost a lot of money for quite a few years yet because the annuity plan wasn't initiated until July 1, '80.

Mr. Chairman: — Kim, unlike other pension plans which will go broke, this one will never break down so long as the pockets of the Minister of Finance are deep enough, because they just put their hands in his pockets and take whatever they need and go. So it won't break down until the Minister of Finance's pockets wear holes. It's a great pension scheme . . . (inaudible interjection) . . . By legislation, yes. It's a great pension scheme. I don't know why the legal profession doesn't set up something similar.

Mr. Glauser: — New teachers coming in are coming into the new plan, so there is no more accumulated, it's just this block that is in there . . .

Mr. Chairman: — What do curlers have, Rick?

Mr. Sawchuk: — . . . (inaudible) . . . The block that's already in there, eh?

Mr. Glauser: — How many teachers would this represent? Do you have any idea?

Mr. Sawchuk: — In the new one?

Mr. Glauser: — No, the old one.

Mr. Sawchuk: — The old one? Well, there are roughly 12,300 teachers, and we figure that right now there are about 1,500 teachers in the new plan, so most of them are still in the old one.

Mr. Katzman: — If you started during 1980, you automatically are in the new plan?

Mr. Sawchuk: — Yes.

Mr. Katzman: — If you were there prior to whatever the date was, you're in the old plan.

Mr. Sawchuk: — That's right.

Mr. Katzman: — Are you getting anybody who is switching from the old plan to the new plan?

Mr. Sawchuk: — Too few. Very few. It's not being encouraged very much. The only time that people will go in on the new one, of course, is if they can't realize a benefit under the old plan. If you have six years of service, and you're 64 years of age, you're not going to get a benefit under the . . . (inaudible) . . . plan because you have to have 10 contributory years, so you . . . But you can in the annuity plan. So at age 65 you can get a benefit and that's the only time they'll transfer, is when they can get the benefit. They would otherwise not . . . (inaudible) . . .

Mr. Glauser: — There's no advantage . Like, is there not a length of service period in which it would be to their advantage to switch over to the new plan?

Mr. Sawchuk: — Well, it's the age of the individual, the amount of service — there's many factors — the salaries you receive. It's hard to say what the . . . I would think that 10 or 12 years, if you got that, you wouldn't want to transfer to the annuity plan.

Mr. Katzman: — Okay. Let me get down to the crunch numbers, and I assume we have no new numbers. Your document that was filed with us in December 1st, '82, which shows the teachers' plan — the indication is that we are short of money, obviously. And how bad . . . The first time we met, we were looking at some sizeable amounts and you were going to give us some additional information.

Mr. Sawchuk: — It's said to be about a billion-three . . . (inaudible) . . . as at that point in time.

Mr. Katzman: — Yeah. A billion-three, but I'm looking at the public service plan. That's a different plan — your plan, the teachers' plan. In 1979 you were almost 100 million shy . . .

Mr. Sawchuk: — 913 million and some . . .

Mr. Katzman: — 911 million shy, almost a billion. We understand that you calculate — and my memory isn't perfect on this one — but somewhere I read between an input from the government of \$2 billion or \$3 billion shy.

Mr. Sawchuk: — All told. You mean all the plans.

Mr. Katzman: — No, your plans.

Mr. Sawchuk: — Well, our plan will be about \$1.3 billion.

Mr. Katzman: — Today?

Mr. Sawchuk: — Today, yeah.

Mr. Katzman: — Oh no, what I said, if government put in \$1.3 billion today we assume, or your actuarial study will show it in due course, how much we need to make the plan solvent.

Mr. Sawchuk: — Completely solvent, that's right. The actuarial study would have to determine that because really we don't know what the real liability is at this point in time.

Mr. Katzman: — But our best guess is somewhere between \$1.3 billion and last time it was suggested as high as \$2 billion — somewhere in that area.

Mr. Sawchuk: — Did I suggest 2 billion?

Mr. Katzman: — That's what seemed to come out of the committee, because I seem to be running with 5 billion between the two, and the public employees' benefit, in their peak, shows that they're about 2.7 billion short in due course.

Mr. Sawchuk: — I think I would probably have limited ours to about 1.3 billion and the other one must have been the public service plan. I just increased it by \$400 million over the previous study we had.

Mr. Katzman: — So basically, until we get our actuary study, we are looking at a plan of roughly 1.3 billion plus . . . (inaudible) . . . using the criteria of the last study, sort of our basis to move from. Go ahead, Ned, if you want to.

Mr. Chairman: — I was just going to introduce and welcome to the public accounts committee our guests, some of whom you will know. Members who were elected before 1982 will remember Missy Follwell. Welcome to public accounts. She told me last night — I wasn't aware it was that often — but apparently she spent time during three different years here with us. I wasn't aware you were here that often.

Mr. Katzman: — You just weren't in the House that often.

Mr. Chairman: — I guess that was my problem. When I was a minister I was never in the House. We're delighted to have you back. As well, I'd like to welcome William Brewster, who represents a southern Yukon riding, the name of which you told me last night and I've forgotten . . . (inaudible interjection) . . . That's right. He went up to the Yukon when he was 16 years of age and has lived an extremely interesting, colourful life. We had a fascinating evening last night at Mr. Speaker's dinner. Someone I met for the first time last night, Piers McDonald, the youngest member of the Yukon council and member of the opposition, so we had something in common.

They have six members in their opposition but then he tells me there's only five members of Executive Council, so you do seem to have achieved a better balance than we did. Someone who I almost regard as an old friend of mine now, Peter Fraser, from the Northwest Territories. He is from Norman Wells and the only person I met who can match Bill Brewster story for story. A very interesting person, as well, and with an interesting life that I'm sure makes a very important contribution to the territorial Assembly.

Mr. Katzman: — Has he been a guest of Saskatchewan before?

Mr. Chairman: — Yes, this is not his first time in Saskatchewan, no. Third time.

Mr. Katzman: — Third time. I thought I'd seen him before.

Mr. Chairman: — Both of the other two members are newly elected . . . (inaudible) . . . So with that we want to welcome you to the public accounts. We are dealing with, and I think are close to the end, we are dealing with the Teachers' Superannuation Commission, and the public service superannuation commission, the Municipal Employees' Superannuation Commission. And I don't know whether members have any more questions of these individuals or not. If you do, carry on.

Mr. Katzman: — Just . . . Might as well wait in case we have some cross questions coming.

Mr. Chairman: — Indeed.

Mr. Katzman: — Turning now to the public service superannuation plan.

Mr. Chairman: — None of these represent the public service superannuation plan.

Mr. Katzman: — Sorry. The municipal plan.

Mr. Chairman: — Right.

Mr. Katzman: — How did I get by with not calling the public service plan?

Mr. Chairman: — I think we should. I want to do that. I also want to call the judges' superannuation plan.

Mr. Katzman: — Oh, I'm not worried about them guys.

Mr. Chairman: — There aren't many of them but I want to call them as well. It's on my list of names to be added.

Mr. Katzman: — I guess it was my slip, Ned. I wanted the public . . .

Mr. Chairman: — I want them too, so we'll get them sooner or later.

Mr. Katzman: — On the municipal one, you, I understand, were fairly close last time?

Mr. Aebig: — In what respect?

Mr. Katzman: — Balancing your . . .

Mr. Aebig: — Oh, we have a surplus. We're fully funded. Our last actuarial study indicated we were in excellent financial condition. In fact in 1980 the commission saw fit to grant increases. At one point, \$1 million; and July 1, '82, a further \$1.3 million in actuarial value.

Mr. Young: — Do you people have a COLA clause? Cost of living maybe?

Mr. Aebig: — No, no. Our increases are strictly ad hoc.

Mr. Young: — And that's the difference between . . . (inaudible) . . .

Mr. Aebig: — Yes.

Mr. Chairman: — One of the differences.

Mr. Katzman: — One of the differences. Their plan is also both sides have always put their money in. That's the other part.

Mr. Aebig: — Yes, ours is a fully funded plan. And unlike the teachers' plan, we had the money purchase plan up until June of 1973, and then we reverted to the, or changed to the formula benefit plan. But it has been fully funded right through. So it's in good condition.

Mr. Katzman: — How often do you get your funds in?

Mr. Aebig: — Monthly.

Mr. Katzman: — From both sides?

Mr. Aebig: — Right.

Mr. Glauser: — You would then have quite a surplus for investments. Would that be correct?

Mr. Aebig: — Yes. We had a \$5 million surplus according to the last actuarial study.

Mr. Glauser: — What kind of a return are you getting? Have you ever determined what kind of an annual return you are getting on your investment?

Mr. Aebig: — Yes. Last year our fund earned 11 per cent on the average, and we credited contributing accounts accordingly.

