Mr. Chairman: — I call the committee to order. The Clerk has pointed out that it is minute number 14 from last year, May 29, '85, which sets out last year's discussion on the Municipal Employees' Superannuation Commission. I guess that's it. I guess it's municipal superannuation commission — there's no employees in the name.

The people who are with us this morning are: Roy Parkinson, chairman of the Municipal Employees' Superannuation Commission; Jon Jonsson, assistant deputy minister of Saskatchewan Rural Development; and Larry Aebig, executive secretary of Municipal Employees' Superannuation Commission. If I didn't do a perfect job of those names, gentlemen, I'm sure you'll correct me.

The issue, gentlemen, as I believe you are aware, arises out of the Provincial Auditor's report. I'm sure you've had an opportunity to review it, and I will . . . On page 55 of the Provincial Auditor's report.

So I will open the meeting for questioning by members of the committee.

Mr. Parkinson: — Mr. Chairman, we had originally requested that this meeting be in camera. Pensions are a very complicated issue. We have a reporter sitting here who I'm sure is not familiar with pensions, and I would not want him reporting something in the paper that is going to upset the employees of the commission.

Mr. Weiman: — I think before . . . Maybe you'd satisfy this if you would indicate, as you have done in past practices when we've met, the proceedings and the runnings of the Public Accounts Committee and the disclaimer that goes with it. You failed to do that. Maybe that may ease some of their tension.

Mr. Chairman: — Thank you. It might. Let me say a couple of things. One is that what is said before the committee is privileged in the sense that it may not be used, it may not be the subject of a libel action or any criminal proceedings, in the unlikely event that would ever arise. On the other hand, it is taken down verbatim and it is freely available for members of the . . . those practitioners of the dark art of journalism.

The proceedings are in camera. We normally attempt to avoid dealing with individual cases in public. On the other hand the fact that the reporter from the *Leader-Post* might not get the story as we see it is scarcely a reason to exclude him. Members of the public are paying for this proceeding and have a right, in our view, to know what's going on. So I refuse your request, at this point in time, for an in camera hearing and open the matter for questioning.

Mr. Katzman: — Mr. Chairman, I think to try and put this in a perspective where we can all follow it, including the press for your benefit, we have in your plan similar to other plans — example, I will use the public service plan to base the argument which is very public. The public service plan used to be a formula plan. With their formula plan, they had an employee saving account plan which is something that you people have as well, a similar type of thing and they had a labour service retirement plan. In 1976 the labour service one disappeared. The employee saving account still exists. You have a system which breaks into an employee saving as well in the past, and I assume you still have it rolling today. You have moved from a cash purchase matching system to a formula system matching. Legislation of '73 and '81 are sort of a basis of what you've done.

In our report last year to the House, we recommended that you show your accounts separately. That's really what the discussion here will be about today. I, as a member of the committee, still believe that we are correct and you are wrong and I think that now is the opportunity for you to try to persuade us that we are wrong and why. And I understand what you have done. But rather than me go through a whole procedure, I would suggest if you would like to take and go step by step so that everybody has a good explanation and basis of what we are doing, it may be benefit to the whole committee. Otherwise I can just start showing you where I don't like, but I think you would like to make sure the committee members all understand what's happening.

Mr. Parkinson: — Yes, thank you very much. I would just like to make a presentation to start off with.

My name is Roy Parkinson. I am chairman of the Municipal Employees' Superannuation Commission. It's a position that I have held for the last 35 years. I thought I should first tell you who is in the plan. Every permanent, full-time employee of every village, town, city, with the exception of Saskatoon, Regina and Moose Jaw; rural municipality and northern municipality in Saskatchewan; the board of education of every school division and the board of trustees of every school district; the board of every rural telephone company, regional public library, union hospital district . . .

Mr. Katzman: — You said the schools. Are there not some that are separate?

Mr. Parkinson: — Saskatoon public and the Regina, both public and separate; all others are in.

Mr. Katzman: — Thank you.

Mr. Parkinson: — The Saskatoon School Trustees Association; the Saskatchewan Association of Rural Municipalities; the Saskatchewan Municipal Hail Insurance Association; the Saskatchewan Urban Municipalities Association; the Saskatchewan Association of Rural Telephones — they're all gone but we still have people who have money in the plan from the rural telephones, and any other group or organization that may be designated by Lieutenant Governor in Council. We have some of the northern areas that have been designated and we have one nursing home.

The commission consists of nine members: a representative of the Government of Saskatchewan appointed by the Lieutenant Governor in Council who should be chairman of the commission; a representative of each of: the Saskatchewan Urban Municipalities Association; the Saskatchewan School Trustees

Association; the Saskatchewan Association of Rural Municipalities; the Rural Municipal Administrators' Association of Saskatchewan; the Association of Community Colleges — all named by their respective organizations or associations; a person named by the minister to represent the urban employees and a person named by the minister to represent fire-fighters and policemen because they contribute at a different rate because of their early pension age.

Mr. Katzman: — . . . full-time or part-time employees.

Mr. Parkinson: — Full-time, permanent employees.

Mr. Katzman: — And some of the cities again are not involved?

Mr. Parkinson: — Well the three cities — Saskatoon, Regina, and Moose Jaw.

Prior to July 1, 1973, the superannuation plan consisted solely of a money accumulation plan. This plan provided funds from which the employee would purchase an annuity from a private insurer at his retirement. The amount of one's annuity depended upon the member's age, his plan selection, and the funds to his credit, and the long-term investment rate applicable at the date of his retirement.

Mr. Katzman: — Correction. He could buy it from an insurance company or you would give him an annuity prior to '73?

Mr. Parkinson: — Up to 1980, it all went to the insurance company. We gave them a quote from 12 insurance companies, and he could select the one he wanted. Since 1980 the insurance companies haven't quoted.

Mr. Katzman: — Good enough. That's what I wanted to make sure of.

Mr. Parkinson: — In the late '60s and early '70s, the commission received numerous complaints to the effect that the annuities resulting from their contributions were very low compared to benefits others were receiving from formula plans whose benefits were determined by using an average salary and years of service in calculation. The complaints of the municipal employees were well founded, as interest rates were very low in those days, and annuity conversion tables were most unattractive.

After a good deal of study, the commission decided to terminate the money accumulation plan on June 30, 1973, and replace it with a plan which would recognize benefits earned and promised under the former Act, while at the same time providing for formula benefits for that portion of one's service rendered subsequent to June 30, 1973. This option was selected, as it proved too costly as well as administratively an impossible task to translate the individuals' money accumulation into a contributory service.

When we had the money accumulation plan, no record was kept of service because we didn't require service under a money accumulation plan. We would get money into the plan for employee A; we would not know whether he had worked two weeks or one month when he came in. So the only records that were kept was the amount of money received — no service. It would not be possible for us from ’73 to go back to '51 to try and pick up service, and that was why we left the money in the annuity account.

Mr. Katzman: — Well just a minute. Once again a question. Do I read you to understand that anybody prior to '73 who had money in the funded account, that money was not broken out to be shown as cash purchase money, for lack of a better term? We all understand what cash purchase means.

Cash purchase was not credited to each individual, because your system could do it but then you couldn't tie them to the years of service. So my understanding is now: if I started to work in 1960 and I was paying in, when I go on the formula of 35 to best 5, which is what you've decided on, that I will go back to the year I started for my benefits?

Mr. Parkinson: — No.

Mr. Katzman: — Okay, would you tell me where I've missed it? How will my . . . Will I not . . . Say, let's take the year 1960, just to make it easy. 1960 — 35 years would be 1995, where I would retire. And I will get a formula pension for back to '73, or back to 1960, please?

Mr. Parkinson: — '73.

Mr. Katzman: — And do I get prior to '73?

Mr. Parkinson: — You get an annuity with the amount of money that you had in that fund.

Mr. Katzman: — Will I also get an annuity for what I've overpaid in these last few years?

Mr. Parkinson: — Yes, you will.

Mr. Katzman: — Do you want to explain that now or later?

Mr. Parkinson: — Well it's coming on later.

Mr. Katzman: — Okay.

Mr. Parkinson: — The intent of the commission was to administer the resulting plan as one plan having more than one component to the retirement benefit calculations.

On July 1, 1973, the former Act was repealed and a new plan was instituted. As a result, the employees who were members of the plan covered under the former Act automatically became members of the plan under the new Act.

Now it's the same people in both plans. The only difference is that under the new Act the plan will pay a formula benefit on services rendered and contributions made subsequent to June 30, '73 in addition to granting annuities to those who had money in the fund on June 30, '73 but who did not retire until later; as well as continuing to pay annuities out of the fund to those members who are already retired. Is that cleared up?

Mr. Katzman: — Would you prefer now or later to tell me where the adjustment money for those who retired came from?

Mr. Parkinson: — You lost me when you used the word "adjustment."

Mr. Katzman: — Well those that retired prior to June 30 . . .

Mr. Parkinson: — You are thinking of supplementing the pensions?

Mr. Katzman: — Same word; fair game.

Mr. Parkinson: — They come from the surplus. No money is taken from the contributions of present employees.

Mr. Katzman: — But from the surpluses developed by the over-production of the towns and villages paying in as is indicated in the *Public Accounts* '84-85, where 165.6 per cent of the money paid in is all that's required for, not the 200 per cent you're receiving now.

Mr. Parkinson: — The employee gets full benefit from those.

Mr. Katzman: — And the taxpayer pays extra?

Mr. Parkinson: — I guess that's a correct statement, yes.

Mr. Katzman: — Okay. Let's continue.

Mr. Parkinson: — We're using an example here of a benefit payable under the new Act.

An employee retiring on June 30, 1986, that had been employed continuously since July 1, 1955 would receive a pension calculated as follows: his contributions and interest in the fund at June 30, 1973, plus interest to date of retirement amounted to $50,000; an annuity based on age, plan selection, funds available, and annuity conversion rates gave him a monthly pension of $500. Under the formula plan, based on his highest five-year salary and years of service since June 30, '73, he would receive a monthly pension of $541.66 for a total of $1,041.66.

In the early 1980s the commission realized that the actuarial surplus was accumulating and upon the advice of the actuary we decided to offer supplementary allowances to all superannuates.

Also in the early 1980s the commission started underwriting the annuity payments. This was undertaken, as the commission, upon the advice of an actuary, determined that they were able to offer better rates than private insurers. But you can still go to a private insurer if you so wish.

They were able to do this as, unlike private insurers, the commission was not responsible for paying administrative expenses nor were they motivated to make a profit.

Mr. Katzman: — Just for your point of argument. An annuity that would subsidize somebody at $120,000 today, done privately through your corporation — and you may not be able to agree with the numbers — would be about 105, where if I went to a private insurance it would be about 120. That gives you a comparison. Those figures I stand by because I've lived through something like that.

Mr. Parkinson: — Well we have not been able to obtain a quote from an insurance company for a number of years. We can outbid all of them.

Mr. Katzman: — That's what I'm saying. I'm saying self-administered, you could do for what would cost the employee 120 for about 105?

Mr. Parkinson: — Yes.

Mr. Katzman: — Which is about the norm.

Mr. Chairman: — About 15 per cent administrative, it would be?

Mr. Katzman: — Yes, a little better than that.

Mr. Parkinson: — The plan authorized by the new statute must be found in accordance with the test of solvency as prescribed under The Pension Benefits Act. And for this reason actuarial evaluations are made of the plan at least once every three years.

Under clause 22(4) of the Act the commission may grant pension increases or additional allowances only if it has first established by an actuarial evaluation that such additional allowances will not put the plan into an insolvent position.

Mr. Katzman: — I think, for the benefit of those committee members, that is probably one of the key points we're going to discuss today before we're all done: 22(4) is partly where our argument between your group and our group seem to differ.

Mr. Parkinson: — As at March 31, 1986, the commission was paying out approximately $381,756 per annum with respect to all pension supplements granted in the past. This amount is comprised of an additional allowance that was granted on the 1st of July, 1980, of $78,552 per annum; additional allowances granted July 1, 1982, $118,836; additional allowances granted on September 1, 1984, $184,368.

Mr. Katzman: — Those allowances were for what purpose?

Mr. Parkinson: — Supplementing pensions of past . . . of people on pensions.

Mr. Katzman: — We're not talking about the equity, where they paid the extra in.

Mr. Parkinson: — No.

Mr. Katzman: — We're talking about strictly supplement, okay? We are using the money paid in for those supplements over the . . . I'll give you an example for lack of a better way of doing it. I pay in a dollar; the R.M. pays in a dollar. To give me my pension plan by the formula, it looks like I will need $1.65 — dollar sixty-five point six. What is happening is 34.4 cents is being used to supplement, because you're not hurting your funded liability.

Mr. Parkinson: — That's part of our surplus, yes. The other part comes from people who terminate employment, make a withdrawal of pensions, and then they forfeit the employer's contributions.

Mr. Katzman: — The person who's not locked in by the 45-10 laws?

Mr. Parkinson: — Who's not locked in by the 10-45, yes.

Mr. Katzman: — Correct. My question is . . . Then what I'm saying is: I can drop the employee down to paying 83.5 cents instead of a dollar, and the R.M. down to paying 83.5 cents rather than a dollar, and the employee will get exactly the same benefit he is now getting on the formula plan.

Mr. Parkinson: — Correct.

Mr. Katzman: — His cost can drop 17 per cent, and so can the R.M.'s.

Mr. Parkinson: — We've had two actuaries tell us that our contribution rate is high. But if we lower it and then find, because of changes that are now coming into CPP, that we'd have to raise it again, we don't want to be faced with that.

Mr. Katzman: — Oh, you could be faced with the $992 million that we are short in the public service employment plan for back service, like we are right now, if you aren't careful what games you play.

Mr. Weiman: — I just would make a simple little suggestion. Before we dissect the presentation of Mr. Parkinson, so that we know what we're after, I suggest that Mr. Parkinson complete his report. And then we would go through it piece by piece — those things that we felt uncomfortable with.

Mr. Katzman: — I just don't want to leave a misinterpretation . . .

Mr. Weiman: — No, I understand that, member for Rosthern.

Mr. Katzman: — Now, I intend to let him finish, but there's sometimes you get confused and you'd better . . . (inaudible) . . . up right now . . .

Mr. Weiman: — Well then we'll ask for points of clarification.

Mr. Chairman: — I'm not sure that I do agree with the member from Saskatoon Fairview. It seems to me useful, if members have a question, to raise it as you go along. Otherwise some of us . . .

Mr. Katzman: — It's clarification that I'm doing.

Mr. Chairman: — . . . who don't have such an avid interest in pensions may have difficulty following the point that's raised later.

Mr. Young: — Well if that's the case, I've got to jump in. It appears to me so far that, like, we've postulated last time that the new guys were paying to drag the old guys along. So far I haven't been unconvinced of that in anything that's been said. And that's what we figured the evil was.

Mr. Parkinson: — Present employees are not paying a nickel towards supplementing the pensions.

Mr. Katzman: — He is arguing, Kim, that because of the annuity they give you plus your 35 times two, the present employee doesn't, but the town council does. He doesn't argue that . . .

Mr. Parkinson: — No, I don't argue that.

Mr. Young: — They're not getting the full benefit of their contributions . . .

Mr. Katzman: — No, they're doing it, Kim; you get your 35 times two, plus you get another pension plan for your overpayments. But the overpayments paid by the town and villages and the taxpayers goes to supplement those who didn't pay in before.

Mr. Young: — The old guys.

Mr. Katzman: — It's a nice game. I know why the employees love it.

Mr. Parkinson: — The same thing will apply to SaskPower, SaskTel, will it not?

Mr. Katzman: — No. Theirs was different.

Mr. Parkinson: — How is it different?

Mr. Katzman: — They paid with unfunded liability that the corporation kicked up for the other people when they went back to full-time service. Now they're gone on cash purchase. It's a little different. The only portion that was similar to what you're saying is the saving certificate . . . Or what's it called, the proper title on it, the employee's saving account. That's the only one that was worked with your annuity. Sorry, go ahead.

Mr. Parkinson: — You live in Saskatoon; I also live in Saskatoon. Are we not paying exactly the same here. Saskatoon have an identical plan to this.

Mr. Katzman: — Saskatoon is right now paying in $1 million over 20 years for unfunded liability . . .