Mr. Glauser: — And is this money invested in Saskatchewan, or is there a considerable amount of it goes out of the province?

Mr. Aebig: — We invest in practically everything. We do have equities in stocks, bonds and mortgages and so forth, but most of it remains, if not in Saskatchewan, in Canada. We do have some American stocks, but it has to be limited to less than 10 per cent of the total portfolio.

Mr. Glauser: — You don't get into the Euro dollar market, then?

Mr. Aebig: — No.

Mr. Glauser: — You don't get into the swaps, or . . .

Mr. Aebig: — Just on a short-term basis.

Mr. Glauser: — On a 30, or 45, or . . .

Mr. Aebig: — Yes.

Mr. Glauser: — What is the bulk of that money in?

Mr. Aebig: — It would be in bonds.

Mr. Young: — Could you just quickly describe for me the types of people that are on your plan? Like, a town the size of Gravelbourg, there'd be garbage men and firemen and policemen and so on and so on. In some towns, I'm sure that the garbage man is on a contract: they pay him by contract to collect the garbage, so he doesn't get in on it, okay?

Mr. Aebig: — Right.

Mr. Young: — Only the people who are employed as an employee of the town or village get in on it? But not the elected people?

Mr. Aebig: — Those that are in full-time employment and are receiving a salary. As you suggested, if they're on contract, on a yearly basis or whatever, they would not be covered.

Mr. Young: — Policemen would be a big one and firemen would be the next big one. Is that it?

Mr. Aebig: — Yes. For some of the cities that are participants in our plan, such as Prince Albert and North Battleford. We also have the town administrators, village secretaries, rural municipal secretaries, motor grader operators, teacher aides, secretary-treasurers of school divisions.

Mr. Katzman: — Teachers' aides?

Mr. Aebig: — Yes.

Mr. Young: — The people who work for the RM on graders and doing the road work and stuff, are on?

Mr. Aebig: — Yes. Providing they work at least six months in a year. They are seasonal, but as long as they work six months in a year they are covered.

Mr. Chairman: — I just have a couple of questions. One is: the witnesses will be aware that the members of this committee asked about a limit placed on your pension plan, which had not been observed over a number of years. I gather there is a bill before the Legislature . . .

Mr. Aebig: — Yes there is.

Mr. Chairman: — In fact I have a copy of it. Do I also assume that this bill corrects the problem raised in the Provincial Auditor's report?

Mr. Aebig: — Well, as far as we are concerned, it does — and the commission, of course. It satisfies the deputy minister, at least, of rural development as it is now. It also

satisfies the comptroller's office, I believe, now that the legislation is being amended.

Mr. Chairman: — If you can sneak it past the Provincial Auditor, you're home free.

Mr. Aebig: — Right.

Mr. Chairman: — Right. Okay. One other question then. You haven't filed your annual report yet, and it's well past the 25th of April.

Mr. Aebig: — Our annual report? Well, it's being printed right now. We did have to hold off just for a while until we got our financial statements.

Mr. Chairman: — We don't want to get into a major snit about it, but it is supposed to be filed by April 25th.

Mr. Katzman: — Mr. Chairman, I would love to get into a snit over that one.

Mr. Chairman: — Hmmm?

Mr. Katzman: — I would love to get into a snit over that one — because there's not a doggone thing you can do about it. That's the way the law is. It says you're supposed to do it, but if you don't do it, there's not a darn thing we can do about it.

Mr. Chairman: — Maybe we should get into a snit about it sometime. But one of the things we can do is bring to the attention of witnesses that come before us that the deadline should be observed.

Mr. Katzman: — We brought it before a minister. He said, 'Big deal.' There was nothing we could do about it — in the House.

Mr. Chairman: — It makes it easier to prepare for these sessions if we have those reports.

Mr. Aebig: — Yes. I know the provincial audit staff is trying desperately to get the thing done quicker this year, and we are quite a bit ahead of last year, although not quite by April 30th.

Mr. Chairman: — Not sitting nearly as much as you have been in past years.

Mr. Young: — Who are the people with the say as to if you're going to invest in a shopping centre in Moose Jaw, shall we say? Who's the top dog who says, 'We're going with that one and we're not going with that one'?

Mr. Aebig: — Well, our investments are made for us by the investment international services branch of the Department of Finance, but from time to time they do come to our commission meetings and they bring the commission members up to date as to what they are proposing.

Mr. Young: — So it's not you people then it's the government through the Department of Finance.

Mr. Aebig: — That's right.

Mr. Sawchuk: — It's consultation between the commission and the investment people.

Mr. Chairman: — Okay. All in and done, for the moment, on teachers' sup and municipal sup?

Mr. Katzman: — I have a question of teachers, and then I'm done. If you proceed with your actuary study, what do we have to do to ask? Is it a public study after it's done, or not? Is it made available?

Mr. Sawchuk: — We could give it to the minister and if he wants to make it public he can go ahead. It's in his discretion. He's one of the first people who gets a copy of it after the commission.

Mr. Katzman: — Does it go to the teachers?

Mr. Sawchuk: — Well, the teachers have it by virtue of the fact that there are three reps on the commission.

Mr. Katzman: — Except they could have it in camera and not be allowed to release it.

Mr. Sawchuk: — That's right. They could have it and shouldn't be releasing it, but the fact is, it . . . (inaudible) . . . by virtue of the fact that they are represented on the commission.

Mr. Katzman: — So it is placed to you in camera then?

Mr. Sawchuk: — Exactly.

Mr. Katzman: — Then we have no right to ask for it from this body.

Mr. Sawchuk: — Not until the minister . . . It's up to the minister to . . .

Mr. Chairman: — We can ask them to report to this body. We cannot ask for the study, but we can ask them to report to us.

Mr. Sawchuk: — That's right.

Mr. Katzman: — Mr. Chairman, can I make a motion then?

Mr. Chairman: — Please do.

Mr. Katzman: — That we forward a letter to the Minister of Finance, asking if it will be possible that after the study is done the crucial figures (for lack of a better way of putting it) shall be forwarded to this committee. If he doesn't want to give us the annual report, fair game, because there may be things that we should not make public. But the crucial numbers, basically what the number is how much deficit we are — how many billion we're behind.

Mr. Sawchuk: — Mr. Chairman, we . . . (inaudible) . . . After the commission gets

the report they generally approve a list of people for distribution purposes. The Minister of Finance is one of them; there's the treasury board and I think the auditor is on there and the comptroller is on there. They get the copies, but also . . . As a matter of fact over the years they've asked them for comments on the contents of the report. So they will be made available after the commission gets it and after the minister gets it.

Mr. Lutz: — Mr. Chairman, Mr. Katzman, I don't know the definition of your word 'crucial,' but if you are referring to an unfunded liability . . .

Mr. Katzman: — You betcha.

Mr. Lutz: — . . . that amount will be disclosed in the notes to the financial statements when we do the audit. That is always disclosed.

Mr. Katzman: — Except we will not get it for another year possibly, where the actuary study could be done in about 35 to 40 days.

Mr. Sawchuk: — It had better be done before March 31, 1984.

Mr. Chairman: — Oh, yeah, I would . . .

Mr. Katzman: — Well, I was thinking we may have to get to have it next September.

Mr. Chairman: — That was my assumption, too, to get it done by the fall.

Mr. Sawchuk: — No, if it's got to be effective as of June 30 of '83, and we've got to have it finished by . . . Well, as far as we're concerned, March 31 it should be wrapped up. The moneys are in that year . . . (inaudible) . . .

Mr. Chairman: — I think the member from Rosthern is . . . I concur with the motion of the member from Rosthern. Actually I think that is a sensible way to deal with it. Other comments? If not, I call, all in favour? Nemine contradicente, I gather.

Mr. Katzman: — Took Latin.

Mr. Chairman: — That's right. My Latin's almost as good as my French. Okay. Any more questions . . .

Mr. Katzman: — No quality.

Mr. Chairman: — Yeah. Are there any other questions of these witnesses?

Mr. Katzman: — Thank you for coming.

Mr. Chairman: — Thank you very much, gentlemen. We'll . . . Yes?

Mr. Sawchuk: — I'd just ask a question: that motion that was passed, are we going to be notified by this committee, or do we have to prepare that . . . (inaudible) . . .

Mr. Chairman: — I think it would be a courtesy if a copy of that letter was sent to the officials.

Mr. Katzman: — I think basically one number is there. How much we're short.

Mr. Chairman: — Let me just . . . (inaudible) . . . our distinguished guests. Thank you, gentlemen; you're excused. Let me just say to our distinguished guests that we have a procedure here which has worked rather well, and it's of very recent origin. And that is that one member of our committee has a sort of a responsibility for each different department: thus, Mr. Katzman, the member for Rosthern, had responsibility for the Teachers' Superannuation Commission and the Municipal Employees' Superannuation Commission. He has the responsibility for them, reviewing all the material, boning up on it, and making sure that at least one member of our committee is thoroughly on top of all the angles. It's only been in existence a week, but I'm quite impressed with the system, as I think, from the witnesses coming in, and, 'Well, now, who's going to start off, and what are we going to ask,' and so on. It often looked ill-prepared.

Public Hearing: Government Services

Mr. Chairman: — Okay, Government Services. Do we have . . . That was Revenue, Supply and Services. Do you want to get the answer now to our comments on the study, or do you want to wait till the witnesses come in?

Mr. Katzman: — That's not Government Services; that's Revenue and Supply.

Mr. Chairman: — That's Revenue, Supply and Services; I know.

Mr. Katzman: — We're doing Government Services first.

Mr. Chairman: — Okay, let's do Government Services first.

Mr. Katzman: — I think that was the agreement.

Mr. Chairman: — Yes, it was. Let's do Government Services first.

Welcome, gentlemen, and I want to welcome the . . .

Mr. Katzman: — Oh, Ned, Ned, come on. Check your eyes this morning. He said, 'Morning gentlemen.'

Mr. Chairman: — Oh, I'm very sorry. I am very sorry, and unconscious . . . (inaudible) . . . problem is and I want to apologize for it. I want to welcome to our committee the Government Services officials, led by the acting deputy minister, Otto Cutts. And perhaps you could introduce the rest of your officials to us.

Mr. Cutts: — Yes, I will. On my right is John Law, the executive director of M & O, and acting associate deputy minister. Next to him is Don Nevill, the director of planning and property. On the far left is Pat Brown, director of public works; Pat Renwick, the office manager; and Ken Brehm, the executive director of financial and administrative services.

Mr. Chairman: — Okay. I heard that because I was following on the paper. Was everyone able to follow? Was that loud enough for everyone to hear? Okay. I have a number of questions. It was mentioned late in the auditor's report of a problem with the Sturdy-Stone, the commercial leases in the Sturdy-Stone building. I received your report. I gather you have the thing in hand. You have a fairly formalized procedure for following up those leases on which you don't get statements of the gross revenue. So, I

see that's in hand, and I guess I just offer my congratulations on having dealt with it. I gather that's your position as well. Do you think you've got it?

Mr. Cutts: — Yes, yes, we have.

Mr. Chairman: — Thank you. Some of the questions I was going to ask you may not have the answer for, and I'd be prepared to accept it in writing. I went through the annual report. I noted that you set out all of the construction projects with all of the bids and the bids which you actually accepted. In only one case had you not taken the lowest bidder, and that was the Willow Bunch highway equipment storage building. I guess I'd ask you why we didn't take the lowest bidder in that case. It's on page 24. You'll find the details on page 24 of your annual report. Did I copy the page down wrong?

Mr. Cutts: — Mr. Chairman, we don't have that information with us right now. We can, like you say, if we can get a written response to you then we will do that.

Mr. Chairman: — Okay. I would appreciate it if you would do that, with 15 copies to the Clerk, who will distribute it to the committee. I basically just want to know why we didn't take the lowest bidder.

Mr. Cutts: — Right

Mr. Chairman: — I had another question which was not particularly spawned by the bids, because the problem actually never arose, except I think in one particular instance. The question is: do we have a policy of giving preference to Saskatchewan contractors? If so, what is that policy?

A Member: — Did you have it in 1982?

Mr. Chairman: — Did we have it in 1982, yes. I should tell you if there is any doubt about it, we are dealing with the year ending March 31st, 1982. All my questions, unless I specify otherwise, will be in that year, although I may not carefully so phrase them.

Mr. Cutts: — Mr. Chairman, I wasn't there during that period of time and I think we could state that the policies have not changed, to my knowledge, in that in our process when we go to tender we accept the lowest tender. Everything being equal, we would go to a Saskatchewan-based contractor or supplier. There's no preference per se of any significance.

Mr. Chairman: — So, it's only if they're equal?

Mr. Cutts: — Equal. I suppose if you're talking a dollar versus five dollars, depending on the size of the project . . .

Mr. Chairman: — Do you have a percentage, a defined percentage?

Mr. Cutts: — No, we don't.

Mr. Chairman: — If, in the view of the officials, the difference is so small as to be for practical purposes negligible, then you would award it to a Saskatchewan person, is that right?

Mr. Cutts: — We would more than likely do that.

Mr. Chairman: — Okay, then I have another question, and it relates to the fish culture station at Fort Qu'Appelle. It was awarded to International Water Supply at a sum of \$254,000. That was the highest bidder. It was also the only Saskatchewan bid, and I assume the reason why you took . . . And it was considerably higher — 25 per cent higher than the others. This was no 5 percent difference, it was very much higher. Now, there may have been other reasons. The other bids may not have met the specifications in some fashion or another.

Mr. Folk: — What page are you on?

Mr. Chairman: — I'm now on page 28. But I thought that was the answer to my next question, is that you were giving preference to Saskatchewan contractors. If you're not, if there's no such policy of giving preference to Saskatchewan contractors except where the bids are equal in practical terms, then I'd appreciate an explanation for the fish culture plant as well.

A Member: — Yes, we will.

Mr. Chairman: — Unless you have it with you.

Mr. Brown: — I can give you a partial answer to that, Mr. Shillington. On the basis of analysis of bids, if all other conditions are the same as Mr. Cutts has said, the Saskatchewan bidder, having an equal price, will be awarded the work. In this case there was a question of the proposals submitted by the other bidders. In the analysis made on the bid submission there was a very tight timetable involved on the project and a quality spec that had to be reached. And on the basis of that the contract was awarded to the Saskatchewan supplier.

Mr. Chairman: — Okay, so it was related to their ability to deliver on time, by and large?

Mr. Brown: — And within the quality specification . . . (inaudible) . . .

Mr. Chairman: — You also had some quality concerns about the other bids.

Mr. Brown: — Yes.

Mr. Chairman: — Okay, I realize that happens. I want to make it clear for the record. That's a sufficient answer.

Mr. Cutts: — You don't want any thing further than that?

Mr. Chairman: — I don't need anything further than that. I want to make it clear for the record that I'm by no means urging that there be any preference given to Saskatchewan contractors. I think that is not in the best interests of the construction industry in this country. It may be in the temporary best interests of the contractors of Saskatchewan, but if you get each province Balkanized, then I think overall the construction industry is weakened.

Mr. Katzman: — Ned, I hate to tell you this, but I think you're not of the faith. Most

provinces now except us have some form of 'the province first.'

Mr. Chairman: — I'm aware of that. I'm aware of that and I think Alberta and Saskatchewan . . . When I was last exposed to the subject Alberta did not have one either.

Mr. Cutts: — They still don't, to my knowledge.

Mr. Katzman: — Saskatchewan and Alberta are the only two now that don't?

Mr. Cutts: — Yes. And Manitoba is trying to maintain their integrity, but they're getting a lot of pressure.

Mr. Chairman: — I recognize that. I'm aware of what the member from Rosthern is saying, and I just think that's not in the best interests of the construction industry, and I'm, on a philosophical basis, opposed to any provinces giving preference to their own contractors. I recognize it's an easier thing to say than it is to enforce when everybody else . . . (inaudible) . . . You had some comment?

Mr. Cutts: — I could make a statement on that, Mr. Chairman. We certainly agree with that, and we're working with the deputy ministers in our neighbouring provinces to try to maintain that principle, because I think it is, like you say, best for the region and the province to have the contractors involved.

Mr. Chairman: — Yeah, that's what I referred to as the Balkanization of the country debts.

I want to ask the members as well, the witnesses as well, for the year under review, what policy do we have, if any, with respect to artwork in provincial buildings? I recognize, if you're building a highway storage shed, it doesn't make a lot of sense to decorate it with a lot of art work. But I noticed on page 15 of your annual report details of the expenditures.

Incidentally, I want to say that I found your annual report quite informative and well set out, and I hope the format's maintained. It's quite a difference in the usefulness of these different reports.

But I noticed you had the expenditures set out on art work. Is that part of a consistent policy, that with provincial office buildings you will spend so much on hanging paintings around, or is it a somewhat more flexible approach?

Mr. Cutts: — If I could just consult . . .

Mr. Chairman: — Sure, inform yourself, if you will.

Mr. Cutts: — Mr. Chairman, could you identify what specifically you wanted again, and maybe I could try to . . . There might be a number of different . . .

Mr. Chairman: — Let me suggest to you . . . I'm wondering if you have a policy with respect to expenditure of art works in provincial office buildings.