Mr. Parkinson: — Oh, I realize that.

Mr. Katzman: — . . . because of privileges they gave their employees with not sufficient money in, so it's not the same thing.

Mr. Parkinson: — But at the same time the employer is contributing at a higher rate than he need be.

Mr. Katzman: — Because in negotiations he agreed to pay these extra benefits.

Mr. Parkinson: — Because going over their plan, it's the same as this one.

Mr. Katzman: — No, it isn't, sir. I was chairman of that plan in the last settlement, for all the unions against management, and you are wrong. But this isn't the place to argue that.

Mr. Parkinson: — No.

In view of the fact that the commission's surplus now amounts to at least $12 million, with the fund earning 11 per cent per annum, the interest on the surplus alone provides more than three times the amount required to offset the cost of supplements. Our interest earnings on the surplus is $1 million a year. Pension supplements are paid only from actuarial surplus and not from current contributions. This surplus is attributable to employer forfeitures on the withdrawal of an employee; investment income on the surplus; excess employer contributions . . .

Mr. Katzman: — Now on other plans when people drop out and the excess the employer put in goes back in, the employer is not required to pay that much in, and which he gets the benefit of his fall in, the same as the employee gets the benefit of his fall in, so his payment the next year is reduced? Correct?

Mr. Parkinson: — Mhmm.

Mr. Katzman: — And you people are saying no, the towns and villages don't get that benefit; we keep that money and they keep paying the same as if there was no fall in.

Mr. Parkinson: — But if we had those rates and we end up with an unfunded liability, who picks that up?

Mr. Katzman: — The unfunded liability is paid for by the towns and villages, correct. I do not argue that one.

Mr. Parkinson: — . . . excess employer contributions and short-term annuities as a result of death. Although the plan is in a very healthy financial condition at this time, if an unfunded liability were to arise at some time in the future, the provincial government would have no responsibility. The only responsibility of the government to this plan is to pay the administrative costs, and the government acts in a fiduciary capacity holding our money in trust for us.

The government is obligated to pay only the commission's administrative expense and provide office space and investment service. Notwithstanding that the fund is in a strong surplus position, with the surplus expected to go well into the foreseeable future, a study — and we'll have an actuarial study at the end of this year, and we expect that it will show that we have a surplus of 15 million.

But I want to make it clear, to some of the members who may not be familiar, that the government has . . . If we were in an unfunded liability, we would not be going hat in hand to the government and asking them to bail us out.

Mr. Katzman: — You would be going hat in hand to the communities involved to bail you out.

Mr. Parkinson: — We can either increase the contribution rate or we can reduce the benefits.

Mr. Katzman: — Or go to the community and ask them to put in the money.

Mr. Parkinson: — Well, and the employer, as well.

Mr. Katzman: — Yes.

Mr. Parkinson: — Well, the employee and the employer both.

A Member: — Oh, we have done this once.

Mr. Chairman: — Well I'll let the member from Rosthern finish up his point.

Mr. Katzman: — Okay. The point is, if an unfunded liability comes in, the rules say the municipalities are responsible. If the employees wish to kick in, that is their choice, but you cannot force them.

Mr. Parkinson: — By legislation we can raise the contribution rates.

Mr. Katzman: — By legislation you can only for the benefits they receive, not for the past shortfall. Not for the past shortfall, only for future requirements you can up their rate. For the past shortfall, the towns and villages and the taxpayers must bring the money in. I'm not talking about for future. I'm talking for past services. And that's exactly why Saskatoon got nailed — for past service — and only Saskatoon pays it in, not the employees.

Mr. Parkinson: — Well isn't it better, then, that we keep this overpayment from the employer in the surplus to protect ourselves?

Mr. Katzman: — Sir, I would love . . . It's not the right time. I will get back to that after you've made your whole presentation, because I will show you where your fallacy is there. But we'll do that after.

Mr. Glauser: — Yes, I just have one point there. You say you would never go to the government, hat in hand.

Mr. Parkinson: — No.

Mr. Glauser: — But indirectly this would fall back on the government, because the municipalities are going to have to put it up, and the municipalities tend to go to government.

Mr. Chairman: — They have that disturbing tendency. I was going to make the same point as the member from Saskatoon Mayfair. To say that the provincial government has no financial responsibility, I think, is fallacious on two grounds: one, stated by the member from Saskatoon Mayfair; second, as a practical matter, I am not sure that any government could walk away from this kind of a mess. It is an accurate statement to say the federal government has no financial responsibility for banks, but we all know that in a practical matter they do.

I suspect that, at this time in their growth, the provincial governments are going to have a tough time walking away and saying, well gee, wasn't that an unfortunate mess. I suspect that they're going to be on the hook, both indirectly, as Cal Glauser said, and directly. So I was going to take umbrage at the same comment, Mr. Parkinson.

Mr. Parkinson: — Very good. Final paragraph.

In 1981 the Provincial Auditor correctly noted that the commission was not complying with the restrictive clause when calculating individuals' pension benefits. With a legislative change made in 1982, the problem with the restrictive clause disappeared. Unfortunately, however, in the view of the Provincial Auditor, the change created two pension plans. Because of the existence of two plans, the Provincial Auditor is arguing that the financial reporting display two plans. Since the commission does not want two plans to exist, it would most heartily recommend a legislative amendment to once again put us in a position where we have one plan with one fund.

Mr. Katzman: — I think that last paragraph brings us to the real nut of the action, as well as then the financial side. There's two issues here: the last paragraph and the financial responsibility side.

Mr. Parkinson: — One thing I should point out, Mr. Katzman, is that the annuity fund is a declining fund. The members who had money in since 1951 are all retiring or dying, so the annuity fund is declining. In 10 years it will be almost negligible.

Mr. Katzman: — Except if you told me that you were also going out of the business of the overpayment by employees, so that they're not getting an annuity, plus their 35 too, then that would also clean up some of the mess you developed. You really have three sets of plans in here. You have the overpayment by the employee who gets an annuity. You have the overpayment by the towns which you used to build up the 15 million surplus you've just said that you're going to have, and that you're using that overpayment by towns to subsidize pensions and give supplementary pensions to those who did not pay for them. I don't say they don't deserve them — don't misinterpret me — but those who do not pay for them.

You also could immediately say: okay, towns and villages, we are now going to be saying you will only have to pay in 82 and half, or 83, of what you're paying in now; employees, that's all you have to pay. But if you want additional benefits in negotiations, or pay additional, you will have to pay them in.

And second of all, towns, if we find that because we've gone the formula and wild inflation kicks in, that you will have to pay additional money to pay that unfunded liability. And that's how the system works.

Now to your final paragraph, and this is the nub of the reason you were brought here again, is the committee strongly feels — I'm sorry, back up — I strongly feel, and the recommendation of the committee last year passed a minute saying that they must be separate. You are now saying to us, committee, you said separate, we don't want to do it separate, so would you please change the legislation to allow us to do it the way we're doing it.

What I am saying, and for the first time maybe — and no insult meant to the Chairman or any other members of the committee — you've had one member that's had a bit of a life in pensions before he came to this House, and I have a feeling that when I leave, that involvement of pensions will leave with me. My concern is that I believe that this pension plan, and all pension plans, should be similarly administered so everybody understands the rules. I get a very large kick out of talking about federal pensions and provincial pensions because they are not, in a lot of cases, similar. There's a lot of variances.

But under the legislation, all private pensions must be funded and must be actuarially sound. Your pension is actuarially unsound in my opinion because you are overcharging. You are overcharging the employee X amount, and you are overcharging the employer X amount. You are actually gouging, but to substain for the gouging, you say to the employee, I give you yours back in an annuity, so you didn't get gouged, but towns, yes you did. And that's putting it in a simple form.

What I'm saying: I would like to see your reports shown as two annuities. If you want to subsidize the other people, God bless you. I'm not opposed to that, but admit it up front that you're doing it. Don't play around by overcharging the towns the 18 per cent and saying, well, we've got a surplus so we can do it to these people. Why don't you say: towns, you're putting in 18 per cent to give it to these people. Be up front. You're not up front.