Mr. Cutts: — No we don't.

Mr. Chairman: — That was the question.

Mr. Katzman: — Can I go one step further?

Mr. Chairman: — Yes, please do.

Mr. Katzman: — There is a policy, I believe, for cabinet offices and deputy ministers' offices though.

Mr. Chairman: — Couldn't we clearly have that then if there is . . .

Mr. Cutts: — There is a policy on how much money that go into, I believe, into the cabinet ministers' and the deputy ministers' offices. That's true. I believe in a deputy minister's office it's \$600 worth of Saskatchewan-based art. In a minister's office I'm not sure what it is.

Mr. Katzman: — My comment would be here, Mr. Chairman, there is a problem with that policy. It's a simple problem. I think we use the purchase value on that policy, rather than the value of the paintings. I may be talking out of turn, but some portraits — and I use this one because it's the best example that I know in the building. Mr. Gordon Snyder, the former minister of labour, had commissioned a painting which to him is of great value. To any other person it may not have as much value, because it was of his last locomotive before he became the minister, and it has a lot of personal value to him. I'm sorry to see that the policy does not allow him the right to buy that painting, now that he is gone from here, because of great value to the man himself where rather than . . . It has no great value to the building; it has great sentiment to the man. Mr. Snyder's value on it would be way more than cash value, whatever it be worth.

Mr. Chairman: — The last steam locomotive he drove.

Mr. Katzman: — Yes, correct. And I believe there is one that the former premier had that was of great sentiment to him, and it is now in his office with the permission of the present Premier. It's been given to Mr. Blakeney to hang in his.

I think we should maybe look at certain paintings that were really commissioned because of the minister and because of certain real important significant value to that person. And if that person so wished to hang it in the office and pay for it himself at the time, even, it would remain until he moved and he could take it with him. Because there is some arguments about ministers buying their own paintings and hanging them and taking them with them; they're supposed to be government paintings and therefore that's part of the problem. I think it's courtesy that I'm concerned about more than anything else.

Mr. Chairman: — Let me ask you if you've ever considered the policy with respect to expenditure of a certain percentage of the cost of a capital project on artwork. I raise it because I think of the Sturdy-Stone building in Saskatoon. I think the artwork on there is . . . I think it's well done. I think it's very meaningful to the people of Saskatoon. It's sort of the pioneer experience, in particular the Ukrainian experience, and I think it's relevant and meaningful and adds a lot to that building. It has also, I think, made a fair contribution to the artistic community in Saskatchewan.

Some art work has been less successful. I think of the SGI building, because . . . (inaudible) . . . successful. But that . . . (inaudible) . . . department, but I'm wondering

why we don't have a — it's maybe not a question you can answer, because it may be strictly policy — but I wonder why we don't have a policy of, say, expending 5 per cent of the cost of a building on art work. It would add immeasurably, I think, to the buildings. I think it would make a contribution to the cultural life in Saskatchewan, and it would sure make a contribution to the arts.

Mr. Cutts: — I would agree with you. I don't know why we don't have a policy, and it's possibly something the department can undertake to answer, both your situation and Mr. Katzman's situation, Mr. Chairman.

Mr. Chairman: — It would be very useful if you could get back to . . . If you were able to respond to us, it would be very useful.

Mr. Cutts: — We'll attempt to do that.

Mr. Chairman: — Yeah, okay.

Mr. Katzman: — Ned, I'd go on a bit further. And I don't know who started this policy years ago, but the art exhibits that are available to the Saskatchewan artists to place in this building and then are allowed to be purchased for ministers' suites and so forth.

Mr. Chairman: — I'm sorry . . .

Mr. Katzman: — The art exhibits that are placed, I think, in this building in 214 normally.

Mr. Chairman: — I think this is Revenue, Supply and Services, is it not? . . . (inaudible interjection) . . . Is it you people? Okay, go ahead.

Mr. Katzman: — And then later the ministers are allowed to choose certain pictures for their offices. I think that my concern is the expansion of those allowed to place art there should be considered, and maybe we just need more space. I think the selection of people allowing to is not broad enough because there's more artists all the time.

Mr. Cutts: — Yeah, we'll try to address that in our policy too, Mr. Katzman, to try to encourage the whole thrust of the program. We try to encourage the broad-based support of the artistic community in Saskatchewan.

Mr. Katzman: — In fact, I wouldn't even mind if somehow — and it does have its problems, I realize — but if more paintings were allowed to be placed in this building, which is a show building for this process, and the tourism all summer is excellent. And I wouldn't mind if the Sturdy-Stone building was used the same way, of qualified classic art, approved art, by some committee — and I don't know how you approve it — that would be available for the public, the artists' community to place art here. And if somebody wants to look at some art and maybe would be interested, they would have to go to the person putting the art on display after it was taken down, after three months, and they could buy it. It would promote the art industry and . . .

Mr. Cutts: — Just as a matter of interest, my minister and I have already had discussions on that very subject.

Mr. Katzman: — Good.

Mr. Glauser: — I would just like to add something to this. I am aware that the power corporation and, I think, Sask Tel is currently working on a project whereby they have artists submit their works and they have committees in both places, and then on the basis of the competitions, then those artists are invited to place hangings in those buildings. The power corporation do this. Sask Tel is presently getting into it. I think it's going on right now, and perhaps that's the method one may choose to do the same thing for the Legislative Building.

Mr. Cutts: — I appreciate the comment, We can research what they're doing and maybe we can use it, Thank you.

Mr. Young: — I have a number of questions, Mr. Chairman. First of all, Mr. Cutts, how many of your people that are with you today were employed in your department in the year under review?

Mr. Cutts: — Three.

Mr. Young: — Three. I would take it that you have some lists of government property, serial numbers, stuff like that.

A Member: — There it is.

Mr. Chairman: — It's a massive, big, big . . .

A Member: — That's every stapler, etc., eh?

Mr. Katzman: — Isn't that the rental space, the lease space, the whole thing?

Mr. Brown: — No. This is the capital information system — the capital projects . . .

Mr. Young: — Okay. We were talking earlier about, kind of, setting up protectionism with respect to provinces, backwards and forwards, and you basically said that we don't really exercise any of that unless the bid is equalled, and then we'll take a Saskatchewan bidder under the year under review. Now I'm wondering if your department has any sort of interprovincial protectionism vis-a-vis Northerners, northern contractors. If you're going to build a court-house in La Ronge, shall we say, and bids came in, and they're all Saskatchewan, we got no Manitoba and no Alberta bidders on it. Do you prefer the northern contractor? Or do you prefer Bird Construction out of Saskatoon on it — when Government Services is building a building up there?

Mr. Cutts: — Mr. Young, in talking to . . . (inaudible) . . . works director, he informs me that we did have a 10 per cent policy that we may apply.

Mr. Young: — In the year under review?

Mr. Cutts: — In the year under review. He suggests that we didn't necessarily apply that. There is another policy under DNS, but you'd have to address them.

Mr. Young: — I'm aware of that one. I'm just wondering, that's not a DNS example I used.

Mr. Cutts: — Okay. In our situation, maybe I can let Pat address it.

Mr. Young: — Sure.

Mr. Brown: — The northern preference policy is still in effect. It's being reviewed by the government at this point in time.

Mr. Young: — And it was in effect in the year under review with the other NDP administration?

Mr. Brown: — For the Department of Northern Saskatchewan, but not for the Department of Government Services.

Mr. Young: — Okay. So in the year under review, if you would have built a government building in La Ronge, shall we say for an example, there wouldn't have been no preference then. If your building, not a DNS building . . .

Mr. Brown: — If government services had have done it there would have been no preference policy.

Mr. Young: — I see. Back to items like paintings, and refridges, and what not, as I understand it in the previous, in the year under review, there were 21 members of cabinet. The Premier and 21 to 20 cabinet ministers. I understand it they all have miniature fridges in their offices, part and parcel of their cabinet office, to keep cool drinks in. And I am wondering if someone has a listing now of, if in fact there were 21 of them, because I know when we took government there sure wasn't 21 of them left over. So next year in public accounts, if I'm still here, I can ask how many were available on May 7, 1983, in that year under review, and maybe we'll have some fridges missing. So my question is: how many fridges were in cabinet offices on March 30, 1982?

Mr. Chairman: — I think you're asking the wrong department. Is that not Revenue, Supply and Services?

Mr. Young: — No, no.

Mr. Chairman: — No. I'll take that, sorry.

Mr. Young: — I've got the right guys.

Mr. Katzman: — Before the deputy minister answers, I think I would like to chirp in here.

Mr. Young: — Be my guest.

Mr. Katzman: — The comment would be this: all fridges in this building, and cabinet ministers' were not government owned.

Mr. Young: — My question is: how many of these guys have a grip on it?

Mr. Katzman: — Government owned, I think, is the question.

Mr. Cutts: — . . . (inaudible) . . . and government owned.

Mr. Katzman: — I think government owned is what you are referring to, Kim, not the

few cabinet ministers that had their own personal fridges in the building.

Mr. Young: — The number is 21, and apparently they were all government owned so . . .

Mr. Katzman: — No, no.

Mr. Young: — We don't know the number so we're going to get it.

Mr. Cutts: — I think the clarification to the question that Mr. Katzman gave will help us direct it if there was privately owned fridges, and we don't have that answer, obviously.

Mr. Chairman: — Okay. Try and supply that. Fifteen copies to the Clerk.

Mr. Young: — Could I . . . (inaudible) . . . on a different subject matter? When I was in an office down here, I believe it was 114, I went into the back room and there was enough letterhead paper, Leader of the Opposition, to without exaggeration fill up a half-ton truck, presumably, packed into that office. None of us were obviously the Leader of the Opposition. It was put into there for, I assume, lack of better storage. And there was lots of it. And I am wondering who has a grip on all that stuff, and what became of all that paper?

Mr. Katzman: — Property of the opposition; paid for by the opposition.

Mr. Young: — This was stuff on May 7. They must have had it printed up real fast.

Mr. Katzman: — No. Property of the opposition which is us, when we were in the former government, paid for by us — not by Government Services. Paid for out of our grant that we got from . . . (inaudible) . . . Assembly. I know the paper you are talking about. There was reams of it.

Mr. Young: — So you don't provide that sort of paper at all, you guys?

Mr. Cutts: — That would be Revenue, Supply and Services.

Mr. Chairman: — No, it's not . . . (inaudible) . . .

Mr. Cutts: — . . . (inaudible) . . .

Mr. Chairman: — . . . (inaudible) . . . be finished.

Mr. Young: — Yes, I am.

Mr. Chairman: — Rosthern.

Mr. Katzman: — Auditor's report, page 29, item . . .

(Tape inaudible)

one, two . . . (inaudible) . . . \$663,900 . . . (inaudible) . . . not approved, not available in that particular estimate, or that vote, I guess, or subvote. What's the story?

Mr. Cutts: — The story that I've been able to identify in that area, Mr. Katzman, is that

the project in question . . . (inaudible) . . . was under consideration for some time. And the proper . . . (inaudible) . . . for money to . . . (inaudible) . . . that the money be paid out of a separate supplement . . . (inaudible) . . . whatever happened . . . (inaudible) . . .

Mr. Kraus: — . . . (inaudible) . . . The department has the option when they have a payment like that that has insufficient . . . (inaudible) . . . in a subvote, as you know, to request a virement from the Minister of Finance . . . (inaudible) . . . They made request . . . (inaudible) . . . Our office which normally would be refused. For some particular reason there was agreement in the comptroller's office. And I must say I was pleased that the auditor brought this to my attention, because it came as a surprise to our office. We could argue that it was a technical oversight, but really . . . (inaudible) . . .

Mr. Katzman: — This one was a blatant breaking of procedure by higher-ups than the deputy minister.

Mr. Kraus: — Well, but I must say, Mr. Katzman, that this type of thing has happened, or does happen, from time to time. There are requests for to us to break rules. We will always bend as far as is necessary to get the job done but at some point they have to follow procedures and we . . . That is why we . . . (inaudible) . . . I can assure you that we would normally refuse this and have refused on many occasions. I don't understand why the individuals involved agreed to this, because it simply . . . (inaudible) . . . making, issuing that cheque. So you go and get a virement and transfer funds from one subvote to the other, and that is a practice that is followed from time to time.

Mr. Katzman: — Could somebody . . . Let's . . . (inaudible) . . . for one second. Who presented this cheque which had to be ready? Which cabinet minister?

Mr. Kraus: — I can't speak of . . .

Mr. Katzman: — Can anybody answer that question?

Mr. Kraus: — . . . but I do know the senior official from the department that's mentioned here requested that this cheque be issued to some of our senior officials. As far as to the name of the minister that was making the presentation, exactly the details of the presentation, I think the department could speak to that.

Mr. Cutts: — In checking with our officials, it was made by Mr. Long, I believe.

Mr. Katzman: — The minister of highways?

Mr. Cutts: — Yes. Whether he made the presentation or not, I'm not privy to that.

Mr. Katzman: — My concern, Mr. Chairman, is this: this is a prime example of everything that shouldn't happen, because the rules all say it shouldn't happen. Yet somebody with the authority to make it happen, made it happen. And every time I try to find out who had that kind of authority, I'm told it starts above the appointed officials. Sorry, that's wrong. It starts above the departmental officials, and my concern is . . .

Mr. Kraus: — I have to take full responsibility here for this. Our office is hereto ensure that moneys aren't spent in excess of an appropriation amount on a subvote level. If we have any reason to suspect that the payment shouldn't be made for legal reasons or, in this case, there wasn't even enough money — there was obviously legal authority to

make this kind of a payment, but they didn't have enough money in the appropriation then we, as a matter of routine, stop these payments and say no, get whatever is necessary; get a virement or whatever.

I just want to say, though, that since we do this all the time, this isn't . . . It may be a unique situation because of whoever may have been making the request — I don't know — but I have to take responsibility and say we should not have allowed that to happen. You can believe that the people involved were chastised and if they hadn't been doing a good job up to this point in time, we might have had to have considered more serious action.

Mr. Chairman: — If they hadn't had an unblemished record you would have been in that . . .

Mr. Kraus: — As I say, the individuals involved have acted sometimes as the conscience of senior departmental officials and government members and they're doing their best to keep everybody within the rules and procedures, It should not have happened, so . . . (inaudible) . . . can't afford to make one mistake like this, I guess is the point I'm trying to make.

Mr. Katzman: — My points, Mr. Kraus. The system makes you responsible and you take responsibility and I realize that. But somebody above you in this system has said it's to be done and done now, and it got done. The system did not . . . was allowed to be, short-cut, somehow. The cheque was issued even though people seemed to know it shouldn't have been issued. And if you read this note it seems to indicate that it just wasn't right, by the rules.

I read between the lines, and if you took out the word 'public ceremony' I wouldn't read as much there as I do, but we seem to be in the pressure. There is nothing which stops a cabinet minister from presenting a promise to bring in a ceremonial cheque and I can't understand why you didn't say, 'Look it, give a ceremonial cheque, but the actual cheque will have to wait for these two procedures to go through.' And what I read here is blatant politics and above you . . . I realize you will take the blame and that's your job. Don't get me wrong.

Mr. Kraus: — No, but Mr. Katzman, what I'm trying to say is if I had been aware of this, or one other individual who is between me and the individual that made the decision to let this go, it wouldn't have happened. I mean, it's not unusual for us to have . . . You know, somebody wants to do something — fine, but they don't have the money or they don't have the authority and it's our job to say, 'Well here's what you have to do.' You're right. Why not present a ceremonial cheque?

If this had come to my attention it would not have passed, so I mean we will not break the rules. I guess we will do everything we can to allow the job to be done. If it's a cheque that has to be presented or a payment that has to be made, we would assist the department to put pressure on those people in Finance that have to process the paper for virements required. Fine. We can do that. These things can be done in hours, it isn't a matter of days . . . (inaudible) . . .

Mr. Katzman: — No they can't.

Mr. Kraus: — And I'm saying that there is no reason why we agree to the request of the department. In my opinion, the ministers cannot force me to make a payment. What I

will do, as an extreme case, if I feel there is no authority whatsoever and there's nothing we can do, but it's still in the public good and soon, there is provision in the finance act that you can even have the treasury board direct me to make an illegal payment.

You know, what I'm saying — that's another option. And we might do that once or twice every couple of years type of thing if that's necessary. But it has to be done in accordance with accepted practices, and this should not have happened; that's all I can say. And we would not give in to a minister.

Mr. Glauser: — Mr. Kraus, what this suggests to me, is that perhaps someone who was wanting to do this knew what your stance would have been, and bypassed you. Is that a fair statement?

Mr. Kraus: — Well . . .

Mr. Chairman: — That would have been his own official though. That's the . . .

Mr. Kraus: — The trouble is, my official agreed to this, and as I say, it's an official who normally rejects these kinds of requests, and I have no concerns at all.

Mr. Glauser: — Yes, but you had no knowledge of this until it was brought to your attention by . . .

Mr. Kraus: — By the Provincial Auditor.

Mr. Glauser: — . . . by the Provincial Auditor. And that's what suggests to me that your position was being usurped, that you were being bypassed completely.

Mr. Chairman: — As long as . . . I'm sorry. Let him speak for himself.