Mr. Parkinson: — But I think we must be, Mr. Katzman, because we have three employers sitting on the committee, Owen Mann from Saskatoon; we have an employer from the School Trustees' Association, and an employer from SUMA — that's Owen Mann — and an employer from SARM. They must be fully aware of what the situation is.

Mr. Katzman: — Yes, they're probably agreeing to give these other people a surplus; that's right. I'm not arguing that they're not. But I'm saying, report it that way then. You are not reporting it honestly, the way your report comes in. That's what the argument of this committee is, and that's my strong argument. If you want to do it, fair game, but report it honestly, because I don't think anybody in this room — oh, sorry, better go back. The auditors and the comptrollers probably understood what you were doing, but the majority of the members in this room did not, and neither do the public, and neither do the ratepayers. If we want to pay the extra, pay it. Be gentlemen, be sugar daddies and do it; that's your choice.

But be up front with what you're doing, and don't play the hidden game, which is what you're doing.

In fact, I can go to employees, which I did phone over the weekend, one that's on this plan, and they didn't understand that they got an extra one. They just thought that was a magic little cheque that came. And when I said to one of them, I think you're overpaying; he said, am I? I said, well, I don't know. I'm going to find out this week. Well I found out this week what the number's cracked up to be. And now remember, if I spend 35 years on this plan I will get 100 per cent pension, if not better, when you kick in my annuity. I will make more money on pension than I did on working, the way you guys are building it.

Mr. Aebig: — Mr. Chairman, if I might speak to that. Of course, as everyone knows here, it's quite a common practice to supplement pensions. Primarily, I think the purpose of that is to replace the erosion of the purchasing power. Whether it be an annuity or a defined benefit, it doesn't really matter. The purchasing power is being lost, and if the funds are available to supplement both types of recipients, well and good. I do wish to point out that a lot of the surplus that has been built up over the years is as a result of not only employees or employers contributing to the plan since 1973, but also prior to that time. So both types of employees . . . and most of our employees have money in both plans, if you want to use that term. But they have money prior to, and subsequent to '73.

Mr. Katzman: — They have three plans.

Mr. Aebig: — Well, it's really one plan with more than one component, really. The commission views it as one plan, one fund, one surplus, and one accounting entity. And that's the way that we have been reporting since 1973 until this amendment was made to our legislation to correct another problem, which unfortunately created this one. And the commission feels that if that's what created the problem, then we can undo the problem by legislation.

Mr. Katzman: — Except . . . I think you've hit it on the nail. You attribute it to be one set of money. This committee . . . (inaudible) . . . to be two or three sets of money. And that's really where we're down to a dispute. And I understand that you attempted last year or the year before — and you told us something about it in the committee and I don't remember exactly what you told us — that you were doing some breaking out to see if it would work or not, some type of . . . doing some financial.

So I gather that it's possible for you to break them out, except for maybe back for enough. It's like I have the pension plan from May, 1927 to May 31, 1965, of the public pension. Now they have a little trouble breaking some of that out because it's so far back. So you may have some problems. But then, from then on, their statements have always been clear. For example, employees put in so much; so much was paid out; so much was paid in by government. From 1965 on it's straight and clear.

What I'm saying is, you may have trouble on your first statement when you separate, and the actuaries will work it out, and you and the auditor and the comptrollers will get together and agree — well, this looks like it; we can't back some, but we accept these assumptions. From then on you will have the old plan, the annuity plan, the annuity portion and the formula money that's going in. Now the one thing about formula is, you know, nobody used to put a cent in for formula plan — truth be known — because the money's not important in a formula plan. The only thing that's important is the actuary's report, if there's enough money to pay out the benefits. So what . . .

Mr. Aebig: — Excuse me. It is important — the amount of money in the formula plan — in view of the fact that we're subject to The Pension Benefit Act . . .

Mr. Katzman: — That's correct.

Mr. Aebig: — . . . which requires that we determine the value of the pension and compare it to the value of the contributions.

Mr. Katzman: — But what I'm saying is the way we have it today, I am told 165.6 per cent of the contributions being put in now is enough for your formula plan. And that's in the Provincial Auditor's — sorry, that's in the *Public Accounts*. So if that is the case, there is a 35, let's round the number, a 35 per cent going in that you don't need for your actuary report.

Mr. Aebig: — Providing we don't supplement pensions.

Mr. Katzman: — Providing you don't supplement, providing you don't pay annuities, and providing you don't do a lot of other things. And I'm saying to you, fine, then show the 165 point in one, and say the other money is going into annuity. Because the joke here is, and I may be wrong and I'm just coming by the seat of my pants here, the joke is that Mr. Employee is paying in 17 per cent extra, and you're putting it into an annuity. But if the plan gets in trouble down the road and becomes unfunded, you're going to steal it back over.

Mr. Aebig: — I don't quite follow you on that buy we're not . . .

Mr. Katzman: — If the plan decides to give out extra benefits, let's go to 3 per cent per year instead of 2. Okay. You will then take it out of that employee's annuity portion to make the fund liable.

Mr. Aebig: — No, we can't take any money out of the employee's contributions.

Mr. Katzman: — Oh yes you can.

Mr. Aebig: — No, only out of surplus. That's the only place we can . . . (inaudible) . . . these funds.

Mr. Katzman: — You will class . . . You will take the extra . . . The 16 per cent, 17 per cent extra match he put in will now be required to make the plan solvent.

Mr. Aebig: — Oh, well that would go to surplus. Yes. I see what you're getting at.

Mr. Katzman: — And therefore he now, when he could only be paying in . . . (inaudible) . . . per cent, is paying in case something happens. And I'm saying is, charge him his 73 per cent, charge the town 73 per cent, or 83 per cent, whatever — 83 per cent. And then say, now towns, we're charging you an extra 15 per cent for the supplementaries and those other things. That's fair, that's honest, that's up front, and everybody knows what you're doing.

And employees, if you want an extra savings account, like the other employees in public service have, fine. You want to put in some extra, we'll invest if for you. No problem. And pay it out to you later. But the way you're doing it is not honest.

Now the second part of what I'm saying is, I would like the report to come in that shows me these three things: would be the separate plans, or, if you change the legislation . . . I'm assuming you asked to report them in one. But you'd still . . . I would still want to see those three columns.

So I'm saying to you, I'm against the legislation change because I'm not guaranteed because over our past experience in the last year with you, I'm not guaranteed you will show me those three columns for ever. So I'm saying, in my opinion, no, to the legislation change, because then I won't have an honest report, as every other government plan now shows: the savings account portion, cash purchase sale . . . (inaudible) . . . and the formula.

Mr. Aebig: — Excuse me. There's one very fundamental difference, though, between the plans for the teachers who went from the defined benefit to the money purchase. The government went the same direction. We went the opposite direction.

Mr. Katzman: — I realize that.

Mr. Aebig: — Now in their plans they quit one; they either stayed in one or they went to a new one. So each employee is contributing to one plan. But in our case the same employee is contributing to both. And there is the fundamental difference in the reporting.

Mr. Katzman: — The three, not . . .

Mr. Aebig: — Or the three.

Mr. Glauser: — Yes. Now I kind of got lost in this, talking about being having available any moneys from the annuities. It would seem to me that those are locked up somewhere. You don't sell the annuities. The annuities come from some other peripheral place. You don't have control of those any longer, do you?

Mr. Parkinson: — We fund the annuity. Since 1980 we have funded the annuities.

Mr. Glauser: — Okay. I want to talk about that, then. To what age are those calculated? Those annuities for the individuals.

Mr. Aebig: — They are calculated at their age at the date of retirement, and that benefit remains payable for life. They have to be life annuities.

Mr. Glauser: — Well . . .

Mr. Young: — When they die, what happens to the annuity?

Mr. Aebig: — Well it depends on their plan selection then. If they have a joint life plan and the guaranteed period hasn't expired, or if they have, as I say, a joint life plan with the survivor, the survivor receives it for his or her lifetime afterward. And then if the guaranteed period has not yet expired, it will be paid to the estate for a further period until . . .

Mr. Glauser: — None of them ever take that straight life, where everything is lost upon death?

Mr. Aebig: — A few have. Yes.

Mr. Parkinson: — We have some who have taken that straight life.