Mr. Kraus: — Yes. I could look at it that way, and I guess I'd like to say that there is more to this than meets the eye. There's the use of journal vouchers, and so on. And I guess I'd like to chastise all departments, not just this department here today, for trying to break the rules. It's one thing to see what can be done within the rules and get whatever changes have to be done to make the payments. But when they ask us to do this, I think they're somewhat out of line, and consequently, I did have my deputy minister, the secretary of treasury board at the time, circulate a letter to all the permanent heads explaining my concerns in this particular area — that I don't expect them to do that to us.

Mr. Cutts: — I could comment on that in that not being in the position of the deputy at that time, we would certainly agree with Mr. Kraus, that we would not put ourselves in that position.

Mr. Katzman: — Well, my problem with this . . . (inaudible) . . . It has everything in it that shouldn't have been done. I mean, it's the flagrant violation that the auditor has found. It's gone against everything, every protective system we've tried to build into the system. And it slipped through them all. That's what I can't understand: every system it slipped through. You know, we have checks and balances; it slipped through because somebody let it, knowingly, slip through. There's complicity.

Now the orders came from somewhere and somebody wasn't going to argue with that individual who made the order. And my concern is, and I don't care if it's our government or your government, Ned, that's not the important factor. The system is there. And an employee shouldn't be fired for following the system, but it's still, to me it's a blatant one, and it bugs me.

Mr. Chairman: — Well, I accept all that you say, Ralph, but I think the suggestion that there was undue political influence exercised in the comptroller's office is, I think, what Mr. Kraus is denying. I think what . . .

Mr. Katzman: — No, he's not; he's not.

Mr. Chairman: — Well, the . . .

Mr. Katzman: — Mr. Kraus is taking the blame, as he should, because it's his department. Mr. Kraus is not saying, as he shouldn't say, where the order came from above him. That is proper of Mr. Kraus. I may, as a politician, go a little further than Mr. Kraus, as an employee, can. Mr. Kraus has a job. He has to protect his minister and so forth down the line. He is the . . . That's where the buck stops, and Mr. Kraus accepts that. And I compliment him for it. But I'm saying, with that in mind, there's something wrong in this one.

Mr. Chairman: — Well, I'm not sure where this is going to lead us. I am not convinced . . . I just reject that suggestion. I think a likely scenario is the minister would say to the deputy, 'Is that cheque going to be ready to present?' 'Well, gosh, I'm not sure it is.' 'Well, it better be.' So then the deputy, doing what he does, goes to the comptroller's office and says, 'Listen, I've just got to have it,' and it is prepared.

I don't think that's undue influence on the part of a minister, because I think the responsibility of the employee is to go to Mr. Kraus, his superior in such a situation and say, 'Listen, I've got a real problem here and I want your directions on it.' That's wasn't done. He decided to go ahead and solve the problem on his own. I'm not being critical of the official, but I think that's probably the scenario. And that doesn't suggest, I think, any particular degree of blame on anyone of them. Probably all of them should perhaps share it, but I don't . . . You know, if you're suggesting, Ralph, that the minister went and weighed upon the comptroller's office until they finally succumbed, I don't think that's . . . That's not what Mr. Kraus has just said.

Mr. Glauser: — I don't think that's what he said, though. I think he felt that there was undue pressure coming from somewhere for that to have been done, unbeknownst to him.

Mr. Katzman: — He said that he had a man who normally is very efficient and normally he doesn't let things slip by. I accept that. I accept he's taken the blame for it, as he should, because that's the rules of this system. But I also suggest to you that there was pressure put on them that they couldn't say no to.

Mr. Chairman: — I suggest there's just no evidence of that, Ralph. You can allege that, if you like, but I suggest there's just no evidence of that.

Mr. Young: — The concerning part to me is that presumably it was a weekend or something this happened. He wasn't there anyhow, or towards the weekend . . . (inaudible) . . .

Mr. Chairman: — Why do you perceive that?

Mr. Young: — Pardon me?

Mr. Chairman: — Why do you perceive that?

Mr. Young: — Because he said that he wasn't there. He's been the comptroller during the period, but he wasn't there.

Mr. Kraus: — No, I said the matter wasn't brought to my attention, Mr. Young.

Mr. Young: — That's what concerns me. Why wouldn't the individual in the comptroller's office come to you and say, 'Listen, yesterday some awful fast things happened around here, and I'd better enlighten you'? But if you found out about it from the auditor's report, that's way after the fact and presumably the books had been straightened out by that time and everything was going down the road till the auditor came along.

Mr. Kraus: — Well, I can't explain that. That's the problem I'm having with this, is that when we do have situations that the auditor, who is redoing this type of thing, feels that it's inappropriate, the standard reaction would be that he would either come to his immediate superior or myself. And so I was quite likely . . . It could have been during the week. I was probably on the job, but for some reason this situation did not come to my attention.

Mr. Young: — Don't all sort of irregular things in your department that aren't of the normal procedure, don't your underlings come to you and clear it out with you first if you're the top man?

Mr. Kraus: — Something like this I would expect that they would normally reject the request, and then it would be a matter of course that they would say, you know, 'Here are the things you can do, and when you do them and it's proper and legal, come back.' If there was continued pressure, and they weren't sure what the solution might be, yes, they are obviously to come up, to see if we have some ideas as to what a suitable solution might be. In this case that didn't take place.

Mr. Katzman: — Can I go one step further? Let's assume. Let me ask when this thing was finally straightened out. I would almost guess that it got into the next year, it seems to indicate, or got awful close to the year end, or something.

Mr. Kraus: — Well, what happened, Mr. Katzman, as I recall, was eventually a virement was obtained and moneys were transferred to this deficient subvote. After moneys were then transferred to the deficient subvote, then through means of a journal voucher they transferred the expenditure from the incorrect subvote back against the correct subvote, so you know, if you didn't know what had happened it would appear that everything had been charged and paid at the correct time and everything was okay.

Mr. Chairman: — I'm going to interrupt, if I may, just for a moment — and it's just for a moment. It's 17 minutes to 11. We have not been flagging items recently, and we're going to be forgetting them if we don't start doing it. I think we should start this morning, disciplining ourselves to start flagging items. Also, I have to leave at 11 o'clock. I've got a non-controversial bills committee, so we're running close to the end

of our time. The member for Saskatoon University has been waiting patiently, and I don't want to interrupt your line of questioning, but I would just inform you that he's been waiting for some time to get into this.

Mr. Katzman: — Are we going to do them back tomorrow? Hold it. When are we going to bring them back, then? That may have some bearing here, Ned.

Mr. Chairman: — We were . . . Well, we can certainly bring them back Tuesday. Are you available Tuesday?

Mr. Cutts: — I'm . . . (inaudible) . . . available Tuesday.

Mr. Katzman: — That's okay . . . Later in the week.

Mr. Chairman: — Well, it's okay with us. I'm not sure . . . Not all departments want to be here in the absence of the . . . (inaudible) . . .

Mr. Katzman: — I said later in the week.

Mr. Chairman: — Yes, Thursday, Friday. Neither one is any good for us.

Mr. Katzman: — Thursday?

Mr. Chairman: — No. Thursday's no meeting. We've got . . . (inaudible) . . . conflict.

Mr. Katzman: — What's going on Thursday?

Mr. Chairman: — Another committee meeting which all government members are . . . (inaudible) . . . What is it? Private bills. So I don't know if we can wrap this thing up this morning, or if you want to adjourn it till the week thereafter, or what?

Mr. Katzman: — We're going to have to adjourn it, I think,

Mr. Chairman: — All right.

Mr. Katzman: — . . . because we have their second department, as well, to do government . . . Revenue.

Mr. Chairman: — Oh, we still have Revenue, Supply, and Services.

Mr. Katzman: — Which is the same — most of the same individuals.

Mr. Chairman: — Some of them, two of them, some of them.

Mr. Katzman: — Okay. Let me ask a final question.

Mr. Chairman: — Okay, then I think we have a few more minutes. If there's general agreement, then I'll be quiet and let you go ahead. We will wrap this up at 10 to 11. That would give us only 10 minutes. I don't think that's excessive.

Mr. Katzman: — Can you tell me when the virement and the journals were straightened around?

Mr. Kraus: — Approximately 30 days of the date of the cheque issue.

Mr. Katzman: — Where did you vire money from?

Mr. Kraus: — I cannot recall. I don't have that information as to what particular subvote . . . (inaudible) . . . Perhaps the officials would have that detail; I do not.

Mr. Katzman: — Vires within its own department.

Mr. Kraus: — Oh, within its own department, yes, of course.

Mr. Katzman: — We have priorly condemned DNS for doing this little game. I assume we will do the same . . . (inaudible) . . .

Mr. Glauser: — I think an important issue here perhaps is who controls the cheques . . . (inaudible) . . .

Mr. Kraus: — The cheques themselves?

Mr. Glauser: — Yes.

Mr. Kraus: — We do. The comptroller's office does.

Mr. Glauser: — But, would the individual who controls those be at a higher position or a lower position than you?

Mr. Kraus: — Well, the actual physical control would be in the hands of someone lower than myself, yes.

Mr. Glauser: — So, if someone lower than yourself was come to with a request to issue a cheque of that size, would that not have to be referred to you then?

Mr. Kraus: — Well, our organization is such that the people that are auditing, looking for legal authority, are on one side of the shop. Okay, there's another group that ensures that there's sufficient moneys in the subvote. And then there's finally the people that are actually issuing cheques. They are somewhat divorced from one another. You know, you don't . . .

Mr. Glauser: — So, okay. Then the person who would check to see that there were funds available . . .

Mr. Kraus: — . . . aren't the ones that are actually going to be physically issuing the cheques. It's just that they are approving the documents for payment, so they go on through the process and ultimately a cheque is issued. If they don't let the document in, the payment request, in this case for \$663,000 into the system, there's no cheque issued. There is that division.

Mr. Katzman: — There's two breaks in the system.

Mr. Glauser: — So, actually, there was breakdown in three areas.

Mr. Kraus: — Can I say that the auditor . . . It's up to the auditor to accept or reject this. If he passes the payment document, then it flows onto the system. The system

assumes or won't accept the documents unless they've passed our auditors. They've passed our auditors, then as far as the system is concerned, it's a legitimate payment document and the cheque has to be issued.

Mr. Katzman: — You said earlier that if someone verifies this money, and somebody verifies, then it continue from then on. So those two had to make an error, then the rest was normal — the normal system.

Mr. Kraus: — Yes, actually, by the time you get to the cheque-issuing stage, Mr. Glauser, it's only going to issue cheques if everything's okay.

Mr. Katzman: — If there were two mistakes; two places it could have been stopped, but it wasn't.

Mr. Kraus: — Although, I think in this particular case there was one senior official in our branch that . . . (inaudible) . . .

Mr. Katzman: — Put it through both those . . .

Mr. Glauser: — Is he still there?

Mr. Kraus: — He is and I've tried to . . . I could explain in more detail if you like, why I decided that, other than a severe reprimand, there wasn't any further action I felt was appropriate.

Mr. Chairman: — Okay, if we're all in and done on this subject, I think we will adjourn the proceedings and goodness only knows when we'll pick it up again.

Mr. Cutts: — Mr. Chairman, we have an answer on the Willow Bunch situation. The bidder could not obtain bonding to qualify for proceeding with the project.

A Member: — Yeah, I assume that, because they're all Saskatchewan . . . (inaudible) . . . I didn't check with any of the people I named.

Mr. Chairman: — Okay. On call. You're not available next week. Do I assume correctly that this department would rather not appear in the absence of the deputy? Many departments take that view.

A Member: — Yes.

Mr. Chairman: — We'll just have to leave you on call then until the week thereafter.

Mr. Cutts: — Any time after.

Mr. Chairman: — Tuesday then, legal aid, SaskComp, and I guess it's housing on stand-by.

A Member: — There's no one on stand-by . . . (inaudible) . . . Perhaps we'll only need an hour and a half.

Mr. Chairman: — Okay. Thank you, you're excused. We have not been flagging items. And we need to start doing that. Let me then start with this morning and work backwards. Teachers' superannuation. Anything to flag there?

Mr. Katzman: — The flag is we would like to know as soon as possible the actuary shortfall.

Mr. Chairman: — I think we should again express concern about the size of that problem.

A Member: — Anything under municipal employees?

Mr. Chairman: — I think we have the problem under control we were concerned about.

A Member: — Yes. Doing well.

Mr. Chairman: — In fact they had the bill . . . Okay. DNS? No, there is nothing to flag there.

Mr. Katzman: — 'Jokingly he said something,' that isn't a bad way to put it. Jokingly, just the way you said 'Flag the whole thing.' He means that may not be a bad way of putting it.

Mr. Chairman: — I think it might be easier to recall now specific things, rather than recall it in a couple of weeks. These things get awfully cold when Cal Glauser and I are sitting down and trying to remember what was it we were concerned about. We're concerned about the housing accounts.

A Member: — Who paid you to collect those sums?

Mr. Glauser: — We're also concerned about the loans.

Mr. Chairman: — That's what I meant . . . (inaudible) . . . Was there anything else in housing?

Mr. Meagher: — Loans and housing are two separate items altogether.

Mr. Chairman: — All right. I'm sorry, yeah. Okay, so there's the two: there's the housing mortgage accounts and secondly, the loans and economic development.

Mr. Glauser: — As well, project management. Construction overruns on capital projects.

Mr. Chairman: — Right.

Mr. Glauser: — Or the lack of it.

Mr. Meagher: — Lack of overruns?

Mr. Chairman: — The lack of . . .

Mr. Glauser: — Project management.

Mr. Chairman: — Anything else?

Mr. Katzman: — Well, you got one you can flag today for sure. As far as I'm concerned, it's a 663 . . . (inaudible) . . .

Mr. Chairman: — It's the last issue of . . . Oh, sorry. On DNS, anything else?

Mr. Katzman: — I think basically the simplicity and you may not like what I'm about to say, but I ain't playing politics, Ned, I'm just putting 'er right.

Mr. Chairman: — I don't know why you'd think I'd think that, Ralph.

Mr. Katzman: — No, I don't normally play politics, Ned. I'm just putting her right where I think . . .

Mr. Chairman: — I don't know why you'd think I'd think that, Ralph.

Mr. Katzman: — And I don't normally play politics, Ned . . . (inaudible) . . .

Mr. Chairman: — No, no, I know. Not a single bone in your body, Ralph.

Mr. Katzman: — Not a bone in my body.

Mr. Chairman: — May the Lord strike me dead if I ever suggested it.

Mr. Katzman: — I think that Paul's suggestion that he said in the first place is simply the way to put it: that this public accounts committee has found, as other public accounts committees in the past have, that DNS department is a shining example of everything that's wrong rather than everything that's correct.

Mr. Chairman: — You're going to have some difficulty getting unanimous agreement on that sort of a broad sweeping condemnation. I say that because I think it's outside our responsibility. Our area of responsibility is to keep the officials accountable, It's not very useful to say, 'That thing was a bloody mess.'

Mr. Katzman: — It was.

Mr. Chairman: — But that, I think, is irrelevant. Whether it is or it isn't is irrelevant. I think what we need to do is point out specific areas where we think there were shortfalls. And I think Paul's doing that, and I don't have any particular quarrel with what he said today. But if you give a blunt condemnation, I think it's just a pointless exercise in politics, and I know that's the furthest thing . . . (inaudible interjections) . . .

Mr. Meagher: — Mr. Chairman, while I appreciate the fact that we can, in public accounts, simply comment on the lack of accountability of particular programs and areas, the difficulty with that department is that . . . My problem with it is that we . . . It's been demonstrated here that they can't account for a certain amount of the things. Unaccountable.

Mr. Chairman: — I would argue that part of the problem was the change of officials. There was a marked difference between the quality of answers we got in December and the quality of answers we got now. And I think part of that was due to the fact that we're

dealing with officials who weren't there.

Mr. Meagher: — And partly perhaps the quality of the questions as well. Maybe they weren't posed the same . . . (inaudible) . . .

Mr. Chairman: — They may not have been posed with the same skill, but I think part of the problem was the change of officials.

Mr. Katzman: — Ned, we've changed officials in many departments, and we have never had a department that just didn't have their act together. And we had it in December; we had it last year; we had it the year before. The year before that I wasn't on, but we had it the year before that, and so forth. I mean . . .

Mr. Chairman: — I didn't sense that, if I may say. I would have knocked down previous years. I didn't sense that in December when the other group of officials were here answering the questions. I didn't sense we had the same problem with getting answers as we did now. I took that to be the change of officials, not the problems themselves.

Mr. Folk: — I'd say that Paul hit it on the head there. The questions this time were a lot more probing and in detail.

Mr. Katzman: — That's true.

Mr. Chairman: — I don't readily agree. I thought the member from Rosthern was being quite probing and detailed in December . . . (inaudible) . . .

Mr. Katzman: — Except I left a lot of things. I said we'd do them in the next grouping.

Mr. Glauser: — I'm inclined to agree with Paul, because yesterday we had an individual here who was with DNS before, and we've had two individuals, and yet those, what you were saying was, I don't know. He couldn't say that, well there was \$17,000 worth of materials that didn't reach the site, or whatever that figure might have been. He didn't have the answers.