Mr. Glauser: — Now. Okay, here is my point in this. You talk about June 30, '83, at $50,000. You gave that example — give them a pension of 500 a month. All you're doing is paying the interest.

Mr. Aebig: — It really depends. It's just an example. It's not an actual calculation.

Mr. Glauser: — No, but at the time that that was taken out, and where interest rates were high, in 1983, then conceivably the interest on $50,000 for one year would be $5,000. So you're paying little more than . . . So is this how you're accumulating funds too?

Mr. Parkinson: — Well, in a way. But you'll find that all of the employees, I feel sure, will withdraw all of the money that they have put in.

Mr. Glauser: — But in the meantime, though, there's funds there.

Mr. Parkinson: — Oh, yes.

Mr. Glauser: — That are being used. Is there any option in this for an employee to take a self-directed?

Mr. Aebig: — No. At retirement he could buy an annuity from a private company or have it funded directly through the plan. But once he's made his selection, that would be final.

Mr. Parkinson: — From 1973 on, he must take the formula.

Mr. Glauser: — There's no option in there, then. That's what you're saying.

Mr. Parkinson: — No.

Mr. Glauser: — Okay.

Mr. Katzman: — Can I ask one question? What about the extra part? What about the extra part he's paid in since 1973?

Mr. Parkinson: — Well he can take an annuity or roll it over into an RRSP.

Mr. Glauser: — Oh, he has that option on that . . .

Mr. Parkinson: — Yes. He has the option on that portion, Cal.

Mr. Glauser: — Okay. Now you say that these funds, the surplus funds, are invested at 11 per cent. Is this in the bond market, or how are you getting this kind of rate?

Mr. Aebig: — Well we have various investments. We have some in short-term, I believe about 27 million in short-term. We have real estate, stocks and bonds, mostly bonds.

Mr. Parkinson: — I just looked at our interest earning for the month of March of this year, and our interest earnings for the month of March were 242,000.

Mr. Glauser: — Well I want to go back now to that $50,000, and that's part of that whole scheme of things. So really, nobody really ever gets their money out of there.

A Member: — Yes, they will.

Mr. Glauser: — All they get is the interest.

Mr. Aebig: — Well as I say, the $500 is only a figure picked out of the air. It's not to be meaningful.

Mr. Parkinson: — No, but Cal is saying that an employee will never withdraw what he has put in, plus the interest.

Mr. Glauser: — Exactly.

Mr. Aebig: — But using the actual figures, they do, depending on the interest rate. If they're low one day and he gets his annuity that day, and a month later the annuity rates go up, it will appear as though he'll never get his money out.

A Member: — It's the same in the private sector, too.

A Member: — Yes, exactly.

Mr. Benson: — If you bought an annuity in the private sector, you're subject to the same interest rates.

Mr. Young: — You want to retire on a day when interest rates are high — or a month or a year.

A Member: — That's right.

Mr. Young: — It's just fate. But here's a figure that bothers me. And I don't know how the pension legislation messes up the law of trust, but if I'm out working for some R.M. running a road patrol and I put in . . . Out of my cheque, they knock off 30 bucks a month for pension and the R.M. contributes another 30 bucks — matches me, right? I feel – I'm driving that road machine out there — that that money is embossed with some sort of the trust for my benefit. You guys say not. You say that I put my 30 in and I get the full benefit of it, and some of that money that my R.M. puts in, because I exist and I work for them, will go to me — 85 per cent — and 15 per cent will go to supplement some guy that's in an old folks' home, possibly. And that isn't on paper, and that's the part that we dislike here at this table.

Mr. Aebig: — Actually the members that are now contributing to the current plan will actually get more good benefits out of this than the former plan members.

Mr. Young: — But had to pay for it though, you see.

Mr. Aebig: — It's really difficult to say. Each time there's an actuarial evaluation, the circumstances change. We may have a surplus of 15 million now, and a year later, even though because of interest rates or salary adjusts, it may be much higher or much lower. A good part of the surplus . . .

Mr. Young: — It could do better than the old plan, certainly. But what's happening is I'm contributing more and my employer is contributing more. And certainly the problem is, because in those days salaries were 3 or 4,000 a year, now the cost of living is 1,000 a month, shall we say, and it just wouldn't work. A guy would starve to death. I agree with you doing this, robbing Peter to pay Paul to make Paul be able to live, but what you've got to do is report that, and that's the problem.

Mr. Aebig: — Well, a lot of this is not attributed to the employee. In fact the employee is completely covered. There are excess employer contributions in certain circumstances. There's excess investment income. And one of the large items in the surplus is the forfeiture of the employer's contributions when a person terminates employment and takes a refund. Each year we receive about $640,000 in that manner.

Mr. Young: — That's just found money.

Mr. Katzman: — The found is 640?

Mr. Aebig: — Yes, 640,000, for people who terminate employment and make a withdrawal.

Mr. Parkinson: — And they forfeit the employer's contribution.

Mr. Katzman: — I'm sorry for interrupting, I just wanted the number.

Mr. Young: — Well that's my problem, is this kind of trust that I think that should attach to my employer's contribution and it should all go for my benefit, and it doesn't. It goes to subsidize some guy who, in his day, was making 3 or $4,000 a year and didn't contribute enough to sustain himself in these inflated times.

Mr. Aebig: — In theory that's right.

Mr. Young: — I have no argument with that. It's just that it should read out that way.

Mr. Aebig: — In reality, though, with having 5,000 members, we'd have to have 5,000 plans to ensure that — what you suggest.

Mr. Chairman: — You're going to get a spirited response to that last one, I think.

Mr. Katzman: — No, I don't agree with you. I am not sure if I am being baffled by brilliance or baffled by something else . . . (inaudible interjection) . . . And I do. And my problem is, you have lost me once or twice from a basic layman's knowledge. And I go with Kim Young, as he just said, there is a trust and our report shows that in the trust 165.6 is what's required and the rest is surplus. You treat the employee properly. I do not argue. You give him another bit of pension through his equity side.

You treat the taxpayer unfairly. You say, we are taking your money, but you're not saying why we're taking your money. Not in your report. What you're doing with it, you may tell them, but your report does not verify that you took the surplus portion paid in on their behalf, on behalf of the present employee, and used that money to subsidize past employees. I have no argument with what you're doing, but you're not being up front when you do it.

Therefore, as the conversation goes on stronger and stronger, I am more resolved that you will go as we recommended last year, and split your accounts. I do not believe in this computer day, in this computer age, and the amount of money coming in side by side, that it is impossible for you to break it down. It may take half an employee — and we're paying for it, the Government of Saskatchewan — to punch all that stuff in but I don't think that we have the right to be . . . And I will use a strong word and Mr. Chairman, if you wish to correct me, fair game. I think it is almost dishonest to the towns, without laying it up front what we are doing.

You may tell the board members, but I will bet you that when I go home tonight or when I go to the phone at noon hour and phone my R.M. councillors, they won't understand that they're paying 17 per cent for other things.

Mr. Aebig: — Well, I might just mention that there's a rural municipal administrators' convention coming up in Regina in about a month. I'm scheduled to conduct two seminars to keep these people informed with respect to what the fund or the plan provides; what the future holds; inform them of the benefits that were passed at the last session of the legislature for the betterment of the employees currently contributing to the new plan; also report on the solvency of the fund and as I say, to the best of my knowledge, what the future holds. I do this practically every year and certainly when anybody ever comes out or calls me out, we disseminate this information to all our employer members and employees.

Mr. Katzman: — Since 1973 I say you haven't had to give them a full and comparative results the way I believe it should be given. The 1982 amendment in the House said that you should do it and you're saying to me, we're not going to do it. That's basically what we're down to here.

Your 1982 amendment said you must, or your '80 amendment said you must do this from now on, split the account and show them.

You are saying to me, I'm not going to do that, and you're asking me now to change the legislation so you don't have to do it. And the more I sit in this room, for the last hour, I'm going to be more resolved that you are going to do it, and I say because it's honest. It doesn't do anything but a change to your accounting formulas so that things are up front and I don't know if I should bring the comptroller in or the auditor and ask them if they disagree.

It's a matter of accounting that we're talking about, and reporting. It doesn't change what you're doing. But it's up front what you do because you show it in your accounting, where now you don't have to show it. That's what we're arguing over, not what you're doing. If the towns want to argue about that 17 per cent, that's another issue. But I'm saying, you don't show it up front that that 15 million is there because of . . . (inaudible) . . . and because of the town paying 17 extra.

Mr. Aebig: — Excuse me. We don't know anything about the 15 or 17 per cent on an annual basis. We only learn that at the conclusion of every actuarial evaluation.

Mr. Katzman: — That's correct. And when you have an actuarial evaluation is when you're supposed to adjust your rates either up or not, but you're not.

Mr. Aebig: — Well what we did is we granted additional benefits rather than reduce the contribution rates.

Mr. Katzman: — But you haven't been honest on your additional benefits. Those are being paid by the town's portion and the annuity. I don't know, Mr. Chairman, if I should ask if I am on the right track when I say to the comptroller, it's just a matter of how they report and they could follow our legislation. Am I wrong on that statement?

Mr. Kraus: — Well we believe, Mr. Chairman, and Mr. Shillington, that in fact whether there is one fund or not is a major difference, or one plan or not is a major difference in how you would account. And I would also ask that the auditor provide us with his opinion on this. But I think the problem has arisen because the auditor has, in his view and his legal counsel's view, said that that legislative change in 1982, in fact, made for two pension plans, and therefore there should be a separation of account for accounting. At least there should be accounted for two plans. If there was one plan, in fact, if the legislation said that there was one plan, then I believe the auditor would not have . . . I do not believe, and they can comment on it, I don't think he would have any problem with accounting for just one plan, regardless of the activities that are taking on and are occurring.

And so I believe, in fact, that if there's one plan, there will be one accounting. If there's two or three activities and it's clearly laid out that there shall be, then we would account for it differently. So I guess I am saying something different than you are, Mr. Katzman.

Mr. Katzman: — What you and I are saying, Mr. Kraus, is that if it's two plans, as is indicated by the auditor's department, then there should be two reports. You are saying, if there is one plan doing all these things within, then there should be one report.

Mr. Kraus: — Yes. And the issue it seems to me to come down to is that we have a legislative committee that is saying, we think there's more than one activity or more than one plan, and we have a commission saying, no, there's just one. And that, I think, is the issue.

Mr. Katzman: — And we had an interpretation last year, and they can verify it, from the auditors and their lawyers saying there is more than one. I'll turn it to them.

Mr. Benson: — It was an inadvertent change. I mean, the commission wasn't deliberately trying to make two plans.

Mr. Chairman: — With respect, I think the Provincial Auditor's views are set out unequivocally in his report. I don't think you can pull any punches.

Mr. Katzman: — Would he like to repeat them so that we're all clear and it's clear on the record, because somebody will read this and say, what's . . .

Mr. Weiman: — I understand the auditor is going to be next.

Mr. Katzman: — Okay.

Mr. Weiman: — I don't pretend to understand pensions and things like that. That's what you people are there for, and I would like to think that you're doing an excellent job on it. We have two questions before us, as the member of Rosthern has indicated, and rightfully so, the operation of the plan — that's one question — but that arises out of the original question and that was the reporting of the operating of the plan.

Now the way I look at it — maybe I'm looking at it too simplistically — either you people who are entrusted with these pensions understand the full scope of what you're doing, and the internal operations, and where you're putting this money and how it works, or you don't. It's one or the other. I like to believe it's the former, that you do understand the operation and you do understand what these pensions are doing or will be doing in the future and the funding of them.

It comes down to a basic premise. If you understand those, don't you think the courtesy of your departments should allow us, as administrators of public funds and responsible for public funds, that we understand what you're doing? And I make a strong case in favour of the auditor. I fully grant that you're doing things correctly, from your perception, and that your operations are done correctly, and in many cases altruistically, to help those who are in difficulty, who were underfunded.

All we're asking is: why are we not allowed to understand that operation so that we can be totally accountable for the public funds in which we are responsible for?

And I guess what I'm asking is — we've asked for a few years now — that what ever way you go that the auditor, and then the auditor through us, understand exactly where these funds are being used. I think it's as simple as that. Instead of arguing, well this plan, this plan, that plan, that plan, just show us. Just show us. And we've asked that last year and we are asking that again.

Mr. Chairman: — Do you have any comments to make, gentlemen? The member from Regina North.

Mr. Klein: — As a new member on this committee, Mr. Chairman, I read the material put before me and I've heard now strongly from members of this committee and I've heard briefly from the comptroller. And I may have a strong opinion that I would like to put forward, but I don't want to do that until I know that I'm absolutely certain about it. And that opinion will hinge on what the auditor has to say.

I would like to hear from the Provincial Auditor now, after having heard arguments from the members of this committee, as well as explanations from the commission, just what he feels about this situation now that it's on the table.

Mr. Young: — Could I jump in and just carry on with exactly the line that Jack Klein was on, because we are here supposedly jack of all trades, and these guys are experts. And damn it all, we're entrusted with running something, which to a great extent — maybe with the exception of Katzman — is over quite a few of our heads. And it's pretty tough to discharge our duties as members of public accounts when you get into this high-faluting finance of pension schemes.

Mr. Lutz: — Thank you, Mr. Chairman. This is a far-ranging kind of a discussion to which I will try to add a little more confusion, I suppose. Mr. Aebig made reference to the fact that every two or three or four years they get an actuarial study done and they know whether they have a surplus or a deficit. I hold the view that if you do segment your statements and do it what we call "right," you will always know whether you have a surplus or a deficit. And the only reason you would go to an actuary in that case, and pay them a handsome fee, is to find out if your plan was sound into the future. That's my first premise.

The second thing I think I must say is that while an employee in the early years may not have been earning a great pension, I do not believe that you can use your present pension fund activities to supplement whatever pension that employee earned when you bill the taxpayers or a few hundred municipalities. If an employee believes he's going to need more pension down the road, that employee should pay for that pension as he earns. But I don't believe that the employer should have to pay for that when, at retirement date, the employee gets his money back and they retain the money from the employer to pay him his annuity.

I think, as Mr. Katzman said, this is not putting this whole thing up front. I guess I will end my discourse by saying if they continue this course, unless they change the Act, we will qualify these financial statements for ever.

Mr. Chairman: — Which brings me to the comment I was going to make. Lord Christ, gentlemen, this is an unsatisfactory situation. I've been listening with growing irritation all morning long to this conversation. What I hear . . . I don't want to be critical of the witnesses; it's not our role. But I want to be extremely critical of the situation that's developed.

I have listened this morning to you people saying, but if the legislation was changed we'd be doing just fine. But the legislation . . . (a) that's an inappropriate comment. You may recommend to your minister that legislation be changed, but until it is, surely to God you comply with the legislation as it exists.

The Provincial Auditor has said you're not doing that. He's got legal advice which buttresses that view, and the department — I'll recognize the member from Rosthern when I'm finished — the department apparently takes the view that all is well. You're administering a fund with $101 million in it. The last usable statement we had was 1982. I asked Mrs. Kaufmann from our office to bring down the annual report for last year and the year before. I was reminded that last year, when it was, tucked inside the front cover was both your revised statement and your original version of last year's financial statements. This year it seems we have nothing at all. We haven't yet had a financial statement.

My question to you, gentlemen, is: when in the name of God are you going to resolve the problem? It is just simply not satisfactory to have a plan with $101 million going for two and one half years without — three and a half years — without usable financial statements. It's just simply not a satisfactory way to run a railway.

So my comment to you is, and I'm not . . . I listened with growing irritation when your response is, we'd like to see the legislation changed. The Provincial Auditor has said unequivocally that he thinks your financial statements do not meet the Act. The committee has said unequivocally on two separate years that . . . And we have recommended to the legislature and the legislature has adopted the recommendation which state that you must comply with the Act. Yet life sails merrily on without any successful attempt to resolve the problem.

So my question to you is: when are you going to get this mess cleaned up? It's just not satisfactory. I guess it's directed to the deputy minister of Rural Development. I assume that you . . . I assume that the commission reports through you to the minister.

Mr. Jonsson: — Well I've just been promoted to a deputy minister from ADM (assistant deputy minister).

Mr. Chairman: — Oh, I see. Okay.