Mr. Chairman: — I don't think now is the time to get into an exhausting wrestling match. If you feel you want to flag the inability of the officials to provide the answers we ask, that's fine. We'll flag it . . .

Mr. Katzman: — If you want to put the words in, you know, some of it may be due to some of them not being there at the time of the happening. I'd go live with that one.

Mr. Chairman: — We'll quarrel about how we word it if you people want to flag it. All we're doing now is setting up a reminder system, so that we remember what we want to . . . We're not now settling the issue of the final report. Anything else that you remember

Mr. Meagher: — No, nothing that . . .

Mr. Chairman: — Okay. Anything before . . .

Mr. Katzman: — Teachers.

Mr. Chairman: — Teachers.

Mr. Katzman: — Teachers, just before we shut her down.

Mr. Chairman: — Yes. I'd almost forgotten you. I had actually, but I haven't now.

Mr. Katzman: — On the teachers one. They're done. We're flagging the shortfall, and I think we had better flag the . . . I don't know the answer. But somehow we should ask them to consider the ramifications of bringing their unfunded liability into line, and I don't know how you flag that.

Mr. Chairman: — Yeah, the Clerk reminds us that we did it last time.

Mr. Glauser: — Yes, we did. And we wanted to be very careful how we worded it because we cannot place the government under any imposition right now.

Mr. Katzman: — To pay for the money they . . .

Mr. Glauser: — To pay it all right now because . . .

Mr. Chairman: — Let me read for you the brilliant prose put together by the member from Saskatoon Mayfair and the member from Regina Centre.

Your committee, (together with the additions and the fine-tuning which the committee provided, your committee) notes with concerns (that's a typo, your committee notes with concern) the unfunded liability in the teachers's superannuation plan, public service superannuation plan, and the members of the Legislative Assembly superannuation plan. Your committee recommends the Department of Finance review unfunded liabilities.

It may not have been a typo.

Mr. Glauser: — Do you have another sentence on there and we eliminated, and that was that government deal with this . . .

Mr. Chairman: — With all due haste.

Mr. Glauser: — With due haste, and . . .

Mr. Katzman: — That's the whole treasury for one year.

Mr. Glauser: — And we've got to eliminate it.

Mr. Chairman: — Okay. Anything else that we want to flag? I want to raise two other items. One is that we should, I think, determine by Wednesday of next week who's going to the annual meeting. The officials will want to start making travel arrangements.

Mr. Katzman: — When is it? July, isn't it?

Mr. Chairman: — July 13th.

Mr. Glauser: — July 9th . . .

A Member: — Where is it?

Mr. Chairman: — 9th to 13th I thought. 11th to 13th in July.

Mr. Glauser: — That's Toronto.

Mr. Chairman: — That's Toronto. I think it's a decision for the government caucus. I talked this over with Allen, and he's not particularly interested and so from the opposition caucus it's the chairman.

Mr. Katzman: — I assume the chairman and vice-chairman will be automatically offered first, as is normal.

Mr. Chairman: — I would assume that. And I think that's appropriate. I have a conflict of interest in making that judgement, but I think it is appropriate that chairman and vice-chairman go.

Mr. Katzman: — It always has been that; that's the proper way. And then the additional that we approve we will have to discuss, I guess in the government caucus.

Mr. Chairman: — Government caucus has got to make that decision, and of course anyone else can go, if you want to get along on the per diem. There was one other item that I . . .

Mr. Katzman: — Mr. Lutz has something.

Mr. Chairman: — Yeah, but I have an odd feeling that it was something else that I was going to raise. It's escaped me. Mr. Lutz.

Mr. Lutz: — Mr. Chairman, I refer to page 347 of the verbatim on May 4th, wherein Mr. Bailey suggested that neither the comptroller nor myself would have any areas of criticism relative to the Prince Albert-based operations. Mr. Kraus spoke for himself at a later page. I felt I would rather see the verbatim first. I will refer you to F65 in the *Public Accounts* of the province which contains the balance sheet of the northern Saskatchewan economic development advance account. That is volume 1, F65, and on that particular balance sheet I issued a reservation of opinion because I could not satisfy myself that the collectability of these loans was there. In conjunction therewith there was a document filed with this committee from the gentleman from northern relative to the same advance account, dealing with loans outstanding. And in that particular document he suggested to the committee that the uncollectables were approximately 1.038 million. On his balance sheet he mentions 4.1 million.

Further in that particular document he suggests that loans in arrears were 34 percent. Our examinations indicate that they are 76 per cent. One other additional item, I look at page 350 of the May 4th verbatim, where a member suggested we might have to suggest a way that an independent auditor can be reviewing these departments consistently. I have to take exception to the inference that the one who's doing it now is not independent. I feel very independent minded, today and yesterday, and I would further submit that doing it on a post audit basis will never prevent this kind of thing because we come in there after it happens. Possibly, BMI would put a team of comprehensive auditors in there someday and do a three E audit on the value for money thing. This might . . . (inaudible) . . . I just turned the mike on.

A Member: — Is the mike on?

Mr. Chairman: — Yes, the mike is on. It was specifically requested that this be on the record. Mr. Dutchak isn't here. I'm not sure if Mr. Dutchak intended to cast any aspersions on the Office of the Provincial Auditor. I think he may have been speaking in more general terms. Perhaps he may want to respond for himself. I'll leave it to the vice-chairman to bring the matter to his attention for whatever reaction he thinks appropriate,

Mr. Katzman: — Well, I would like to disagree with one part of Willard's comments. There has been a decision made in this committee, Mr. Lutz. I'm not sure if you're just sort of throwing it off on the last day . . . (inaudible). . . If you do I accept that. But we agree that we are not into value auditing at this time. So I would suggest your comment might have been . . . You know, I take it this is more . . . (inaudible) . . .

Mr. Lutz: — On the contrary, Mr. Chairman, I've been told in this committee that the people in BMI are in fact doing comprehensive audits. So I submit to you that they should go do one here.

Mr. Katzman: — Okay, fair game. You're not saying you should, then?

Mr. Lutz: — Oh, I never suggested that ever. Mr. Kraus advises me that when he was up there last year with his task force none of the BMI people went along. I think it might have been a useful exercise.

Mr. Meagher: — Excuse me for a moment. What is BMI?

Mr. Chairman: — Bureau of management improvement. They're a bureau of the provincial . . .

Mr. Kraus: — . . . (inaudible) . . .

Mr. Meagher: — It's part of the Department of Finance. They have auditing capabilities of their own, independent of the provincial auditor.

Mr. Lutz: — The record at this committee is quite extensive relative to value for money auditing. Yes, they have been doing this for several years now.

Mr. Glauser: — Well, theirs is a system more of systems evaluation, if I understand its function, as opposed to doing an audit.

Mr. Lutz: — Mr. Chairman, Mr. Glauser, I have never seen a product of their efforts so I couldn't respond to that. But if they tell me they're doing a comprehensive audit, they're doing audit with added procedure in there where they do an evaluation of the economy and the efficiency and the effectiveness.

Mr. Glauser: — I accept that, but from a systems point of view. Am I not right, Mr. Kraus?

Mr. Kraus: — Well, I think, Mr. Glauser, they are probably, as much as anything, evaluating the programs as well. What are the program's objectives? What was the program established for in the first place? Are they meeting the objectives . . . (inaudible interjections) . . .

Mr. Lutz: — Mr. Chairman, one more. Mr. Katzman, you, I think, suggested I was taking a shot. I was not taking a shot. I have never advocated, either here or privately, that we should be doing in my office comprehensive auditing. When we went to the Minister of Finance, at his invitation, to present new legislation for my office for some additional level of independence, perceived and real, we included those items in there simply because we had no reason to leave them out. Discussions with that minister said we can't see these this year. We said, 'Fine.' They were removed. No problem.

Mr. Katzman: — I think that is conversation that isn't required at this committee, because Ned's ears are wide open right now.

Mr. Chairman: — I don't care. I know. My ears are wide open because the member from Rosthern . . . I have to go to non-controversial bills. We have a heavy agenda. We've got to go.

Mr. Glauser: — I just have one more thing as far as flagging is concerned and what I was asking for the other day. It's been alluded to here by Mr. Lutz right now. In the loan account I was asking for the amount of dollars that is more realistic in uncollectable, in bad debt.

Mr. Chairman: — Suggesting that their accounts may not properly reflect the amount of bad debt.

Mr. Glauser: — That's right.

Mr. Katzman: — That's what Mr. Lutz seems to indicate today, as well.

Mr. Glauser: — Well, we're getting too many different figures.

Mr. Chairman: — Okay. Flag that as well.

The committee adjourned at 11:05 a.m.