Mr. Jonsson: — Mr. Chairman, you indicated that the Provincial Auditor has a legal opinion that what we're doing is incorrect. We have also . . . The comptrollers have an opinion that says we are doing things according to Hoyle. We also have an opinion from the Institute of Chartered Accountants — a national institute — that what we are doing is correct. The commission is of the view that what it is doing is correct, and I point to you section 64 of the Act, which says that:

> When a question arises as to the application, interpretation or intent of this Act or the regulations it shall be determined by the commission whose decision shall be final.

So, you know, there are . . .

A Member: — What section?

Mr. Jonsson: — Sixty-four.

Mr. Chairman: — Would you repeat that again?

Mr. Jonsson: –

> When a question arises as to the application, interpretation or intent of this Act or the regulations it shall be determined by the commission whose decision shall be final.

Mr. Chairman: — I . . . Go ahead, finish. I'm sorry.

Mr. Jonsson: — Well all I'm saying, Mr. Chairman, is that there are differences, honest differences of opinion, both legally and between the auditor and the comptroller, and the commission to a certain extent is caught in the middle, but ultimately is responsible to administer the plan as they interpret it, according to the Act.

Mr. Chairman: — I frankly have not before . . . I can't recall a precedent for this, whereby you're telling your auditors, in effect, take a walk.

Mr. Katzman: — You're telling the Legislative Assembly and the Government of Saskatchewan to take a walk. This is what you've been doing for a year and a half since we told you to clean up your mess. Now we're getting down to the nub of the issue.

Mr. Chairman: — It is one thing . . . There have been on rare occasions, and they are rare — I noted that the Provincial Auditor in this report set them out. There have been rare occasions when the recommendation of the legislature has not been followed. Those are often, however, matters which approach matters of policy.

The one example that was cited was the failure to do additional audits to ensure that sales tax was collected. That is a matter approaching a matter of policy. I know of no precedent where a line department or an agency tells (a) the auditor to take a walk. You don't do that. You don't do that in practice, and you don't do it in government. You work out those problems, or you comply with the Provincial Auditor.

But the member from Rosthern is quite right. You're also telling the Legislative Assembly to take a walk. And I direct these questions to you again. How do you intend to resolve this matter? Because it's got to be resolved. We simply cannot carry on with a fund of $101 million being run in such a fashion.

Mr. Aebig: — Well apparently reference was made to the fact that . . . which would indicate to someone listening that we've been sitting on our hands for the last two years or so.

When this recommendation was first made at the last Public Accounts meeting, and one of the financial analysts and I had a meeting with Mr. Katzman afterwards, and the impression I was left with: find a solution with the Provincial Auditor by the next session of the legislature. And that's what we attempted to do.

In the interim we had a financial analyst and our accountant work on some statements, splitting them out to see just what would be involved to do this. Since then that financial analyst left; another one came on. And as it turns out, we've had three different financial analysts at different times working on this with our accountant, and we still couldn't come up with a figure that would satisfy the audit manager.

Mr. Chairman: — The Provincial Auditor or one of his associates will want to make a comment here.

Mr. Lutz: — Mr. Atkinson, I think, might want to comment about the variety of meetings you held with these financial analysts over a period of what — a year and a half, two years? Is there anything you wish to add to that, Brian? If not, just say, no thank you.

Mr. Atkinson: — Not at this time, no.

Mr. Lutz: — Okay.

Mr. Kraus: — Could I make a comment? Because I don't think this thing should move into a technical area. I still think there's a policy here that has to be dealt with, if the committee allows me to use the word "policy." I think there is . . . I guess I see that we can get behind the technical arguments or use them, and it tends to put up a smoke-screen and confuse us all. And I don't want to belittle the fact that we work on technical matters, but nevertheless I don't think that's the issue here.

I really do think you're getting very close to it when you say you have a commission that's saying, here's the way our plan is going to operate; and you have a legislative committee that is saying, well that may be fine, or whatever, but here's how we want you to report, or perhaps you should segregate the moneys and you should report in this fashion.

I think that's what it's all about. And if that's decided, the accounting and reporting will follow along quite nicely.

Mr. Chairman: — With all respect, and I have ever respect for you Mr. Kraus, I though that's what we said last year with the greatest of clarity.

Mr. Kraus: — Yes, but the problem is, if I can say it, is that the commission is saying they're satisfied with what they have and . . .

Mr. Chairman: — But the commission does not — I don't mean to argue with you, Mr. Kraus — but the commission does not prepare its annual reports just for the directors, and I agree with Mr. Katzman; I suspect that many of them would have difficulty following a problem as complex.

You don't prepare them just for the employees. First and foremost you prepare them for the public of Saskatchewan who are represented, in form, by the Legislative Assembly. And you have been told that those reports are not satisfactory to the Legislative Assembly with, I think, the utmost clarity.

And as I say, this situation has got to be resolved. We can't carry on and invite them without — with the problem unresolved. It ought to be an embarrassment for you people. And it is certainly a matter of some irritation for the members of the commission, for the committee, rather.

The member from Regina North has his hand up.

Mr. Klein: — Thank you, Mr. Chairman. I don't know the powers of this committee, but I, too, share your sentiment. I'm getting a little bit frustrated as I see what's happening here, and I suppose, having had the prior experience of working with the Provincial Auditor and coming to some disagreements with their department, we have always been in a position to work those matters out. And the commission is telling us that they are at an impasse with the Provincial Auditor, and I don't believe that we should allow that type of an impasse to occur. As members of the Legislative Assembly, we are challenged with the responsibility of our constituents to do a reporting, and that's why, in essence, this committee sits.

Now I note with interest one comment, an observation, by the Provincial Auditor, and if you want to challenge the rest of his statements I suppose that's fair game, but the one comment that he makes is that under section 20(4) of The Municipal Employees' Superannuation Act:

> . . . does not provide authority to pay an additional annuity to the members retiring at normal retirement age and therefore pension payments, which include additional annuities are payments without authority.

Now I've sat here this morning knowing nothing about this and heard several times, acknowledged and agreed, that these payments are in fact being made by the commission. Clearly it's being made without legislative powers.

If that's the case, and if you want to challenge the authority of the Provincial Auditor, that's your business. But I read further that almost a year ago, May 29th, 1985, at a public hearing, this very committee made a motion and a recommendation, and asking you for a report back. And you have not complied with that request. Now if you want to challenge the Provincial Auditor legally, and by any other method that you have, feel free to do that. But don't challenge this Public Accounts Committee, because I don't believe you have that authority.

Mr. Chairman: — Understand what you're doing when you're challenging the Provincial Auditor. Please understand the office. He's an officer of the Legislative Assembly. His role is, in a direct sense, to serve the members of the Assembly, but in an indirect sense he serves the members of the public, the same as the Speaker does. So understand what you're doing. This is an officer of the Legislative Assembly.

What I would like to do, gentlemen . . . I think we have made ourselves abundantly clear. What I'd like to do is to . . . How long would it take you to prepare the financial statements in the form we've requested?

Mr. Aebig: — It's difficult to say. We have a very, very small staff ourselves. We have an accountant and two accounting clerks and one typist and myself, to run an operation which now is $150 million. We collect contributions on a monthly basis from 750 employers, and we're in the busy part of our year. So how much time our accountant can spend on it . . . (inaudible) . . . but I really don't know. A couple of months, probably.

Mr. Chairman: — Oh, Lord. What I'd like to do is to adjourn this matter for three weeks and ask you to come back with financial statements in the form in which they've been requested. If you need additional assistance, I'm sure that either the Department of Finance or . . . Perhaps not the Provincial Auditor's office; that might not be appropriate. But I'm sure you can get additional assistance. But two months be hanged. You've had three and a half years, and the matter has not been resolved. I, for my part — and I'm not making this a motion until we discuss it — for my part I would be prepared to consider adjourning the discussion of your affairs for three weeks and then ask you to return with the financial statements in the form we've requested.

Mr. Katzman: — Mr. Chairman, I want to speak on that comment.

Mr. Chairman: — Okay.

Mr. Katzman: — I am not prepared, for reasons, and I will be . . . With the hype of this House, you never know what's going to happen around this place at this time period. I would suggest that I would just as soon take the report to the House today on one issue, so it cannot be misconstrued by anybody: that we direct the municipal employees' plan to report on each of their separate issues separately. End — finis.

Mr. Chairman: — I think a better way to phrase it . . .

Mr. Katzman: — I won't argue about the phrasing. Phrase it . . . You know I don't play with words.

Mr. Chairman: — You report them . . . (inaudible interjection) . . . Exactly. That was the phrase I was trying to put in words.

Mr. Katzman: — Fair game. And that's the end of it.

Mr. Chairman: — Comply with the reporting requirements of the Provincial Auditor.

Mr. Katzman: — If you want to challenge the House . . . (inaudible) . . . Then let's get on it.

Mr. Chairman: — That's what would happen. There would be a special report before the orders of the day after question period.

Mr. Katzman: — But I think the House is going to tell you that they are the supreme law in the province, and we are saying: that's enough; do it! I'm not prepared . . . I don't care if you come back in three weeks, six months, or a year from now with your report. From what I have delved into in this report, as I told you when I met with you, if you can settle with the auditor, fine. You haven't been able to; this committee will now make the recommendation. That's it. Get it done. And that's it. The highest . . . (inaudible) . . .

Mr. Chairman: — That's perhaps what we ought to do, is just resolve the matter. This is silly.

Mr. Katzman: — Yes. Let's just say, that's it. You report it. If you want to challenge the Assembly, you take that on your head.

Mr. Klein: — Mr. Chairman, I would like to ask the Provincial Auditor what he thinks a reasonable time frame would be, so that it we're going to make this statement in the legislature that . . . You know, after all we trying to comply with his request, and I think we're guessing games here. You've mentioned three weeks . . .

Mr. Katzman: — He just wants to talk to them in three weeks.

Mr. Klein: — And I would like to hear what the Provincial Auditor might have to say.

Mr. Lutz: — Mr. Chairman, and Mr. Klein, I have to repeat, we do not prepare these financial statements. As you know, it's their statements. Mr. Kraus might have a better idea. He's had people on this before, I believe. I believe Mr. Kraus has assigned certain financial persons to this. Mr. Atkinson, do you have an idea? I don't want to give Mr. Klein an answer that . . . How long will the audit take? If we got new financial statements, let's say in 10 days, how long does the audit take? Another 10? Because we just do the audit.

Mr. Atkinson: — It takes about 300 hours.

Mr. Lutz: — About 300 hours to do the audit if these financial statements are presented in this fashion — about 300 hours.

Mr. Chairman: — But it's not 300 hours to prepare the financial statements. That's 300 hours to do your audit once you get the financial statements.

Mr. Lutz: — We can't speak to preparing the financial statements . . .

Mr. Katzman: — Mr. Chairman, I don't think that's the issue here. I don't disagree to having them back when we get them back. But the issue is, this committee is going to make a decision today. You do it the way you've been told by the auditors. Use that wording, and that's the end of it.

Mr. Chairman: — I think we all agree.

Mr. Katzman: — I am so moving that we report this afternoon to the House, report of this committee, that the municipal employees report as is directed by the auditor. You write it out, I'll sign it.

Mr. Chairman: — The Clerk will prepare a report. That, I think, will resolve this problem, which, as I say, I must admit, gentlemen, I'm getting impatient with.

Any comments on this? Before the vote is taken, I'd like to know, perhaps from Mr. Kraus then, what do you think is a reasonable time for preparing the financial statements? You're going to be overdue on your reporting requirements to the Legislative Assembly pretty soon. In fact, I think you are already.

Mr. Katzman: — They already are.

Mr. Kraus: — Yes. If we don't get financial statements from a particular agency, we just table the information we have in the *Public Accounts* and they're left out. We can't hold up production of that document. But I'm not really in a position either to comment on on how long it should take, whether it should take three weeks or six weeks. I would have to defer to the commission staff.

Mr. Chairman: — Okay. Let's deal with Mr. Katzman's motion. This is outside . . .

Mr. Katzman: — The motion is aside. This is a separate issue. The motion is . . . Mr. Clerk would you do some writing . . .

Mr. Klein: — Mr. Chairman, I would still like to put a time frame in it that's satisfactory and agreeable to everybody, and maybe the commission would be aware of how long a reasonable period of time would be for them, and if we can accept on that time frame, then let's have a deadline on it.

Mr. Chairman: — Let me try phrasing the motion. Moved by the member from Rosthern:

> That the Municipal Employees' Superannuation Commission be required to prepare financial statements in accordance with the auditor's report of 1985, and to otherwise comply with the Provincial Auditor's report.

A Member: — Within a period of . . .

Mr. Chairman: — No. I was going to suggest that we don't put that on for a moment. We really don't have any solid information about how long it will take.

Mr. Young: — You didn't do it for the intent of the House. You put them in a hell of a spot.

Mr. Chairman: — No, we can't do that. We've got leave.

Mr. Jonsson: — Mr. Chairman, under the circumstances we will make every effort to do this as soon as possible. We'll just have to get the necessary staff and . . .

Mr. Katzman: — And three weeks shouldn't be part of my motion.

Mr. Chairman: — No, that's not part of the motion.

Mr. Katzman: — It's nothing to do with the motion. Your time limit is a different issue. What we are now saying to you, Mr. Deputy Minister, is we don't care what your 64 cents or anything. You will report the way the auditor told you, and that's the end of it. The second issue then is: how long till you'll be back here with the report?

Mr. Jonsson: — As soon as possible.

Mr. Chairman: — We'll deal with the second issue in a moment. Would you read the report, would you read the rest of the motion then . . .

Mr. James: –

> That the Municipal Employee Superannuation Commission be required to prepare their financial statements according to the Provincial Auditor's report of 1985 (and I'll mention the section), and to otherwise comply with the Provincial Auditor's report.

Mr. Young: — In accordance with.

Mr. Chairman: — Better phraseology.

Mr. James: — Now this will be debateable. Once we present the report there can be a debate.

Mr. Chairman: — It'll come up under reports of Special, Standing, and Other Committees.

Mr. Lutz: — I believe Mr. Wendel wishes to input here.

Mr. Wendel: — Would the committee just like to use its previous year's recommendation at the bottom of 55, that would really . . . those were the committee's words and . . .

Mr. Chairman: — You think that's better?

Mr. Wendel: — There's sense in what we're saying too, but where the committee's . . .

Mr. Lutz: — You won't be at variance with what you've said before.

Mr. Chairman: — Consistency is the hobgoblin of little minds, Mr. Provincial Auditor.

Mr. Lutz: — Auditors are like that. That's the way auditors are — little minds.

Mr. Chairman: — We could use the wording of the former motion. I think the present motion says it as well.

Mr. Young: — Ours is shorter, and it just says in compliance with this paragraph on 55.

Mr. Chairman: — Okay. Any comments. All in favour? Okay, nemine contradicente. Gentlemen: time limits. I assume this is going to be the end of the matter. I am perhaps going to arbitrarily suggest that we'll call you back in a few weeks, three weeks. We'd like your best effort in three weeks and not your studied effort in three years. So give us what you can in three weeks. We'll call you back in three weeks, since nobody seems to be able to give me a time.

Mr. Katzman: — On another issue. I would suggest that the committee adjourn now rather than go into something new, and we'll start again on . . .

Mr. Chairman: — Sharp at 9 o'clock, you people.

Mr. Glauser: — The commission would like to see a change in legislation. They may consider allowing the employees to have an option for self-administered. Now I realize that would take some funds away from you but, by the same token, what it does for them is allows them when interest rates are something less than lucrative — because there are other instruments — and with the changes in the federal legislation most recently, there are those things that could be invested in that would allow for some inflationary factors as time goes on. So that might be a consideration of your commission.

Mr. Chairman: — You have those comments from the member from Saskatoon Mayfair. Gentlemen, you're excused. Thank you for attending. We have one issue left, gentlemen, and that's our meeting times for next week.

Mr. Katzman: — Oh, I spoke to Mr. Berntson . . . sorry, to Mr. McLeod, House Leader, and I will have an answer later today. So why don't we leave it at the call of the Chair.

Mr. Chairman: — All right, at the call of the Chair. I think we need to start meeting two days a week, though. We're never going to get done at this rate of going.

The committee adjourned at 11:05 a.m.